PHOENIX TECHNOLOGIES LTD
Form SC 13G
February 17, 2009

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0145
Expires: December 31, 2009

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**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934**
**(Amendment No. __)**

**Phoenix Technologies Ltd.**

—

(Name of Issuer)

**Common Stock**

—

(Title of Class of Securities)

**719153108**

—

(CUSIP Number)

**December 31, 2008**

—

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ **X** ] Rule 13d-1(b)

[ ] Rule 13d-1(c)

[ ] Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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CUSIP No. **719153108**

—

1. Names of Reporting Persons.

**Artis Capital Management, L.P.**

—

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) _____

(b) __X__

—

3. SEC Use Only ____________________

—

4. Citizenship or Place of Organization **CA**

| | | |
|---|---|---|
| Number of Shares Beneficially Owned by Each Reporting Person With: | 5. Sole Voting Power | **0** |
| | 6. Shared Voting Power | **1,720,789** |
| | 7. Sole Dispositive Power | **0** |
| | 8. Shared Dispositive Power | **1,720,789** |

9. Aggregate Amount Beneficially Owned by Each Reporting Person **1,720,789**

—

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) ______

—

11. Percent of Class Represented by Amount in Row (9) **5.9%**

—

12. Type of Reporting Person (See Instructions) **PN, IA**

—

CUSIP No. **719153108**

—

1. Names of Reporting Persons.

**Artis Capital Management, Inc.**

—

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) _____

(b) __X__

—

3. SEC Use Only ____________________

—

4. Citizenship or Place of Organization **CA**

| | | |
|---|---|---|
| Number of Shares Beneficially Owned by Each Reporting Person With: | 5. Sole Voting Power | **0** |
| | 6. Shared Voting Power | **1,720,789** |
| | 7. Sole Dispositive Power | **0** |
| | 8. Shared Dispositive Power | **1,720,789** |

9. Aggregate Amount Beneficially Owned by Each Reporting Person **1,720,789**

—

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) ______

—

11. Percent of Class Represented by Amount in Row (9) **5.9%**

—

12. Type of Reporting Person (See Instructions) **CO, HC**

—

CUSIP No. **719153108**

—

1. Names of Reporting Persons.

**Stuart L. Peterson**

—

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ____

(b) __X__

—

3. SEC Use Only ____________________

—

4. Citizenship or Place of Organization **U.S.A.**

| | | |
|---|---|---|
| Number of Shares Beneficially Owned by Each Reporting Person With: | 5. Sole Voting Power | **0** |
| | 6. Shared Voting Power | **1,720,789** |
| | 7. Sole Dispositive Power | **0** |
| | 8. Shared Dispositive Power | **1,720,789** |

9. Aggregate Amount Beneficially Owned by Each Reporting Person **1,720,789**

—

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) ____

—

11. Percent of Class Represented by Amount in Row (9) **5.9%**

—

12. Type of Reporting Person (See Instructions) **IN, HC**

—

CUSIP No. **719153108**

**Item 1.**

(a) Name of Issuer

**Phoenix Technologies Ltd.**

(b) Address of Issuer's Principal Executive Offices

**915 Murphy Ranch Road, Milpitas, CA 95035**

**Item 2.**

(a) The names of the persons filing this statement are:

**Artis Capital Management, L.P. ("Artis"), Artis Capital Management, Inc. ("Artis Inc.") and Stuart L. Peterson (collectively, the "Filers")**

(b) The principal business office of the Filers is located at:

**One Market Plaza, Steuart Street Tower, Suite 2700, San Francisco, CA 94105**

(c) For citizenship of Filers, see Item 4 of the cover sheet for each Filer.

(d) This statement relates to shares of common stock of the Issuer (the "Stock").

(e) The CUSIP number of the Issuer is: **719153108**

**Item 3. If this statement is filed pursuant to rule 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

(a) [ ] Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) [ ] Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) [ ] Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) [ ] Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) [ **x** ] An investment adviser in accordance with section 240.13d-1(b)(1)(ii)(E) (as to Artis).

(f) [ ] An employee benefit plan or endowment fund in accordance with section 240.13d-1(b)(1)(ii)(F).

(g) [ **x** ] A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G) (as to Artis Inc. and Mr. Peterson).

(h) [ ] A savings association as defined in section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(i) [ ] A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

(j) [ ] A non-U.S. institution in accordance with §240.13d-1(b)(ii)(J).

(k) [ ] Group, in accordance with Rule 13d-1(b)(1)(ii)(K).

If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution ____________________________________________________________.

**Item 4. Ownership.**

See Items 5-9 and 11 of the cover page for each Filer.

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [ ].

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Artis is an investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Stock. No individual client holds more than five percent of the outstanding Stock.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.**

Not applicable.

**Item 8. Identification and Classification of Members of the Group.**

The Filers are filing this Schedule 13G jointly, but not as members of a group, and each expressly disclaims membership in a group. Artis is a registered investment adviser and is the investment adviser of investment funds that hold the Stock for the benefit of the investors in those funds. Artis Inc. is the general partner of Artis. Mr. Peterson is the president of Artis Inc. and the controlling owner of Artis and Artis Inc. Each of Artis, Artis Inc. and Mr. Peterson disclaims beneficial ownership of the Stock, except to the extent of that person's pecuniary interest therein.

**Item 9. Notice of Dissolution of Group**

Not applicable.

**Item 10. Certification.**

I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

CUSIP No. **719153108**

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 13, 2009

**ARTIS CAPITAL MANAGEMENT, L.P.**

By: Robert A. Riemer, Chief Operating Officer

CUSIP No. **719153108**

EXHIBIT A

AGREEMENT REGARDING JOINT FILING
OF STATEMENT ON SCHEDULE 13D OR 13G

The undersigned agree to file jointly with the Securities and Exchange Commission (the "SEC") any and all statements on Schedule 13D or Schedule 13G (and any amendments or supplements thereto) required under section 13(d) of the Securities Exchange Act of 1934, as amended, in connection with purchases by the undersigned of the securities of any issuer. For that purpose, the undersigned hereby constitute and appoint Artis Capital Management, L.P., a California limited partnership, as their true and lawful agent and attorney-in-fact, with full power and authority for and on behalf of the undersigned to prepare or cause to be prepared, sign, file with the SEC and furnish to any other person all certificates, instruments, agreements and documents necessary to comply with section 13(d) and section 16(a) of the Securities Exchange Act of 1934, as amended, in connection with said purchases, and to do and perform every act necessary and proper to be done incident to the exercise of the foregoing power, as fully as the undersigned might or could do if personally present.

Dated: February 13, 2009

**ARTIS CAPITAL MANAGEMENT, L.P.**

By: Robert A. Riemer, Chief Operating Officer

**ARTIS CAPITAL MANAGEMENT, INC.**

By: Stuart L. Peterson, President

Stuart L. Peterson

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0pt; FONT-FAMILY: times new roman">) (22.3) (33.3) 127.6 (32.8)

Issuance of Holding Units
— 47.2 — (100.0) n/m
Additional investments by Holding with proceeds from exercise of compensatory options to buy Holding Units
50.1 100.5 42.4 (50.2) 136.9
Issuance (repayment) of commercial paper, net
175.8 328.1 (0.2) (46.4) n/m
Repayment of long-term debt
— (408.1) — (100.0) n/m
Available Cash Flow
1,253.2 1,153.4 858.7 8.7 34.3

Cash and cash equivalents increased $29.6 million in 2007 and decreased $63.4 million in 2006. Cash inflows are primarily provided by operations, proceeds from sales of investments, the issuance of commercial paper, and additional investments by Holding using proceeds from exercises of compensatory options to buy Holding Units. Significant cash outflows include cash distributions paid to the General Partner and unitholders, capital expenditures, purchases of investments, and purchases of Holding Units to fund deferred compensation plans.

Contingent Deferred Sales Charge

Our mutual fund distribution system (the “System”) includes a multi-class share structure that permits our open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including both front-end load shares and back-end load shares. For open-end U.S. Fund front-end load shares, AllianceBernstein Investments pays sales commissions to financial intermediaries distributing the funds from the front-end sales charge it receives from investors at the time of sale. For back-end load shares, AllianceBernstein Investments pays sales commissions to the financial intermediaries at the time of sale and also receives higher ongoing distribution services fees from the mutual funds. In addition, investors who redeem before the expiration of the minimum holding period (which ranges from one year to four years) pay a contingent deferred sales charge (“CDSC”) to AllianceBernstein Investments. We expect to recover deferred sales commissions over periods not exceeding five and one-half years. Payments of sales commissions made to financial intermediaries in connection with the sale of back-end load shares under the System, net of CDSC received of $31.1 million, $23.7 million, and $21.4 million, totaled approximately $84.1 million, $98.7 million, and $74.2 million during 2007, 2006, and 2005, respectively.

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Debt and Credit Facilities

Total committed credit, debt outstanding, and weighted average interest rates as of December 31, 2007 and 2006 were as follows:

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | | 2006 | | |
| | Committed Credit | Debt Outstanding | Interest Rate | Committed Credit | Debt Outstanding | Interest Rate |
| | (in millions) | | | | | |
| Commercial paper(1) | $ — | $ 533.9 | 4.3% | $ — | $ 334.9 | 5.3% |
| Revolving credit facility(1) | 1,000.0 | — | — | 800.0 | — | — |
| Total | $ 1,000.0 | $ 533.9 | 4.3 | $ 800.0 | $ 334.9 | 5.3 |

(1) Our revolving credit facility supports our commercial paper program; amounts borrowed under the commercial paper program reduce amounts available for other purposes under the revolving credit facility on a dollar-for-dollar basis.

