Final Transcript

THE BLACKSTONE GROUP: Blackstone Pre-Invest Call

October 10, 2014/2:00 p.m. EDT

PRESENTATION

Joan Solotar

Steve A. Schwarzman

Paul Taubman

Laurence Tosi

PRESENTATION

Coordinator

Good day, ladies and gentlemen. Welcome to the Blackstone Financial Advisory announcement. My name is Lisa, and I'll be your operator for today. At this time, all participants are in listen-only mode.

Later, we will conduct a question and answer session. (Operator instructions.)

As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Ms. Joan Solotar, Head of External Relations and Strategy. Please, proceed, ma'am.

Joan Great. Thank you, Lisa. Good afternoon, everyone. Thanks for joining the call today. I'm here with Steve Schwarzman, Chairman and CEO, Laurence Tosi, CFO, Weston Tucker, Head of IR, and we are also joined by Paul Taubman, Founder of PJT Partners.

I'd like to remind you that today's call may include forward looking statements, which by their nature are uncertain and outside of the firm's control. Actual results may differ materially. We have the risk factors section in the 10-K, so you can refer to that. We will refer to non-GAAP measures on the call. For reconciliation, please refer to the press release. Also, like to remind you nothing on the call constitutes an offer to sell or solicitation of an offer to purchase any interest in any of our funds. The audio cast is copyrighted material and may not be duplicated, reproduced, or rebroadcasted without consent.

As you've all seen by now, this morning we announced our plans to merge our current M&A, Restructuring and Park Hill Businesses, with Paul Taubman's PJT partners and then spin that off, creating a newly publicly traded firm, which Paul will lead as Chairman and CEO. Also, just want to remind you as you know we report our earnings next week, so we're not going to be discussing anything related to the quarter. We won't obviously be able to answer questions on that either at the end of the call.

With that, I'm going to turn it over to, Steve.

Steve — Good afternoon, everyone. This morning we announced a very important strategic development for the firm, as Joan indicated. Most of you know Blackstone actually began as an advisory firm in 1985, founded by me and my retired partner, Pete Peterson. Today, I still chair the Fairness Opinion Committee, as I have for the past 29 years. Our advisory businesses are truly world scale, with top notch reputations among their clients globally.

In our M&A business we're often asked to lead some of the largest and most complex assignments in the world. Our restructuring and reorganization group, established in 1991, is the foremost advisor of its kind, and is ranked number one in the world in both announced and completed transactions. Our Park Hill Group is the world's leading fund placement agent and has helped more than 160 funds, raised over $230 billion since its inception in 2005.

I believe that terrific performance for our three advisory businesses, over the years, has enhanced the firm's powerful reputation and brand to the benefit of all of our businesses. While I have no doubt that as part of Blackstone, our advisory businesses would continue to be great ones. They've become in some ways the victims of their own success, as well as the success of our investing areas.

As Blackstone has expanded to become the world's largest alternative asset manager, the potential conflicts between our investing businesses and our advisory operations have grown. This results in a lot of business which we just don't pursue. At the same time, today's changing regulatory landscape has created significant opportunities for advisory firms that are unattached to larger financial institutions, but we haven't been able to fully take advantage of all these opportunities.

Business from other financial sponsors, which actually comprised nearly one third of total M&A revenues in the industry last year, has been limited for us as these other sponsors have been reluctant to hire an advisory team that is part of a competitor. Blackstone and our portfolio companies, in fact, will be able to hire our three advisory teams, much more easily once they're part of an independent company. Further, while we have the best restructuring team, the growth in GSO and Tactical Opportunities, coupled with the need currently to keep the advisory teams small, has limited its prospects. Overall, the new company will be tremendously well positioned to aggressively go after new business that was previously unavailable.

We've asked someone who many of us have known for years, Paul Taubman, who's sitting here with me – you'll hear from him in a minute – to run the new firm. Paul is a rare talent. He ranked 13th last year in the league tables, literally on his own. Prior to founding PJT Partners, Paul was co-President of Morgan Stanley's Institutional Securities Group, Head of Global Investment Banking, and Head of its Global Mergers and Acquisitions department.

