

ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-Q
October 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2010

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-09818

AllianceBernstein Holding L.p.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

13-3434400
(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, New York, NY 10105
(Address of principal executive offices)
(Zip Code)

(212) 969-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ T

No ☐ o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).

Yes ☒ T

No ☐ o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ T

Accelerated filer ☐ o

Non-accelerated filer ☐ o (Do not check if a smaller reporting company) Smaller reporting company ☐ o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ o

No ☒ T

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2010 was 102,215,686.*

*includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.

ALLIANCEBERNSTEIN HOLDING L.P.

Index to Form 10-Q

	Page
Part I	
FINANCIAL INFORMATION	
Item 1.	Financial Statements
	<u>Condensed Statements of Financial Condition</u> 1
	<u>Condensed Statements of Income</u> 2
	<u>Condensed Statements of Cash Flows</u> 3
	<u>Notes to Condensed Financial Statements</u> 4-9
	<u>Report of Independent Registered Public Accounting Firm</u> 10
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 11-13
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 13
Item 4.	<u>Controls and Procedures</u> 14
Part II	
OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u> 15
Item 1A.	<u>Risk Factors</u> 15
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 15
Item 3.	<u>Defaults Upon Senior Securities</u> 15
Item 4.	<u>(Removed and Reserved)</u> 15
Item 5.	<u>Other Information</u> 16
Item 6.	<u>Exhibits</u> 16
<u>SIGNATURE</u> 17	

Index

Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Financial Condition
(in thousands, except unit amounts)

	September 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Investment in AllianceBernstein	\$ 1,741,835	\$ 1,800,065
Due from AllianceBernstein	1,547	—
Other assets	—	10
Total assets	\$ 1,743,382	\$ 1,800,075
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Payable to AllianceBernstein	\$ —	\$ 1,484
Other liabilities	73	699
Total liabilities	73	2,183
Commitments and contingencies (See Note 7)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,618	1,668
Limited partners: 102,115,686 and 101,251,749 limited partnership units issued and outstanding	1,898,527	1,927,991
Holding Units held by AllianceBernstein to fund deferred compensation plans	(150,070)	(123,783)
Accumulated other comprehensive income (loss)	(6,766)	(7,984)
Total partners' capital	1,743,309	1,797,892
Total liabilities and partners' capital	\$ 1,743,382	\$ 1,800,075

See Accompanying Notes to Condensed Financial Statements.

Index

ALLIANCEBERNSTEIN HOLDING L.P.

Condensed Statements of Income
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Equity in net income attributable to AllianceBernstein Unitholders	\$ 18,914	\$ 68,723	\$ 112,049	\$ 125,427
Income taxes	6,699	6,193	20,816	17,909
Net income	\$ 12,215	\$ 62,530	\$ 91,233	\$ 107,518
Net income per unit:				
Basic	\$ 0.12	\$ 0.67	\$ 0.90	\$ 1.17
Diluted	\$ 0.12	\$ 0.67	\$ 0.90	\$ 1.17

See Accompanying Notes to Condensed Financial Statements.

Index

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net income	\$91,233	\$107,518
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in net income attributable to AllianceBernstein Unitholders	(112,049)	(125,427)
Changes in assets and liabilities:		
Decrease in other assets	10	1,387
(Increase) in due from AllianceBernstein	(1,547)	—
(Decrease) in payable to AllianceBernstein	(1,484)	(3,626)
(Decrease) in other liabilities	(626)	(343)
Net cash used in operating activities	(24,463)	(20,491)
Cash flows from investing activities:		
Investment in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units	(8,102)	—
Cash distributions received from AllianceBernstein	164,011	91,382
Net cash provided by investing activities	155,909	91,382
Cash flows from financing activities:		
Cash distributions to unitholders	(139,548)	(70,891)
Proceeds from exercise of compensatory options to buy Holding Units	8,102	—
Net cash used in financing activities	(131,446)	(70,891)
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	\$—	\$—
Non-cash investing activities:		
Changes in accumulated other comprehensive income (loss)	\$1,218	\$15,436
Issuance of Holding Units to fund deferred compensation plan awards	10,700	42,171

See Accompanying Notes to Condensed Financial Statements.

