

Death, Taxes and Data

In an industry in perpetual change, the only constant is data

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Between two Industries ...

NOKIA

2004-2012

Web Operations Business 4 years

IT Security (FW, IDS, Vuln Mgmt ...) 4 years

Blackstone

3 Months on the job

Focused on Protecting the Firm Operationally

Build a World Class Security Program

Support our Portfolio Companies to do the same

Blackstone Overview

By leveraging the perspective, expertise, global relationships and market insights of our five businesses, we see opportunities that others don't.



Real Estate

\$50 billion AUM

The world's premier opportunistic real estate investor, with a focus on creating value for commercial properties.



Private Equity

\$47 billion AUM

Global leader dedicated to investing growth capital and operational expertise to build the value of businesses, often previously distressed. Current Portfolio of 74 companies with \$117 billion in combined annual revenue.



Hedge Fund Solutions

\$43 billion AUM

BAAM is a creator of customized investment solutions to help investors preserve their assets by hedging against a range of exposures.



Credit

\$51 billion AUM

Our GSO credit platform is one of the world's largest credit-oriented alternative asset managers, known for providing creative capital solutions for issuers across various strategies. GSO focuses on superior risk adjusted returns with strong emphasis on capital preservation.



Financial Advisory

\$1.8 trillion

Of corporate advisory transactions, liabilities restructured and funds raised by Park Hill placement agent. Blackstone is a leading independent provider of advisory services to companies and governments, with expertise in strategic transactions and complex restructurings.

It's not a silver bullet or a comparison of vendor solutions
(Anyone who says they have a silver bullet is lying anyway)

Based on my general security thesis for Blackstone:

**At current pace of innovation & change in IT and business,
there is no way we can keep up with security
Doing things the way we have been doing them.**

Let's start with Mobile Feels to some of us in security ...