Tony James, Tom Hill, and I all grew up as M&A practitioners. Tony and Tom ran major investment banks. We view Paul truly as the top of his generation. I can't think of a more capable leader to blaze the trail forward for the new firm and its incredibly talented team. While it was a very difficult decision, personally, today's announcement is the right decision for

Blackstone and for our advisory businesses, and it is also the right decision for our shareholders.

The business rationale is compelling as it untethers both our advisory and our investing businesses, and positions us to significantly accelerate growth. In addition, we believe it has the potential to unlock value for our shareholders. Investors often overlook the advisory businesses embedded within Blackstone. These types of businesses typically trade at multiples significantly higher than Blackstone's. A better earnings trajectory coupled with a better multiple would be a good thing for our shareholders.

The last time we made the strategic decision to spin off a company was in the early 1990s, when we separated with a team of very talented partners who had a compelling vision for what was then known as Blackstone Financial Management, a unit of Blackstone focused on the management of mortgage securities. The prospects for this division were greater, and the strategic rationale more compelling as a standalone company. We made the decision to spin it into an independent firm. That spin was ultimately spectacularly successful. It is now the world's largest asset manager, a little firm called BlackRock.

Since Blackstone's inception, we've had a strong record of developing great people and identifying the right leaders to take a business forward. The defining characteristics of Blackstone's consistent success over time are rooted in our common culture and strong leadership. I have every confidence that under Paul's leadership, our advisory businesses will continue their heritage of excellence and success. As the new firm's largest shareholder, I look forward to watching the platform expand to new heights.

With that, I'll turn the call over to Paul.

Paul First, I'd like to thank Steve and Tony, for their leadership and for their vision in getting us to this point. We are incredibly excited to announce our intention to combine our new rapidly growing firm with Blackstone's well-established advisory business. As I began to frame my vision for a next generation independent advisory firm, I always believed it would revolve around an elite team of practitioners, providing differentiated advice to clients around the globe.

When Steve and Tony first approached me with this idea, I immediately saw it as a terrific catalyst to accelerate the realization of that vision. This is a unique opportunity to bring together the legacy, scale, and scope of a well-established business with the entrepreneurial energy of a new firm. By eliminating the potential conflicts that existed as part of the world's largest alternative asset manager, these three businesses will now be ideally positioned for significant long-term growth. The new enterprise will include the preeminent restructuring franchise and a market leading fund placement business. By combining these considerable resources, we have a unique opportunity to establish a new leader in the M&A advisory space.

Critical to our success are talent and culture. We look forward to working with the dedicated experienced individuals who currently work in these three new businesses. Once freed from the variety of conflicts that have prevented them from fully maximizing the client opportunities in the marketplace, I believe the new firm will create tremendous upside for them. Importantly, I am confident that our firm will also represent an attractive new option for talent from across Wall Street. There's clearly a large un-met desire among top advisory talent around the world to practice their profession in a more entrepreneurial, innovative, and dynamic environment. As the first significant independent advisory firm to form since the financial crisis, we have the ability to become the premier destination for that talent.

This is the chance to be part of the truly next generation advisory firm and one that has been given a big head start today. There has never been a better time to build a new world-class advisory business. Corporate decision makers are increasingly comfortable with smaller, more nimble independent firms that are able to differentiate with better focus and better judgments. Simply put, we will combine the best of both worlds; the creative energy and intensity of a startup, with a 30 year legacy and heritage. We are tremendously excited and optimistic about the opportunities ahead.

With that, I'll turn it over to LT before we take questions.

Laurence Thank you, Paul, and thank you, Steve. First, let me say, that we at Blackstone are looking forward to working with Paul and his partners, and our current partners, and colleagues to create an independent world-class, high-growth industry leader. The key to today is unlocking competitive advantage in unit holder value.