Index

ALLIANCEBERNSTEIN HOLDING L.P.
Notes to Condensed Financial Statements
September 30, 2010
(unaudited)

The words “we” and “our” refer collectively to AllianceBernstein Holding L.P. (“Holding”) and AllianceBernstein L.P. and its subsidiaries (“AllianceBernstein”), or to their officers and employees. Similarly, the word “company” refers to both Holding and AllianceBernstein. Where the context requires distinguishing between Holding and AllianceBernstein, we identify which of them is being discussed. Cross-references are in italics.

1. Business Description and Organization

Holding’s principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership interests. The condensed financial statements and notes of Holding should be read in conjunction with the condensed consolidated financial statements and notes of AllianceBernstein included as an exhibit to this quarterly report on Form 10-Q and with Holding’s and AllianceBernstein’s audited financial statements included in Holding’s Form 10-K for the year ended December 31, 2009.

AllianceBernstein provides research, diversified investment management and related services globally to a broad range of clients. Its principal services include:

• **Institutional Services** – servicing its institutional clients, including unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and affiliates such as AXA and certain of its insurance company subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

• **Retail Services** – servicing its retail clients, primarily by means of retail mutual funds sponsored by AllianceBernstein or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.

• **Private Client Services** – servicing its private clients, including high-net-worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.

• **Bernstein Research Services** – servicing institutional investors seeking research, portfolio analysis and brokerage-related services, and issuers of publicly-traded securities seeking equity capital markets services.

AllianceBernstein also provides distribution, shareholder servicing and administrative services to the mutual funds it sponsors.

AllianceBernstein provides a broad range of investment services with expertise in:

- Value equities, generally targeting stocks that are out of favor and considered undervalued;
- Growth equities, generally targeting stocks with under-appreciated growth potential;
- Fixed income securities, including taxable and tax-exempt securities;

- Blend strategies, combining style-pure investment components with systematic rebalancing;
- Passive management, including index and enhanced index strategies;

• Alternative investments, such as hedge funds, currency management strategies, venture capital and, in the near future, direct real estate investing; and

• Asset allocation services, by which AllianceBernstein offers blend strategies specifically-tailored for its clients (e.g., customized target-date fund retirement services for defined contribution plan sponsors).

AllianceBernstein manages these services using various investment disciplines, including market capitalization (e.g., large-, mid- and small-cap equities), term (e.g., long-, intermediate- and short-duration debt securities), and geographic location (e.g., U.S., international, global and emerging markets), as well as local and regional disciplines in major markets around the world.

Index

During 2009, AllianceBernstein was selected by the U.S. Treasury Department as one of only three firms to manage its portfolio of assets issued by banks and other institutions taking part in the Capital Purchase Program of the Troubled Assets Relief Program. In addition, AllianceBernstein was selected by the U.S. Treasury Department as one of nine pre-qualified fund managers under the Public-Private Investment Program and, during the fourth quarter of 2009, AllianceBernstein was one of five firms that closed an initial Public-Private Investment Fund (“PPIF”) of at least \$500 million. In April 2010, AllianceBernstein’s PPIF closed with over \$1.1 billion raised.

AllianceBernstein’s research is the foundation of its business. AllianceBernstein’s research disciplines include fundamental research, quantitative research, economic research and currency forecasting. In addition, AllianceBernstein has created several specialized research units, including one that examines global strategic changes that can affect multiple industries and geographies, and another dedicated to identifying potentially successful innovation by early-stage companies.

As of September 30, 2010, AXA, a société anonyme organized under the laws of France and the holding company for an international group of insurance and related financial services companies, through certain of its subsidiaries (“AXA and its subsidiaries”) owned approximately 1.4% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding (“Holding Units”).

