

Blackstone Group L.P.
Form S-1
March 22, 2007

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As filed with the Securities and Exchange Commission on March 22, 2007.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

The Blackstone Group L.P.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6282
(Primary Standard Industrial
Classification Code Number)
345 Park Avenue
New York, New York 10154
Telephone: (212) 583-5000

(I.R.S. Employer
Identification No.)

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Chief Administrative Officer and Chief Legal Officer
The Blackstone Group L.P.
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New York, New York 10154
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Approximate date of commencement of the proposed sale of the securities to the public: **As soon as practicable after the Registration Statement is declared effective.**

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

| Title Of Each Class Of Securities To Be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee |
|---|---|----------------------------|
| Common Units Representing Limited Partner Interests | \$4,000,000,000 | \$122,800 |

(1) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) Includes common units subject to the underwriters' option to purchase additional common units.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 22, 2007

PRELIMINARY PROSPECTUS

**Common Units
Representing Limited Partner Interests**

The Blackstone Group L.P. is offering all of the common units representing limited partner interests in this offering. This is our initial public offering of common units and no public market currently exists for our common units. We anticipate that the initial public offering price will be between \$ and \$ per common unit. We intend to apply to list the common units on the New York Stock Exchange under the symbol " ."

The Blackstone Group L.P. is managed by our general partner, which is owned by our senior managing directors. Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to elect our general partner or its directors. Moreover, immediately following this offering our senior managing directors will generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our limited partners, including any attempt to remove our general partner.

Our founders want to make these important observations:

Our corporate private equity and real estate businesses have benefited from high levels of activity in the last few years. These activity levels may continue, but could decline at any time because of factors we cannot control.

While the long-term growth trends in our businesses are favorable, there may be significant fluctuations in our financial results from quarter to quarter. Our common units should only be purchased by investors who expect to remain unitholders for a number of years.

We intend to continue to follow the management approach that has served us well as a private firm of focusing on making the right decisions about purchasing and selling the right assets at the right time and at the right prices, without regard to how those decisions affect our financial results in any given quarter.

We intend to use a portion of our net proceeds from this offering to purchase equity interests in our business from our existing owners.

Investing in our common units involves risks. See "Risk Factors" beginning on page 25.

PRICE \$ A COMMON UNIT

| | Price to Public | Underwriting Discounts | Proceeds to The Blackstone Group L.P. |
|-----------------|-----------------|------------------------|---------------------------------------|
| Per Common Unit | \$ | \$ | \$ |
| Total | \$ | \$ | \$ |

We have granted the underwriters the right to purchase up to an additional common units to cover over-allotments.

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units to purchasers on or about _____, 2007.

Morgan Stanley
Merrill Lynch & Co.

Credit Suisse

Citigroup
Lehman Brothers

Deutsche Bank Securities

, 2007

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We and the underwriters are offering to sell, and seeking offers to buy, our common units only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common units.

Until _____, 2007 (25 days after the date of this prospectus), all dealers that effect transactions in our common units, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Except where the context requires otherwise, references in this prospectus to "Blackstone," the "Company," "we," "us" or "our" refer (1) prior to the consummation of our reorganization into a holding partnership structure as described under "Organizational Structure", to Blackstone Group, which comprises certain consolidated and combined entities under the common control of our two founders, Mr. Stephen A. Schwarzman and Mr. Peter G. Peterson, and under the common ownership of (a) our founders and other senior managing directors, (b) selected other individuals engaged in some of our businesses and (c) American International Group, Inc., whom we refer to collectively as our "existing owners," and (2) after our reorganization, to The Blackstone Group L.P. and its consolidated subsidiaries, which will continue to be controlled by our founders. References in this prospectus to the ownership of our founders and other senior managing directors and of selected other individuals engaged in some of our businesses include the ownership of current and future personal planning vehicles of these individuals. Completion of our reorganization will occur prior to this offering.

"Blackstone funds," "our funds" and "our investment funds" refer to the corporate private equity funds, real estate opportunity funds, funds of hedge funds, mezzanine funds, senior debt vehicles,

proprietary hedge funds and closed-end mutual funds that are managed by Blackstone. "Our carry funds" refer to the corporate private equity funds, real estate opportunity funds and mezzanine funds that are managed by Blackstone. "Our hedge funds" refer to the funds of hedge funds and proprietary hedge funds that are managed by Blackstone.

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

- (1) the net asset value, or "NAV," of our carry funds plus the capital that we are entitled to call from investors in those funds pursuant to the terms of their capital commitments to those funds (plus the NAV of co-investments arranged by us that were made by limited partners of our corporate private equity and real estate opportunity funds in portfolio companies of such funds and as to which we receive fees);
- (2) the NAV of our funds of hedge funds, proprietary hedge funds and closed-end mutual funds; and
- (3) the amount of capital raised for our senior debt vehicles.

Our calculation of assets under management may differ from the calculations of other asset managers and as a result this measure may not be comparable to similar measures presented by other asset managers. Our definition of assets under management is not based on any definition of assets under management that is set forth in the agreements governing the investment funds that we manage. See "Business Structure and Operation of Our Investment Funds Incentive Arrangements / Fee Structure".

Unless indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the option to purchase up to an additional common units from us and that the common units to be sold in this offering are sold at \$ per common unit, which is the midpoint of the price range indicated on the front cover of this prospectus.

SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all the information you should consider before investing in our common units. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and the financial statements and the related notes before you decide to invest in our common units.

