Blackstone Holdings Finance Co. L.L.C.

Financial Statements as of and for the Year Ended

December 31, 2017

BLACKSTONE HOLDINGS FINANCE CO. L.L.C.
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INDEPENDENT AUDITORS' REPORT

To Blackstone Holdings Finance Co. L.L.C.:

We have audited the accompanying financial statements of Blackstone Holdings Finance Co. L.L.C. (the "Company"), (a wholly owned subsidiary of The Blackstone Group L.P.), which comprise the statement of financial condition as of December 31, 2017, and the related statements of operations, changes in member's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blackstone Holdings Finance Co. L.L.C. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 1, 2018

BLACKSTONE HOLDINGS FINANCE CO. L.L.C.
Statement of Financial Condition
As of December 31, 2017
(All Dollars are in Thousands, Except Where Noted)

Assets		
Cash and Cash Equivalents	$	1,383,442
Investments		527
Loans, at Fair Value		239,659
Interest and Other Receivables		28,669
Due from Affiliates		3,760,071
Other Assets		517,420
Total Assets		5,929,788
Liabilities and Member's Equity		
Loans Payable	$	3,514,813
Due to Affiliates		2,328,874
Accounts Payable, Accrued Expenses and Other Liabilities		70,975
Total Liabilities		5,914,662
Member's Equity		
Total Member's Equity		15,126
Total Liabilities and Member's Equity	$	5,929,788

See notes to financial statements

BLACKSTONE HOLDINGS FINANCE CO. L.L.C.
Statement of Operations
Year Ended December 31, 2017
(All Dollars are in Thousands, Except Where Noted)

Revenues	
Investment Income	
Realized	$ 746
Unrealized	6,246
Total Investment Income	6,992
Interest Income and Other	101,531
Total Revenues	108,523
Expenses	
Interest	201,934
General, Administrative and Other	4,912
Total Expenses	206,846
Net Loss	$ (98,323)

See notes to financial statements

BLACKSTONE HOLDINGS FINANCE CO. L.L.C.
Statement of Changes in Member's Equity
Year Ended December 31, 2017
(All Dollars are in Thousands, Except Where Noted)

		Member's Equity
Balance at December 31, 2016	$	113,449
Net Loss		(98,323)
Balance at December 31, 2017	$	15,126

See notes to financial statements

BLACKSTONE HOLDINGS FINANCE CO. L.L.C.
Statement of Cash Flows
Year Ended December 31, 2017
(All Dollars are in Thousands, Except Where Noted)

Operating Activities		
Net Loss	$	(98,323)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities		
Unrealized Appreciation on Investments and Derivatives		(110,569)
Net Realized Loss on Investments and Derivatives		2,636
Amortization and Accretion of Discount and Fees on Investments, Derivatives and Borrowings		(20,294)
Other Non-Cash Amounts Included in Net Loss		118,016
Cash Flows Due to Changes in Operating Assets and Liabilities:		
Investments:		
Cash Proceeds from Sale of Investments		65
Paydowns / Maturities of Investments		1,575
Loans, at Fair Value:		
Purchase of Loans		(856,042)
Cash Proceeds from Sale of Loans		835,426
Paydowns / Maturities / Settlements of Loans		12,584
Interest and Other Receivables		(17,096)
Due from Affiliates		(390,649)
Other Assets		629,619
Due to Affiliates		238,785
Accounts Payable, Accrued Expenses and Other Liabilities		(11,243)
Net Cash Provided by Operating Activities		334,490
Financing Activities		
Proceeds from Loans Payable		591,852
Repayment of Loans Payable		(583,462)
Fees Paid on Revolving Credit Facility and Loans Payable		(5,582)
Net Cash Provided by Financing Activities		2,808
Net Increase in Cash and Cash Equivalents		337,298
Cash and Cash Equivalents, Beginning of Period		1,046,144
Cash and Cash Equivalents, End of Period	$	1,383,442
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Loans Payable Issuance Costs	$	5,582
Supplemental Disclosure of Cash Flows Information		
Payments for Interest	$	157,970

See notes to financial statements

1. ORGANIZATION

Blackstone Holdings Finance Co. L.L.C. (the "Company"), a Delaware limited liability company, was formed on April 28, 2009. The Company is wholly owned by Blackstone Holdings I L.P. ("Holdings I" or "Parent"). The Blackstone Group L.P. (the "Partnership"), through wholly owned subsidiaries, is the sole general partner of Holdings I. Holdings I, together with its sister companies Blackstone Holdings A1 L.P., Blackstone Holdings II L.P., Blackstone Holdings III L.P., and Blackstone Holdings IV L.P. (collectively, "Holdings") act as guarantors for loans payable of the Company, and additionally the Partnership acts as guarantor for the long-term bonds issued by the Company.