As of September 30, 2010, the ownership structure of AllianceBernstein, expressed as a percentage of general and limited partnership interests, was as follows:

AXA and its subsidiaries	61.4	%
Holding	36.7	
Unaffiliated holders	1.9	
	100.0	%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both Holding and AllianceBernstein. AllianceBernstein Corporation owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including both the general partnership and limited partnership interests in Holding and AllianceBernstein, AXA and its subsidiaries had an approximate 63.0% economic interest in AllianceBernstein as of September 30, 2010.

2. Summary of Significant Accounting Policies

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The December 31, 2009 condensed statement of financial condition was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Change in Presentation

During the first quarter of 2010, we changed the presentation in the prior period of Holding's proportionate share of the Holding Units held by AllianceBernstein to fund deferred compensation plans as a reduction of Holding's partners' capital. We consider this change, which has the effect of reducing Holding's investment in AllianceBernstein, to be a better presentation of Holding's proportionate share of AllianceBernstein's capital transactions and we do not consider this change to be significant.

Investment in AllianceBernstein

We record our investment in AllianceBernstein using the equity method of accounting. Our investment is increased to reflect our proportionate share of income of AllianceBernstein and decreased to reflect our proportionate share of losses of AllianceBernstein and cash distributions made by AllianceBernstein to its unitholders. In addition, our investment is adjusted to reflect our proportionate share of certain capital transactions of AllianceBernstein.

Index

Cash Distributions

Holding is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Agreement of Limited Partnership of Holding ("Holding Partnership Agreement"), to its unitholders pro rata in accordance with their percentage interests in Holding. Available Cash Flow is defined as the cash distributions Holding receives from AllianceBernstein minus such amounts as the General Partner determines, in its sole discretion, should be retained by Holding for use in its business.

On October 27, 2010, the General Partner declared a distribution of \$12.3 million, or \$0.12 per unit, representing Available Cash Flow for the three months ended September 30, 2010. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution is payable on November 18, 2010 to holders of record at the close of business on November 8, 2010.

Compensatory Unit Awards and Option Plans

AllianceBernstein maintains certain compensation plans under which grants of restricted Holding Units and options to buy Holding Units have been granted to employees of AllianceBernstein and independent directors of the General Partner.

AllianceBernstein funds its restricted Holding Unit awards to employees either by purchasing newly-issued Holding Units from Holding or purchasing Holding Units on the open market, all of which are held in a consolidated rabbi trust until they are distributed to employees upon vesting. In accordance with the Holding Partnership Agreement, when Holding issues Holding Units to AllianceBernstein, Holding is required to use the proceeds it receives from AllianceBernstein to purchase the equivalent number of newly-issued AllianceBernstein Units, thus increasing its percentage ownership interest in AllianceBernstein. Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AllianceBernstein.

Since March 2010, AllianceBernstein has engaged in open-market purchases of Holding Units to help fund anticipated obligations under its incentive compensation award program. During the third quarter of 2010, AllianceBernstein purchased 1.9 million Holding Units for \$49.3 million. Through September 30, 2010, AllianceBernstein purchased 4.9 million Holding Units for \$135.4 million. AllianceBernstein intends to continue to engage in open-market purchases of Holding Units, from time to time, to help fund anticipated obligations under its incentive compensation award program.

AllianceBernstein granted 1.5 million restricted Holding Unit awards to employees during the first nine months of 2010. To fund these awards, Holding issued 0.4 million Holding Units and AllianceBernstein used 1.1 million Holding Units held in the consolidated rabbi trust. There were 5.0 million unallocated Holding Units remaining in the consolidated rabbi trust as of September 30, 2010.

New Holding Units are also issued upon exercise of options. Proceeds received by Holding upon exercise of options are used to acquire newly-issued AllianceBernstein Units, increasing Holding's percentage ownership interest in AllianceBernstein.

AllianceBernstein recognizes compensation expense related to these grants in its financial statements using the fair value method. Under the fair value method, compensatory expense is measured at the grant date based on the estimated fair value of the award and is recognized over the vesting period. Fair value of restricted Holding Unit awards is the closing price of a Holding Unit on the grant date; fair value of options is determined using the Black-Scholes option valuation model.