Blackstone

We are a leading global alternative asset manager and provider of financial advisory services. We are one of the largest independent alternative asset managers in the world, with assets under management of approximately \$78.7 billion as of March 1, 2007. Our alternative asset management businesses include the management of corporate private equity funds, real estate opportunity funds, funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and closed-end mutual funds. We also provide various financial advisory services, including mergers and acquisitions advisory, restructuring and reorganization advisory and fund placement services.

We seek to deliver superior returns to investors in our funds through a disciplined, value-oriented investment approach. We believe that this investment approach, implemented across our broad and expanding range of alternative asset classes and investment strategies, helps provide stability and predictability to our business over different economic cycles. Since we were founded in 1985, we have cultivated strong relationships with clients in our financial advisory business, where we endeavor to provide objective and insightful solutions and advice that our clients can trust. We believe our scaled, diversified businesses, coupled with our long track record of investment performance, proven investment approach and strong client relationships, position us to continue to perform well in a variety of market conditions, expand our assets under management and add complementary businesses.

We currently have 57 senior managing directors and employ approximately 335 other investment and advisory professionals at our headquarters in New York and our offices in Atlanta, Boston, Chicago, Dallas, Los Angeles, San Francisco, London, Paris, Mumbai and Hong Kong. We believe that the depth and breadth of the intellectual capital and experience of our professionals are key reasons why we have generated exceptional returns over many years for the investors in our funds. This track record in turn has allowed us to successfully and repeatedly raise additional assets from an increasingly wide variety of sophisticated investors.

We have grown our assets under management significantly, from approximately \$14.1 billion as of December 31, 2001 to approximately \$78.7 billion as of March 1, 2007, representing compound annual growth of 39.5%. The following table sets forth our assets under management by segment and fund type as of March 1, 2007.

| | Assets Under Management as of March 1, 2007 |
|---|--|
| | (in billions) |
| Corporate private equity funds | \$ 31.1 |
| Real estate opportunity funds | 17.7 |
| Marketable alternative asset funds | 29.9 |
| Funds of hedge funds | \$ 17.1 |
| Mezzanine funds | 1.5 |
| Senior debt vehicles | 6.9 |
| Distressed securities hedge fund | 1.2 |
| Equity hedge fund | 1.3 |
| Closed-end mutual funds | 1.9 |
| Total | \$ 78.7 |

Our business is organized into four business segments:

Corporate Private Equity. We are a world leader in private equity investing, having managed five general private equity funds as well as one specialized fund focusing on media and communications-related investments. We established this business in 1987. The corporate private equity fund we are currently investing is the largest fund of its kind ever raised, with aggregate capital commitments of over \$18.1 billion as of March 1, 2007. We pursue transactions throughout the world, including not only typical leveraged buyout acquisitions of seasoned companies but also transactions involving start-up businesses in established industries, turnarounds, minority investments, corporate partnerships and industry consolidations. Our corporate private equity business has grown assets under management significantly, from approximately \$7.6 billion as of December 31, 2001 to approximately \$31.1 billion as of March 1, 2007, representing compound annual growth of 31.4%. For the year ended December 31, 2006, our corporate private equity segment generated income before taxes of \$1,009.9 million.

Real Estate. Since 1991, our real estate business has been a diversified, global operation, with investments in a variety of sectors and geographic locations. We have managed six general real estate opportunity funds and two internationally focused real estate opportunity funds. Taken together, the two real estate opportunity funds we are currently investing would represent one of the largest real estate funds ever raised, with aggregate capital commitments of over \$6.7 billion as of March 1, 2007. Our real estate opportunity funds have made significant investments in lodging, major urban office buildings, residential properties, distribution and warehousing centers and a variety of real estate operating companies. Our real estate business has grown assets under management significantly, from approximately \$3.0 billion as of December 31, 2001 to approximately \$17.7 billion as of March 1, 2007, representing compound annual growth of 41.1%. For the year ended December 31, 2006, our real estate segment generated income before taxes of \$902.7 million.

Marketable Alternative Asset Management. Our marketable alternative asset management segment, established in 1990, comprises our management of funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and publicly-traded closed-end mutual funds. Our marketable alternative asset management segment has grown assets under management significantly, from approximately \$3.5 billion as of December 31, 2001 to approximately \$29.9 billion as of March 1, 2007, representing compound annual growth of 51.3%. For the year ended December 31, 2006, our marketable alternative asset management segment generated income before taxes of \$191.7 million.

Funds of hedge funds. We manage a variety of funds of hedge funds, which are investment funds that invest in third-party hedge funds. Our funds of hedge funds are designed as risk-mitigation products that are generally expected to have relatively low volatility and limited correlation with the equity markets. The funds of hedge funds that we manage comprise a wide range of different portfolios and investment strategies, including broadly diversified funds, strategy focused funds, opportunistic funds and client customized funds. We are one of the ten largest independent fund of hedge fund managers in the world with approximately \$17.1 billion in aggregate assets under management as of March 1, 2007 in a variety of fund of hedge funds vehicles, which are invested with over 170 different hedge fund managers.

Mezzanine funds. We manage funds that invest primarily in the mezzanine debt of middle-market companies arranged through privately negotiated transactions. These investments are generally structured to earn current income through interest payments and may also include return enhancements including warrants or other equity-linked securities.

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Senior debt vehicles. We manage vehicles that invest primarily in senior secured loans and other debt instruments. These vehicles are of the type commonly referred to as collateralized debt obligation or collateralized loan obligation funds.

Proprietary hedge funds. We have two proprietary hedge funds:

Distressed securities hedge fund. Our distressed securities hedge fund invests primarily in distressed and defaulted debt securities and related equities, with an emphasis on smaller, less efficiently traded issues.

Equity hedge fund. Our equity hedge fund invests primarily in equity investments on a long and short basis.