First, a few mechanics. We have structured the deal as a tax-free spinout to our existing unit holders. At the time of the spin, which we expect to occur in 2015, the current unit holders of Blackstone will own 65% of the new independent entity. The remaining 35% will be owned, both, by the partners and professionals in our advisory businesses and Paul and his team.

The current partners and professionals in our advisory businesses will exchange their unvested Blackstone units for shares in the new company, which will result in them having a very significant ownership of the new company. As a result, the unit count at Blackstone will reduce by approximately 6 million shares at the time of the spin. The shares in the new company received by Blackstone unit holders will be a fully tradable interest in a Public C Corporation.

A couple of business highlights: The businesses that will comprise the new company had $382 million of revenues in the trailing 12 months, ended the second quarter of 2014. There are a couple of key distinctions to our publicly reported segment financials to keep in mind. The revenues are adjusted for the businesses that are being spun-out and exclude the revenue from our capital markets and balance sheet activities, such as returns on treasury. Similarly, the expense base of the new company will not include corporate overhead allocations, but will include the direct expenses of the operating businesses.

The cumulative earnings of the entities will approximately be the same as they are today with the exception of one-time transaction expenses. We do, however, expect the transaction to be accretive in total value for the Blackstone unit holders at the time of the spin. We expect we will be filing a Form 10 in the next few weeks that will show our pro forma financials for the new company for the full year 2013 and year-to-date 2014, where you will see more detail.

A key part of our strategy is to turn current constraints into future growth. Since 2003, independent advisory firms have increased their market share of global M&A advisory fees significantly, from 19% to 32%, taking share from the captive advisory divisions of the mega banks. Much of that increase has been driven by high-growth sponsors, like Blackstone, which have now reached 32% of all global M&A fees, almost twice what it was just five years ago. Inside of Blackstone, the businesses have been constrained in their ability to deal with both Blackstone as an advisor and our competitors as clients.

For example, only 7% of the 2013 revenue of our advisory businesses came from Blackstone, down from 19% just a few years ago. Blackstone and our funds are one of, if not the, largest fee payer globally, registering in excess of a billion dollars in advisory financing fees over the last 12 months alone. Similarly, our fund placement business, Park Hill, is limited in both its Blackstone business and its ability to serve other alternative firms, which represent the fastest growing segment in asset management. Park Hill has unique breadth addressing private equity, hedge funds, real estate, and secondaries, and is a leader in all those segments.

The new company will be a market leader not only for its growth prospects but its balance. Nowhere in the market is there a business of roughly three equal parts: advisory, restructuring, and fund placement until now. Against this backdrop, we believe we are establishing a sustainable market leader while marking a unique value creation opportunity for BX unit holders.

Before we take questions, I would just like to remind you that as is customary with a spin, we are very limited in what we can disclose at this point and we will be filing documents in the coming weeks that address detailed questions about the new company and the carve out. Additionally, Blackstone announces earnings next week, which limits what we can say about the quarter. Consistent with that, we would like you to limit your questions to strategy and the outlook for this exciting new company. With that, thank you for your time and we will open the call to questions.

Coordinator Your first question comes from the line of Marc Irizarry with Goldman Sachs. Please proceed.

Marc Okay, great. Thanks. Steve, maybe and whoever else wants to take a shot at this, can you talk a little bit about the decision to go ahead with this particular partner and how you thought about the economics and sharing the economics given the 65% interest. I just want to get a better sense in terms of how you thought about what the future opportunity would be like and how you approach that. Thanks.

Steve Well, we've been thinking for a while, Marc, about the whole issue of not positioning our advisory business, particularly in the M&A area – to just go free and grow. It's been an issue for quite some time, and as this M&A cycle was starting to build, it's pretty clear that we wouldn't be able to maximize that. We're also experiencing, as you know, really very substantial flows in the alternatives of asset management area, and those are, I would suspect, going to continue at that level. And so we were concerned about what the longer term impact would be.