On July 26, 2010, the Amended and Restated 1997 Long Term Incentive Plan expired. Effective as of July 1, 2010, we established the 2010 Long Term Incentive Plan (“2010 Plan”), which was adopted by Holding Unitholders at a special meeting held on June 30, 2010. The following forms of awards may be granted to employees and independent directors of the General Partner under the 2010 Plan: (i) restricted Holding Units or phantom restricted Holding Units (a “phantom” award is a contractual right to receive Holding Units at a later date or upon a specified event); (ii) options to buy Holding Units; and (iii) other Holding Unit-based awards (including, without limitation, Holding Unit appreciation rights and performance awards). The 2010 Plan will expire on June 30, 2020, and no awards under the 2010 Plan will be made after that date. Under the 2010 Plan, the number of newly-issued Holding Units with respect to which awards may be granted is 30 million. The 2010 Plan also permits AllianceBernstein to award an additional 30 million Holding Units if the Holding Units are acquired on the open market or through private purchases. As of September 30, 2010, we have granted 0.7 million Holding Unit awards under the 2010 Plan.

Index

3. Net Income Per Unit

Basic net income per unit is derived by dividing net income by the basic weighted average number of units outstanding for each period. Diluted net income per unit is derived by adjusting net income for the assumed dilutive effect of compensatory options ("Net income – diluted") and dividing by the diluted weighted average number of units outstanding for each period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
(in thousands, except per unit amounts)				
Net income – basic	\$ 12,215	\$ 62,530	\$ 91,233	\$ 107,518
Additional allocation of equity in net income attributable to AllianceBernstein resulting from assumed dilutive effect of compensatory options	169	306	1,228	154
Net income – diluted	\$ 12,384	\$ 62,836	\$ 92,461	\$ 107,672
Weighted average units outstanding – basic	100,893	92,657	101,236	92,146
Dilutive effect of compensatory options	1,444	635	1,776	174
Weighted average units outstanding – diluted	102,337	93,292	103,012	92,320
Basic net income per unit	\$ 0.12	\$ 0.67	\$ 0.90	\$ 1.17
Diluted net income per unit	\$ 0.12	\$ 0.67	\$ 0.90	\$ 1.17

For the three months and nine months ended September 30, 2010, we excluded 5,279,772 and 4,918,021, respectively, out-of-the-money options (i.e., options with an exercise price greater than the weighted average closing price of a unit for the relevant period), from the diluted net income per unit computation due to their anti-dilutive effect. For the three months and nine months ended September 30, 2009, we excluded 6,120,480 out-of-the-money options from the diluted net income per unit computation due to their anti-dilutive effect.

4. Investment in AllianceBernstein

Changes in Holding's investment in AllianceBernstein for the nine-month period ended September 30, 2010 were as follows (in thousands):

Investment in AllianceBernstein as of December 31, 2009	\$ 1,800,065
Equity in net income attributable to AllianceBernstein Unitholders	112,049
Changes in accumulated other comprehensive income (loss)	1,218
Additional investments with proceeds from exercises of compensatory options to buy Holding Units	8,102
Cash distributions received from AllianceBernstein	(164,011)
Issuance of Holding Units to AllianceBernstein to fund deferred compensation plan awards	10,700
Change in Holding Units held by AllianceBernstein for deferred compensation plans	(26,288)
Investment in AllianceBernstein as of September 30, 2010	\$ 1,741,835

5. Units Outstanding

The following table summarizes the activity in Holding Units:

Outstanding as of December 31, 2009	101,351,749
Options exercised	475,159
Units issued	389,606
Units forfeited	(828)
Outstanding as of September 30, 2010	102,215,686

Units issued pertain to Holding Units newly issued under our Amended and Restated 1997 Long Term Incentive Plan and could include: (i) restricted Holding Unit awards to independent members of the Board of Directors of the General Partner, (ii) restricted Holding Unit awards to eligible employees, (iii) restricted Holding Unit awards for recruitment, and (iv) restricted Holding Unit issuances in connection with certain employee separation agreements.