Closed-end mutual funds. We are the investment manager of two publicly-traded closed-end mutual funds The India Fund, Inc. and The Asia Tigers Fund, Inc. The India Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Indian companies. The India Fund is the largest India-focused closed-end mutual fund in the United States. The Asia Tigers Fund's investment objective is long-term capital appreciation through investing primarily in the equity securities of Asian companies.

Financial Advisory. Our financial advisory segment comprises our mergers and acquisitions advisory services, restructuring and reorganization advisory services and fund placement services for alternative investment funds. Over the last five years, our financial advisory business revenues have grown at a compound annual 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. Since 1985, our mergers and acquisitions advisory services operation has advised on transactions with a total value of more than \$250 billion. Professionals in this area have a wide array of specialized industry knowledge and experience and provide all types of corporate and financial advisory services with a wide range of transaction execution capability.

Restructuring and Reorganization Advisory. Our restructuring and reorganization advisory operation is one of the leading advisers to companies and creditors in restructurings and bankruptcies. Since 1991, we have advised on more than 150 distressed situations, both in and out of bankruptcy proceedings, involving more than \$350 billion of total liabilities.

Park Hill Group. Park Hill Group is our fund placement business. Since its inception in 2005, Park Hill Group has assisted its clients in raising a total of \$42.6 billion for 18 corporate private equity, real estate, venture capital and hedge funds.

Competitive Strengths

World Leader in Alternative Asset Management. Alternative asset management is the fastest growing segment of the asset management industry, and we are one of the largest independent alternative asset managers in the world. From the time we entered the asset management business 20 years ago through March 1, 2007, we have raised approximately \$59.4 billion of committed capital for our corporate private equity funds, real estate opportunity funds, mezzanine funds and senior debt vehicles, and we managed approximately \$21.5 billion in our funds of hedge funds, proprietary hedge funds and closed-end mutual funds as of March 1, 2007. Our assets under management have grown from approximately \$14.1 billion as of December 31, 2001 to approximately \$78.7 billion as of March 1, 2007, representing compound annual growth of 39.5%. We believe that the strength and breadth of our franchise, supported by our people, investment approach and track record of success, provide a distinct

advantage when raising capital, evaluating opportunities, making investments, building value and realizing returns.

One of the Largest Managers of Corporate Private Equity and Real Estate Opportunity Funds. We have been one of the largest private equity fund managers since we entered this business in 1987. From that time through March 1, 2007, we had invested total capital of \$19.8 billion in 109 transactions with a total enterprise value of over \$191 billion through our corporate private equity funds and total capital of \$13.2 billion in 212 transactions with a total enterprise value of over \$102 billion through our real estate opportunity funds. Both the corporate private equity fund and the two real estate opportunity funds (taken together) we are currently investing are among the largest funds ever raised in their respective sectors, with aggregate capital commitments of \$18.1 billion and \$6.7 billion, respectively, as of March 1, 2007. We believe that our long-term leadership in private equity has imbued the Blackstone brand with value that enhances all of our different businesses and facilitates our ability to expand into complementary new businesses.

Diversified, Global Investment Platform. Our asset management businesses are diversified across a broad variety of alternative asset classes and investment strategies and have global reach and scale. We benefit from substantial synergies across all of these businesses, including the ability to leverage the extensive intellectual capital that resides throughout our firm. We believe that the extensive investment review process that is conducted in all of our asset management businesses, involving active participation by Stephen A. Schwarzman and Hamilton E. James across all of our businesses, is not only a significant reason for our successful investment performance but also helps to maximize those synergies. In addition, we believe our financial advisory segment further increases the diversification of our business mix.

During our 21-year history, we have grown by entering new businesses that were complementary to our existing asset management and financial advisory businesses. For example, in 1987 we entered into a 50-50 partnership with the founders of Blackrock, Inc. and helped those individuals develop an asset management business specializing in fixed income. We sold our interest in Blackrock in 1994. We have invested in complementary new areas because they offered opportunities to deploy our financial and intellectual capital and generate superior investment returns, attractive net income margins and substantial cash flow. We believe that our ability to identify and successfully enter new growth areas is a key competitive advantage, and we will continue to seek new opportunities to expand our asset management franchise and our advisory business.

Exceptional Investment Track Record. We have an exceptional record of generating attractive risk-adjusted returns across all of our asset management businesses, as shown in the table below. We believe that the superior investment returns we have generated for investors in our funds over many years across a broad and expanding range of alternative asset classes and through all types of economic conditions and all cycles of the equity and debt capital markets are a key reason why we have been able to successfully and consistently grow our assets under management across our alternative asset management platform.

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| | <u>Year of Inception</u> | <u>Combined Fund Level Annualized IRR or Return Since Inception(1)</u> | <u>Annualized IRR or Return, Net of Fees, Since Inception(2)</u> |
|-----------------------------|------------------------------|--|--|
| Corporate private equity | 1987 | 30.8% | 22.8% |
| Real estate opportunity | 1991 | 38.2% | 29.2% |
| Funds of hedge funds | 1990 | 13.0% | 11.9% |
| Mezzanine | 1999 | 16.0% | 9.3% |
| Distressed securities hedge | 2005 | 11.5% | 7.9% |
| Equity hedge | 2006 | 11.6%(3) | 8.9%(3) |
| Closed-end mutual funds: | | | |
| The India Fund | 2005 | | 43.9%(4) |
| The Asia Tigers Fund | 2005 | | 42.5%(4) |

- (1) Through December 31, 2006.
- (2) Through December 31, 2006. The annualized IRR or return, net of fees, of an investment fund represents the gross annualized IRR or return applicable to limited partners net of management fees, organizational expenses, transaction costs, partnership expenses (including interest incurred by the fund itself) and the general partner's allocation of profits or incentive fees, if any.
- (3) Reflects returns from October 1, 2006 (the date operations commenced) through December 31, 2006 only (in contrast to all other results in the table above, which are annualized).
- (4) A subsidiary of ours has been the investment manager of The India Fund and The Asia Tigers Fund since December 5, 2005. The current portfolio manager has managed The India Fund since August 1, 1997 and has managed The Asia Tigers Fund since July 1, 1999. The net annualized returns, based on net asset value, have been calculated since December 5, 2005.