In February 2006, we entered into an $800 million five-year revolving credit facility with a group of commercial banks and other lenders. The revolving credit facility is intended to provide back-up liquidity for our $800 million commercial paper program. Under the revolving credit facility, the interest rate, at our option, is a floating rate generally based upon a defined prime rate, a rate related to the London Interbank Offered Rate (“LIBOR”) or the Federal Funds rate. On November 2, 2007, we increased the revolving credit facility by $200 million to $1.0 billion. We also increased our commercial paper program by $200 million to $1.0 billion. The revolving credit facility contains covenants which, among other things, require us to meet certain financial ratios. We were in compliance with the covenants as of December 31, 2007. To supplement this revolving credit facility, in January 2008 we entered into a $100 million uncommitted line of credit with a major bank which expires in March 2008.

In August 2001, we issued $400 million 5.625% Notes (“Senior Notes”) pursuant to a shelf registration statement that originally permitted us to issue up to $600 million in senior debt securities. The Senior Notes matured in August 2006 and were retired using cash flow from operations and proceeds from the issuance of commercial paper. We currently have $200 million available under the shelf registration statement for future issuances.

In 2006, SCB LLC entered into four separate uncommitted line of credit facility agreements with various banks, each for $100 million. During January and February of 2007, SCB LLC increased three of the agreements to $200 million each and entered into an additional agreement for $100 million with a new bank. As of December 31, 2007, no amounts were outstanding under these credit facilities.

In January 2008, SCB LLC entered into a $950 million three-year revolving credit facility with a group of commercial banks to fund its obligations resulting from engaging in certain securities trading and other customer activities. Under the revolving credit facility, the interest rate, at the option of SCB LLC, is a floating rate generally based upon a defined prime rate, a rate related to the LIBOR or the Federal Funds rate.

Our substantial capital base and access to public and private debt, at competitive terms, should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AllianceBernstein Units or Holding Units will provide us with the resources to meet our financial obligations.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the guarantees and contractual obligations that are discussed below.

Guarantees

In February 2002, AllianceBernstein signed a $125 million agreement with a commercial bank, under which we guaranteed certain obligations in the ordinary course of business of SCBL. In the event SCBL is unable to meet its obligations in full when due, AllianceBernstein will pay the obligations within three days of being notified of SCBL's failure to pay. This agreement is continuous and remains in effect until payment in full of any such obligation has been made by SCBL. During 2007, we were not required to perform under the agreement and as of December 31, 2007 had no liability outstanding in connection with the agreement.

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In January 2008, AllianceBernstein and AXA executed guarantees in regard to the $950 million SCB LLC facility. In the event SCB LLC is unable to meet its obligations, AllianceBernstein or AXA will pay the obligations when due or on demand. AllianceBernstein will reimburse AXA to the extent AXA must pay on its guarantee. This agreement is continuous and remains in effect until the later of payment in full of any such obligation has been made or the maturity date.

Aggregate Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2007:

| | Contractual Obligations | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| | | | (in millions) | | |
| Commercial paper | $ 533.9 | $ 533.9 | $ — | $ — | $ — |
| Operating leases, net of sublease commitments | 2,329.5 | 113.8 | 226.2 | 232.0 | 1,757.5 |
| Accrued compensation and benefits | 438.9 | 273.5 | 95.7 | 36.2 | 33.5 |
| Unrecognized tax liabilities | 19.0 | — | 19.0 | — | — |
| Total | $ 3,321.3 | $ 921.2 | $ 340.9 | $ 268.2 | $ 1,791.0 |

Accrued compensation and benefits amounts above exclude our accrued pension obligation. Any amounts reflected on the consolidated balance sheet as payables (to broker-dealers, brokerage clients, and company-sponsored mutual funds) and accounts payable and accrued expenses are excluded from the table above.

Certain of our deferred compensation plans provide for election by participants to have their deferred compensation awards invested notionally in Holding Units and in company-sponsored investment services. Since January 1, 2008, we have made purchases of mutual funds and hedge funds totaling $261.2 million to fund our future obligations resulting from participant elections with respect to 2007 awards. We also allocated Holding Units with an aggregate value of approximately $72.4 million within our deferred compensation trust to fund our future obligations that resulted from participant elections with respect to 2007 awards. To fund this allocation, we used $55.1 million of units existing in the trust and issued $17.3 million of new units.

We expect to make contributions to our qualified profit sharing plan of approximately $30.0 million in each of the next four years. We currently expect to contribute an estimated $3.5 million to our qualified, noncontributory, defined benefit plan during 2008.

Acquisitions

See Note 21 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of our acquisition in 2006.

Dispositions

See Note 22 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of dispositions in 2005.

Contingencies

See Note 11 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of our mutual fund distribution system and related deferred sales commission asset and certain legal proceedings to which we are a party.

Critical Accounting Estimates

The preparation of the consolidated financial statements and notes to consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses.

Management believes that the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions used.

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Deferred Sales Commission Asset

Management tests the deferred sales commission asset for recoverability quarterly. Significant assumptions utilized to estimate the company's future average assets under management and undiscounted future cash flows from back-end load shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. As of December 31, 2007, management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would decrease undiscounted future cash flows. Future redemption rate assumptions, determined by reference to actual redemption experience over the five-year, three-year, and one-year periods ended December 31, 2007, and calculated as a percentage of the company's average assets under management represented by back-end load shares, ranged from 21% to 25% for U.S. fund shares and 23% to 31% for non-U.S. fund shares. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. Management determined that the deferred sales commission asset was not impaired as of December 31, 2007. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using management's best estimate of future cash flows discounted to a present value amount.

Goodwill

As a result of the adoption of Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets", goodwill is tested at least annually, as of September 30, for impairment. Significant assumptions are required in performing goodwill impairment tests. Such tests include determining whether the estimated fair value of AllianceBernstein, the reporting unit, exceeds its book value. There are several methods of estimating AllianceBernstein's fair value, which includes valuation techniques such as market quotations and discounted expected cash flows. In developing estimated fair value using a discounted cash flow valuation technique, business growth rate assumptions are applied over the estimated life of the goodwill asset and the resulting expected cash flows are discounted to arrive at a present value amount that approximates fair value. These assumptions consider all material events that have impacted, or that we believe could potentially impact, future discounted expected cash flows. The impairment test indicated that goodwill was not impaired as of September 30, 2007. Management believes that goodwill was also not impaired as of December 31, 2007. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Any impairment could reduce materially the recorded amount of the goodwill asset with a corresponding charge to our earnings.

Intangible Assets

Acquired intangibles are recognized at fair value and amortized over their estimated useful lives of twenty years. Intangible assets are evaluated for impairment quarterly. A present value technique is applied to management's best estimate of future cash flows to estimate the fair value of intangible assets. Estimated fair value is then compared to the recorded book value to determine whether an impairment is indicated. The estimates used include estimating attrition factors of customer accounts, asset growth rates, direct expenses and fee rates. We choose assumptions based on actual historical trends that may or may not occur in the future. Management believes that intangible assets were not impaired as of December 31, 2007. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Any impairment could reduce materially the recorded amount of intangible assets with a corresponding charge to our earnings.

Retirement Plan

We maintain a qualified, noncontributory, defined benefit retirement plan covering current and former employees who were employed by the company in the United States prior to October 2, 2000. The amounts recognized in the consolidated financial statements related to the retirement plan are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which liabilities could be settled, rates of annual salary increases, and mortality rates. The assumptions are reviewed annually and may be updated to reflect the current environment. A summary of the key economic assumptions are described in Note 14 to AllianceBernstein's consolidated financial statements in Item 8. In accordance with U.S. generally accepted accounting principles, actual results that differ from those assumed are accumulated and amortized over future periods and, therefore, affect expense recognized and liabilities recorded in future periods.

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In developing the expected long-term rate of return on plan assets of 8.0%, we considered the historical returns and future expectations for returns for each asset category, as well as the target asset allocation of the portfolio. The expected long-term rate of return on assets is based on weighted average expected returns for each asset class. We assumed a target allocation weighting of 50% to 70% for equity securities, 20% to 40% for debt securities, and 0% to 10% for real estate investment trusts. Exposure of the total portfolio to cash equivalents on average should not exceed 5% of the portfolio's value on a market value basis. The plan seeks to provide a rate of return that exceeds applicable benchmarks over rolling five-year periods. The benchmark for the plan's large cap domestic equity investment strategy is the S&P 500 Index; the small cap domestic equity investment strategy is measured against the Russell 2000 Index; the international equity investment strategy is measured against the MSCI EAFE Index; and the fixed income investment strategy is measured against the Lehman Brothers Aggregate Bond Index. The actual rate of return on plan assets was 4.1%, 9.0%, and 13.7% in 2007, 2006, and 2005, respectively. A 25 basis point adjustment, up or down, in the expected long-term rate of return on plan assets would have decreased or increased the 2007 net pension charge of $3.7 million by approximately $0.1 million.