Index

6. Income Taxes

Holding is a publicly-traded partnership for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, Holding is subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AllianceBernstein, and to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. Holding’s partnership gross income is derived from its interest in AllianceBernstein.

Holding's income tax is computed by multiplying its ownership percentage of AllianceBernstein times 3.5% of certain AllianceBernstein revenues (primarily domestic investment advisory fees and SCB LLC transaction charges). During the three-month and nine-month periods ended September 30, 2010, AllianceBernstein’s revenues, as well as Holding’s ownership percentage of AllianceBernstein, increased as compared to the corresponding periods in 2009, increasing Holding’s income tax provision in the three-month and nine-month periods ended September 30, 2010 as compared to the corresponding periods in 2009. In addition, AllianceBernstein’s net income decreased significantly primarily as a result of a real estate charge in the third quarter of 2010, reducing Holding’s equity earnings in the three-month and nine-month periods ended September 30, 2010 as compared to the corresponding periods in 2009. As a result, Holding’s effective tax rate increased from 9.0% in the third quarter of 2009 to 35.4% in the third quarter of 2010, and increased from 14.3% in the nine-month period ended September 30, 2009 to 18.6% in the nine-month period ended September 30, 2010.

In order to preserve Holding’s status as a “grandfathered” publicly-traded partnership for federal income tax purposes, management ensures that Holding does not directly or indirectly (through AllianceBernstein) enter into a substantial new line of business. If Holding were to lose its status as a “grandfathered” publicly-traded partnership, it would be subject to corporate income tax, which would reduce materially Holding’s net income and its quarterly distributions to Holding unitholders.

7. Commitments and Contingencies

Legal and regulatory matters described below pertain to AllianceBernstein and are included here due to their potential significance to Holding’s investment in AllianceBernstein.

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, or when the litigation is highly complex or broad in scope. In such cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

On October 2, 2003, a purported class action complaint entitled *Hindo, et al. v. AllianceBernstein Growth & Income Fund, et al.* (“Hindo Complaint”) was filed against, among others, AllianceBernstein, Holding and the General Partner. The Hindo Complaint alleges that certain defendants failed to disclose that they improperly allowed certain hedge funds and other unidentified parties to engage in “late trading” and “market timing” of certain of our U.S. mutual fund securities, violating various securities laws.

Following October 2, 2003, additional lawsuits making factual allegations generally similar to those in the Hindo Complaint were filed in various federal and state courts against AllianceBernstein and certain other defendants. On September 29, 2004, plaintiffs filed consolidated amended complaints with respect to four claim types: mutual fund

shareholder claims; mutual fund derivative claims; derivative claims brought on behalf of Holding; and claims brought under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) by participants in the Profit Sharing Plan for Employees of AllianceBernstein.

On April 21, 2006, AllianceBernstein and attorneys for the plaintiffs in the mutual fund shareholder claims, mutual fund derivative claims and ERISA claims entered into a confidential memorandum of understanding containing their agreement to settle these claims. The agreement has been documented by a stipulation of settlement, which has been approved by the court. The settlement amount (\$30 million), which we previously expensed and disclosed, has been disbursed. The derivative claims brought on behalf of Holding, in which plaintiffs seek an unspecified amount of damages, remain pending.

We intend to vigorously defend against the lawsuit involving derivative claims brought on behalf of Holding. At the present time, we are unable to predict the outcome or estimate a possible loss or range of loss in respect of this matter because of the inherent uncertainty regarding the outcome of complex litigation, and the fact that the plaintiffs did not specify an amount of damages sought in their complaint.

We are involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege material damages. While any inquiry, proceeding or litigation has the element of uncertainty, management believes that the outcome of any one of the other regulatory inquiries, administrative proceedings, lawsuits or claims that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations or financial condition.

