

January 5, 2010

Mr. Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update to Topic 810, "Amendments to Statement 167 for Certain Investment Funds" (File Ref No. 1750-100)

Dear Mr. Golden,

The Blackstone Group is pleased to comment on the proposed Accounting Standards Update, Consolidation (Topic 810), "Amendments to Statement 167 for Certain Investment Funds" (the "proposed Update").

We strongly support the FASB's continued efforts towards convergence with the IASB and have noted significant differences between the standard setters in the area of consolidation, generally, and in particular, with respect to investment funds. We welcome the proposed deferral as it provides an opportunity to deliberate this issue as part of a joint project and the issuance of a final converged consolidation standard. We believe that this is in the interests of both preparers and users of financial statements as it results in consistent financial reporting in current and subsequent periods. We have included specific comments on the proposed Update below.

Effective Date

Do you agree that the Board should defer the effective date of Statement 167 for entities that meet the requirements in the proposed Update?

We agree that the Board should defer the effective date of Statement 167 for entities meeting the requirements set out in the proposed Update. We have general concerns about the usefulness of consolidated financial statements for asset managers as we believe that the most pertinent information which is used by investors to make investment decisions and by analysts in their financial projection models, specifically management and incentive fee information, is lost within consolidated statements. The consistent and unanimous feedback that we receive from investors, analysts and other stakeholders does not support consolidation for asset managers for this primary reason. Blackstone is supportive of providing additional meaningful disclosure on assets under management on which recurring base fees are calculated and fund performance to provide additional transparency of future incentive/performance based fees. Non-consolidated financial statements with enhanced disclosures on fee generating ability, we believe, contain the

most useful information for users. Further, consolidation of fund assets onto an investment manager's financials opens the possibility for fraud as the financial condition of the manager is distorted by third party assets and, typically, almost no liabilities.

In addition, we believe that it is important for the FASB and the IASB to work on a joint project on consolidation to avoid inconsistent consolidation conclusions in subsequent reporting periods. We believe that there are significant differences between the two Boards in the consolidation assessment for asset managers and welcome the deferral to give the two Boards an opportunity to reassess the overall concepts around consolidation. In particular, we believe that greater deliberation on principal-agent relationships in the asset management industry is required.

Scope

Do you believe that the amendments to paragraph 810-10-65-2 in this proposed Update clearly identify the population of entities that would qualify for the deferral?

We believe that the amendments to paragraph 810-10-65-2 in the proposed Update clearly identify the population of entities that would qualify for deferral. The AICPA Audit and Accounting Guide, *Investment Companies*, has provided consistent and effective guidance for accounting for such entities. Further the retention of specialized accounting in the consolidated financial statements, as permitted under ASC 810-10-25, has been consistently applied in the consolidated financial statements of asset managers with the view that applying consolidation principles to underlying investments of Investment Companies would not provide investors with transparent financial information but would instead obscure the key operating metrics at the asset manager level. We believe that Investment Companies or companies that may not meet the definition of investment companies but which follow Investment Company accounting guidance qualify for the deferral of Statement 167. We further believe that, in the consolidated financial statements of an asset manager, measurement at fair value is the only measure which presents the most transparent financial information to investors, consistent with the retention of specialized accounting under ASC 810-10-25.

We support the efforts of the FASB to ensure that securitized vehicles and any entities which have explicit or implicit guarantee arrangements remain within the scope of Statement 167. We believe that the consolidation of these entities when an enterprise has the power over the most significant activities and the obligation to absorb losses or the right to receive benefits which are potentially significant to these entities appropriately presents to users of financial statements the exposure that an asset manager or general partner may have as a result of investments or fee arrangements in such entities. We support the Board's proposed wording of "to fund losses of the entity". For certain commitment based funds, a general partner may have a future capital commitment as capital is called when required to fund investments. In that case, the general partner would be required to make additional cash outlays but not for the purpose of funding losses of the investment fund rather, simply to align interests as a fellow investor in the fund. Further, these commitments are agreed upfront, non-recourse and "de-minimus".

We believe the distinction in the proposed Update results in commitment based funds qualifying for deferral. The general partner of investment funds does not have any obligation to fund losses of an investment fund or to provide financial support. As a result, presentation of assets and liabilities relating to investment funds would not provide investors information relating to the true exposure of asset managers to such funds. Consolidated financials, frankly, cannot be used in any type of meaningful analysis. As noted above, non-consolidated financial statements with enhanced disclosures would be useful to users.

We agree that the conditions set out in the proposed Update for certain investment funds to qualify for deferral sets appropriate boundaries that limits potential structural abuse. Statement 167 and the proposed Update address a gap in current consolidation literature which has resulted in vehicles to which there is significant financial exposure remaining off balance sheet. The proposed conditions, together with the issuance of Statement 166, clearly bring such vehicles in scope of consolidation, which we understand to be the intention of the Board.

Related Party Arrangements

Do you believe that the Board's proposed change to include language to clarify that related party arrangements should be considered for all of the conditions in paragraph B22 of statement 167 is operational and achieves the Board's objective?

We believe that the Board's proposed changes regarding related party arrangements are operational and achieve the Board's objective.

Quantitative Analysis

Do you believe that the Board's proposed changes to condition (c) in paragraph B22 of Statement 167 are operational and achieve the Board's original objective in Statement 167 that a quantitative test should not be the sole determinant of whether a fee arrangement is a variable interest?

In the application of the consolidation guidance under Statement 167, we understand that the assessment of whether other interests held by the decision maker and its related parties would collectively constitute an interest that is more than insignificant requires consideration of all facts and circumstances, including quantitative factors if qualitative factors are not determinative or are inconclusive. We further believe that the consideration of all facts and circumstances, and not just a quantitative analysis, is relevant to condition (f) in paragraph B22 and encourage the Board to apply consistent language across these conditions. In the application of the accounting guidance contained in paragraph B22, it would also be helpful to have clarification of the Board's intent in final standard so that the guidance can be consistently applied by all constituents.

The Blackstone Group appreciates the opportunity to comment on the proposed Update. If you have any questions concerning our comments, please contact me at (212) 583-5205.

Yours truly,

Laurence Tosi

Chief Financial Officer

The Blackstone Group