We looked at the valuations of the advisory business and how do we take advantage for our people of being in an organization that's got that kind of maximum growth potential and not be inhibited by the other elements of the firm because it must be, in certain respects, very frustrating, which we knew, to put people in that situation.

So when we thought about what to do, we wanted to something as we normally do things with the best people that we could find in the world. Paul is on that very, very, very short list of people who would qualify. I started a business myself – it seems fairly recently but apparently wasn't – and you have to find somebody who's got a lot of energy, who's got their own personal brand, who's got great judgment, and who has that desire to create excellence in doing, I guess as one would say, first-class business in a first-class way.

We managed to engage in a dialogue with Paul. I wouldn't say he initially was sold. You can ask him if that was the right thing to do. He was in a pretty small setting and was just looking at doing private business. We were in that position at Blackstone for many, many years so I understood that. I think there was a bit of a learning curve with just the scale of the businesses we ran because besides our M&A business, which is of great familiarity to him, the restructuring business and the fund placement business which are terrific parts of the firm and which we started – and I can remember hiring each person and those are great parts of the business. And so it was a period of time, I guess over a few months, that we engaged in dialogue. Tony was basically driving that with Paul, and we got to the point where this looked like it was real. And then that probably intensified over the last six to eight weeks with some ups and downs like you always have on a technical basis, not on a personal basis. It was just really easy, frankly. It was just technical issues because we have a complex structure at Blackstone, and we got it done.

In terms of sort of ownership, in effect, we thought – I guess that's one way you would say it – Paul's company and there were incentives embedded in that to increase the stock price significantly over time for which Paul and the original partners do very well when that happens. And so the incentives are really aligned, and the 35% interest includes our own people who are going over to the firm. We basically are taking unvested stock and converting it with our people into stock of Newco.

By the way, we don't have a name yet, Marc. That's a little bit disappointing for us because we're doing this project in secret, the way you do things when you try to do stuff like this because you never know at the end of the day if things are going to happen, and we just couldn't get to the point where we got a name that we loved. So it's formally called Newco at the moment, but that will change. That's how we got to where we are.

Laurence Just have one technical point on that, Marc. As Steve said, I think there's been some confusion that the 35% that will be held by the partners and employees of Newco is a combination of Paul's team and our team. In fact, our team will be the significant majority of that, so let me be clear on that base.

Steve And one other thing, Marc. It's important that you recognize that Blackstone is not going to own any part of Paul's company, Newco. It's Blackstone shareholders, and it's important that Newco be independent because we don't want to have any confusion with potential customers that Blackstone itself is involved with the new company because that would discourage a certain number of important potential customers, and we don't want to have that happen.

The company does have our support, of course, because we want it to be successful because the Blackstone shareholders started this. It's Blackstone shareholders in that sense, but people will be allowed to sell their stock over time and that'll rebalance just the way any normal company would. The long answer to a good question.

Marc — Great. Thank you and interesting transaction for you guys. Congratulations. I'll get back in the queue.

Steve — Thanks, Marc.

Coordinator — Your next question comes from the line of Glenn Schorr with ISI. Please proceed.

Glenn — Hi. Thanks very much. One point of clarification first. Did you say the business mix will be roughly three equal parts: M&A, restructuring, and fund placement at current form or was that just more of a generalization?

Laurence Glenn. It's LT. It just depends; honestly, at what point you are in the cycle. They're near each other in size and it just depends on where you are in the cycle. I think going forward, I think you'd probably think that the M&A piece might be the piece that has the most percent increase available to it.

Glenn That's why it has the upside for sure. I was just looking for the starting point. Okay. So, in the vein of keeping this towards strategy, just curious how you might have described your growth and hiring on the current platform versus now under Newco. It opens up different doors, so I guess maybe it's the same answer on the M&A side, but where do you see your main focus of growth on here forward? Where's the low hanging fruit?

Paul This is Paul. It seems to me that there are tremendous opportunities to gain market share really in all of these businesses because all of these businesses in some way, shape, or form have been constrained given the current structure. So we look at this first and foremost as a growth opportunity across these three businesses.