Index

8. Comprehensive Income

Comprehensive income consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands)			
Net income	\$ 12,215	\$ 62,530	\$ 91,233	\$ 107,518
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on investments	469	1,043	53	1,509
Foreign currency translation adjustment	11,751	(1,671)	1,161	13,981
Changes in retirement plan related items	18	8	4	(54)
	12,238	(620)	1,218	15,436
Comprehensive income	\$ 24,453	\$ 61,910	\$ 92,451	\$ 122,954

Index

Report of Independent Registered Public Accounting Firm

To the General Partner and Unitholders
AllianceBernstein Holding L.P.

We have reviewed the accompanying condensed statement of financial condition of AllianceBernstein Holding L.P. (“AllianceBernstein Holding”) as of September 30, 2010, and the related condensed statements of income for the three-month and nine-month periods ended September 30, 2010 and 2009, and the condensed statements of cash flows for the nine-month periods ended September 30, 2010 and 2009. These interim financial statements are the responsibility of the management of AllianceBernstein Corporation, the General Partner.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of financial condition as of December 31, 2009, and the related statements of income, of changes in partners’ capital and comprehensive income, and of cash flows for the year then ended (not presented herein), and in our report dated February 11, 2010, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed statement of financial condition as of December 31, 2009 is fairly stated in all material respects in relation to the statement of financial condition from which it has been derived.

/s/ PricewaterhouseCoopers LLP
New York, New York
October 27, 2010

Index

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Holding's principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership Units. Holding's interim condensed financial statements and notes and management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with those of AllianceBernstein included as an exhibit to this Form 10-Q. They should also be read in conjunction with AllianceBernstein's audited financial statements and notes and MD&A included in Holding's Form 10-K for the year ended December 31, 2009.

Results of Operations

	Three Months Ended September 30, 2010			September 30, 2009			% Change		

September 30, 2010.

Since last quarter, AllianceBernstein has provided additional disclosures which we believe are useful to investors. As supplemental information, AllianceBernstein provides the performance measures “Adjusted net revenue”, “Adjusted operating income” and “Adjusted operating margin”, which are the principle metrics management uses in evaluating and comparing the period-to-period operating performance of AllianceBernstein. Such measures are not based on generally accepted accounting principles (“non-GAAP measures”). See AllianceBernstein’s MD&A contained in Exhibit 99.1. The impact of these non-GAAP measures on Holding’s net income and diluted net income per Holding Unit are as follows:

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
	2009		2009	
	(in thousands)			
Net income – diluted, GAAP basis	\$12,384	\$62,836	\$92,461	\$107,672
Impact on net income of AllianceBernstein non-GAAP adjustments	24,190	(18,230)	30,793	(34,919)
Adjusted net income – diluted	\$36,574	\$44,606	\$123,254	\$72,753
Diluted net income per Holding Unit, GAAP basis	\$0.12	\$0.67	\$0.90	\$1.17
Impact of AllianceBernstein non-GAAP adjustments	0.24	(0.19)	0.30	(0.38)
Adjusted diluted net income per Holding Unit	\$0.36	\$0.48	\$1.20	\$0.79

Index

These non-GAAP measures are provided in addition to net income and diluted net income per Holding Unit, but are not a substitute for net income and diluted net income per Holding Unit and may not be comparable to non-GAAP measures of other companies. Management uses both the GAAP and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AllianceBernstein's revenues and expenses.

Capital Resources and Liquidity

During the nine months ended September 30, 2010, net cash used in operating activities was \$24.5 million, compared to \$20.5 million during the corresponding 2009 period. The increase was primarily due to higher income taxes.

During the nine months ended September 30, 2010, net cash provided by investing activities was \$155.9 million, compared to \$91.4 million during the corresponding 2009 period. The increase is due to higher cash distributions received from AllianceBernstein of \$72.6 million, offset by an increase in investment in AllianceBernstein with proceeds from the exercise of compensatory options to buy Holding Units during 2010 of \$8.1 million.