The objective of our discount rate assumption was to reflect the rate at which the pension benefits could be effectively settled. In making this determination, we took into account the timing and amount of benefits that would be available under the plan's lump sum option. To that effect, our methodology for selecting the discount rate as of December 31, 2007 was to match the plan's cash flows to that of a yield curve that provides the equivalent yields on zero-coupon corporate bonds for each maturity. Benefit cash flows due in a particular year can be "settled" theoretically by "investing" them in the zero-coupon bond that matures in the same year. The discount rate is the single rate that produces the same present value of cash flows. The selection of the 6.55% discount rate as of December 31, 2007 represents the approximate mid-point (to the nearest five basis points) of the single rates determined under two independently constructed yield curves, one of which, prepared by Mercer Human Resources, produced a rate of 6.58%; the other, prepared by Citigroup, produced a rate of 6.48%. The discount rate as of December 31, 2006 was 5.90%, which was used in developing the 2007 net pension charge. A lower discount rate increases pension expense and the present value of benefit obligations. A 25 basis point adjustment, up or down, in the discount rate (along with a corresponding adjustment in the assumed lump sum interest rate) would have decreased or increased the 2007 net pension charge of $3.7 million by approximately $0.5 million.

Loss Contingencies

Management continuously reviews with legal counsel the status of regulatory matters and pending or threatened litigation. We evaluate the likelihood that a loss contingency exists in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies", which requires a loss contingency to be recorded if it is probable and reasonably estimable as of the date of the financial statements. See Note 11 to AllianceBernstein's consolidated financial statements in Item 8.

Accounting Pronouncements

See Note 23 to AllianceBernstein's consolidated financial statements in Item 8.

Cautions Regarding Forward-Looking Statements

Certain statements provided by management in this report 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, 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 Item 1A. Any or all of the forward-looking statements that we make in this Form 10-K or 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 revenues, financial condition, results of operations, and business prospects.

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

- our belief that financial market turmoil in the second half of 2007 and thus far in 2008 has created opportunities for our hedge funds to provide strong returns for our clients in the future: The actual performance of the capital markets and other factors beyond our control will affect our investment success for clients and asset inflows. In addition, for many of our hedge funds, performance in the fourth quarter of 2007 produced losses and was significantly below performance targets; this will make it very difficult for us to earn performance-based fees in 2008.

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- our institutional pipeline including approximately $6 billion in services which are expected to become operational in the first quarter of 2008: 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.

- our intention to proceed with initiatives in 2008 to provide new and different ways to improve results for our clients: Some or all of our initiatives may not be realized due to management's subsequent determination that other activities are a better use of company resources and/or unanticipated changes in global regulatory and economic environments.

- the effect on future earnings of the disposition of our cash management services to Federated Investors, Inc.: The effect of this disposition on future earnings, resulting from contingent payments to be received in future periods, will depend on the amount of net revenue earned by Federated Investors, Inc. during these periods on assets under management maintained in Federated's funds by our former cash management clients. The amount of gain ultimately realized from this disposition depends on whether we receive a final contingent payment payable on the fifth anniversary of the closing of the transaction (see Note 22 to AllianceBernstein's consolidated financial statements in Item 8).

- our estimate of what it will cost us to reimburse certain of our clients for losses arising out of an error we made in processing class action claims, and our ability to recover most of this cost: Our estimate of the cost to reimburse clients is based on our review to date; as we continue our review, our estimate and the ultimate cost we incur may change. Our ability to recover most of the cost of the error depends, in part, on the availability of funds from the related class-action settlement funds, the amount of which is not known, and the willingness of our insurers to reimburse us under existing policies.

- 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 a material adverse effect on our results of operations or financial condition.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

### Holding

Market Risk, Risk Management and Derivative Financial Instruments

Holding's sole investment is AllianceBernstein Units. Holding did not own, nor was it a party to any derivative financial instruments during the years ended December 31, 2007, 2006, and 2005.

### AllianceBernstein

Market Risk, Risk Management and Derivative Financial Instruments

AllianceBernstein's investments consist of trading and available-for-sale investments, and other investments. Trading and available-for-sale investments, include United States Treasury Bills and equity and fixed income mutual funds investments. Trading investments are purchased for short-term investment, principally to fund liabilities related to deferred compensation plans. Although available-for-sale investments, are purchased for long-term investment, the portfolio strategy considers them available-for-sale from time to time due to changes in market interest rates, equity prices and other relevant factors. Other investments include investments in hedge funds sponsored by AllianceBernstein and other private investment vehicles.

Trading and Non-Trading Market Risk Sensitive Instruments

Investments with Interest Rate Risk—Fair Value

The table below provides our potential exposure with respect to our fixed income investments, measured in terms of fair value, to an immediate 100 basis point increase in interest rates at all maturities from the levels prevailing as of December 31, 2007 and 2006. Such a fluctuation in interest rates is a hypothetical rate scenario used to calibrate potential risk and does not represent our view of future market changes. While these fair value measurements provide a representation of interest rate sensitivity of our investments in fixed income mutual funds and fixed income hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing changes in investments in response to our assessment of changing market conditions and available investment opportunities:

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| | As of December 31, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | Fair Value | Effect of +100 Basis Point Change | Fair Value | Effect of +100 Basis Point Change |
| | (in thousands) | | | |
| Fixed Income Investments: | | | | |
| Trading | $ 106,152 | $ (5,117) | $ 31,669 | $ (1,435) |
| Available-for-sale and other investments | 28,368 | (1,367) | 31,957 | (1,448) |

Investments with Equity Price Risk—Fair Value

Our investments also include investments in equity mutual funds and equity hedge funds. The following table provides our potential exposure with respect to our equity investments, measured in terms of fair value, to an immediate 10% drop in equity prices from those prevailing as of December 31, 2007 and 2006. A 10% decrease in equity prices is a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. While these fair value measurements provide a representation of equity price sensitivity of our investments in equity mutual funds and equity hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to our assessment of changing market conditions and available investment opportunities:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | Fair Value | Effect of -10% Equity Price Change | Fair Value | Effect of -10% Equity Price Change |
| | (in thousands) | | | |
| Equity Investments: | | | | |
| Trading | $ 466,085 | $ (46,609) | $ 432,133 | $ (43,213) |
| Available-for-sale and other investments | 314,476 | (31,448) | 251,844 | (25,184) |

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Item 8. Financial Statements and Supplementary Data

ALLIANCEBERNSTEIN HOLDING L.P.

Statements of Financial Condition

| | December 31, 2007 | December 31, 2006 |
| --- | --- | --- |
| | (in thousands, except unit amounts) | |
| ASSETS | | |
| Investment in AllianceBernstein | $ 1,574,512 | $ 1,567,733 |
| Other assets | 722 | 301 |
| Total assets | $ 1,575,234 | $ 1,568,034 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Liabilities: | | |
| Payable to AllianceBernstein | $ 7,460 | $ 7,149 |
| Other liabilities | 314 | 1,697 |
| Total liabilities | 7,774 | 8,846 |
| Commitments and contingencies (See Note 7) | | |
| Partners' capital: | | |
| General Partner: 100,000 general partnership units issued and outstanding | 1,698 | 1,739 |
| Limited partners: 86,848,149 and 85,568,171 limited partnership units issued and outstanding | 1,548,212 | 1,546,598 |
| Accumulated other comprehensive income | 17,550 | 10,851 |
| Total partners' capital | 1,567,460 | 1,559,188 |
| Total liabilities and partners' capital | $ 1,575,234 | $ 1,568,034 |

See Accompanying Notes to Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Statements of Income

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands, except per unit amounts) | | |
| Equity in earnings of AllianceBernstein | $ 415,256 | $ 359,469 | $ 275,054 |
| Income taxes | 39,104 | 34,473 | 26,990 |
| Net income | $ 376,152 | $ 324,996 | $ 248,064 |
| Net income per unit: | | | |
| Basic | $ 4.35 | $ 3.85 | $ 3.04 |
| Diluted | $ 4.32 | $ 3.82 | $ 3.02 |

See Accompanying Notes to Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Statements of Changes in Partners' Capital and Comprehensive Income

| | General Partner's Capital | Limited Partners' Capital | Accumulated Other Comprehensive Income | Total Partners' Capital |
|---|---|---|---|---|
| | (in thousands, except per unit amounts) | | | |
| Balance as of December31, 2004 | $ 1,687 | $ 1,293,983 | $ — | $ 1,295,670 |
| Comprehensive income: | | | | |
| Net income | 304 | 247,760 | — | 248,064 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain (loss) on investments | — | — | 1,253 | 1,253 |
| Foreign currency translation adjustment | — | — | 6,410 | 6,410 |
| Comprehensive income | 304 | 247,760 | 7,663 | 255,727 |
| Cash distributions to unitholders ($2.80 per unit) | (280) | (226,451) | — | (226,731) |
| Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net | — | (33,253) | — | (33,253) |
| Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures | — | 35,028 | — | 35,028 |
| Proceeds from exercise of compensatory options to buy Holding Units | — | 42,405 | — | 42,405 |
| Balance as of December31, 2005 | 1,711 | 1,359,472 | 7,663 | 1,368,846 |
| Comprehensive income: | | | | |
| Net income | 384 | 324,612 | — | 324,996 |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain (loss) on investments | — | — | 1,735 | 1,735 |
| Foreign currency translation adjustment | — | — | 3,718 | 3,718 |
| Comprehensive income | 384 | 324,612 | 5,453 | 330,449 |
| Adjustment to initially apply FASB Statement No. 158, net | — | — | (2,265) | (2,265) |
| Cash distributions to unitholders ($3.56 per unit) | (356) | (298,094) | — | (298,450) |
| Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net | — | (22,345) | — | (22,345) |
| Issuance of Holding Units in exchange for cash awards made by AllianceBernstein under the Partners Compensation Plan | — | 47,161 | — | 47,161 |
| Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures | — | 35,323 | — | 35,323 |
| Proceeds from exercise of compensatory options to buy Holding Units | — | 100,469 | — | 100,469 |
| Balance as of December31, 2006 | 1,739 | 1,546,598 | 10,851 | 1,559,188 |
| Comprehensive income: | | | | |
| Net income | 434 | 375,718 | — | 376,152 |

| | | | | |
|---|---|---|---|---|
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain (loss) on investments | — | — | (2,897) | (2,897) |
| Foreign currency translation adjustment | — | — | 6,309 | 6,309 |
| Changes in retirement plan related items | — | — | 3,287 | 3,287 |
| Comprehensive income | 434 | 375,718 | 6,699 | 382,851 |
| Cash distributions to unitholders ($4.75 per unit) | (475) | (408,248) | — | (408,723) |
| Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net | — | (50,853) | — | (50,853) |
| Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures | — | 34,801 | — | 34,801 |
| Impact of initial adoption of FIN 48 | — | 145 | — | 145 |
| Proceeds from exercise of compensatory options to buy Holding Units | — | 50,051 | — | 50,051 |
| Balance as of December31, 2007 | $ 1,698 | $ 1,548,212 | $ 17,550 | $ 1,567,460 |

