

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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LANDMEN PARTNERS INC, Individually and On )  
Behalf of All Others Similarly Situated, ) Case No.: 08-cv-3601-HB  
) )  
Plaintiff, ) )  
) )  
vs. ) Jury Trial Demanded  
) )  
THE BLACKSTONE GROUP L.P., et al., ) )  
) )  
Defendants. ) )  
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**ANSWER OF DEFENDANTS TO THE CONSOLIDATED AMENDED CLASS ACTION COMPLAINT FOR VIOLATION OF FEDERAL SECURITIES LAWS**

Defendants The Blackstone Group L.P. (“Blackstone”), Stephen A. Schwarzman, Peter G. Peterson, Hamilton E. James, and Michael A. Puglisi, by and through their undersigned counsel, hereby respond as follows to each numbered paragraph of Plaintiffs’ Consolidated Amended Class Action Complaint for Violations of Federal Securities Laws (the “Complaint”). To the extent not specifically admitted below, all allegations set forth in the Complaint are denied.

**NATURE OF THE ACTION**

1. Paragraph 1 of the Complaint contains Plaintiffs’ characterization of this action to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 1 of the Complaint, except admit that Plaintiffs have filed the Complaint, which speaks for itself, and admit that Blackstone common units (the “units”) represent limited partnership interests in Blackstone.

2. Paragraph 2 of the Complaint contains Plaintiffs’ characterization of this action to which no response is required. To the extent a response is required, Defendants deny

each and every allegation in paragraph 2 of the Complaint, except admit that Blackstone has described itself “as a leading global alternative asset manager and provider of financial advisory services” and “one of the largest independent alternative asset managers in the world, with assets under management of approximately \$88.4 billion as of May 1, 2007” and admits that this action concerns Blackstone’s initial public offering (“IPO”).

3. Defendants deny each and every allegation in paragraph 3 of the Complaint, except admit that Blackstone earns management fees and performance fees from funds it manages.

4. Defendants respectfully refer the Court to any documents referenced in paragraph 4 (including Blackstone’s agreements with funds it manages) for a complete and accurate statement of their contents. Defendants deny each and every other allegation in paragraph 4 of the Complaint.

5. With respect to the allegations in paragraph 5, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including amounts of revenue, earnings, and performance fees reported by Blackstone. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 5.

6. Defendants deny each and every allegation in paragraph 6 of the Complaint, except admit that a fund or funds managed by Blackstone had an investment in FGIC Corporation (“FGIC”) and that FGIC insured collateralized debt obligations and residential mortgage backed securities.

7. Defendants deny each and every allegation in the first, second, third, and fifth sentences of paragraph 7 of the Complaint. With respect to the allegations in the fourth

sentence of paragraph 7, Defendants admit that the Registration Statement does not specifically reference FGIC and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

8. Defendants deny each and every allegation in the first sentence of paragraph 8 of the Complaint. Defendants deny each and every allegation in the second sentence of paragraph 8, except admit that on March 10, 2008, Blackstone issued a press release regarding its financial results for the year ended December 31, 2008 and discussing a write-down of FGIC. Defendants respectfully refer the Court to the press release for a complete and accurate statement of its contents. With respect to the allegations in the third sentence of paragraph 8, Defendants deny each and every allegation in the third sentence of paragraph 8 of the Complaint, except admit that the IPO price was \$31 per unit.

#### **JURISDICTION AND VENUE**

9. Paragraph 9 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 9 of the Complaint.

10. Paragraph 10 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 10 of the Complaint.

11. Paragraph 11 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 11 of the Complaint.

12. Paragraph 12 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and

every allegation in paragraph 12 of the Complaint, except admit that Blackstone common units are traded on the New York Stock Exchange.

### **PARTIES**

13. Paragraph 13 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 13 of the Complaint.

14. Defendants admit that Blackstone has described itself as a leading global alternative asset manager and provider of financial advisory services, admit that Blackstone Group (but not Blackstone) was founded in 1985 and admit that the general partner of Blackstone is Blackstone Group Management L.L.C. Defendants deny each and every other allegation in paragraph 14 of the Complaint.

15. Defendants admit that Stephen A. Schwarzman (“Schwarzman”) co-founded Blackstone Group in 1985 and is the Chairman and Chief Executive Officer of Blackstone and the Chairman of the Board of Blackstone Group Management L.L.C. Defendants admit that Blackstone used proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in Blackstone’s business from its pre-IPO owners, of which approximately \$684.0 million was paid to Schwarzman. With respect to the allegations in paragraph 15 of the Complaint regarding the contents of the Registration Statement, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents. With respect to the allegations in paragraph 15 of the Complaint regarding the contents of Blackstone’s website, Defendants respectfully refer the Court to that website for a complete and accurate statement of its contents. Defendants deny each and every other allegation in paragraph 15 of the Complaint.