During the nine months ended September 30, 2010, net cash used in financing activities was \$131.4 million, compared to \$70.9 million during the corresponding 2009 period. The increase is due to higher cash distributions paid to unitholders of \$68.7 million, offset by proceeds from the exercise of compensatory options to buy Holding Units during 2010 of \$8.1 million.

Holding is required to distribute all of its Available Cash Flow, as defined in the Holding Partnership Agreement, to its unitholders (including the General Partner). Typically, Available Cash Flow is the diluted earnings per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. However, the General Partner, in its sole discretion, can retain cash flow for use in the business. See Note 2 to the condensed financial statements contained in Item 1 for a description of Available Cash Flow. Management believes that the cash flow realized from its investment in AllianceBernstein will provide Holding with the resources to meet its financial obligations.

During the first quarter of 2010, we recorded a reclassification between the investment in AllianceBernstein and partners' capital to reflect our proportionate share of Holding Units held by AllianceBernstein in a consolidated rabbi trust for deferred compensation plans.

Commitments and Contingencies

See Note 7 to the condensed financial statements contained in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AllianceBernstein's Form 10-Q attached hereto as Exhibit 99.1 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately-managed accounts, general economic conditions, industry trends, future acquisitions, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these

forward-looking statements and the factors that could cause actual results to differ, see “Risk Factors” in Part I, Item 1A of our Form 10-K for the year ended December 31, 2009 and Part II, Item 1A in this Form 10-Q. Any or all of the forward-looking statements that we make in this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in “Risk Factors” and those listed below could also adversely affect our financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph include statements regarding:

• Our pipeline of new institutional client mandates not yet funded: Before they are funded, institutional mandates do not represent legally binding commitments to fund and, accordingly, the possibility exists that not all mandates will be funded in the amounts and at the times we currently anticipate.

Index

Our belief that the cash flow Holding realizes from its investment in AllianceBernstein will provide Holding with the resources necessary to meet its financial obligations: Holding's cash flow is dependent on the quarterly cash distributions it receives from AllianceBernstein. Accordingly, Holding's ability to meet its financial obligations is dependent on AllianceBernstein's cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

Our financial condition and ability to issue public and private debt providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to issue public and private debt on reasonable terms, as well as the market for such debt or equity, may be limited by adverse market conditions, our profitability and changes in government regulations, including tax rates and interest rates.

The possibility that prolonged weakness in the value of client assets under management may result in impairment of goodwill: To the extent that securities valuations are depressed for prolonged periods of time, client assets under management and our revenues, profitability and unit price may be adversely affected. As a result, subsequent impairment tests may be based upon different assumptions and future cash flow projections, which may result in an impairment of goodwill.

The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect certain legal proceedings to have a material adverse effect on our results of operations or financial condition, any settlement or judgment with respect to a legal proceeding could be significant, and could have such an effect.

Our anticipation that the proposed 12b-1 fee-related rule changes will not have a material effect on us: The impact of this rule change is dependent upon the final rules adopted by the SEC, any phase-in or grandfathering period, and any other changes made with respect to share class distribution arrangements.

Our intention to continue to engage in open market purchases of Holding Units, from time to time, to help fund anticipated obligations under our incentive compensation award program: The number of Holding Units needed in future periods to make incentive compensation awards is dependent upon various factors, some of which are beyond our control, including the fluctuation in the price of a Holding Unit (NYSE: AB).

Our determination that, based on expected revenues for the year, adjusted employee compensation expense should range between 45% and 50% of our adjusted revenues: The revenues we generate during 2010 are dependent upon the performance of the capital markets, our investment performance for our clients, general economic and regulatory conditions, and other factors that may be beyond our control. Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in employee compensation expense being outside of this range.

The degree to which the \$90 million real estate charge will reduce occupancy costs on existing real estate in 2011 and subsequent years: The charge we recorded this quarter and our estimates of reduced occupancy costs in future years are based on our current assumptions of when we can sub-lease our space and current market rental rates, both of which are factors largely beyond our control. If our assumptions prove to be incorrect, we may be forced to take an additional charge and/or our estimated occupancy cost reductions may be less than we currently anticipate.