The Company, along with other companies within the Partnership, were formed to perform certain treasury related activities for the Partnership, such as acting as borrower under certain short-term credit facilities and long-term senior notes, paying certain expenses on behalf of other entities within the Partnership, centrally managing and investing the Partnership's operating cash, and serving as the transacting party on certain hedging transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Management believes that estimates utilized in the preparation of the financial statements are prudent and reasonable. Such estimates include those used in the valuation of investments, loans at fair value, and financial instruments. Actual results could differ from those estimates, and such differences could be material.

Affiliates

The Company considers the Partnership and its senior managing directors, employees, the funds which it manages, and its majority-owned and controlled investments to be affiliates.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash held in banks, money market funds, and liquid investments with original maturities of three months or less. Interest income from cash and cash equivalents is recorded in Interest Income and Other in the Statement of Operations.

Investments and Loans, at Fair Value

The Company's principal investments are presented at fair value with change in unrealized appreciation or depreciation and realized gains and losses recognized in the Statement of Operations within Investment Income in the Statement of Operations.

For certain instruments, the Company has elected the fair value option. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. The Company has applied the fair value option for certain loans that otherwise would not have been carried at fair value with gains and losses recorded in net income. Fair valuing these loans is consistent with how the Company accounts for its other principal investments. Loans extended to third parties are recorded within Loans, at Fair Value in the Statement of Financial Condition. Changes in the fair value of such instruments are recognized in Investment Income in the Statement of Operations. Interest income on interest bearing loans on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts, where applicable. This interest income is recorded within Interest Income and Other in the Statement of Operations. Further disclosure on instruments for which the fair value option has been elected is presented in Note 5 "Fair Value Option" to the financial statements.

Securities and loan transactions are recorded on a trade date basis.

Fair Value of Financial Instruments

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

Level I — Quoted prices are available in active markets for identical financial instruments as of the reporting date. The type of financial instruments in Level I generally include listed equities, listed derivatives and mutual funds with quoted prices. The Company does not adjust the quoted price for these investments.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Financial instruments which are generally included in this category include corporate bonds and loans, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

Level III — Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. Financial instruments that are included in this category generally include credit-oriented loans, non-investment grade residual interests in securitizations, and other debt and equity instruments where the fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Transfers between levels of the fair value hierarchy are recognized at the beginning of the reporting period.

Level II Valuation Techniques

Financial instruments classified within Level II of the fair value hierarchy comprise derivative instruments, inclusive of foreign currency forwards and foreign currency swaps.

The valuation techniques utilize contractual cash flows and observable inputs comprising yield curves, foreign currency rates and credit spreads to value these instruments.

Level III Valuation Techniques

In the absence of observable market prices, the Company values certain investments using valuation methodologies applied on a consistent basis. For some investments, little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks.

Level III Valuation Process

Financial Instruments classified within Level III of the fair value hierarchy are valued on a quarterly basis, taking into consideration any changes in discounted cash flow projections, as well as any changes in economic and other relevant conditions, and valuation models are updated accordingly. Investments for which market prices are not observable include certain debt instruments and loans and receivables. The valuation process also includes a review by an independent valuation party, at least annually for all investments, and quarterly for certain investments, to corroborate the values determined by management. The valuations of the Company's investments are reviewed quarterly by the Partnership's valuation committee which is chaired by the Partnership's Vice Chairman and includes senior heads of each of the Partnership's investing businesses, as well as representatives of legal and finance. Each quarter, the valuations of the Partnership's investments are also reviewed by the Partnership's Audit Committee in a meeting attended by the chairman of the Partnership's valuation committee. The valuation methodology is further tested by comparison to actual sales prices obtained on disposition of the investments.