See Accompanying Notes to Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Statements of Cash Flows

| | Years Ended December 31 , 2007 | 2006 | 2005 |
|---|---|---|---|
| | (in thousands) | | |
| Cash flows from operating activities: | | | |
| Net income | $ 376,152 | $ 324,996 | $ 248,064 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Equity in earnings of AllianceBernstein | (415,256) | (359,469) | (275,054) |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in other assets | (421) | 161 | 175 |
| Increase (decrease) in payable to AllianceBernstein | 311 | (48) | (467) |
| (Decrease) increase in other liabilities | (1,383) | 686 | 899 |
| Net cash used in operating activities | (40,597) | (33,674) | (26,383) |
| Cash flows from investing activities: | | | |
| Investment in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units | (50,051) | (100,469) | (42,405) |
| Cash distributions received from AllianceBernstein | 449,320 | 332,035 | 253,203 |
| Net cash provided by investing activities | 399,269 | 231,566 | 210,798 |
| Cash flows from financing activities: | | | |
| Cash distributions to unitholders | (408,723) | (298,450) | (226,731) |
| Proceeds from exercise of compensatory options to buy Holding Units | 50,051 | 100,469 | 42,405 |
| Net cash used in financing activities | (358,672) | (197,981) | (184,326) |
| Net (decrease) increase in cash and cash equivalents | — | (89) | 89 |
| Cash and cash equivalents as of beginning of the year | — | 89 | — |
| Cash and cash equivalents as of end of the year | $ — | $ — | $ 89 |
| Cash paid: | | | |
| Income taxes | $ 41,422 | $ 33,662 | $ 25,969 |
| Non-cash investing activities: | | | |
| Change in accumulated other comprehensive income | 6,699 | 3,188 | 7,663 |
| Issuance of Holding Units in exchange for cash awards made by AllianceBernstein under the Partners Compensation Plan | — | 47,161 | — |
| Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures | 34,801 | 35,323 | 35,028 |
| Non-cash financing activities: | | | |
| Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net | (50,853) | (22,345) | (33,253) |

See Accompanying Notes to Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Notes to Financial Statements

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.

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

- Institutional Investment Services - servicing institutional investors, 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 individual investors, primarily by means of retail mutual funds sponsored by AllianceBernstein or an affiliated company, sub-advisory relationships in respect of mutual funds sponsored by third parties, separately managed account programs sponsored by financial intermediaries worldwide, and other investment vehicles.

- Private Client Services - servicing 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.

- Institutional Research Services - servicing institutional investors seeking independent research, portfolio strategy, and brokerage-related services.

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

AllianceBernstein provides a broad range of services with expertise in:

- Value equities, generally targeting stocks that are out of favor and that may trade at bargain prices;
- Growth equities, generally targeting stocks with under-appreciated growth potential;
- Fixed income securities, including both taxable and tax-exempt securities;
- Blend strategies, combining style-pure investment components with systematic rebalancing;
- Passive management, including both index and enhanced index strategies;

- Alternative investments, such as hedge funds, currency management, and venture capital; and

- Asset allocation services, by which AllianceBernstein offers specifically-tailored investment solutions for its clients (e.g., customized target date fund retirement services for institutional defined contribution clients).

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.

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

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As of December 31, 2007, 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, AXA Financial, Inc. (an indirect wholly-owned subsidiary of AXA, "AXA Financial"), AXA Equitable Life Insurance Company (a wholly-owned subsidiary of AXA Financial, "AXA Equitable"), and certain subsidiaries of AXA Financial, collectively referred to as "AXA and its subsidiaries", owned approximately 1.7% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding ("Holding Units").

As of December 31, 2007, the ownership structure of AllianceBernstein, as a percentage of general and limited partnership interests, was as follows:

| | |
|---|---|
| AXA and its subsidiaries | 62.6% |
| Holding | 33.1 |
| SCB Partners Inc. (a wholly-owned subsidiary of SCB Inc., formerly known as Sanford C. Bernstein Inc.) | 3.1 |
| Other | 1.2 |
| | 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 the general partnership interests in AllianceBernstein and Holding, and their equity interest in Holding, as of December 31, 2007, AXA and its subsidiaries had an approximate 63.2% economic interest in AllianceBernstein.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Holding's financial statements and notes should be read in conjunction with the consolidated financial statements and notes of AllianceBernstein. AllianceBernstein's consolidated financial statements and notes and management's discussion and analysis of financial condition and results of operations are included in Holding's Form 10-K.

### Investment in AllianceBernstein

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

### 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 January 23, 2008, the General Partner declared a distribution of $92.2 million, or $1.06 per unit, representing Available Cash Flow for the three months ended December 31, 2007. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution was paid on February 14, 2008 to holders of record at the close of business on February 4, 2008.

Compensatory Option Plans

AllianceBernstein maintains certain compensation plans under which options to buy Holding Units have been, or may be, granted to employees of AllianceBernstein and independent directors of the General Partner. AllianceBernstein uses the Black-Scholes option valuation model to determine the fair value of Holding Unit option awards. Upon exercise of Holding Unit options, Holding exchanges the proceeds for AllianceBernstein Units, thus increasing Holding's investment in AllianceBernstein.  As of December 31, 2007, there were 7,273,621 options for Holding Units outstanding, of which 3,526,342 were exercisable.

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands, except per unit amounts) | | |
| Net income—basic | $ 376,152 | $ 324,996 | $ 248,064 |
| Additional allocation of equity in earnings of AllianceBernstein resulting from assumed dilutive effect of compensatory options | 5,146 | 5,430 | 3,326 |
| Net income-diluted | $ 381,298 | $ 330,426 | $ 251,390 |
| Weighted average units outstanding—basic | 86,460 | 84,325 | 81,489 |
| Dilutive effect of compensatory options | 1,807 | 2,243 | 1,714 |
| Weighted average units outstanding—diluted | 88,267 | 86,568 | 83,203 |
| Basic net income per unit | $ 4.35 | $ 3.85 | $ 3.04 |
| Diluted net income per unit | $ 4.32 | $ 3.82 | $ 3.02 |

As of December 31, 2007 and 2005, we excluded 1,678,985 and 3,950,100 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), respectively, from the diluted net income per unit computation due to their anti-dilutive effect. As of December 31, 2006, there were no out-of-the-money options.

## 4. Investment in AllianceBernstein

Holding's investment in AllianceBernstein for the years ended December 31, 2007 and 2006 was as follows:

| | 2007 | 2006 |
|---|---|---|
| | (in thousands) | |
| Investment in AllianceBernstein as of January 1, | $ 1,567,733 | $ 1,376,503 |
| Equity in earnings of AllianceBernstein | 415,256 | 359,469 |
| Additional investment with proceeds from exercises of compensatory options to buy Holding Units | 50,051 | 100,469 |
| Change in accumulated other comprehensive income | 6,699 | 3,188 |
| Cash distributions received from AllianceBernstein | (449,320) | (332,035) |
| Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net | (50,853) | (22,345) |
| Impact of initial adoption of FIN 48 | 145 | — |
| Issuance of Holding Units in exchange for cash awards made by AllianceBernstein under the Partners Compensation Plan | — | 47,161 |
| Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures | 34,801 | 35,323 |
| Investment in AllianceBernstein as of December 31, | $ 1,574,512 | $ 1,567,733 |

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5. Units Outstanding

The following table summarizes the activity in units:

| | |
|---|---|
| Outstanding as of December 31, 2005 | 82,231,027 |
| Options exercised | 2,567,017 |
| Units awarded | 37,868 |
| Issuance of units | 834,864 |
| Units forfeited | (2,605) |
| Outstanding as of December 31, 2006 | 85,668,171 |
| Options exercised | 1,234,917 |
| Units awarded | 46,777 |
| Units forfeited | (1,716) |
| Outstanding as of December 31, 2007 | 86,948,149 |

Units awarded and units forfeited pertain to Restricted Unit awards to independent members of the Board of Directors and Century Club Plan unit awards to AllianceBernstein mutual fund sales personnel. In 2006, AllianceBernstein issued units to certain deferred compensation plan participants due to conversion of a deferred compensation plan feature.

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.

The principal reasons for the difference between Holding's effective tax rates and the UBT statutory tax rate of 4.0% are as follows:

| | Years Ended December 31, (in thousands) | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2005 | |
| UBT statutory rate | $ 16,610 | 4.0% | $ 14,379 | 4.0% | $ 11,002 | 4.0% |
| Federal tax on partnership gross business income income | 39,104 | 9.4 | 34,473 | 9.6 | 26,990 | 9.8 |
| Credit for UBT paid by AllianceBernstein | (16,610) | (4.0) | (14,379) | (4.0) | (11,002) | (4.0) |
| Income tax expense (all currently payable) and effective tax rate | $ 39,104 | 9.4 | $ 34,473 | 9.6 | $ 26,990 | 9.8 |

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. For additional information regarding Holding's tax status, see "Business - Taxes" in Item 1 and "Risk Factors" in Item 1A.