I could certainly make the case that surely, in terms of restrictions, the advisory business faces the greatest restrictions because if you have 30% of the wallet that comes from financial sponsors and you can't play in that, and now all of a sudden that's opened up, you have tremendous opportunities.

If you then think about all of the instances where corporate relationships and engagements then complicate existing pursuit of principal activities on the private equity side at Blackstone, that just gets larger and larger. So we start with the notion that all of these businesses will have opportunities to grow independent of where we are in the cycle.

I think the second point is that because we are intending to take a long-term perspective on all of this, we're a little less driven by where the macro is and much more focused on simply doing more business with more clients and with the existing clients that we do business to do more business with them.

Glenn Given all those opportunities across the board, I don't want to put words in your mouth, but it sounds like you have some growing of staff to do or do you feel like you can go with the current crew and see how you grow from here?

Paul We have tremendous respect for the partners that we're going to be joining, and we need to get a little bit more detail, but as a macro point, I think we're in a growth part of the curve. I also think that we present an extraordinarily attractive recruiting proposition because this new company will be in the sweet spot in terms of being a new company that is being reborn with an entrepreneurial spirit, and yet it has a 30-year history, track record, and legacy. So it should appeal to a lot of people who presumably will want to be part of this, but fundamentally, we think that all of these businesses have tremendous opportunities to grow over time.

Glenn Okay. I appreciate it. Thank you.

Coordinator Your next question comes from the line of Michael Kim with Sandler O'Neill. Please proceed.

Michael Hey, guys. Good afternoon. I apologize for my voice here. I'm fighting a little bit of a cold, but my question has to do with the capital markets business. I know it's relatively small in the grand scheme of things, but just curious as to the rationale for retaining the capital markets business. Is it because you still feel like there are real synergies with your other businesses and maybe you feel like the perceived conflicts of interest aren't potentially as big of an issue for that part?

Laurence So, Michael, first of all, I hope you feel better. We're grateful we're not in the same room with you. It's not your usual dulcet tone, but on that note, I think that our capital markets business is set up to compliment the activities that we have with our portfolio companies in the funds with respect to doing financings, etc. We're not a dominant part of any of the syndicates that we participate in or the IPOs. We're really there to make sure we can preserve value as a player in those transactions, so it's not a primary focus and then that's the extent. It's really not a business in and of itself. There are only a few people in it. There are three or four people, and it's really an add-on. But I'll turn to Paul, because I think he has very specific ideas of what a capital markets business would look like for him.

Paul I think we want to lead with differentiated advice – differentiated judgments, and in order to have those differentiated judgments, the closer you are to the capital markets, the better. We believe that the Park Hill business gives us a very interesting window into that just given all of the institutions, all of the pockets of assets that they touch, and over time, we're going to look to see if we can use that as an interesting leg to grow.

Michael Got it. Thank you.

Coordinator Your next question comes from the line of Bill Katz with Citi. Please proceed.

Bill Okay. Thank you very much for taking my questions. First question I have is maybe for LT perhaps. You mentioned that this is going to be accretive to Blackstone at the time of the spin. Can you sort of walk through some of the assumptions that get you there if you're spinning off the revenue and expense lines to the new entity. Is there some kind of synergies in terms of corporate overhead? What else might I be missing?

Laurence So I'll start by repeating what I said, Bill, and then I'm going to give you a non-answer because I think that's what we need to do at this point. So it will be total value accretive to the firm because we think we're unlocking what's now not properly valued in these particular businesses. I think that's the key point. I think it's probably better when we wait and we file the Form 10 you'll be able to see the whole construct, etc., but as I said, the cumulative earnings of the two businesses that will then be represented by the two shareholdings of our unit holders will be about the same.

Bill Okay. I understand. To the second question, I'm sure the answer it's going to be no, but I'm going to ask you again, nonetheless. To the extent that this does work and unlocks value and A plus B becomes greater than because it's all embedded within Blackstone, what's the appetite, given where the stock is trading right now, for management to consider converting the entire entity to a C corp and possibly getting a higher combined valuation?