16. Defendants admit that Peter G. Peterson (“Peterson”) co-founded Blackstone Group in 1985 and, at the time of the IPO, was the Senior Chairman of Blackstone and a member of the board of directors of Blackstone Group Management L.L.C. Defendants admit that Blackstone used proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in Blackstone’s business from its pre-IPO owners, of which approximately \$1.92 billion was paid to Peterson. With respect to the allegations in paragraph 16 of the Complaint regarding the contents of the Registration Statement, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents. Defendants deny each and every other allegation in paragraph 16 of the Complaint.

17. Defendants admit that Hamilton E. James (“James”) is the President and Chief Operating Officer of Blackstone, a member of the board of directors of Blackstone Group Management L.L.C., and a member of Blackstone’s Management and Executive Committees and sits on each of the firm’s investment committees. Defendants admit that Blackstone used proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in Blackstone’s business from its pre-IPO owners, of which approximately \$191.0 million was paid to James. With respect to the allegations in paragraph 17 of the Complaint regarding the contents of the Registration Statement, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents. Defendants deny each and every other allegation in paragraph 17 of the Complaint.

18. Defendants admit that Michael A. Puglisi (“Puglisi”) was, at the time of the IPO, a Senior Managing Director and the Chief Financial Officer of Blackstone and a member of Blackstone’s Management Committee. Defendants admit that Blackstone used

proceeds from the IPO and the sale of non-voting common units to Beijing Wonderful Investments to purchase interests in Blackstone's business from its pre-IPO owners, of which approximately \$13.8 million was paid to Puglisi. With respect to the allegations in paragraph 18 of the Complaint regarding the contents of the Registration Statement, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents. Defendants deny each and every other allegation in paragraph 18 of the Complaint.

19. Paragraph 19 purports to define the phrase "Individual Defendants" and no response is required.

#### **PLAINTIFFS' CLASS ACTION ALLEGATIONS**

20. Paragraph 20 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 20 of the Complaint.

21. Defendants admit that more than 153 million common units were sold in Blackstone's IPO. The remainder of paragraph 21 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required to the remainder of paragraph 21, Defendants deny each and every allegation in the remainder of paragraph 21 of the Complaint.

22. Paragraph 22 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 22 of the Complaint.

23. Paragraph 23 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 23 of the Complaint.

24. Paragraph 24 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 24 of the Complaint.

25. Paragraph 25 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 25 of the Complaint.

### **SUBSTANTIVE ALLEGATIONS**

26. Defendants admit that Blackstone has described itself “as a leading global alternative asset manager and provider of financial advisory services” and “one of the largest independent alternative asset managers in the world.”

27. With respect to the allegations in paragraph 27 of the Complaint, Defendants admit such allegations, but respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including a description of Blackstone’s businesses.

28. With respect to the allegations in paragraph 28 of the Complaint, Defendants admit such allegations, but respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including a description of the transactions referenced in paragraph 28 of the Complaint.

29. Defendants admit that Blackstone was formed as a Delaware limited partnership on March 12, 2007, and is the sole general partner in each of 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. Defendants admit that Blackstone is operated by its general partner, Blackstone Group Management L.L.C. Defendants admit that Blackstone Group Management L.L.C is wholly-owned by Blackstone’s senior managing directors and, at the time

of the IPO, controlled by Blackstone's founders. Defendants deny each and every other allegation in paragraph 29 of the Complaint, and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including a description of Blackstone's affiliates.

30. With respect to the allegations in paragraph 30 of the Complaint, Defendants admit such allegations, but respectfully refer the Court to the Blackstone's Form 10-K for 2007 for a complete and accurate statement of its contents, including a description of Blackstone's personnel as of December 31, 2007.

31. Defendants admit that, at the time of the IPO, Blackstone's business was organized into four business segments: (1) Corporate Private Equity, which comprises Blackstone's management of corporate private equity funds, (2) Real Estate, which comprises Blackstone's management of general real estate funds and internationally focused real estate funds, (3) Marketable Alternative Asset Management, which comprises Blackstone's management of funds of hedge funds, mezzanine funds, senior debt vehicles, proprietary hedge funds and publicly-traded closed-end mutual funds, and (4) Financial Advisory, which comprises Blackstone's corporate and mergers and acquisitions advisory services, restructuring and reorganization advisory services and Park Hill Group, which provides fund placement services for alternative investment funds. Defendants deny each and every other allegation in paragraph 31 of the Complaint, and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including a description of Blackstone's business segments.