OTHER INFORMATION

With respect to the unaudited condensed interim financial information of Holding for the three months and nine months ended September 30, 2010, included in this quarterly report on Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated October 27, 2010 appearing herein states that they did not audit and they do not express an opinion on the unaudited condensed interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended ("Securities Act") for their report on the unaudited condensed interim financial information because that report is not a "report" or a "part" of registration statements prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Securities Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to Holding's market risk for the quarter ended September 30, 2010.

Index

Item 4.

Controls and Procedures

Disclosure Controls and Procedures

Holding and AllianceBernstein each maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to permit timely decisions regarding our disclosure.

As of the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the third quarter of 2010 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Index

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

See Note 7 to the condensed financial statements contained in Part I, Item 1.

Item 1A. Risk Factors

In addition to the information set forth in this report, please consider carefully “Risk Factors” in Part I, Item 1A of our Form 10-K for the year ended December 31, 2009. Such factors could materially affect our financial condition, results of operations and business prospects. See also our “Cautions Regarding Forward-Looking Statements” in Part I, Item 2.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no Holding Units sold by Holding in the period covered by this report that were not registered under the Securities Act.

The following table provides information relating to any purchases of Holding Units by AllianceBernstein made in the quarter covered by this report:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Units Purchased	(b) Average Price Paid Per Unit, net of Commissions	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet Be Purchased Under the Plans or Programs
7/1/10 – 7/31/10(1)	43,696	\$ 26.62	—	—
8/1/10 – 8/31/10(2) (3)	1,292,931	25.46	—	—
9/1/10 - 9/30/10 (4)(5)	702,736	25.11	—	—
Total	2,039,363	\$ 25.37	—	—

(1) During July 2010, we purchased from employees 43,696 Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) Between August 4, 2010 and August 31, 2010, we purchased 1,247,761 Holding Units on the open market to help fund anticipated obligations under our incentive compensation award program.

(3) During August 2010, we purchased from employees 45,170 Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(4) Between September 1, 2010 and September 15, 2010, we purchased 696,600 Holding Units on the open market to help fund anticipated obligations under our incentive compensation award program.

(5) During September 2010, we purchased from employees 6,136 Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

AllianceBernstein intends to continue to engage in open-market purchases of Holding Units, from time to time, to help fund anticipated obligations under its incentive compensation award program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Index

Item 5.

Other Information

Approximately 2.7 million Holding Units previously awarded as employee deferred incentive compensation are scheduled to vest on December 1, 2010 and be distributed to employees approximately nine days later. We estimate that approximately 40% of these Holding Units will be withheld from the distribution to fulfill employee tax obligations, resulting in a net distribution of approximately 1.6 million Holding Units. It is possible that a substantial number of employees who receive these Holding Units will attempt to sell them promptly after receipt, which could have a significant effect on the daily trading volume and price of a Holding Unit (NYSE: AB). We can predict neither the portion of these Holding Units that will be sold nor the impact of any such sales on the trading volume or price of a Holding Unit.

Item 6.

Exhibits

15.1 Letter from PricewaterhouseCoopers LLP, our independent registered public accounting firm, regarding unaudited interim financial information.

31.1 Certification of Mr. Kraus furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Mr. Howard furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Mr. Kraus furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Mr. Howard furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1 Part I, Items 1 through 4 of the AllianceBernstein L.P. Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

101.INS

XBRL Instance Document.

101.SCH

XBRL Taxonomy Extension Schema.

101.CAL

XBRL Taxonomy Extension Calculation Linkbase.

101.LAB

XBRL Taxonomy Extension Label Linkbase.

101.PRE

XBRL Taxonomy Extension Presentation Linkbase.

Index

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 27, 2010

AllianceBernstein Holding l.p.

By: /s/ John B. Howard
John B. Howard
Chief Financial Officer