Laurence Well, you answered the question for me, but let's talk about that next week on Blackstone's earnings call, but I don't think it changes our deal with respect to the tax efficiency that we have created inside of Blackstone and the value that that creates for our shareholders. This will be a different entity. It will be a public C entity that the distributions from it will be qualified dividends, so I'd just point that out. But it doesn't cause us to pause and think more about our structure which we think works very well for our shareholders.

Bill Okay. Thank you very much.

Coordinator Your next question comes from the line of Patrick Davitt with Autonomous. Please proceed.

Patrick — Thanks. Could you put any kind of broad numbers around or have you tried to put any kind of broad numbers around the number of deals or amount of revenue you think the business has missed out on because of its association with Blackstone?

Steve — A bunch.

Patrick — It sounds that way. Okay, cool, fair enough.

Steve — As far as thinking about this, as Paul mentioned, at this state, if you start out just in the M&A business and you can't touch about approximately 30% of the revenue, and then, in addition, at Blackstone itself, we have a complex situation where we raise pools of capital, for example, in real estate or private equity. And the people working in those businesses want the optionality to look at almost everything. And so it's not that you actually have a real conflict. You have the perception of conflict, which knocks out just the M&A business. I would estimate, and I realize this is a live call, so I guess you could quote me, but I wish you wouldn't, but it's really just for knowledge. But my guess is that you're missing 50% of the market available to an unaffiliated company. That's huge, huge, and it might even be more. That's just in the M&A area.

As you look at this, and what also happens in our restructuring business typically ends up growing its business as a function of the business it gets directly but also business that's referred by other parts of the firm. And this is not our business. It's the restructuring business generally. Because our M&A business has been so constrained, we've limited the amount of people who can be hired. Consequently, there's a real limitation on the outreach from the M&A side. Many of our competitors in that area use those M&A bankers when the M&A cycle is down either to staff some restructuring, which we've never done, but it also is used to get business because they have those embedded relationships.

And our people have always been a little frustrated when they're occasionally beaten for something because somebody else has been keeping that relationship ongoing for 10 years or 20 years, and they take whatever it gives, whether it's M&A

business in the up part of the cycle or it's restructuring in the down part of the macroeconomic cycle. So we've been missing some of those types of things, so when Paul describes that there's a big opportunity, it's actually quite true.

And how big that's going to be is a function of who you recruit and how you recruit, the scale of the businesses that you build, but there's a very optimistic scenario which I won't share with you because my general counsel will shut me down or people around the table will hoot me down or whatever it is. But it is a real optimistic case in terms of what you could do in terms of building on the foundation of what we have as well as the kind of relationships that Paul and his partners have as well.

Patrick — And could you just remind us, and I appreciate – and I'm pretty sure the answer is no, but did your funds, to any extent, get first look at the flow from your advisory business?

Steve — Very little, surprisingly. We did when we were little, when we were a small firm. As we've gotten larger – I guess LT said it –

	in many years – not every year but many years – Blackstone is the biggest generator of fees for the financial community in the world. It's a very unusual position to be in and as a result, we get really big flow to our principal businesses, and so the Blackstone advisory representative of that goes down proportionately as our fee generation capacity has gone up and up.
Paul	The only thing I would add is when Steve and Tony first approached me, Steve alluded to the knowledge gap, and the more I learned about the businesses, I was quite surprised to see that only 7% of the revenues of this business come from Blackstone. That really is just one little exclamation point on how constrained these businesses have been because they haven't benefitted from the sister relationship inside of Blackstone and yet they've been forced to abandon lots of commercial opportunities outside of Blackstone.
Steve	One thing I mentioned in my remarks, not to just fill up air time but because it's true, is that we have the ability to do more business with these businesses, when our advisory business is

combined with Paul's, are separated from Blackstone. We get questions from time to time by limited partners are you using your advisory business because it's good for you or is it good for the company. These are logical things that somebody would ask. No evidence that that's the case, but it does constrain your ability to use the businesses. Now the fact that we know the people and we think our businesses are superb. That's why they've been developed within Blackstone. My guess would be that in the aggregate we will do more absolute business over time once these businesses are separated into an independent company.