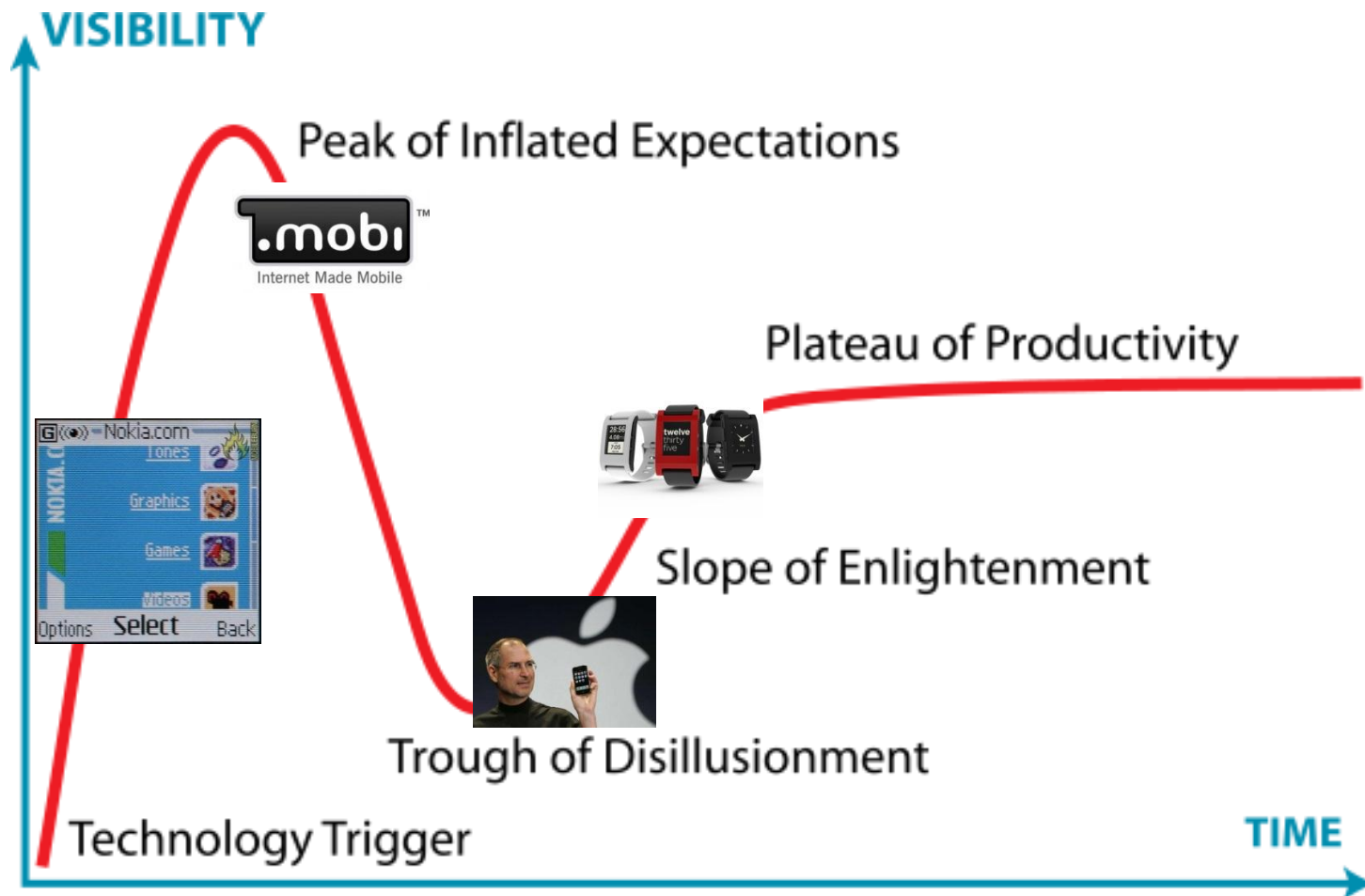
 **BlackBerry**



But actually the problem is more like this:



What we're seeing is an inflection point



It's not just iPhone.
iPhone was an inflection point
iPhone made it easy

This is part of a much more fundamental change in technology

Fundamental changes are going on in
Consumer Products, IT and the workforce.
Three trends relevant to this discussion:

Consumer Expectations Increasing

Our everyday consumer devices are becoming as powerful as
business products and very customizable

Scale Increasing

The scale of electronic data and devices is exploding

Employees expectations Increasing

The expectation of the quality and capability of business tools is
significantly increasing.

The good old days:



IT sets standards



Employees follow

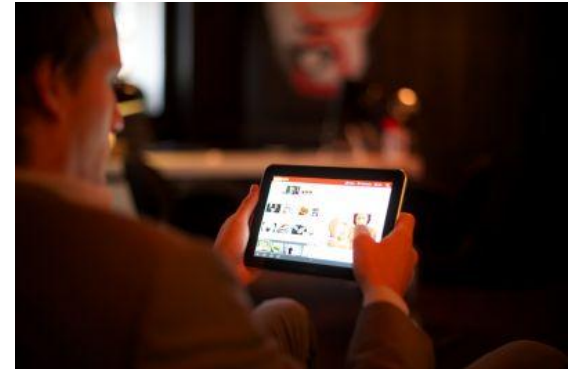


Boss always gets an exception
(but doesn't use technology much anyway)

Today



Employees use everything



Boss always gets an exception
(But is now using a lot of technology)



IT needs to buy something

The reason for this is not because people are spoiled

1. Computing has freed most employees from manual tasks
2. The value of an employee comes from on making decisions from data
“knowledge workers” vs. “office workers”
3. Productivity of a knowledge worker comes from manipulating data
4. Devices and applications that help them best do this thrive
5. Switching Cost between applications is low
6. Employees demand the best quality applications



Very much related to Consumer expectation

This is not OK anymore



Neither is this

United States Patent Application

Kind Code

Heiner; Andreas ; et al.

Method, an Apparatus, and a Computer Program Product for Reducing the Need of User Prompts

The application concerns an apparatus, a computer program product and a method comprising electronically controlling an application; activating another policy from a list of default and alternative policies to said application. The solution reduces th

Inventors:

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Assignee:

NOKIA CORPORATION
Espoo
FI

Even the boxes have gotten better



The problems we face in “mobile” are just the tip of the iceberg.

**There is a lot more data out there
That people use
And its going everywhere**

We can't secure every device and every application
Worst of all, even “whitelisting” is difficult

iPhone was never intended as an enterprise product
And it still made inroads into the enterprise

The problem isn't the device ... it's the data

At one point, this was probably the best data security we had:

CONTINENTAL AIRLINES

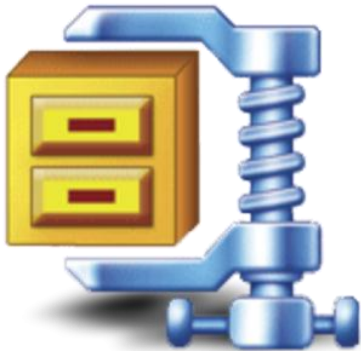
DISPATCH MAIL TO LAST STATION !!
(PRINT OR STAMP NAME, DEPT. AND CITY)
If over 10 envelopes accumulate at your station, return surplus to DENVER ST.