32. With respect to the allegations in paragraph 32 of the Complaint, Defendants admit such allegations, but respectfully refer the Court to the Registration Statement



for a complete and accurate statement of its contents, including a description of Blackstone's business segments.

33. Defendants deny each and every allegation in paragraph 33 of the Complaint, except admit that Blackstone earns management fees and performance fees from funds it manages, and admit that Blackstone is subject to a "clawback" obligation with respect to certain Blackstone-managed funds when the amount of performance fees Blackstone receives from a fund is greater than the fees to which it is ultimately entitled. Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including a description of Blackstone's fees and the "clawback" mechanism.

34. Defendants admit the allegations in paragraph 34 of the Complaint, except deny that the operative Registration Statement is the document filed on or about March 22, 2007.<sup>1</sup>

35. With respect to the allegations in paragraph 35 of the Complaint, Defendants admit such allegations, but respectfully refer the Court to the Registration Statement and Prospectus for a complete and accurate statement of their contents.

36. Defendants admit that the net proceeds from the IPO and other funds were used to purchase interests in Blackstone's business from its existing owners, to repay debt, and for other purposes. Defendants deny each and every other allegation in paragraph 36 of the Complaint.

37. With respect to the allegations in paragraph 37 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

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<sup>1</sup> Throughout this Answer, "Registration Statement" refers to the operative Registration Statement as amended by Form S-1/A on or about June 21, 2007.

38. With respect to the allegations in paragraph 38 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

39. Paragraph 39 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 39 of the Complaint.

40. Defendants deny each and every allegation in paragraph 40 of the Complaint.

41. Defendants deny each and every allegation in the first sentence of paragraph 41 of the Complaint. Defendants admit that FGIC is the parent company of Financial Guaranty Insurance Company, and admit that, at the time of the IPO, Financial Guaranty Insurance Company provided financial guaranty insurance and other forms of credit enhancement for public finance and structured finance obligations. Defendants admit that, at the time of the IPO, Financial Guaranty Insurance Company had an AAA financial strength rating by Standard & Poor's Rating Services and Fitch Ratings, Inc., and an Aaa rating by Moody's Investors Service, Inc. Defendants deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 41 of the Complaint.

42. Defendants admit that, at the time of the IPO, a fund or funds managed by Blackstone owned a twenty-three percent equity interest in FGIC, admit that the fund or funds purchased its ownership in FGIC along with PMI Group Inc. and Cypress Group, admit that the consortium purchased an 88% interest in FGIC from General Electric Co. in 2003 for \$1.86 billion, and admit that following the acquisition Blackstone was provided information regarding

FGIC's business and operations. Defendants deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 42.

43. Defendants admit that Financial Guaranty Insurance Company provided financial guaranty insurance for public finance and structured finance obligations, including residential mortgage backed securities and collateralized debt obligations ("CDOs"), admit that CDOs are pools of credit risk, and that some CDOs are divided by varying levels of debt or credit risk. Defendants deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 43.

44. With respect to the allegations in paragraph 44 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

45. With respect to the allegations in paragraph 45 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

46. Defendants deny each and every allegation in paragraph 46 of the Complaint, except admit that FGIC provided financial guaranty insurance for residential mortgage backed securities.

47. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 47 of the Complaint.

48. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 48 of the Complaint.

49. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 49 of the Complaint.

50. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 50 of the Complaint.

51. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 51 of the Complaint.

52. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 52 of the Complaint.

53. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 53 of the Complaint.

54. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 54 of the Complaint.

55. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 55 of the Complaint.

56. With respect to the allegations in paragraph 56 of the Complaint, Defendants respectfully refer the Court to the cited press release for a complete and accurate statement of its contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 56 of the Complaint.

57. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 57 of the Complaint.

58. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 58 of the Complaint.

59. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 59 of the Complaint.

60. Defendants admit that in June 2004, the Federal Open Market Committee raised its target for the federal funds rate and discount rate, and respectfully refer the Court to the Federal Reserve's press release for a complete and accurate statement of its contents.

Defendants admit that the U.S. prime interest rate was reported by the Federal Reserve to be approximately 4% as of June 2004, and 8.25% as of June 2006, and respectfully refers the Court to the Federal Reserve's reported rates for rates at any intervening time. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in the third and fourth sentences of paragraph 60 of the Complaint.

61. Defendants deny each and every allegation in paragraph 61 of the Complaint.

62. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 62 of the Complaint.

63. With respect to the allegations in paragraph 63 of the Complaint, Defendants respectfully refer the Court to the cited memorandum for a complete and accurate statement of its contents.