Patrick That makes sense. Thank you.

Coordinator The next question comes from the line of Devin Ryan with JMP. Please proceed.

Devin Good afternoon. Thank you. I don't want to get too far ahead of ourselves here, but just given what sounds like a really big opportunity to scale and add bankers, just philosophically, how are you guys thinking about the economics of growth and how it can incur meaning. There's always going to be a lag. There's normally a lag from hiring a banker and then the time it takes for that banker to get to a level where they're starting to produce, and so the goal to grow as fast as possible as the opportunity exists, it sounds like there's an exciting opportunity there or even though there is going to be some initial margin dilution or should we expect more conservative view around growth and building the firm?

Paul I think we want to build a world-class firm, and the first thing you need to do is you need to have a cohesive culture, and you need to have everyone working together in a collaborative way. It will be a meaningful integration to transform what is a division inside of Blackstone into an independent company and to combine it with PJT Partners. We need to be very careful to make sure that the growth that we do is controlled and that we do nothing to just simply pursue growth and compromise the advice that we give, the quality of the people that we recruit. So we're going to be very, very focused on doing this in a controlled disciplined manner.

Having said that, I do believe that we are going to be able to take advantage over time of tremendous opportunities to do more business with more clients around the globe, and I've always believed that you need to take a long-term view to building these businesses and if we have a unique moment in time to attract talent, the last thing I want to do is to be constrained by some arbitrary ratios or metrics. But we recognize that over the long-term, these investments need to pay off for our clients and for our shareholders and for everyone else.

Devin Got it. Very helpful. Thank you. Maybe just one for LT. With respect to the – I just want to clarify the point here – the 35% portion that's going to be owned by the partners, is that including the unit conversion or is that just all incremental equity and so the actual ownership all in will be higher for the partners?

Laurence	Actually, Devin, that includes the roll-over of shares that they have currently. So the 6 million shares represent what's being rolled over and there will be additional incentive shares available for the team that's going over and a combined amount of that should be the 65/35 that I mentioned before.
Devin	Okay. Got it. Thanks.
Coordinator	(Operator's instructions.) Your next question comes from the line of Mike Carrier with Bank of America. Please proceed.
Mike	Hi. Thanks. Just one quick question. The M&A and the restructuring business seems like it makes a lot of sense, and you may have covered this, but I just want to figure out on the Park Hill side, it seems like there can be some benefits by keeping that with Blackstone, so I just wanted to figure out if there was – maybe by expanding into new asset classes, if there's some conflicts or if it's better independently. Just a little color on that. Thanks.

Laurence Steve pointed to me so I'll try to answer this. I think, Mike, we can still do business, and perhaps even more business with Park Hill than we do today. First, because Paul thinks about different ways and the partners at Park Hill think about expanding the Park Hill platform. We will continue to raise significant capital with Park Hill. I just think they'll be more prevalent in the system, but the key for the Park Hill unlocking their ability to grow is that if you look at their top lists of clients, you won't see names that are traditionally considered competitors of Blackstone, and that's where the real opportunity is.

They are the best at what they do in multi-asset classes, and as more and more of the capital is being aggregated by the multi-asset class large alternative firms, they will now be in a position to compete for that business because they can deliver a great service to those future clients of theirs who would be considered competitors of ours today.

Steve There are also some other ways to grow that business, which we won't share with you, because there's nothing in finance that is patentable. So if we share that kind of stuff with you, it'll be out there for other people, and really that's something interesting.

Mike — Okay, thanks.

Coordinator — I would now like to turn the presentation back over to Ms. Joan Solotar for closing remarks.

Joan — Thanks everyone for joining. If you have any follow-up, feel free to call me or Weston after the call. Thanks.

Coordinator — Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.