TO	DEPT.	CITY	TO	DEPT.	CITY
Hurt Fred	Lax				
Reeve Mx	co				
Jones	Lax				
D. Hutton	MX	5			
H. Jennings	MX	5			
L. C. Hutton	MX	5			
J. F. Hutton	MX	5			
Leg 35267	HOR	80762	MX	5	LAX
Supply	cas	WDY			
K	CAS	WDY			



Million dollar question:
What's the top secret envelope for digital data?

I wish I had an answer ...



Static Passwords on files failed



PGP was too technical



SMIME didn't take off either

Without data security, we try putting the security at the device

But that brings us back to this:



I think we need to rip the band-aid off

Example from Cloud: Moving to Host based controls

Most Internal Infrastructure faced:

- Eternal struggle of Network vs Host based security
- Network is easy to implement, but gets out of control when very granular
- Desire to move to host based controls, but it rarely happened

Cloud ripped the band-aid off:

- In most cloud deployments, the network is completely flat
- Host based controls are mandatory
- Security groups (Amazon), automation (puppet, chef) and others have risen to solve the problem

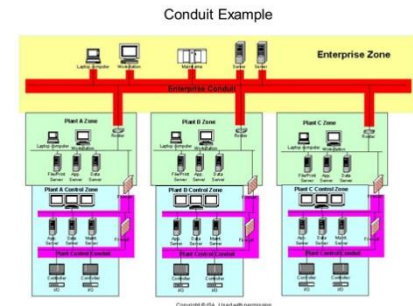
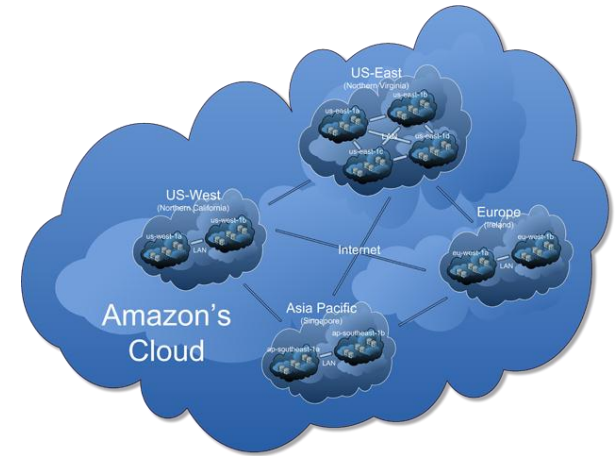


Figure 3: Segmenting the network into zones that contain elements with like security requirements simplifies the process of developing a secure industrial network. Conduits like firewalls allow data to pass safely between zones. (Courtesy of ISA).



Having said that, no one is ready for this yet. Here's what we're doing

Document Security:

Combing collaboration tools with security

Training users to important share documents only the document sharing utility

Focused on ease of user experience for collaboration

Security was a “secondary” benefit

Remote Access

Working on an implementation that is seamless

As soon as you connect to a hotspot, VPN automatically connects

Again no silver bullet,
We're using MDM and iphone & Blackberry strategy

But I keep thinking ...

... there has to be something better



Unfortunately I also have a day job

We are dedicated to driving outstanding results for investors and clients by deploying capital
and ideas that help businesses succeed and grow.

Important Disclosures

The preceding materials are provided as an overview of The Blackstone Group and are not intended as a solicitation of interest in any particular Blackstone fund or strategy. Each Blackstone fund has different investment guidelines, risk profiles and performance history and such performance history is not indicative of future results of any Blackstone fund. Materials for each Blackstone fund will be provided upon request.

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An investment in a Blackstone fund (the “Fund”) involves a high degree of risk. The following is a summary of only certain considerations and is qualified in its entirety by the more detailed “Risk Factors and Potential Conflicts of Interest” set forth in the applicable Private Placement Memorandum. Capitalized terms used below have the meanings set forth in the Private Placement Memorandum, which must be read carefully prior to investing in the Fund.

No Assurance of Investment Return. There can be no assurance that the Fund’s objectives will be achieved or that a Limited Partner will receive any distribution from the Fund. An investment should only be considered by persons who can afford a loss of their entire investment. Past activities of investment entities sponsored by Blackstone provide no assurance of future results.

Leveraged Investments. Certain assets in which the Fund will invest are expected to employ significant leverage. The leveraged capital structure of such assets will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such assets or industry. In the event an asset cannot generate adequate cash flow to meet its debt service, the Fund will suffer a partial or total loss of capital invested in the asset, which would adversely affect the returns of the Fund.