64. With respect to the allegations in paragraph 64 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

65. With respect to the allegations in paragraph 65 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

66. With respect to the allegations in paragraph 66 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

67. With respect to the allegations in paragraph 67 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

68. With respect to the allegations in paragraph 68 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

69. With respect to the allegations in paragraph 69 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents.

70. Defendants admit that on February 7, 2007, HSBC filed an 8-K and issued a press release regarding its provision for loan losses, and respectfully refer the Court to those documents for a complete and accurate statement of their contents. Defendants admit that on February 7, 2007, New Century Financial filed an 8-K and issued a press release and respectfully refer the Court to those documents for a complete and accurate statement of their contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 70 of the Complaint.

71. With respect to the allegations in paragraph 71 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 71 of the Complaint.

72. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in the first sentence of paragraph 72 of the Complaint. Defendants admit the allegations in the second sentence of paragraph 72 of the Complaint.

73. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 73 of the Complaint, except admit that the Federal Reserve reported that residential mortgage interest rates were higher in June 2006 than in June 2004.

74. With respect to the allegations in paragraph 74 of the Complaint, Defendants respectfully refer the Court to published ABX Index prices for a complete and accurate statement of those prices. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 74 of the Complaint.

75. Defendants deny each and every allegation in paragraph 75 of the Complaint.

76. Paragraph 76 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 76 of the Complaint.

77. Defendants deny each and every allegation in paragraph 77 of the Complaint, except admit that prior to the IPO, a private equity fund or funds managed by Blackstone invested in Freescale Semiconductor, Inc. ("Freescale").

78. With respect to the allegations in paragraph 78 of the Complaint, Defendants admit that a private equity fund or funds managed by Blackstone invested in Freescale in 2006, and Defendants respectfully refer the Court to the Registration Statement for a

complete and accurate statement of its contents, and deny each and every remaining allegation in paragraph 78 of the Complaint.

79. Defendants admit that Freescale designs and manufactures embedded processors. Defendants admit that, at the time of the IPO, Freescale operated through three primary segments: (1) the Transportation and Standard Products Group, (2) the Networking and Computing Systems Group, and (3) the Wireless and Mobile Solutions Group. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 79 of the Complaint.

80. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 80 of the Complaint.

81. Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 81 of the Complaint.

82. With respect to the allegations in paragraph 82 of the Complaint, Defendants respectfully refer the Court to the cited article for a complete and accurate statement of its contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 82 of the Complaint.

83. With respect to the allegations in paragraph 83 of the Complaint, Defendants respectfully refer the Court to the transcript of the cited conference call for a complete and accurate statement of its contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 83 of the Complaint.

84. Defendants deny each and every allegation in paragraph 84 of the Complaint.



85. Paragraph 85 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 85 of the Complaint.

86. With respect to the allegations in paragraph 86 of the Complaint, Defendants respectfully refer the Court to the transcript of the cited conference call for a complete and accurate statement of its contents. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 86 of the Complaint.

87. Defendants deny each and every allegation in paragraph 87 of the Complaint, except admit that Blackstone-managed funds had investments in real estate at the time of the IPO.

88. With respect to the allegations in paragraph 88 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

89. Paragraph 89 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 89 of the Complaint.

90. Defendants admit that in 1989 the SEC issued an interpretive release relating to Item 303 of Regulation S-K, and respectfully refer the Court to the release for a complete and accurate statement of its contents.

91. With respect to the allegations in paragraph 91 of the Complaint, Defendants respectfully refer the Court to the cited SEC interpretive release for a complete and accurate statement of its contents.

92. Paragraph 92 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 92 of the Complaint.

93. The first sentence of paragraph 93 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the first sentence of paragraph 93 of the Complaint. With respect to the allegations in the second sentence of paragraph 93 of the Complaint, admit that the Registration Statement does not specifically reference FGIC, and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

94. With respect to the allegations in paragraph 94 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

95. With respect to the allegations in paragraph 95 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

96. Paragraph 96 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 96 of the Complaint.

97. With respect to the allegations in the first sentence of paragraph 97 of the Complaint, Defendants respectfully refer the Court to the cited regulation for a complete and accurate statement of its contents. Defendants admit the allegations in the second sentence of paragraph 97.

98. With respect to the allegations in paragraph 98 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

99. Paragraph 99 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 99 of the Complaint, and respectfully refer the Court to the cited accounting standard for a complete and accurate statement of its contents.

100. Paragraph 100 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 100 of the Complaint.

101. With respect to the allegations in paragraph 101 of the Complaint, Defendants respectfully refer the Court to the cited accounting standard for a complete and accurate statement of its contents.