Effective January 1, 2007, we adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109". FIN 48 requires that the effects of a tax position be recognized in the financial statements only if, as of the reporting date, it is "more likely than not" to be sustained based solely on its technical merits. In making this assessment, a company must assume that the taxing authority will examine the tax position and have full knowledge of all relevant information.

We did not recognize a liability for unrecognized tax benefits under FIN 48 as of January 1, 2007, and there is no such liability as of December 31, 2007. Likewise, our financial statements did not reflect a liability for tax positions prior to the application of FIN 48. A liability for unrecognized tax benefits, if required, would be recorded in income tax expense and affect the company's effective tax rate.

We are no longer subject to federal, state, and local income tax examinations by tax authorities for all years prior to 2004. Currently, there are no examinations in progress and to date we have not been notified of any future examinations by applicable taxing authorities.

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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.

Legal Proceedings

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 as required by Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies", and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss – an interpretation of FASB Statement No. 5". 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.

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 will be documented by a stipulation of settlement and will be submitted for court approval at a later date. The settlement amount ($30 million), which we previously accrued 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 employee arbitrations, regulatory inquiries, administrative proceedings, and litigation, some of which allege material damages. While any proceeding or litigation has the element of uncertainty, management believes that the outcome of any one of the other 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.

Claims Processing Contingency

During the fourth quarter of 2006, AllianceBernstein recorded a $56.0 million pre-tax charge ($54.5 million, net of related income tax benefit) for the estimated cost of reimbursing certain clients for losses arising out of an error AllianceBernstein made in processing claims for class action settlement proceeds on behalf of these clients, which include some AllianceBernstein-sponsored mutual funds. We believe that most of this cost will ultimately be recovered from residual settlement proceeds and insurance. Our fourth quarter 2006 cash distribution was declared by the Board of Directors prior to recognition of this adjustment. As a result, to the extent that all or a portion of the cost is recovered in subsequent periods, we do not intend to include recoveries in Available Cash Flow (as defined in the AllianceBernstein Partnership Agreement), and would not distribute those amounts to unitholders. During 2007, AllianceBernstein recorded an additional $0.7 million expense relating to this matter and paid $45.5 million to clients. As of December 31, 2007, AllianceBernstein had $11.2 million remaining in accrued expenses.

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8. Quarterly Financial Data (Unaudited)

| | Quarters Ended 2007 | | | |
|---|---|---|---|---|
| | December 31 | September 30 | June 30 | March 31 |
| | (in thousands, except per unit amounts) | | | |
| Equity in earnings of AllianceBernstein | $ 102,299 | $ 114,856 | $ 110,267 | $ 87,834 |
| Net income | $ 92,152 | $ 104,828 | $ 100,647 | $ 78,525 |
| Basic net income per unit(1) | $ 1.06 | $ 1.21 | $ 1.17 | $ 0.91 |
| Diluted net income per unit(1) | $ 1.06 | $ 1.20 | $ 1.16 | $ 0.91 |
| Cash distributions per unit(2) | $ 1.06 | $ 1.20 | $ 1.16 | $ 0.91 |

| | Quarters Ended 2006 | | | |
|---|---|---|---|---|
| | December 31 | September 30 | June 30 | March 31 |
| | (in thousands, except per unit amounts) | | | |
| Equity in earnings of AllianceBernstein | $ 119,763 | $ 82,028 | $ 84,514 | $ 73,164 |
| Net income(3) | $ 109,429 | $ 74,003 | $ 76,005 | $ 65,559 |
| Basic net income per unit(1) (3) | $ 1.28 | $ 0.88 | $ 0.90 | $ 0.79 |
| Diluted net income per unit(1) (3) | $ 1.27 | $ 0.87 | $ 0.89 | $ 0.78 |
| Cash distributions per unit(2) (3) | $ 1.48 | $ 0.87 | $ 0.89 | $ 0.78 |

(1) Basic and diluted net income per unit are computed independently for each of the periods presented. Accordingly, the sum of the quarterly net income per unit amounts may not agree to the total for the year.

(2) Declared and paid during the following quarter.

(3) During the fourth quarter of 2006, AllianceBernstein recorded a $56.0 million pre-tax charge ($54.5 million, net of related income tax benefit) for the estimated cost of reimbursing certain clients for losses arising out of an error AllianceBernstein made in processing claims for class action settlement proceeds on behalf of these clients, which include some AllianceBernstein-sponsored mutual funds. The effect of the charge and related income tax benefit on Holding's 2006 results of operations was a decrease in net income and net income per unit of $17.8 million and $0.20, respectively. We believe that most of this cost will ultimately be recovered from residual settlement proceeds and insurance. Our fourth quarter 2006 cash distribution was declared by the Board of Directors prior to recognition of this adjustment. As a result, to the extent that all or a portion of the cost is recovered in subsequent periods, we do not intend to include recoveries in Available Cash Flow (as defined in the AllianceBernstein Partnership Agreement), and would not distribute those amounts to unitholders.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statement of financial condition and the related statements of income, changes in partners' capital and comprehensive income and cash flows present fairly, in all material respects, the financial position of AllianceBernstein Holding L.P. ("AllianceBernstein Holding") at December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AllianceBernstein Holding maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AllianceBernstein Holding's management is responsible for these financial statements and for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on AllianceBernstein Holding's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York

February 22, 2008

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## Report of Independent Registered Public Accounting Firm

The General Partner and Unitholders
AllianceBernstein Holding L.P.:

We have audited the accompanying statements of income, changes in partners' capital and comprehensive income and cash flows for the year ended December 31, 2005 of AllianceBernstein Holding L.P. ("AllianceBernstein Holding"), formerly Alliance Capital Management Holding L.P. These financial statements are the responsibility of the management of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of AllianceBernstein Holding for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
New York, New York
February 24, 2006

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ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES

Consolidated Statements of Financial Condition

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| | (in thousands, except unit amounts) | |
| ASSETS | | |
| Cash and cash equivalents | $ 576,416 | $ 546,777 |
| Cash and securities segregated, at market (cost $2,366,925 and $2,009,014) | 2,370,019 | 2,009,838 |
| Receivables, net: | | |
| Brokers and dealers | 493,873 | 2,445,552 |
| Brokerage clients | 410,074 | 485,446 |
| Fees, net | 729,636 | 557,280 |
| Investments | 620,275 | 543,653 |
| Furniture, equipment and leasehold improvements, net | 367,279 | 288,575 |
| Goodwill, net | 2,893,029 | 2,893,029 |
| Intangible assets, net | 264,209 | 284,925 |
| Deferred sales commissions, net | 183,571 | 194,950 |
| Other investments | 294,806 | 203,950 |
| Other assets | 165,567 | 147,130 |
| Total assets | $ 9,368,754 | $ 10,601,105 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Liabilities: | | |
| Payables: | | |
| Brokers and dealers | $ 161,387 | $ 661,790 |
| Brokerage clients | 2,728,271 | 3,988,032 |
| AllianceBernstein mutual funds | 408,185 | 266,849 |
| Accounts payable and accrued expenses | 389,300 | 333,007 |
| Accrued compensation and benefits | 458,861 | 392,014 |
| Debt | 533,872 | 334,901 |
| Minority interests in consolidated subsidiaries | 147,652 | 53,515 |
| Total liabilities | 4,827,528 | 6,030,108 |
| Commitments and contingencies (See Note 11) | | |
| Partners' capital: | | |
| General Partner | 45,932 | 46,416 |
| Limited partners: 260,341,992 and 259,062,014 units issued and outstanding | 4,526,126 | 4,584,200 |
| | 4,572,058 | 4,630,616 |
| Capital contributions receivable from General Partner | (26,436) | (29,590) |
| Deferred compensation expense | (57,501) | (63,196) |
| Accumulated other comprehensive income | 53,105 | 33,167 |
| Total partners' capital | 4,541,226 | 4,570,997 |
| Total liabilities and partners' capital | $ 9,368,754 | $ 10,601,105 |

See Accompanying Notes to Consolidated Financial Statements.

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ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES

Consolidated Statements of Income

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands, except per unit amounts) | | |
| Revenues: | | | |
| Investment advisory and services fees | $ 3,386,188 | $ 2,890,229 | $ 2,259,392 |
| Distribution revenues | 473,435 | 421,045 | 397,800 |
| Institutional research services | 423,553 | 375,075 | 352,757 |
| Dividend and interest income | 284,014 | 266,520 | 152,781 |
| Investment gains (losses) | 29,690 | 62,200 | 29,070 |
| Other revenues | 122,869 | 123,171 | 116,788 |
| Total revenues | 4,719,749 | 4,138,240 | 3,308,588 |
| Less: Interest expense | 194,432 | 187,833 | 95,863 |
| Net revenues | 4,525,317 | 3,950,407 | 3,212,725 |
| | | | |
| Expenses: | | | |
| Employee compensation and benefits | 1,833,796 | 1,547,627 | 1,262,198 |
| Promotion and servicing: | | | |
| Distribution plan payments | 335,132 | 292,886 | 291,953 |
| Amortization of deferred sales commissions | 95,481 | 100,370 | 131,979 |
| Other | 252,468 | 218,944 | 198,004 |
| General and administrative | 591,221 | 583,296 | 384,339 |
| Interest on borrowings | 23,970 | 23,124 | 25,109 |
| Amortization of intangible assets | 20,716 | 20,710 | 20,700 |
| | 3,152,784 | 2,786,957 | 2,314,282 |
| | | | |
| Operating income | 1,372,533 | 1,163,450 | 898,443 |
| | | | |
| Non-operating income | 15,756 | 20,196 | 34,446 |
| | | | |
| Income before income taxes | 1,388,289 | 1,183,646 | 932,889 |
| | | | |
| Income taxes | 127,845 | 75,045 | 64,571 |
| | | | |
| Net income | $ 1,260,444 | $ 1,108,601 | $ 868,318 |
| | | | |
| Net income per unit: | | | |
| Basic | $ 4.80 | $ 4.26 | $ 3.37 |
| Diluted | $ 4.77 | $ 4.22 | $ 3.35 |

See Accompanying Notes to Consolidated Financial Statements.