No Market for Limited Partnership Interests and Restrictions on Transfer. Interests in the Fund have not been registered under the securities laws of any jurisdiction, and, therefore, cannot be sold unless they are subsequently registered under applicable securities laws or an exemption from registration is available. There is no public market for Interests in the Fund and one is not expected develop. A Limited Partner will generally not be permitted to assign, sell, exchange, or transfer its Interest in the Fund without the consent of the General Partner (which consent may not be unreasonably withheld).

Failure to Make Payments. In the case of a private equity fund, if a Limited Partner fails to pay when due installments of its capital commitment or its portion of Management Fees, Organization Expenses or other obligations to the Fund, such Limited Partner will be subject to various remedies including, without limitation, preclusion from further investment in the Fund, reduction in its capital or loan account balance, and a forced sale of its Interest in the Fund.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that the Fund will be able to locate, consummate and exit investments that satisfy the Fund’s rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital.

Important Disclosures, continued

Reliance on the General Partner and the Investor Advisor. The success of the Fund will depend in part upon the skill and expertise of the professionals of the Fund's investment advisor and General Partner. The interests of these professionals in the General Partner and the Investment Advisor should tend to discourage them from withdrawing from participation in the Fund's investment activities. However, there can be no assurance that such professionals will continue to be associated with the Investment Advisor or General Partner throughout the life of the Fund.

Private Equity and Real Estate Net returns for Private Equity funds and Real Estate global funds shown for realized / partially realized investments and total investments. Inception of the Real Estate business was January 1992 and inception of the Private Equity business was October 1987.

S&P 500 Annual Return has been calculated as the internal rate of return of the total contributions and distributions (including fees, drawdown of expenses, return of capital and recouped losses), and the corresponding annual rate of return of the S&P 500 Index from each contribution / disposition date to the quarter end for all investments. S&P 500 Annual Rate of Return is provided solely as an indication of returns that could be earned by investors by making similar investments in the S&P 500 Index. Blackstone's funds differ from the S&P 500 Index in that, among other factors, Blackstone's funds are actively managed entities that bear fees and use leverage.

The NCREIF-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity), which began in 1973, is a fund-level capitalization weighted, time-weighted return index that consists of 28 open-ended core funds. The average index leverage is approximately 30% and includes property investments at ownership share, cash balances and leverage. NCREIF-ODCE's returns are reported on a quarterly basis. NCREIF-ODCE's net annual rate of return is provided solely as an indication of returns that could be earned by investors making real estate investments. Blackstone's funds differ from the NCREIF-ODCE Index for several factors.

Hedge Fund Solutions BAAM Net Composite covers the period from January 2000 to present, although BAAM's inception date is September 1990. Past performance is not indicative of future results and there is no assurance that any BAAM fund will achieve its objectives or avoid significant losses. The BAAM Composite is the asset-weighted performance of BAAM's investments net of all fees (both BAAM and underlying manager). The Composite excludes BAAM managed funds (1) that employ a long-biased commodity strategy, a long-only equity strategy or a strategic opportunities strategy; (2) whose primary objective is to provide capital to start-up hedge fund firms; and (3) that are managed under non-discretionary advisory arrangements (details of the performance of all BAAM funds are available upon request).

The volatility of the indices presented may be materially different from that of the performance of the Funds. In addition, the indices employ different investment guidelines and criteria than the Funds; as a result, the holdings in the Funds may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of the Funds, but rather is disclosed to allow for comparison of the Funds' performance to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

Credit Credit Net Flagship Mezzanine Fund return reflects net combined IRR of the GSO Capital Opportunities Fund LP, and GSO Capital Opportunities Fund II LP, from inception of the first GSO Capital Opportunities Fund in July 2007 through present. Credit Suisse High Yield Index is an unmanaged market value-weighted index designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market. There are significant differences between the investments of the Flagship Mezzanine Fund and the index. For instance, the Flagship Mezzanine Fund may use leverage and invest in investments that have a different degree of risk and volatility, as well as less liquidity, than those investments contained in the index. Moreover, the index is not subject to any management fees, performance compensation or expenses. It should not be assumed that the Flagship Mezzanine Fund will invest in any specific investments that comprise the index, nor should it be understood to mean that there is a correlation between the Flagship Mezzanine Fund's returns and the performance of the index. The statistical data regarding this index has been obtained from sources believed to be reliable. It is not possible to invest in this index. This index is being presented for comparison purposes only to show how the Flagship Mezzanine Fund's performance compares to the broad global markets. Further information about this index is available upon request.