102. Defendants admit that a fund or funds managed by Blackstone acquired a 23% interest in FGIC during 2003, and deny each and every other allegation in the first sentence of paragraph 102 of the Complaint. The second sentence of paragraph 102 purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the second sentence of paragraph 102 of the Complaint. Defendants admit that Blackstone reported its funds' investments in accordance with generally accepted accounting principles and deny each and every other allegation in the third sentence of paragraph 102 of the Complaint, and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

103. With respect to the allegations in paragraph 103 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

104. Paragraph 104 of the Complaint (apart from footnote 5) purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 104 of the Complaint. With respect to footnote 5, Defendants respectfully refer the Court to the cited Form 10-K for a complete and accurate statement of its contents.

105. Paragraph 105 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 105 of the Complaint.

106. Defendants deny each and every allegation in paragraph 106 of the Complaint.

107. Defendants deny each and every allegation in paragraph 107 of the Complaint.

108. With respect to the allegations in paragraph 108 of the Complaint, Defendants respectfully refer the Court to published ABX Index prices for a complete and accurate statement of those prices. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 108 of the Complaint.

109. With respect to the allegations in paragraph 109 of the Complaint, Defendants respectfully refer the Court to published ABX Index prices for a complete and accurate statement of those prices. Defendants deny knowledge or information sufficient to form a belief as to the truth of the other allegations in paragraph 109 of the Complaint.

110. Defendants deny each and every allegation in paragraph 110 of the Complaint.

111. Paragraph 111 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 111 of the Complaint.

112. Defendants deny each and every allegation in paragraph 112 of the Complaint.

113. Paragraph 113 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 113 of the Complaint.

114. The first sentence of paragraph 114 of the Complaint purports to state a conclusion to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the first sentence of paragraph 114 of the Complaint. With respect to the allegations in the remainder of paragraph 114, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

115. With respect to the allegations in paragraph 115 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents, including the reported results from investment activities during the quarter ended March 31, 2007.

116. Defendants deny each and every allegation in paragraph 116 of the Complaint.

117. Paragraph 117 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 117 of the Complaint.

118. Paragraph 118 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 118 of the Complaint.

119. With respect to the allegations in paragraph 119 of the Complaint, Defendants respectfully refer the Court to the cited regulation for a complete and accurate statement of its contents.

120. With respect to the allegations in paragraph 120 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

121. Defendants deny each and every allegation in paragraph 121 of the Complaint.

122. With respect to the allegations in paragraph 122 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

123. Defendants deny each and every allegation in paragraph 123 of the Complaint.

124. With respect to the allegations in paragraph 124 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

125. Defendants deny each and every allegation in the first and second sentences of paragraph 125 of the Complaint. With respect to the allegations in the remainder of paragraph 125 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

126. Defendants deny each and every allegation in paragraph 126 of the Complaint.

127. Defendants admit that on March 10, 2008, Blackstone issued a press release, and respectfully refer the Court to the press release for a complete and accurate statement of its contents.

128. Defendants admit that on or about March 12, 2008, Blackstone filed its Form 10-K for the year 2007, and respectfully refer the Court to the Form 10-K for a complete and accurate statement of its contents.

129. Defendants deny each and every allegation in paragraph 129 of the Complaint, except admit that the IPO price was \$31 per unit.

**ANSWER TO COUNT I (Violations of Section 11 of the Securities Act Against All Defendants)**

130. Defendants repeat and reallege each and every response set forth in paragraphs 1 through 129 of the Answer above as if set forth herein. The second and third sentences of paragraph 130 of the Complaint contains Plaintiffs' characterization of this action to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the second and third sentences of paragraph 130 of the Complaint, except admit that the Complaint purports to bring a claim under Section 11 of the Securities Act, 15 U.S.C. § 77k.

131. Paragraph 131 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 131 of the Complaint.

132. Paragraph 132 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 132 of the Complaint, except admit that Blackstone was the registrant for the IPO.

133. With respect to the first sentence of Paragraph 133 of the Complaint, Defendants respectfully refer the Court to the Registration Statement for complete and accurate statement of its contents. The remainder of Paragraph 133 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the remainder paragraph 133 of the Complaint.

134. Paragraph 134 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 134 of the Complaint.

135. Paragraph 135 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations that “Plaintiffs acquired Blackstone units traceable to, and in reliance on, the Registration Statement” and deny each and every remaining allegation in paragraph 135 of the Complaint.

136. Paragraph 136 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants admit that this



action was brought within three years of the date of the IPO and deny each and every other allegation in paragraph 136 of the Complaint.

**ANSWER TO COUNT II (Violations of Section 12(a)(2) of the Securities Act Against All Defendants)**

137. Defendants repeat and reallege each and every response set forth in paragraphs 1 through 136 of the Answer above as if set forth herein. The second and third sentences of paragraph 137 of the Complaint contains Plaintiffs' characterization of this action to which no response is required. To the extent a response is required, Defendants deny each and every allegation in the second and third sentences of paragraph 137 of the Complaint, except admit that the Complaint purports to bring a claim under Section 12(a)(2) of the Securities Act, 15 U.S.C. § 77l.