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ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES

Consolidated Statements of Changes in Partners' Capital and Comprehensive Income

| | General Partner's Capital | Limited Partners' Capital | Capital Contributions Receivable | Deferred Compensation Expense | Accumulated Other Comprehensive Income | Total Partners' Capital |
|---|---|---|---|---|---|---|
| | (in thousands, except per unit amounts) | | | | | |
| Balance as of December 31, 2004 | $ 42,917 | $ 4,220,753 | $ (33,053) | $ (89,019) | $ 42,100 | $ 4,183,698 |
| Comprehensive income (loss): | | | | | | |
| Net income | 8,683 | 859,635 | — | — | — | 868,318 |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Unrealized gain (loss) on investments | — | — | — | — | 1,985 | 1,985 |
| Foreign currency translation adjustment | — | — | — | — | (20,013) | (20,013) |
| Comprehensive income (loss) | 8,683 | 859,635 | — | — | (18,028) | 850,290 |
| Cash distributions to General Partner and unitholders ($3.11 per unit) | (8,005) | (792,504) | — | — | — | (800,509) |
| Capital contributions from General Partner | — | — | 4,191 | — | — | 4,191 |
| Purchases of Holding Units to fund deferred compensation plans, net | 16 | (733) | — | (32,536) | — | (33,253) |
| Compensatory Holding Unit options expense | — | 2,192 | — | — | — | 2,192 |
| Amortization of deferred compensation awards | — | — | — | 53,660 | — | 53,660 |
| Compensation plan accrual | 29 | 2,884 | (2,913) | — | — | — |
| Additional investment by Holding with proceeds from exercise of compensatory options to buy Holding Units | 425 | 41,980 | — | — | — | 42,405 |
| Balance as of December 31, 2005 | 44,065 | 4,334,207 | (31,775) | (67,895) | 24,072 | 4,302,674 |
| Comprehensive income: | | | | | | |
| Net income | 11,086 | 1,097,515 | — | — | — | 1,108,601 |
| Other comprehensive income (loss), net of tax: | | | | | | |
| | — | — | — | — | 5,198 | 5,198 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Unrealized gain (loss) on investments | | | | | | |
| Foreign currency translation adjustment | — | — | — | — | 10,821 | 10,821 |
| Comprehensive income | 11,086 | 1,097,515 | — | — | 16,019 | 1,124,620 |
| Adjustment to initially apply FASB Statement No. 158, net | — | — | — | — | (6,924) | (6,924) |
| Cash distributions to General Partner and unitholders ($3.94 per unit) | (10,255) | (1,015,206) | — | — | — | (1,025,461) |
| Capital contributions from General Partner | — | — | 4,303 | — | — | 4,303 |
| Purchases of Holding Units to fund deferred compensation plans, net | 23 | 16,734 | — | (39,102) | — | (22,345) |
| Additional investment by Holding through issuance of Holding Units in exchange for cash awards made under the Partners Compensation Plan | 471 | 46,690 | — | — | — | 47,161 |
| Compensatory Holding Unit options expense | — | 2,699 | — | — | — | 2,699 |
| Amortization of deferred compensation awards | — | — | — | 43,801 | — | 43,801 |
| Compensation plan accrual | 21 | 2,097 | (2,118) | — | — | — |
| Additional investment by Holding with proceeds from exercise of compensatory options to buy Holding Units | 1,005 | 99,464 | — | — | — | 100,469 |
| Balance as of December 31, 2006 | 46,416 | 4,584,200 | (29,590) | (63,196) | 33,167 | 4,570,997 |
| Comprehensive income: | | | | | | |
| Net income | 12,605 | 1,247,839 | — | — | — | 1,260,444 |
| Other comprehensive income (loss), net of tax: | | | | | | |
| Unrealized gain (loss) on investments | — | — | — | — | (8,859) | (8,859) |
| Foreign currency translation adjustment | — | — | — | — | 18,757 | 18,757 |
| Changes in retirement plan related items | — | — | — | — | 10,040 | 10,040 |
| Comprehensive income | 12,605 | 1,247,839 | — | — | 19,938 | 1,280,382 |
| Cash distributions to General Partner and unitholders ($5.20 per unit) | (13,646) | (1,350,965) | — | — | — | (1,364,611) |
| Capital contributions from General Partner | — | — | 4,854 | — | — | 4,854 |
| | 35 | (12,566) | — | (38,322) | — | (50,853) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchases of Holding Units to fund deferred compensation plans, net | | | | | | |
| Compensatory Holding Unit options expense | — | 5,947 | — | — | — | 5,947 |
| Amortization of deferred compensation awards | — | — | — | 44,017 | — | 44,017 |
| Compensation plan accrual | 17 | 1,683 | (1,700) | — | — | — |
| Impact of initial adoption of FIN 48 | 4 | 438 | — | — | — | 442 |
| Additional investment by Holding with proceeds from exercise of compensatory options to buy Holding Units | 501 | 49,550 | — | — | — | 50,051 |
| Balance as of December 31, 2007 | $ 45,932 | $ 4,526,126 | $ (26,436) | $ (57,501) | $ 53,105 | $ 4,541,226 |

See Accompanying Notes to Consolidated Financial Statements.

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ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

| | Years Ended December 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (in thousands) | |
| Cash flows from operating activities: | | | |
| Net income | $ 1,260,444 | $ 1,108,601 | $ 868,318 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Amortization of deferred sales commissions | 95,481 | 100,370 | 131,979 |
| Amortization of non-cash deferred compensation | 49,815 | 46,500 | 55,852 |
| Depreciation and other amortization | 102,394 | 72,445 | 67,980 |
| Other, net | 31,484 | (19,898) | (14,774) |
| Changes in assets and liabilities: | | | |
| (Increase) in segregated cash and securities | (360,181) | (245,077) | (239,934) |
| Decrease (increase) in receivable from brokers and dealers | 1,955,260 | (324,640) | (605,389) |
| Decrease (increase) in receivable from brokerage clients | 77,052 | (31,974) | (90,453) |
| (Increase) in fees receivable, net | (161,174) | (135,821) | (65,861) |
| (Increase) in trading investments | (144,443) | (125,121) | (135,121) |
| (Increase) in deferred sales commissions | (84,101) | (98,679) | (74,161) |
| (Increase) in other investments | (67,466) | (115,317) | (23,045) |
| (Increase) in other assets | (14,648) | (9,638) | (27,645) |
| (Decrease) increase in payable to brokers and dealers | (500,869) | (422,492) | 279,926 |
| (Decrease) increase in payable to brokerage clients | (1,266,050) | 1,035,367 | 268,608 |
| Increase in payable to AllianceBernstein mutual funds | 141,336 | 126,236 | 14,966 |
| Increase in accounts payable and accrued expenses | 25,370 | 41,290 | 15,225 |
| Increase in accrued compensation and benefits | 75,477 | 69,330 | 33,512 |
| Increase (decrease) in minority interests in consolidated subsidiaries | 76,249 | 32,454 | (7,883) |
| Net cash provided by operating activities | 1,291,430 | 1,103,936 | 452,100 |
| | | | |
| Cash flows from investing activities: | | | |
| Purchases of investments | (25,932) | (54,803) | (7,380) |
| Proceeds from sales of investments | 52,393 | 12,812 | 12,717 |
| Additions to furniture, equipment and leasehold improvements | (137,547) | (97,073) | (72,586) |
| Purchase of business, net of cash acquired | — | (16,086) | — |
| Net cash used in investing activities | (111,086) | (155,150) | (67,249) |
| | | | |
| Cash flows from financing activities: | | | |
| Issuance (repayment) of commercial paper, net | 175,750 | 328,119 | (150) |
| Repayment of long-term debt | — | (408,149) | — |
| Increase (decrease) in overdrafts payable | 23,321 | (1,575) | (184) |
| Cash distributions to General Partner and unitholders | (1,364,611) | (1,025,461) | (800,509) |
| Capital contributions from General Partner | 4,854 | 4,303 | 4,191 |
| Additional investment by Holding with proceeds from exercise of compensatory options to buy Holding Units | 50,051 | 100,469 | 42,405 |
| Purchases of Holding Units to fund deferred compensation plans, net | (50,853) | (22,345) | (33,253) |

| | | | |
|---|---|---|---|
| Net cash used in financing activities | (1,161,488) | (1,024,639) | (787,500) |
| Effect of exchange rate changes on cash and cash equivalents | 10,783 | 12,414 | (12,872) |
| Net increase (decrease) in cash and cash equivalents | 29,639 | (63,439) | (415,521) |
| Cash and cash equivalents as of beginning of the period | 546,777 | 610,216 | 1,025,737 |
| Cash and cash equivalents as of end of the period | $ 576,416 | $ 546,777 | $ 610,216 |
| Cash paid: | | | |
| Interest | $ 218,398 | $ 229,009 | $ 122,152 |
| Income taxes | 87,329 | 59,704 | 56,521 |
| Non-cash financing activities: | | | |
| Additional investment by Holding through issuance of Holding Units in exchange for cash awards made under the Partners Compensation Plan | — | 47,161 | — |

See Accompanying Notes to Consolidated Financial Statements.