As of December 31, 2006, the cumulative return, net of fees, since inception (November 22, 2002) to the holders of our senior debt vehicles' most subordinated securities was 14.3% and the gross cumulative return over the same period was 21.2% (before management fees, but after deducting interest expense and administrative expenses). See "Business The Historical Investment Performance of Our Investment Funds" for information regarding the calculation of investment returns, valuation methodology and factors affecting our investment performance. The historical information presented above and elsewhere in this prospectus with respect to the investment performance of our funds is provided for illustrative purposes only. The historical investment performance of our funds is no guarantee of future performance of our current funds or any other fund we may manage in the future.

Diverse Base of Longstanding Investors. We have a long history of raising significant amounts of capital on a global basis across a broad range of asset classes, and we believe that the strength and breadth of our relationships with institutional investors provide us with a competitive advantage in raising capital for our investment funds. During our two decades of asset management activities, we have built long-term relationships with many of the largest institutional investors in the world, most of which invest in a number of different categories of our investment funds. For example, of those of the 50 largest corporate and public pension funds in the United States as measured by assets under management that to our knowledge invest in alternative assets, approximately 72% have invested in our funds. In addition, investors representing approximately 87% of the total capital invested in all of our carry funds since 1987 have invested in successive funds in the same category. Furthermore, our investor base is highly diversified, with no single unaffiliated investor in our current corporate private equity or real estate opportunity funds accounting for more than 10% of the total amount of capital raised for those funds. Our Park Hill Group business further enables us to grow our investor base through its expanding network of relationships with potential investors. We believe that our strong network of investor relationships, together with our long-term track record of providing investors in our funds with superior risk-adjusted investment returns, will enable us to continue to grow our assets under management across our investment platform.

Strong Industry and Corporate Relationships. We believe that the strength of our relationships with investment banking firms, other financial intermediaries and leading corporations and corporate executives provides us with competitive advantages in identifying transactions, securing investment opportunities and generating exceptional returns. We actively cultivate our relationships with major investment banking firms and other financial intermediaries and are among the most significant clients of many of these firms. We believe that our strong network of relationships with these firms provide us with a significant advantage in attracting deal flow and securing transactions, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a very limited number of other private equity firms. We also have a broad range of relationships with senior-level business executives whom we use to generate investment opportunities, analyze prospective investments and act as directors of and advisers to our corporate private equity and real estate opportunity funds' portfolio companies. Moreover, private equity investing in partnership with leading corporations is a signature form of investing for us. Through March 1, 2007, we had invested in 42 corporate partnerships, including transactions with AT&T Inc., General Electric Company, Northrop Grumman Corporation, Sony Corporation, Time Warner Inc., Union Carbide Corporation, Union Pacific Corporation, USX Corporation and Vivendi SA. We believe that the depth and breadth of our corporate partnerships will lead to a significant number of opportunities for our corporate private equity and real estate opportunity funds over the next several years. As a result of these various relationships, we believe that we are less reliant on auction processes in making investments than many of our competitors, thereby providing us with a wider array of attractive investment opportunities.

Our People. We believe that our senior management and our talented and experienced professionals are the principal reason why we have achieved significant growth and success in all of our businesses. Since our firm's founding in 1985, Stephen A. Schwarzman has served as our firm's Chief Executive Officer and Peter G. Peterson has served as either Chairman or Senior Chairman. Hamilton E. James serves as our President and Chief Operating Officer, oversees our corporate private equity operation directly and, along with Mr. Schwarzman, oversees and serves on the investment committees or oversight committees for all of our other businesses. Jonathan D. Gray and Chad R. Pike are senior managing directors overseeing our real estate operation. J. Tomilson Hill is our Vice Chairman and the head of our fund of hedge funds business. Howard Gellis leads our corporate debt business, John D. Dionne manages our distressed securities hedge fund, Manish Mittal manages our equity hedge fund and Punita Kumar-Sinha manages our closed-end mutual funds. Our mergers and acquisitions advisory operation is led by John Studzinski, our restructuring and reorganization advisory operation is led by Arthur B. Newman and our fund placement business is overseen by Kenneth C. Whitney. Our 57 senior managing directors have an average of 22 years of relevant experience. This team is supported by approximately 335 other professionals with a variety of backgrounds in investment banking, leveraged finance, private equity, real estate and other disciplines. We believe that the extensive experience and financial acumen of our management and professionals provide us with a significant competitive advantage.

Alignment of Interests. One of our fundamental philosophies as a privately-owned firm has been to align our interests, and those of our senior managing directors and other professionals, with the interests of the investors in our funds. Since inception, Blackstone, its senior managing directors and other professionals have committed over \$2.6 billion of their own capital to our carry funds and as of March 1, 2007, our hedge funds managed an additional \$2.0 billion of Blackstone's senior managing director and employee capital. In structuring this offering, we have sought to achieve the same alignment of interests between our common unitholders and our senior managing directors and other employees through their significant and long-term ownership of our equity. Our senior managing directors and other existing owners who are our employees will own in excess of _____ % of the equity in our business immediately following this offering. In addition, we intend to make equity awards to all of our employees at the time of this offering and to use appropriate equity-based compensation to motivate and retain our professionals in the future. The equity held by our senior managing directors

and other employees will be subject to vesting and minimum retained ownership requirements and transfer restrictions as described in "Organizational Structure Reorganization Blackstone Holdings Formation", "Management IPO Date Equity Awards" and " Minimum Retained Ownership Requirements and Transfer Restrictions".