138. Paragraph 138 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 138 of the Complaint, except admit that Blackstone issued the Registration Statement and respectfully refer the Court to the Registration Statement for a complete and accurate statement of its contents.

139. Paragraph 139 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 139 of the Complaint.

140. Paragraph 140 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 140 of the Complaint.

141. Paragraph 141 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 141 of the Complaint.

142. Paragraph 142 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 142 of the Complaint, and respectfully refer the Court to the Prospectus for a complete and accurate statement of its contents.

143. Defendants deny that the Prospectus contained untruths or omissions and deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations in paragraph 143 of the Complaint.

144. Paragraph 144 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 144 of the Complaint.

145. Paragraph 145 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants admit that this action was brought within three years of the date of the IPO and deny each and every other allegation in paragraph 145 of the Complaint.

146. Paragraph 146 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, Defendants deny each and every allegation in paragraph 146 of the Complaint.

**ANSWER TO COUNT III (Violations of Section 15 of the Securities Act Against the Individual Defendants)**

147. Paragraph 147 does not purport to assert a claim against Blackstone, and no response by Blackstone is required. To the extent a response by Blackstone is required, it

joins the response of the remaining Defendants. The remaining Defendants repeat and reallege each and every response set forth in paragraphs 1 through 146 of the Answer above as if set forth herein. The second and third sentences of paragraph 147 of the Complaint contain Plaintiffs' characterization of this action to which no response is required. To the extent a response is required, the remaining Defendants deny knowledge or information sufficient to form a belief as to the truth of the allegations in the second and third sentences of paragraph 147 of the Complaint.

148. Paragraph 148 does not purport to assert a claim against Blackstone, and no response by Blackstone is required. To the extent a response by Blackstone is required, it joins the response of the remaining Defendants. The remaining Defendants state that Paragraph 148 of the Complaint purports to state conclusions of law to which no response is required. To the extent a response is required, the remaining Defendants deny each and every allegation in paragraph 148 of the Complaint.

149. Defendants deny each and every allegation in paragraph 149 of the Complaint.

### **AFFIRMATIVE DEFENSES**

#### **FIRST AFFIRMATIVE DEFENSE**

150. Plaintiffs' Complaint fails to state a claim upon which relief can be granted.

#### **SECOND AFFIRMATIVE DEFENSE**

151. The claims asserted in Plaintiffs' Complaint are contradicted by documentary evidence.

**THIRD AFFIRMATIVE DEFENSE**

152. The claims asserted in Plaintiffs' Complaint may be barred, in whole or in part, by the doctrines of laches, waiver, equitable estoppel, unclean hands, and unjust enrichment.

**FOURTH AFFIRMATIVE DEFENSE**

153. Plaintiffs' claims are barred, in whole or in part, because Plaintiffs lack standing to pursue claims against Defendants.

**FIFTH AFFIRMATIVE DEFENSE**

154. Plaintiffs' claims are barred, in whole or in part, because the alleged misstatements or omissions are immaterial.

**SIXTH AFFIRMATIVE DEFENSE**

155. Plaintiffs' claims are barred, in whole or in part, because Defendants had no duty to disclose the allegedly omitted information.

**SEVENTH AFFIRMATIVE DEFENSE**

156. Plaintiffs' claims are barred, in whole or in part, because Defendants had no duty to update any statements in the Registration Statement or Prospectus.

**EIGHTH AFFIRMATIVE DEFENSE**

157. None of Sections 11, 12(a)(2), nor 15 of the Securities Act of 1933, with respect to liability for a "controlled" (as "control" is defined in the federal securities laws and regulations) person's violations of Sections 11 or 12(a)(2) afford a remedy to purchasers that buy securities in the secondary market. To the extent that any securities that are the subject of this action were not purchased in the initial offering of those securities, Plaintiffs fail to state a claim with respect to such securities under Sections 11, 12(a)(2), or 15 of the Securities Act with respect to liability for a controlled person's violation of Sections 11 or 12(a)(2).

**NINTH AFFIRMATIVE DEFENSE**

158. The claims asserted against the Defendants are barred, in whole or in part, because this action may not be maintained as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure.

**TENTH AFFIRMATIVE DEFENSE**

159. Certain statements alleged in the Complaint as false and misleading are forward-looking statements accompanied by meaningful cautionary language and are therefore not actionable under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (“PSLRA”) and/or the bespeaks caution doctrine.