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ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

- Institutional Investment Services - servicing institutional investors, 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 individual investors, primarily by means of retail mutual funds sponsored by AllianceBernstein or an affiliated company, sub-advisory relationships in respect of mutual funds sponsored by third parties, separately managed account programs sponsored by financial intermediaries worldwide, and other investment vehicles.

- Private Client Services - servicing 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.

- Institutional Research Services - servicing institutional investors seeking independent research, portfolio strategy, and brokerage-related services.

We also provide distribution, shareholder servicing, and administrative services to the mutual funds we sponsor.

We provide a broad range of services with expertise in:

- Value equities, generally targeting stocks that are out of favor and that may trade at bargain prices;
- Growth equities, generally targeting stocks with under-appreciated growth potential;
- Fixed income securities, including both taxable and tax-exempt securities;
- Blend strategies, combining style-pure investment components with systematic rebalancing;
- Passive management, including both index and enhanced index strategies;
- Alternative investments, such as hedge funds, currency management, and venture capital; and

- Asset allocation, by which we offer specifically-tailored investment solutions for our clients (e.g., customized target date fund retirement services for institutional defined contribution clients).

We manage 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.

Our independent research is the foundation of our business. Our research disciplines include fundamental research, quantitative research, economic research, and currency forecasting capabilities. In addition, we have created several specialized research units, including one unit that examines global strategic changes that can affect multiple industries and geographies, and another dedicated to identifying potentially successful innovations within early-stage companies.

As of December 31, 2007, 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, AXA Financial, Inc. (an indirect wholly-owned subsidiary of AXA, “AXA Financial”), AXA Equitable Life Insurance Company (a wholly-owned subsidiary of AXA Financial, “AXA Equitable”), and certain subsidiaries of AXA Financial, collectively referred to as “AXA and its subsidiaries”, owned approximately 1.7% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding (“Holding Units”).

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As of December 31, 2007, the ownership structure of AllianceBernstein, as a percentage of general and limited partnership interests, was as follows:

| | |
|---|---|
| AXA and its subsidiaries | 62.6% |
| Holding | 33.1 |
| SCB Partners Inc. (a wholly-owned subsidiary of SCB Inc.; formerly known as Sanford C. Bernstein Inc.) | 3.1 |
| Other | 1.2 |
| | 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 the general partnership interests in AllianceBernstein and Holding, and their equity interest in Holding, as of December 31, 2007, AXA and its subsidiaries had an approximate 63.2% economic interest in AllianceBernstein.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Principles of Consolidation

The consolidated financial statements include AllianceBernstein and its majority-owned and/or controlled subsidiaries. All significant inter-company transactions and balances among the consolidated entities have been eliminated.

### Variable Interest Entities

In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003) ("FIN 46-R"), "Consolidation of Variable Interest Entities", management reviews quarterly its management agreements and its investments in, and other financial arrangements with, certain entities that hold client assets under management to determine the entities that the company is required to consolidate under FIN 46-R. These include certain mutual fund products, hedge funds, structured products, group trusts, collective investment trusts, and limited partnerships.

We earn investment management fees on client assets under management of these entities, but we derive no other benefit from these assets and cannot use them in our operations.

As of December 31, 2007, we have significant variable interests in certain structured products and hedge funds with approximately $180.3 million in client assets under management. However, these variable interest entities do not require consolidation because management has determined that we are not the primary beneficiary of the expected losses or expected residual returns of these entities. Our maximum exposure to loss in these entities is limited to our investment of $0.2 million in these entities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market accounts, overnight commercial paper, and highly liquid investments with actual maturities of three months or less. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

Fees Receivable, Net

Fees receivable are shown net of allowances. An allowance for doubtful accounts related to investment advisory and services fees is determined through an analysis of the aging of receivables, assessments of collectibility based on historical trends and other qualitative and quantitative factors, including the following: our relationship with the client, the financial health (or ability to pay) of the client, current economic conditions, and whether the account is closed or active.

Collateralized Securities Transactions

Customers' securities transactions are recorded on a settlement date basis, with related commission income and expenses reported on a trade date basis. Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables; collateral is not reflected in the consolidated financial statements. Principal securities transactions and related expenses are recorded on a trade date basis.

Sanford C. Bernstein & Co., LLC ("SCB LLC") and Sanford C. Bernstein Limited ("SCBL"), both wholly-owned subsidiaries, account for transfers of financial assets in accordance with Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received in connection with the transaction and are included in receivables from and payables to brokers and dealers in the consolidated statements of financial condition. Securities borrowed transactions require SCB LLC and SCBL to deposit cash collateral with the lender. With respect to securities loaned, SCB LLC and SCBL receive cash collateral from the borrower. The initial collateral advanced or received approximates or is greater than the fair value of securities borrowed or loaned. SCB LLC and SCBL monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate. Income or expense is recognized over the life of the transactions.

Investments

Investments, principally investments in United States Treasury Bills and unconsolidated company-sponsored mutual funds, are classified as either trading or available-for-sale securities. The trading investments are stated at fair value, based on quoted market prices, with unrealized gains and losses reported in net income. Available-for-sale investments are stated at fair value, based on quoted market prices, with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in partners' capital. Realized gains and losses on the sale of investments are included in income in the current period. The specific identified cost method is used to determine the realized gain or loss on investments sold.

The valuation of non-public private equity investments, held by a consolidated venture capital fund we sponsor, requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity, and the long-term nature of such investments. Private equity investments are valued initially based on transaction price. The carrying values of private equity investments are adjusted either up or down from the transaction price to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through our ongoing review in accordance with our valuation policies and procedures. A variety of factors are reviewed and monitored to assess positive and negative changes in valuation including current operating performance and future expectations of the investment, industry valuations of comparable public companies, changes in market outlook, and the third party financing environment over time. In determining valuation adjustments resulting from the investment review process, emphasis is placed on current company performance and market conditions. These investments are included in other investments on the consolidated statements of financial condition and are stated at fair value with unrealized gains and losses reported in investment gains and losses on the consolidated statements of income.

The equity method of accounting is used for unconsolidated joint ventures and, in accordance with Emerging Issues Task Force D-46, "Accounting for Limited Partnership Investments", for investments made in limited partnership hedge funds that we sponsor and manage. These investments are included in other investments on the consolidated statements of financial position. Our equity in earnings of the unconsolidated joint ventures are included in other revenues, and our equity in earnings related to our limited partnership hedge fund investments are included in investment gains and losses on the consolidated statements of income.

Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line basis over the estimated useful lives of eight years for furniture and three to six years for equipment and software. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the terms of the related leases.

Goodwill, Net

On October 2, 2000, AllianceBernstein acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. (“Bernstein”), and assumed the liabilities of Bernstein (“Bernstein Transaction”). The purchase price consisted of a cash payment of approximately $1.5 billion and 40.8 million newly-issued units of limited partnership interest in AllianceBernstein (“AllianceBernstein Units”).

The Bernstein Transaction was accounted for under the purchase method and the cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The excess of the purchase price over the fair value of identifiable assets acquired resulted in the recognition of goodwill of approximately $3.0 billion.

In accordance with Statement of Financial Accounting Standards No. 142 (“SFAS No. 142”), “Goodwill and Other Intangible Assets”, we test goodwill at least annually, as of September 30, for impairment. As of September 30, 2007, the impairment test indicated that goodwill was not impaired. Also, as of December 31, 2007, management believes that goodwill was not impaired.

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Intangible Assets, Net

Intangible assets consist primarily of costs assigned to investment management contracts of SCB Inc., less accumulated amortization. Intangible assets are being amortized over the estimated useful life of approximately 20 years. The gross carrying amount of intangible assets subject to amortization totaled $414.3 million as of December 31, 2007 and 2006, and accumulated amortization was $150.1 million as of December 31, 2007 and $129.4 million as of December 31, 2006, resulting in the net carrying amount of intangible assets subject to amortization of $264.2 million as of December 31, 2007 and $284.9 million as of December 31, 2006. Amortization expense was $20.7 million for each of the years ended December 31, 2007, 2006, and 2005, and estimated amortization expense for each of the next five years is approximately $20.7 million. Management tests intangible assets for impairment quarterly. Management believes that intangible assets were not impaired as of December 31, 2007.

Deferred Sales Commissions, Net

We pay commissions to financial intermediaries in connection with the sale of shares of open-end company-sponsored mutual funds sold without a front-end sales charge (“back-end load shares”). These commissions are capitalized as deferred sales commissions and amortized over periods not exceeding five and one-half years for U.S. fund shares and four years for non-U.S. fund shares, the periods of time during which deferred sales commissions are generally recovered. We recover these commissions from distribution services fees received from those funds and from contingent deferred sales commissions (“CDSC”) received from shareholders of those funds upon the redemption of their shares. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received. Management tests the deferred sales commission asset for recoverability quarterly and determined that the balance as of December 31, 2007 was not impaired.

Loss Contingencies – Legal Proceedings

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 as required by Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies”, and FASB Interpretation No. 14, “Reasonable Estimation of the Amount of a Loss - an interpretation of FASB Statement No. 5”. 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.