Distinct Advisory Perspective. We are not engaged in securities underwriting, research or other similar activities that might conflict with our role as a trusted financial advisor. We believe that this makes us particularly well-suited to represent boards and special committees in the increasing number of situations where they are looking to retain a financial advisor who is devoid of such conflicts. In addition, we believe that our ability to view financial advisory client assignments from both the client's and an owner's perspective often provides unique insights into how best to maximize value while also achieving our clients' strategic objectives.

Our Growth Strategy

We intend to create value for our common unitholders by:

generating superior investment performance across our asset management platform;

growing the assets under management in our existing investment fund operations;

expanding our asset management base by raising new investment funds;

increasing our investment of our own capital in our funds;

expanding our advisory business; and

entering into complementary new businesses.

Why We Are Going Public

We have decided to become a public company:

to access new sources of permanent capital that we can use to invest in our existing businesses, to expand into complementary new businesses and to further strengthen our development as an enduring institution;

to enhance our firm's valuable brand;

to provide us with a publicly-traded equity currency and to enhance our flexibility in pursuing future strategic acquisitions;

to expand the range of financial and retention incentives that we can provide to our existing and future employees through the issuance of equity-related securities representing an interest in the value and performance of our firm as a whole; and

to permit the realization over time of the value of our equity held by our existing owners.

We Intend to be a Different Kind of Public Company

We have built a leading global alternative asset management and financial advisory firm that has achieved success and substantial growth. While we believe that becoming a publicly traded company will provide us with many benefits, it is our intention to preserve the elements of our culture that have contributed to our success as a privately-owned firm.

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Management with a Long-Term Perspective. As a privately-owned firm, Blackstone has always been managed with a perspective of achieving successful growth over the long-term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our investment funds, our management has consistently sought to focus on the best outcomes for our businesses and investments over a period of years rather than on the short-term impact on our revenue, net income or cash flow. We intend to maintain this long-term focus after we become a public company even though this approach, together with the fact that our financial results will be significantly

affected by the timing of new investments and realizations of gains, may result in significant and unpredictable variances in these items from quarter to quarter. In addition, while the management fees we receive from our investment funds are payable on a regular basis in contractually prescribed amounts over the life of each fund, transaction fees earned by our corporate private equity and real estate operations and fees earned by our advisory business are subject to greater variability from quarter to quarter.

Our largest businesses—corporate private equity and real estate—have benefited greatly in recent years from public companies accepting going-private acquisition offers in order, among other reasons, to avoid the public markets' focus on short-term earnings performance. As a public company we do not intend to permit the short-term perspective of the public markets to change our own focus on the long-term in making investment, operational and strategic decisions. Because our businesses can vary in significant and unpredictable ways from quarter to quarter and year to year, we do not plan to provide guidance regarding our expected quarterly and annual operating results to investors or analysts after we become a public company.

Continued Focus on Limited Partner Investors in Our Investment Funds. Serving the investors in our investment funds has been our guiding principle, and we remain fully committed to our fiduciary and contractual obligations to these investors. We do not intend to permit our status as a public company to change our focus on seeking at all times to optimize returns to investors in our investment funds. Accordingly, we expect to take actions regularly with respect to the purchase or sale of investments and the structuring of investment transactions for our investment funds to achieve this objective, even if these actions adversely affect our near-term results. We believe that optimizing returns for the investors in our funds will create the most value for our common unitholders over time.

Use of Leverage to Enhance Returns. In order to generate enhanced returns on equity for our owners, we have historically employed significant leverage on our balance sheet. As a public company, we intend to continue using leverage to create the most efficient capital structure for Blackstone and our public common unitholders. We do not anticipate approaching significant leverage levels during the first one or two years after this offering because the net proceeds we will retain from this offering are expected to be our principal source of financing for our business during that period. However, we anticipate that our debt-to-equity ratio will eventually rise to levels in the range of 3:1 to 4:1 as we attempt to increase our return on equity for the benefit of our common unitholders. This strategy will expose us to the typical risks associated with the use of substantial leverage, including affecting the credit ratings that may be assigned to our debt by rating agencies. See "Risk Factors—Risks Related to Our Business—Our use of leverage to finance our business will expose us to substantial risks, which are exacerbated by our funds' use of leverage to finance investments".

Partnership Management Structure. Throughout our 21-year history as a privately-owned firm, our management structure has reflected strong central leadership and active involvement by our senior management. We believe that this management structure has meaningfully contributed to our significant growth and the successful performance of all our businesses. Although our business has been managed as a private partnership since its founding, we also have extensive experience with the management and ownership of public companies. As a public company, we intend to continue to employ our current management structure because we believe this structure will best enable us to continue to achieve the level of success we have achieved as a private partnership.

No Golden Parachutes/CEO Compensation. We have no severance arrangements with any of our professionals. Accordingly, unlike in the case of many public companies, the departure of an executive officer or other senior managing director would not trigger any contractual obligation on our part to make any special payments to the departing professional. Moreover, following this offering Mr. Schwarzman will receive no compensation other than a \$350,000 salary (and will own a significant portion of the carried interest earned from our carry funds).

Equity Awards to All Employees. Because we believe that the talents and dedication of all of our employees contribute to our success, we intend to make equity awards to all of our approximately 710 non-senior managing director employees at the time of this offering. See "Management IPO Date Equity Awards".