**ELEVENTH AFFIRMATIVE DEFENSE**

160. Plaintiffs’ claims against Defendants are barred, in whole or in part, because the alleged misstatements were mere puffery or were vague statements of optimism.

**TWELFTH AFFIRMATIVE DEFENSE**

161. The claims are barred, in whole or in part, because the alleged misrepresentations are non-actionable statements that contain expressions of opinion that Plaintiffs have not alleged, and cannot prove, were not truly held.

**THIRTEENTH AFFIRMATIVE DEFENSE**

162. Certain purportedly material information alleged in the Complaint to have been omitted from the Registration Statement and Prospectus is a matter of public knowledge and therefore was not required to be disclosed. Plaintiffs’ claims with respect to such information therefore are barred.

**FOURTEENTH AFFIRMATIVE DEFENSE**

163. Certain purportedly material information alleged in the Complaint to have been omitted from the Registration Statement and Prospectus was not firm-specific information

and therefore was not required to be disclosed. Plaintiffs' claims with respect to such information therefore are barred.

**FIFTEENTH AFFIRMATIVE DEFENSE**

164. Plaintiffs' claims are barred because Defendants at all times acted with reasonable care and due diligence with respect to the matters alleged in the Complaint to have been misrepresented in or misleadingly omitted from the Registration Statement and Prospectus. After reasonable investigation, Defendants had reasonable ground to believe and did believe that the statements contained in the Registration Statement and Prospectus were true as of the date they were made and that there was no omission to state a material fact required to be stated therein or necessary to make statements therein not misleading.

**SIXTEENTH AFFIRMATIVE DEFENSE**

165. Plaintiffs knew, or should have known, of any misstatement or omission in the Offering Documents.

**SEVENTEENTH AFFIRMATIVE DEFENSE**

166. Plaintiffs' claims are barred as against Schwarzman, Peterson, James, and Puglisi because they did not have "control" over any person primarily liable, as the term "control" is defined in the federal securities laws and regulations.

**EIGHTEENTH AFFIRMATIVE DEFENSE**

167. Plaintiffs' claims are barred as against Schwarzman, Peterson, James, and Puglisi because they did not culpably participate in any fraudulent scheme, misstatements of fact or omissions by others. None of these defendants had knowledge of, or a reasonable ground to believe in the existence of, facts by reason of which the liability of the controlled person is alleged to have existed.

**NINETEENTH AFFIRMATIVE DEFENSE**

168. Plaintiffs' claims are barred as against Schwarzman, Peterson, James, and Puglisi because they did not directly or indirectly induce any act or acts alleged in the Complaint to constitute a violation of any federal securities law or regulation.

**TWENTIETH AFFIRMATIVE DEFENSE**

169. Plaintiffs' claims are barred as against Schwarzman, Peterson, James, and Puglisi because they are not responsible in law or in fact for any alleged false or misleading statements or omissions by others.

**TWENTY-FIRST AFFIRMATIVE DEFENSE**

170. Plaintiffs' claims are barred as against Schwarzman, Peterson, James, and Puglisi because they did not breach any duty owed to Plaintiffs.

**TWENTY-SECOND AFFIRMATIVE DEFENSE**

171. Plaintiffs' Count II is barred as against Schwarzman, Peterson, James, and Puglisi because they were not offerors or sellers of the securities at issue within the meaning of Section 12(a)(2) of the Securities Act.

**TWENTY-THIRD AFFIRMATIVE DEFENSE**

172. Certain Defendants did not sign the Registration Statement or Prospectus. Accordingly, these defendants are not liable to Plaintiffs under the federal securities laws or regulations in connection with these filings or offerings.

**TWENTY-FOURTH AFFIRMATIVE DEFENSE**

173. Without admitting that Plaintiffs suffered damages in any amount, or that the Defendants are or should be liable for any such damages, Plaintiffs' claims are barred, in whole or in part, because any damages recoverable by Plaintiffs must be reduced by the amount of distributions received and to be received in the future by Plaintiffs with respect to the units.

**TWENTY-FIFTH AFFIRMATIVE DEFENSE**

174. Without admitting that Plaintiffs suffered damages in any amount, or that the Defendants are or should be liable for any such damages, to the extent that Plaintiffs failed to mitigate, minimize or avoid any loss or damage referred to in their Complaint, any recovery against Defendants must be reduced by that amount.

**TWENTY-SIXTH AFFIRMATIVE DEFENSE**

175. Without admitting that Plaintiffs suffered damages in any amount, or that the Defendants are or should be liable for any such damages, Defendants assert that their liability for damages may not exceed the statutory limitation to damages set forth in 15 U.S.C. §77k(e).