Derivative Instruments

The Company recognizes all derivatives as assets or liabilities on its Statement of Financial Condition at fair value. On the date the Company enters into a derivative contract, it designates and documents each derivative contract as one of the following: (a) a hedge of a recognized asset or liability ("fair value hedge"), (b) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), (c) a hedge of a net investment in a foreign operation ("net investment hedge"), or (d) a derivative instrument not designated as a hedging instrument ("freestanding derivative").

The Company formally documents at inception its hedge relationships, including identification of the hedging instruments and the hedged items, its risk management objectives, strategy for undertaking the hedge transaction and the Company's evaluation of hedge effectiveness. Effectiveness is assessed at least on a quarterly basis to measure that the changes in the hedging instrument have been, and are expected to continue to be, highly effective in offsetting the changes in the risk being hedged in the hedged item. If it is determined that the hedge is not highly effective, hedge accounting may be discontinued. The Company may also, at any time, elect to remove a hedge designation. The Company manages its exposure to market and counterparty risk by only entering into contracts with counterparties with investment grade ratings and requiring counterparties to post collateral under bilateral collateral agreements. As of December 31, 2017 and through-out the year, the Company did not maintain any cash flow, fair value, or net investment hedge relationships.

For certain freestanding derivative contracts, the Company presents changes in fair value in Interest Income and Other. Freestanding derivative assets are reported within Other Assets and freestanding derivative liabilities within Accounts Payable, Accrued Expenses and Other Liabilities in the Statement of Financial Condition.

The Company has elected to not offset derivative assets and liabilities or financial assets in its Statement of Financial Condition, including cash, that may be received or paid as part of collateral arrangements, even when an enforceable master netting agreement is in place that provides the Partnership, in the event of counterparty default, the right to liquidate collateral and the right to offset a counterparty's rights and obligations.

The Company's other disclosures regarding derivative financial instruments are discussed in Note 6, "Derivative Financial Instruments".

The Company's disclosures regarding offsetting are discussed in Note 10, "Offsetting of Assets and Liabilities".

Notional Pooling Arrangement

The Company participates in a notional cash pooling arrangement with a financial institution for cash management purposes of the Partnership. This arrangement allows for cash withdrawals based upon aggregate cash balances on deposit of the Partnership's participating entities at the same financial institution. Aggregate cash withdrawals cannot exceed aggregate cash balances on deposit. The net balance of cash on deposit and overdrafts is used as a basis for calculating net interest expense or income for the Partnership. The financial institution has the right to decline requests for withdrawals of the Company's deposit balance to the extent that such withdrawals will cause the aggregate net balance to become an overdraft position. The Company's deposit amount under the notional pooling arrangement is recorded in Other Assets in the Statement of Financial Condition.

Revenue Recognition

Revenues primarily consist of investment income (loss) and interest income and other.

Investment Income (Loss) — Investment income (loss) represents the unrealized and realized gains and losses on the Company's principal investments. Investment income (loss) is realized when the Company redeems all or a portion of its investment. Unrealized investment income (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest Income and Other — Interest income is primarily comprised of interest and dividend income earned on investments held, certain intercompany balances, and loans owned by the Company. Other income is primarily comprised of fees earned on loans extended to third parties, foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars, and changes in the fair value of freestanding derivatives. Fees on loans extended to third parties are recorded when earned.

Income Taxes

The Company is a limited liability company treated as a disregarded entity for U.S. federal income tax purposes and as such, is not subject to U.S. federal, state, and local income taxes. Such taxes are the responsibility of Holdings I. Therefore, no provision for income taxes has been made in the accompanying financial statements.

3. INVESTMENTS

Investments consist primarily of credit-oriented positions.

The following table presents the realized and net change in unrealized gains (losses) on investments held by the Company:

	Year Ended December 31, 2017	
Realized Gains (Losses)	$	21
Net Change in Unrealized Gains (Losses)		(344)
	$	(323)

(All Dollars are in Thousands, Except Where Noted)

4. NET ASSET VALUE ("NAV") AS FAIR VALUE

A summary of the fair value by strategy type alongside the unfunded commitment and ability to redeem such investment as of December 31, 2017 is presented below.

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Diversified Investments	$ 510	$ -	(a)	(a)
	$ 510	$ -		

(a) This investment is in the process of liquidating as of the reporting date.

5. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected and the uncollected principal balance on the financial instruments that exceeded the fair value:

	As of December 31, 2017		Year Ended December 31, 2017	
Assets	Fair Value	Excess (Deficiency) of Fair Value Over Principal	Realized Gain (Loss)	Net Change in Unrealized Gain (Loss)
Loans, at Fair Value	$ 239,659	$ 1,207	$ (1,214)	$ 6,590
Equity Securities	-	-	21	(4)
	$ 239,659	$ 1,207	$ (1,193)	$ 6,586

As of December 31, 2017, there were no loans on which the fair value option was elected that were past due or in non-accrual status.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts in the normal course of business, with both external and consolidated affiliates, to achieve certain risk management objectives. Foreign exchange risk resulting from investments and fees denominated in non-U.S. dollar currencies are hedged primarily by foreign currency spot and forward contracts, to mitigate foreign currency risk exposure against exchange rate fluctuations. Foreign exchange risk resulting from the issuance of non-U.S. dollar notes are hedged using cross currency swaps with certain consolidated affiliates — including the EUR currency exposure resulting from the €300 million and €600 million notes issued in May 2015 and October 2016. Additionally, interest rate and cross currency swaps were entered into in connection with the October 2017 $300 million 10 year and $300 million 30 year notes to synthetically convert the 10 year and 30 year USD fixed rate liabilities to 10 year GBP fixed and 30 year EUR fixed respectively. As a result of the use of derivative contracts, the Company is exposed to the risk that counterparties will fail to fulfill their contractual obligations. To mitigate such counterparty risk for contracts outside of the Partnership and its consolidated affiliates, the Company enters into contracts with certain major financial institutions with investment grade credit ratings. Counterparty credit risk is evaluated in determining the fair value of derivative instruments.

(All Dollars are in Thousands, Except Where Noted)

Credit risk with respect to derivative instruments arises from the failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk at any point of time is represented by the fair value of the derivative contracts reported as assets. To manage such exposure, in certain cases, the Company has established bilateral collateral agreements with its major derivative counterparties that provide for exchange of marketable securities or cash to collateralize either party's future payment of obligations pursuant to derivative contracts.

In August 2009, the Company entered into interest rate swaps to synthetically convert fixed interest rate exposure to floating, and elected to designate those swaps as fair value hedges of the notes issued in August 2009. That election was subsequently removed in June 2012, at which time the swaps were either terminated or economically offset with offsetting swap transactions. Over the life of the hedge, fair value hedge accounting basis adjustments of $64.2 million were made to the carrying value of the notes. This basis adjustment was accreted using the effective interest method through November 2017 which at that time the remaining unamortized amount was expensed in connection with the Company's bond tender of the notes issued in August 2009.

Freestanding Derivatives

Freestanding derivatives are instruments that the Company has entered into as part of its overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include foreign exchange contracts, equity swaps, options, futures, and other derivative contracts.

The table below summarizes the aggregate notional amount and fair value of the derivative financial instruments:

	December 31, 2017			
	Assets		Liabilities	
	Notional	Fair Value	Notional	Fair Value
Freestanding Derivatives				
Interest Rate Contracts	$ 600,000	$ 9,464	$ 600,000	$ (9,464)
Foreign Exchange Contracts	6,333	119	235,006	(2,215)
Foreign Currency Swaps	1,610,443	92,913	600,000	(16,374)
Total	$ 2,216,776	$ 102,496	$ 1,435,006	$ (28,053)

(All Dollars are in Thousands, Except Where Noted)

The table below summarizes the impact to the Statement of Operations from derivative financial instruments:

	Year Ended December 31, 2017	
Freestanding Derivatives	**Interest Income and Other**	
Realized Gains (Losses)		
Interest Rate Contracts	$	892
Foreign Exchange Contracts		(9,699)
Foreign Currency Swaps		7,365
Total	$	(1,442)
Net Change in Unrealized Gain (Loss)		
Interest Rate Contracts	$	-
Foreign Exchange Contracts		(1,525)
Foreign Currency Swaps		105,848
Total	$	104,323

As of December 31, 2017, the Company had not designated any derivatives as cash flow, fair value or net investment hedges.