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.

Our Common Units Are Not an Appropriate Investment for Investors With a Short-Term Focus

Our businesses have achieved substantial growth, particularly over the past five years, in no small part due to the successful investment performances of our investment funds. While the long-term growth trends in our businesses are favorable, our financial results are subject to significant volatility and we are unable to predict them from quarter to quarter or year to year. Our corporate private equity and real estate businesses have benefited from high levels of activity in the last few years. These activity levels may continue but they could decline at any time (along with activity levels in any of our other businesses).

We focus closely on actual and expected changes in the economic conditions and conditions in the debt and equity capital markets in all of the geographic regions in which we conduct our business, and we try to accelerate or reduce (or on occasion suspend entirely) the rate of our investment or disposition activities in response to changing economic and market conditions. In the past, changing economic and market conditions and our investment actions in response to those changes have led to swings in investment activity from year to year. We expect these swings to occur in future years as well, which is one of the reasons why there may be significant volatility in our revenue, net income and cash flow. However, we believe that if we continue to follow the management approach that has served us well as a private firm focusing on making the right decisions about purchasing and selling the right assets at the right time and the right prices, without regard to how those decisions affect our financial results in any given quarter, our businesses will continue to prosper. See "Competitive Strengths Exceptional Investment Track Record" above.

Because of the nature of our businesses and the long-term focus we employ in managing them, our common units should only be purchased by investors who expect to remain unitholders for a number of years.

Investment Risks

An investment in our common units involves substantial risks and uncertainties. Some of the more significant challenges and risks include those associated with our susceptibility to conditions in the global financial markets and global economic conditions, the volatility of our revenue, net income and cash flow, our dependence on our founders and other key senior managing directors and our ability to retain and motivate our existing senior managing directors and recruit, retain and motivate new senior managing directors in the future. See "Risk Factors" for a discussion of the factors you should consider before investing in our common units.

The Blackstone Group L.P. was formed in Delaware on March 12, 2007. Our principal executive offices are located at 345 Park Avenue, New York, New York 10154, and our telephone number is (212) 583-5000.

Organizational Structure

Our business is presently owned by our founders and other senior managing directors, selected other individuals engaged in some of our businesses and American International Group, Inc., or "AIG," whom we refer to collectively as our "existing owners."

Prior to this offering we will effect the reorganization described in "Organizational Structure" whereby our existing owners will contribute to Blackstone Holdings I L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., Blackstone Holdings IV L.P. or Blackstone Holdings V L.P., which we refer to collectively as "Blackstone Holdings," 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.

Accordingly, subsidiaries of Blackstone Holdings will generally be entitled to:

all management fees payable in respect of all of our current and future investment funds (with the exception of our proprietary hedge funds, where the professionals who work in those operations are entitled to a portion of the management fees), as well as transaction and other fees that may be payable by these investment funds' portfolio companies;

% % (depending on the particular fund investment) of all carried interest earned in relation to investments made prior to the date of the reorganization by both our actively investing corporate private equity and real estate opportunity funds (that is, the Blackstone Capital Partners V, Blackstone Real Estate Partners VI and Blackstone Real Estate Partners International II funds), as well as by all of our historical corporate private equity and real estate opportunity funds that still have a meaningful amount of unrealized investments (that is, the Blackstone Capital Partners IV, Blackstone Communications Partners, Blackstone Real Estate Partners IV, Blackstone Real Estate Partners V and Blackstone Real Estate Partners International I funds). This includes all of the carried interest in these funds that had been allocated to our six executive officers and other senior managing directors prior to the date of the reorganization;

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

all incentive fees payable in respect of all of our current and future investment funds, other than the percentage we determine to allocate to our professionals as described below;

all returns on investments of our own capital in the investment funds we sponsor and manage; and

all fees generated by our financial advisory business.

With respect to our actively investing carry funds and proprietary hedge funds as well as any future carry funds and proprietary hedge funds, we intend to continue to allocate to the senior managing directors, other professionals and selected other individuals who work in these operations a portion of the carried interest or incentive fees earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately % of the carried interest earned in relation to our carry funds and approximately % of the incentive fees earned in relation to our proprietary hedge funds will be allocated to such individuals, although these percentages may fluctuate up or down over time.

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Management fees, transaction fees, carried interest, incentive fees and other fees received by subsidiaries of Blackstone Holdings will inure to The Blackstone Group L.P.'s benefit to the full extent of its equity interest in Blackstone Holdings. See "Business Structure and Operation of Our Investment Funds Incentive Arrangements/Fee Structure".

Following the reorganization and this offering, The Blackstone Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, hold controlling equity interests in the Blackstone Holdings partnerships. Through wholly-owned subsidiaries, The Blackstone Group L.P. will be the sole general partner of each of the Blackstone Holdings partnerships. Accordingly, The Blackstone Group L.P. will operate and control all of the business and affairs of Blackstone Holdings and will consolidate the financial results of Blackstone Holdings and its consolidated subsidiaries. The Blackstone Group L.P. is itself managed and operated by its general partner, Blackstone Group Management L.L.C., to whom we refer as "our general partner," which is in turn wholly-owned by our senior managing directors and controlled by our founders.

The diagram below depicts our organizational structure immediately following this offering.