**TWENTY-SEVENTH AFFIRMATIVE DEFENSE**

176. Defendants were entitled to, and did, rely upon the opinions of professionals and experts in affixing their signatures to, and authorizing the filing of the Registration Statement and Prospectus in connection with the IPO. Defendants believed that these experts were, in fact, expert in their field and were competent to render the opinions they had provided. Without admitting that any opinions provided by these experts were in anyway inadequate, unfounded or incorrect, Defendants had no notice that the opinions provided by these experts were in any way inadequate, unfounded or incorrect. Defendants had no reasonable ground to believe, and did not believe, that any statements contained in such filings were untrue or that there was an omission to state a fact required to be stated therein or necessary to make the statements therein not materially misleading. As a result of that reasonable reliance, Defendants did not know, and in the exercise of reasonable diligence could not have known, that the Registration Statement and Prospectus filed in connection with the IPO contained material misrepresentations and omissions.



**TWENTY-EIGHTH AFFIRMATIVE DEFENSE**

177. The actions or inactions of Defendants were not the sole cause or a partial cause of any loss allegedly suffered by any Plaintiff. Any damages allegedly suffered by Plaintiffs were the result of superseding and intervening causes.

**TWENTY-NINTH AFFIRMATIVE DEFENSE**

178. The actions or inactions of Defendants were not the sole or partial cause of any decision by a plaintiff to purchase Blackstone common units.

**THIRTIETH AFFIRMATIVE DEFENSE**

179. Plaintiffs' claims are barred in whole or in part because any alleged depreciation in the value of Blackstone common units resulted from factors other than the misstatements and omissions alleged in the Complaint.

**THIRTY-FIRST AFFIRMATIVE DEFENSE**

180. Plaintiffs' claims against Defendants are barred because the injuries Plaintiffs sustained, if any, were caused by the actions or inactions of parties other than Defendants, actions or inactions by parties outside the control of Defendants, or economic events that were, likewise, outside the control of Defendants. These actions, inactions and events were intervening or superseding causes of Plaintiffs' alleged damages.

**THIRTY-SECOND AFFIRMATIVE DEFENSE**

181. Plaintiffs' claims are barred, in whole or in part, because Plaintiffs cannot trace the securities for which they claim damages to the Registration Statement or Prospectus.

**THIRTY-THIRD AFFIRMATIVE DEFENSE**

182. The provisions of the PSLRA require that any liability of Defendants under the federal securities laws be determined in accordance with the proportionate fault provisions of 15 U.S.C. § 78u-4. Accordingly, Defendants are entitled to a submission asking

the jury to assess the percentage of fault of each Individual Defendant, and the percentage of fault (if any) of the other persons or entities that the jury finds contributed to cause the harm alleged by the Plaintiffs.

**THIRTY-FOURTH AFFIRMATIVE DEFENSE**

183. Plaintiffs' claims against Defendants are barred, in whole or in part, because Plaintiffs assumed the risks disclosed in the Registration Statement and Prospectus associated with the IPO and any losses Plaintiffs experienced were caused because those risks came to fruition. Plaintiffs who purchased with knowledge of those risks, or knowledge of adverse events in the market, likewise assumed the risks that there would be deterioration or further deterioration in the price or value of Blackstone common units, such that their damages are not recoverable as a matter of law.

**THIRTY-FIFTH AFFIRMATIVE DEFENSE**

184. Plaintiffs' claims against Defendants are barred, in whole or in part, because Defendants had no duty to characterize disclosed facts pejoratively.

**THIRTY-SIXTH AFFIRMATIVE DEFENSE**

185. Plaintiffs are limited to only those damages authorized by the Securities Act of 1933 and the PSLRA and therefore Plaintiffs may not recover damages in excess of those authorized by these statutes or the regulations promulgated pursuant to these statutes.

**THIRTY-SEVENTH AFFIRMATIVE DEFENSE**

186. Defendants hereby reserve and assert all defenses and affirmative defenses available under any applicable federal or state law. Defendants presently have insufficient knowledge or information upon which to form a belief as to whether they may have available other, as yet unstated, defenses or affirmative defenses. Therefore, Defendants reserve their right to assert any additional defenses or affirmative defenses that discovery indicates may be

appropriate. Defendants reserve the right to amend or to seek to amend its answer and/or affirmative defenses.

**PRAYER FOR RELIEF**

WHEREFORE, Defendants respectfully request that this Court:

1. dismiss Plaintiffs' Complaint with prejudice;
2. award Defendants their costs and expenses in connection with defending this action, including reasonable attorney's fees; and
3. grant such other and further relief as the Court deems just and proper.

**DEMAND FOR TRIAL BY JURY**

Defendants hereby demand a trial by jury.

Dated: New York, New York  
August 5, 2011

SIMPSON THACHER & BARTLETT LLP

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