(All Dollars are in Thousands, Except Where Noted)

7. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table summarizes the valuation of the Company's financial assets and liabilities by the fair value hierarchy as of December 31, 2017:

	December 31, 2017				
	Level I	**Level II**	**Level III**	**NAV as FV**	**Total**
Assets					
Money Market Funds	$ 795,054	$ -	$ -	$ -	$ 795,054
Non-Investment Grade Holdings					
Collateralized Loan Obligations	-	-	17	-	17
Other Investments	-	-	-	510	510
Loans, at Fair Value	-	-	239,659	-	239,659
Freestanding Derivatives					
Interest Rate Contracts	-	9,464	-	-	9,464
Foreign Exchange Contracts	-	119	-	-	119
Foreign Currency Swaps	-	92,913	-	-	92,913
Total Assets	$ 795,054	$ 102,496	$ 239,676	$ 510	$ 1,137,736
Liabilities					
Freestanding Derivatives					
Interest Rate Contracts	$ -	$ 9,464	$ -	$ -	$ 9,464
Foreign Exchange Contracts	-	2,215	$ -	-	2,215
Foreign Currency Swaps	-	16,374	-	-	16,374
Total Liabilities	$ -	$ 28,053	$ -	$ -	$ 28,053

There were no transfers between Level I and Level II during the Year Ended December 31, 2017.

(All Dollars are in Thousands, Except Where Noted)

The following table summarizes the quantitative inputs and assumptions used for financial instruments classified in Level III of the fair value hierarchy as of December 31, 2017.

	Fair Value at 12/32/2017	Valuation Techniques	Unobservable Inputs	Ranges	Weighted Average (a)
Financial Assets					
Loans, at Fair Value	$ 239,659	Discounted Cash Flows	Discount Rate	7.1% - 10.3%	8.8%
CLOs	17	Discount to NAV	Discount Rate	7.0%	7.0%
Total	$ 239,676				

(a) Unobservable inputs were weighted based on the fair value of the investments included in the range.

As of December 31, 2017, the significant unobservable inputs used in the fair value measurement of loans and receivables and CLOs are discount rates. Increases (decreases) in discount rates in isolation can result in a lower (higher) fair value measurement.

Since December 31, 2016 there have been no changes in valuation techniques within Level II and Level III that have had a material impact on the valuation of financial instruments.

The following table summarizes the changes in financial instruments measured at fair value for which the Company has used Level III inputs to determine fair value and does not include gains or losses that were reported in Level III in prior years or for instruments that were transferred out of Level III prior to the end of the current reporting period. Total realized and unrealized gains and losses recorded for Level III investments are reported in Investment Income (Loss) and Interest Income and Other in the Statement of Operations.

	Level III Financial Assets at Fair Value Full Year Ended December 31, 2017		
	Loans, at Fair Value	Non-Investment Grade Holdings	Total
Balance, Beginning of Period	$ 211,359	$ 1,921	213,280
Purchases	856,042	-	856,042
Sales	(835,426)	-	(835,426)
Settlements	(12,584)	(1,573)	(14,157)
Changes in Gains (Loss) Included in Earnings	20,268	(331)	19,937
Balance, End of Period	$ 239,659	$ 17	$ 239,676
Changes in Unrealized Gains (Losses)	$ 21,482	$ (331)	$ 21,151

(All Dollars are in Thousands, Except Where Noted)

8. VARIABLE INTEREST ENTITIES

At December 31, 2017, the Company held variable interests in certain VIEs managed by its affiliates, which are not consolidated as it is determined that the Company is not the primary beneficiary. The VIE's include a CLO vehicle. The Company's involvement with such entities is in the form of direct equity or subordinated note interests. The assets recognized within the Company's Statement of Financial Condition relating to its interests in these non-consolidated VIEs and which represent the Company's maximum exposure to loss were as follows:

	Year Ended December 31, 2017
Investments	$ 17
Total VIE Assets	17
Maximum Exposure to Loss	$ 17

9. BORROWINGS

The Company enters into credit agreements and long-term borrowings for its general operating and investment purposes. The Company's total borrowings and credit agreements as of December 31, 2017 consist of the following:

	December 31, 2017		
	Credit Extended	Borrowing Outstanding	Weighted Average Interest Rate
Revolving credit facility (a)	$ 1,500,000	$ 683	0.88%
Company Issued Senior Notes (b)…..			
5.875%, Due 3/15/2021……………..	400,000	400,000	5.88%
4.750%, Due 2/15/2023……………..	400,000	400,000	4.75%
6.250%, Due 8/15/2042……………..	250,000	250,000	6.25%
5.000%, Due 6/15/2044……………..	500,000	500,000	5.00%
4.450%, Due 7/15/2045……………..	350,000	350,000	4.45%
2.000%, Due 5/19/2025 (c)…………	360,150	360,150	2.00%
1.000%, Due 10/5/2026 (c)…………	720,300	720,300	1.00%
3.150%, Due 10/2/2027…………….	300,000	300,000	3.15%
4.000%, Due 10/2/2047…………….	300,000	300,000	4.00%
Total	$ 5,080,450	$ 3,581,133	

(a) The Company has a $1.5 billion unsecured revolving credit facility (the "Credit Facility") with Citibank, N.A., as Administrative Agent with a maturity date of August 31, 2021. Interest on the borrowings is based on an adjusted LIBOR rate or alternate base rate, in each case plus a margin, and undrawn commitments bear a commitment fee. Borrowings may also be made in: GBP, EUR, JPY, or CHF, in each case subject to certain sub-limits. The Credit Facility contains customary representations, covenants and events of default. The Credit Facility includes certain financial covenants related to Holdings, including a maximum net leverage ratio and a requirement to keep a minimum amount of fee earning assets under management, each tested quarterly. As of December 31, 2017, there were outstanding but undrawn letters of credit against the facility for $0.7 million. Certain transaction costs have been capitalized and are being amortized over the life of the Credit Facility. As of December 31, 2017, the unamortized transaction costs were $1.7 million.

(b) Represents long term borrowings in the form of senior notes (the "Notes") issued by the Company. The Notes are unsecured and unsubordinated obligations of the Company. The Notes are fully and unconditionally guaranteed, jointly and severally, by the Partnership, and Holdings (the "Guarantors"). The guarantees are unsecured and unsubordinated obligations of the Guarantors. The indentures include covenants, including limitations on the Company's and the Guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indentures also provide for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Notes may declare the Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the Notes and any accrued and unpaid interest on the Notes automatically becomes due and payable. All or a portion of the Notes may be redeemed at the Company's option in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the Notes. If a change of control repurchase event occurs, the holders of the Notes may require the Company to repurchase the Notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to, but not including, the date of repurchase. Accrued interest and interest expense on the Notes was $39.8 million and $197.9 million, respectively, for the Year Ended December 31, 2017. Transaction costs related to the issuance of the Notes have been capitalized and are being amortized over the life of the Notes. As of December 31, 2017, the unamortized transaction costs were $25.9 million.

(c) The Company has recognized $132.2 million of foreign exchange losses on EUR denominated borrowings (inclusive of discounts & fees) in Other Income for the Year Ended December 31, 2017.

(All Dollars are in Thousands, Except Where Noted)

The following table presents the general characteristics of each of our Notes, as well their carrying value and fair value. The Notes are included in Loans Payable within the Statement of Financial Condition. All of the notes were issued at a discount. All of the Notes accrue interest from the Issue Date and all pay interest in arrears on a semi-annual basis or annual basis as indicated by the Interest Payment Dates.

				December 31, 2017	
Senior Notes	**Issue Date**	**Interest Payment Dates**	**First Interest Payment Dates**	**Carrying Value**	**Fair Value (a)**
5.875%, Due 3/15/2021…….	9/20/2010	3/15, 9/15	3/15/2011	$398,514	$438,320
4.750%, Due 2/15/2023…….	8/17/2012	2/15, 8/15	2/15/2013	$394,137	$434,200
6.250%, Due 8/15/2042…….	8/17/2012	2/15, 8/15	2/15/2013	$238,019	$328,200
5.000%, Due 6/15/2044…….	4/7/2014	6/15, 12/15	12/15/2014	$488,536	$574,100
4.450%, Due 7/15/2045…….	4/27/2015	1/15, 7/15	1/15/2016	$343,925	$372,575
2.000%, Due 5/19/2025…….	5/19/2015	5/19	5/19/2016	$355,425	$385,433
1.000%, Due 10/5/2026…….	10/5/2016	10/5	10/5/2017	$709,871	$711,440
3.150%, Due 10/2/2027…….	10/2/2017	4/2, 10/2	4/2/2018	$296,399	$295,320
4.000%, Due 10/2/2047…….	10/2/2017	4/2, 10/2	4/2/2018	$289,989	$296,940
Total				$3,514,815	$3,836,528

(a) Fair Value is determined by broker quote, and these Notes would be classified as Level II within the fair value hierarchy.