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Each of the Blackstone Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms "Blackstone Holdings partnership unit" or "partnership unit in/of Blackstone Holdings" to refer collectively to a partnership unit in each of the Blackstone Holdings partnerships. The Blackstone Group L.P. will hold, through wholly-owned subsidiaries, a number of Blackstone Holdings partnership units equal to the number of common units that The Blackstone Group L.P. has issued. Immediately following this offering, The Blackstone Group L.P. will hold Blackstone Holdings partnership units representing % of the total number of partnership units of Blackstone Holdings, or % if the underwriters exercise in full their option to purchase additional common units, and our existing owners will hold Blackstone Holdings partnership units representing % of the total number of partnership units of Blackstone Holdings, or % if the underwriters exercise in full their option to purchase additional common units. The Blackstone Holdings partnership units that will be held by The Blackstone Group L.P.'s wholly-owned subsidiaries will be economically identical in all respects to the Blackstone Holdings partnership units that will be held by our existing owners, except that The Blackstone Group L.P.'s wholly-owned subsidiaries will be entitled to priority allocations of income through December 31, 2009 as described under "Cash Distribution Policy". Accordingly, immediately following this offering, investors in this offering will own % of the equity in our business and our existing owners will own % of the equity in our business. If the underwriters exercise in full their option to purchase additional common units, immediately following this offering, investors in this offering will own % of the equity in our business and our existing owners will own % of the equity in our business.

Under the terms of the partnership agreements of the Blackstone Holdings partnerships, all of the Blackstone Holdings partnership units received by our existing owners in the reorganization described in "Organizational Structure" will be subject to restrictions on transfer and, with the exception of AIG and our Senior Chairman, Peter G. Peterson, minimum retained ownership requirements. In addition, approximately % of the Blackstone Holdings partnership units received by our existing owners who are our employees will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. See "Management Minimum Retained Ownership Requirements and Transfer Restrictions" and "Certain Relationships and Related Person Transactions Blackstone Holdings Partnership Agreements".

The Blackstone Group L.P. is managed and operated by our general partner. Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to elect our general partner or its directors, which will be elected by our founders. In addition, on those few matters 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 vested and unvested 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. Accordingly, immediately following this offering, on those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., investors in this offering will collectively have % of the voting power of The Blackstone Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units, and our existing owners will collectively have % of the voting power of The Blackstone Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units.

Although our general partner has no business activities other than the management of our business, conflicts of interest may arise in the future between us and our common unitholders, on the one hand, and our general partner and its affiliates, on the other. The resolution of these conflicts may not always be in our best interests or that of our common unitholders. In addition, we have fiduciary and contractual obligations to the investors in our investment funds and we expect to regularly take actions with respect to the purchase or sale of investments in our investment funds, the structuring of

investment transactions for those funds or otherwise that are in the best interests of the limited partner investors in those funds but that might at the same time adversely affect our near-term results of operations or cash flow.

Our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders. Our partnership agreement also restricts the remedies available to common unitholders for actions that might otherwise constitute breaches of our general partner's duties (including fiduciary duties). By purchasing our common units, you are treated as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. For a more detailed description of the conflicts of interest and fiduciary responsibilities of our general partner, see "Conflicts of Interest and Fiduciary Responsibilities".

The Offering

Common units offered by The Blackstone Group L.P. common units.

Common units outstanding after the offering common units (or common units if all outstanding Blackstone Holdings partnership units held by our existing owners were exchanged for newly-issued common units on a one-for-one basis).

Use of proceeds We estimate that our net proceeds from this offering, at an assumed initial public offering price of \$ per common unit and after deducting estimated underwriting discounts and offering expenses, will be approximately \$ billion, or \$ billion if the underwriters exercise in full their option to purchase additional common units.

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. Accordingly, we will not retain any of these proceeds.

We intend to use all of the remaining proceeds from this offering, or approximately \$ billion, to subscribe for newly-issued Blackstone Holdings partnership units. We intend to use approximately \$ million of these net proceeds to repay all outstanding borrowings under our revolving credit facility and the remainder:

to provide capital to facilitate the growth of our existing asset management and financial advisory businesses, including through funding a portion of our general partner capital commitments to our carry funds;

to provide capital to facilitate our expansion into new businesses that are complementary to our existing asset management and financial advisory businesses and that can benefit from being affiliated with us, including possibly through selected strategic acquisitions (see "Business New Business and Other Growth Initiatives"); and

for other general corporate purposes.

Pending specific application of these net proceeds, we expect to invest them primarily in our funds of hedge funds and additionally in our distressed securities hedge fund and our equity hedge fund.

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Voting rights

Our general partner, Blackstone Group Management L.L.C., will manage all of our operations and activities. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business and will have no right to elect our general partner or its directors, which will be elected by our founders.

On those few matters 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. Accordingly, immediately following this offering our senior managing directors will generally have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Blackstone Group L.P., including any attempt to remove our general partner. See "Material Provisions of The Blackstone Group L.P. Partnership Agreement Withdrawal or Removal of the General Partner" and " Meetings; Voting".

Cash distribution policy

Our intention is to distribute to our common unitholders on a quarterly basis, commencing in the quarter of 2007, substantially all of The Blackstone Group L.P.'s net after-tax share of our annual adjusted cash flow from operations in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our common unitholders for any one or more of the ensuing four quarters. Because we will not know what our available adjusted cash flow from operations will be for any year until the end of such year, we expect that our first three quarterly distributions in respect of any given year will generally be smaller than the final quarterly distribution in respect of such year. See note (3) under " Summary Historical Financial and Other Data" for a reconciliation of our adjusted cash flow from operations to our cash flow from operations presented in accordance with generally accepted accounting principles.

The declaration and payment of any distributions will be at the sole discretion of our general partner. Our general partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us and such other factors as our general partner may deem relevant.