As part of the Company's long-term borrowing arrangements, the Company and Holdings are subject to certain financial and operating covenants. Both the Company and Holdings were in compliance with all of its covenants as of December 31, 2017. During 2017 the Company repurchased $585 million of Notes maturing August 15, 2019. The Company recognized a loss of $32.9 million in conjunction with the extinguishment which is included in Interest Expense in the Statement of Operations.

(All Dollars are in Thousands, Except Where Noted)

10. OFFSETTING OF ASSETS AND LIABILITIES

The following table represents the offsetting of assets and liabilities as of December 31, 2017:

	Gross and Net Amounts of Assets Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Received	Net Amount
Assets				
Freestanding Derivatives	$ 102,496	$ 1,501	$ -	$ 100,995
Total	$ 102,496	$ 1,501	$ -	$ 100,995

	Gross and Net Amounts of Liabilities Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
		Financial Instruments	Cash Collateral Pledged	Net Amount
Liabilities				
Freestanding Derivatives	$ 28,053	$ 1,501	$ 24,005	$ 2,547
Total	$ 28,053	$ 1,501	$ 24,005	$ 2,547

11. COMMITMENTS AND CONTINGENCIES

The Company had $90.0 million of investment commitments as of December 31, 2017 representing principal investment commitments.

At December 31, 2017, the Company maintained irrevocable standby letters of credit of $1.4 million as security for the Partnership's leases.

12. RELATED-PARTY TRANSACTIONS

The Company provides treasury management services to the Partnership and many of its consolidated subsidiaries. The Company sweeps excess cash from these entities and invests the excess cash in various investment strategies to optimize investment returns. This arrangement generates amounts due to the Partnership and its wholly owned subsidiaries from the Company. The Company also acts as the central expense paying agent generating due from affiliates. The Company may extend loans to certain Affiliates and may also sell loans extended to third parties to affiliate funds. Amounts due to and from Affiliates consist of receivables and payables transacted in the normal course of business as described above and are reported net by entity as the Company has the right to set-off. The Company evaluates amounts due from Affiliates for collectability on a quarterly basis and based on liquidity needs requests settlement on a net basis. The Company entered into cross currency swaps with certain consolidated affiliates, to manage the currency risk related to its issued foreign currency borrowings. During 2017 the Company recognized $129.4 million of revenue related to intercompany swaps. Further disclosure on cross currency swaps with affiliates is presented in Note 6 “Derivative Financial Instruments” to the financial statements. The Company maintains irrevocable standby letters of credit for certain Affiliates. The Company’s disclosures regarding standby letters of credit are discussed in Note 11. “Commitments and Contingencies”. As of December 31, 2017, the cash balance on deposit relating to the cash pooling arrangement was $413.3 million. See ‘Note 2 “Summary of Significant Accounting Policies’ to the financial statements for further disclosure on the cash pooling arrangement.

During the year the Company sold Loans, at fair value of $835.4 million, to certain affiliated funds.

The Company recognized interest income and interest expense of $68.6 million and $24.0 million, respectively in connection with related party transactions. Interest income and expense on intercompany balances is primarily based on LIBOR rates plus a margin.

The Company, together with Holdings, has entered into certain Deed of Covenants in which it acts as principal covenanter to affiliated entities’ rental obligations under certain operating lease agreements. In the event of the affiliate entities default on the rental obligations, the Company and Holdings are required to assume those obligations. The operating lease agreements terminate on March 28, 2024. The maximum potential amount of future payments that the Company and Holdings could be required to make under the guarantees as of December 31, 2017 is $59.8 million, which is through the life of the operating leases.

13. SUBSEQUENT EVENTS

On February 23, 2018 the Company received an equity contribution from Holdings I of $100 million. As of March 1, 2018, the date on which these financial statements were available to be issued, there have been no additional events since December 31, 2017 that require recognition or disclosure in the financial statements.