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The Blackstone Group L.P. will be a holding partnership and will have no material assets other than its ownership of partnership units in Blackstone Holdings held through wholly-owned subsidiaries. We intend to cause Blackstone Holdings to make distributions to its partners, including The Blackstone Group L.P.'s wholly-owned subsidiaries, in order to fund any distributions The Blackstone Group L.P. may declare on the common units. If Blackstone Holdings makes such distributions, the limited partners of Blackstone Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Blackstone Holdings, except as set forth in " Priority allocation for the benefit of common unitholders prior to December 31, 2009".

Priority allocation for the benefit of common unitholders prior to December 31, 2009

The partnership agreements of the Blackstone Holdings partnerships will provide that until December 31, 2009, the income (and accordingly distributions) of Blackstone Holdings will be allocated:

first, to The Blackstone Group L.P.'s wholly-owned subsidiaries until sufficient income has been so allocated to permit The Blackstone Group L.P. to make aggregate distributions to our common unitholders of \$ _____ per common unit on an annualized basis;

second, to the other partners of the Blackstone Holdings partnerships until an equivalent amount of income on a partnership interest basis has been allocated to such other partners on an annualized basis; and

thereafter, pro rata to all partners of the Blackstone Holdings partnerships in accordance with their respective partnership interests.

Accordingly, until December 31, 2009, our existing owners will not receive distributions in respect of their Blackstone Holdings partnership units unless and until our common unitholders receive aggregate distributions of \$ _____ per common unit on an annualized basis. We do not intend to maintain this priority allocation after December 31, 2009.

Cash distributions prior to this offering

Prior to this offering, we intend to make one or more distributions to our existing owners representing all of the undistributed earnings generated prior to the date of the offering by the entities being contributed to Blackstone Holdings. If the offering had occurred on December 31, 2006 we estimate that the aggregate amount of such distributions would have been \$ _____ million. However, the actual amount of such distributions will depend on the amount of earnings generated by these entities prior to the offering.

Exchange rights of holders of Blackstone Holdings partnership units

Prior to this offering we will enter into an exchange agreement with the holders of partnership units in Blackstone Holdings (other than The Blackstone Group L.P.'s wholly-owned subsidiaries) so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Blackstone Holdings partnerships, may exchange their Blackstone Holdings partnership units for The Blackstone Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications.

Tax receivable agreement

The purchase by The Blackstone Group L.P.'s wholly-owned subsidiaries of vested Blackstone Holdings partnership units from our existing owners with a portion of the proceeds from this offering and future exchanges of Blackstone Holdings partnership units are expected to result in increases in the tax basis of the tangible and intangible assets of Blackstone Holdings that would not otherwise have been available. These increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that the wholly-owned subsidiaries of The Blackstone Group L.P. that are taxable as corporations for U.S. federal income tax purposes would otherwise be required to pay in the future. These wholly-owned subsidiaries will enter into a tax receivable agreement with our existing owners whereby they will agree to pay to our existing owners 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that these entities actually realize as a result of these increases in tax basis. See "Certain Relationships and Related Person Transaction Tax Receivable Agreement".

Risk factors

See "Risk Factors" for a discussion of risks you should carefully consider before deciding to invest in our common units.

Proposed New York Stock Exchange symbol

" "

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Common units outstanding and the other information based thereon in this prospectus do not reflect:

common units issuable upon exchange of the _____ Blackstone Holdings partnership units held by our existing owners, which are entitled, subject to vesting and minimum retained ownership requirements and transfer restrictions, to be exchanged for our common units on a one-for-one basis;

common units issuable upon exercise of the underwriters' option to purchase additional common units; or

interests that may be granted under our 2007 Equity Incentive Plan, consisting of:

unvested restricted common units we expect to grant to our non-senior managing director employees at the time of this offering (_____ of which are settleable in common units and _____ of which are settleable in cash); and

additional common units or Blackstone Holdings partnership units covered by our 2007 Equity Incentive Plan, subject to automatic annual increases.

See "Management 2007 Equity Incentive Plan".

Summary Historical Financial and Other Data

The following summary historical combined financial and other data of Blackstone Group should be read together with "Organizational Structure", "Unaudited Pro Forma Financial Information", "Selected Historical Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this prospectus. Blackstone Group is considered our predecessor for accounting purposes, and its combined financial statements will be our historical financial statements following this offering.

We derived the summary historical combined statements of income data of Blackstone Group for each of the years ended December 31, 2004, 2005 and 2006 and the summary historical combined statements of financial condition data as of December 31, 2005 and 2006 from our audited combined financial statements which are included elsewhere in this prospectus. We derived the summary historical combined statements of income data of Blackstone Group for the years ended December 31, 2002 and 2003 and the summary combined statements of financial condition data as of December 31, 2002, 2003 and 2004 from our unaudited combined financial statements which are not included in this prospectus. The unaudited combined financial statements of Blackstone Group have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments that we consider necessary for a fair presentation of our combined financial position and results of operations for all periods presented.

The summary historical financial data is not indicative of the expected future operating results of The Blackstone Group L.P. following the reorganization and this offering. In particular, following this offering The Blackstone Group L.P. will no longer consolidate in its financial statements the investment funds that have historically been consolidated in our financial statements, with the exception of a limited number of our entities which our employees use to invest in our funds, and certain funds of hedge funds. In addition, the general partners of certain legacy Blackstone funds that do not have a meaningful amount of unrealized investments and a number of investment vehicles through which our existing owners and other third parties have made commitments to or investments in or alongside of Blackstone's investment funds will not be contributed to Blackstone Holdings. See "Organizational Structure Reorganization" and "Unaudited Pro Forma Financial Information".

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Year Ended December 31,

| 2006 | 2005 | 2004 | 2003 | 2002 |
|------|------|------|------|------|
|------|------|------|------|------|

(Dollars in Thousands)

**Statement of
Income Data**
Revenues