Revenue Recognition

Investment advisory and services base fees, generally calculated as a percentage of assets under management, are recorded as revenue as the related services are performed. Certain investment advisory contracts, including those with hedge funds, provide for a performance-based fee, in addition to or in lieu of a base fee, which is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance-based fees are recorded as revenue at the end of each measurement period (generally year-end).

Institutional research services revenue consists of brokerage transaction charges received by SCB LLC and SCBL for in-depth research and brokerage-related services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Distribution revenues, shareholder servicing fees, and interest income are accrued as earned.

Mutual Fund Underwriting Activities

Purchases and sales of shares of company-sponsored mutual funds in connection with the underwriting activities of our subsidiaries, including related commission income, are recorded on trade date. Receivables from brokers and dealers for sale of shares of company-sponsored mutual funds are generally realized within three business days from trade date, in conjunction with the settlement of the related payables to company-sponsored mutual funds for share purchases. Distribution plan and other promotion and servicing payments are recognized as an expense when incurred.

Deferred Compensation Plans

We maintain several unfunded, non-qualified deferred compensation plans under which annual awards to employees are generally made in the fourth quarter. Participants allocate their awards among notional investments in Holding Units, certain of the investment services we provide to our clients, or a money market fund, or investments in options to buy Holding Units. We typically purchase the investments that are notionally elected by the participants and hold such investments, which are classified as trading securities, in a consolidated rabbi trust. Vesting periods for annual awards range from four years to immediate, depending on the terms of the individual awards, the age of the participants, or, in the case of our Chairman and CEO, the terms of his employment agreement. Upon vesting, awards are distributed to participants unless they have made a voluntary long-term election to defer receipt. Quarterly cash distributions on unvested Holding Units for which a long-term deferral election has not been made are paid currently to participants. Quarterly cash distributions on notional investments of Holding Units and income credited on notional investments in our investment services or the money market fund for which a long-term deferral election has been made are reinvested and distributed as elected by participants.

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Compensation expense for awards under the plans, including changes in participant account balances resulting from gains and losses on notional investments (other than in Holding Units), is recognized on a straight-line basis over the applicable vesting periods. Mark-to-market gains or losses on notional investments (other than in Holding Units) are recognized currently as investment gains (losses) in the consolidated statements of income. In addition, our equity in the earnings of investments in limited partnership hedge funds is recognized currently as investment gains (losses) in the consolidated statements of income.

Compensatory Option Plans

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS No. 123-R"), "Share Based Payment". SFAS No. 123-R requires that compensation cost related to share-based payments, based on the fair value of the equity instruments issued, be recognized in financial statements. SFAS No. 123-R supersedes Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees", and its related implementation guidance. We adopted SFAS No. 123-R effective January 1, 2006 utilizing the modified prospective method. Prior period amounts have not been restated.

Prior to January 1, 2006, we utilized the fair value method of recording compensation expense (including a straight-line amortization policy), related to compensatory option awards of Holding Units granted subsequent to 2001, as permitted by Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation", as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure". Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award (determined using the Black-Scholes option valuation model) and is recognized over the vesting period.

For compensatory option awards granted prior to 2002, we applied the provisions of APB No. 25, under which compensation expense is recognized only if the market value of the underlying Holding Units exceeds the exercise price at the date of grant. We did not record compensation expense for compensatory option awards made prior to 2002 because those options were granted with exercise prices equal to the market value of the underlying Holding Units on the date of grant. Had we recorded compensation expense for those options based on their fair value at grant date under SFAS No. 123, net income for the year ended December 31, 2005 would have been reduced to the pro forma amounts indicated below (in thousands, except per unit amounts):

| | | |
|---|---|---|
| SFAS No. 123 pro forma net income: | | |
| Net income as reported | $ | 868,318 |
| Add: stock-based compensation expense included in net income, net of tax | | 2,040 |
| Deduct: total stock-based compensation expense determined under fair value method for all awards, net of tax | | (3,918) |
| SFAS No. 123 pro forma net income | $ | 866,440 |
| Net income per unit: | | |
| Basic net income per unit as reported | $ | 3.37 |
| Basic net income per unit pro forma | $ | 3.37 |
| Diluted net income per unit as reported | $ | 3.35 |
| Diluted net income per unit pro forma | $ | 3.34 |

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated into United States dollars ("US$") at exchange rates in effect at the balance sheet dates, and related revenues and expenses are translated into US$ at average exchange rates in effect during each period. Net foreign currency gains and losses resulting from the translation of assets and liabilities of foreign operations into US$ are reported as a separate component of accumulated other comprehensive income in the consolidated statements of changes in partners' capital and comprehensive income. Net realized foreign currency transaction gains (losses) were $7.1 million, ($0.2) million, and $(0.7) million for 2007, 2006, and 2005, respectively.

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Cash Distributions

AllianceBernstein is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Agreement of Limited Partnership of AllianceBernstein (“AllianceBernstein Partnership Agreement”), to its unitholders and to the General Partner. Available Cash Flow can be summarized as the cash flow received by AllianceBernstein from operations minus such amounts as the General Partner determines, in its sole discretion, should be retained by AllianceBernstein for use in its business.

The General Partner computes cash flow received from operations by determining the sum of:

- net cash provided by operating activities of AllianceBernstein,
- proceeds from borrowings and from sales or other dispositions of assets in the ordinary course of business, and
- income from investments in marketable securities, liquid investments, and other financial instruments that are acquired for investment purposes and that have a value that may be readily established,

and then subtracting from this amount the sum of:

- payments in respect of the principal of borrowings, and
- amounts expended for the purchase of assets in the ordinary course of business.

On January 23, 2008, the General Partner declared a distribution of $307.7 million, or $1.17 per AllianceBernstein Unit, representing a distribution of Available Cash Flow for the three months ended December 31, 2007. The General Partner, as a result of its 1% general partnership interest, is entitled to receive 1% of each distribution. The distribution was paid on February 14, 2008 to holders of record as of February 4, 2008.

Comprehensive Income

We report all changes in comprehensive income in the consolidated statements of changes in partners’ capital and comprehensive income. Comprehensive income includes net income, as well as unrealized gains and losses on investments classified as available-for-sale, foreign currency translation adjustments, and unrecognized actuarial net losses, prior service cost and transition assets, all net of tax.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation. These include reclassifications: (i) within cash provided by operating activities, amounts from accrued compensation and benefits, relating to non-cash deferred compensation, to amortization of non-cash deferred compensation, (ii) within cash provided by operating activities, amounts from accounts payable and accrued expenses to minority interests in consolidated subsidiaries, (iii) changes in overdrafts payable from cash provided by operating activities to financing activities, (iv) amounts from other revenues in the consolidated statements of income, primarily related to deferred compensation investments, to investment gains (losses), and (v) the reclassification of several special bank accounts for the exclusive benefit of customers from cash and cash equivalents to cash and securities segregated.

3. Cash and Securities Segregated Under Federal Regulations and Other Requirements

As of December 31, 2007 and 2006, $2.2 billion and $1.9 billion, respectively, of United States Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of brokerage customers of SCB LLC under Rule 15c3-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). During the first week of January 2008, we deposited an additional $0.2 billion in United States Treasury Bills in this special account pursuant to Rule 15c3-3 requirements.

AllianceBernstein Investments, Inc. ("AllianceBernstein Investments"), a wholly-owned subsidiary of AllianceBernstein and the distributor of company-sponsored mutual funds, maintains several special bank accounts for the exclusive benefit of customers. As of December 31, 2007 and 2006, $133.2 million and $145.9 million, respectively, were segregated in these bank accounts.

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4. Net Income Per Unit

Basic net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the basic weighted average number of units outstanding for each year. Diluted net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the total of the basic weighted average number of units outstanding and the dilutive unit equivalents resulting from outstanding compensatory options as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands, except per unit amounts) | | |
| Net income | $ 1,260,444 | $ 1,108,601 | $ 868,318 |
| Weighted average units outstanding—basic | 259,854 | 257,719 | 254,883 |
| Dilutive effect of compensatory options | 1,807 | 2,243 | 1,714 |
| Weighted average units outstanding—diluted | 261,661 | 259,962 | 256,597 |
| Basic net income per unit | $ 4.80 | $ 4.26 | $ 3.37 |
| Diluted net income per unit | $ 4.77 | $ 4.22 | $ 3.35 |

As of December 31, 2007 and 2005, we excluded 1,678,985 and 3,950,100 out-of-the-money options (i.e., options to buy Holding Units with an exercise price greater than the weighted average closing price of a unit for the relevant period), respectively, from the diluted net income per unit computation due to their anti-dilutive effect. As of December 31, 2006, there were no out-of-the-money options.

5. Receivables, Net and Payables

Receivables, net are comprised of:

| | December 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in thousands) | |
| Brokers and dealers: | | |
| Collateral for securities borrowed (fair value $77,997 in 2007 and $2,117,885 in 2006) | $ 79,848 | $ 2,182,167 |
| Other | 414,025 | 263,385 |
| Total brokers and dealers | 493,873 | 2,445,552 |
| Brokerage clients | 410,074 | 485,446 |
| Fees, net: | | |
| AllianceBernstein mutual funds | 173,746 | 180,260 |
| Unaffiliated clients (net of allowance of $1,792 in 2007 and $1,113 in 2006) | 545,787 | 369,690 |
| Affiliated clients | 10,103 | 7,330 |
| Total fees receivable, net | 729,636 | 557,280 |
| Total receivables, net | $ 1,633,583 | $ 3,488,278 |

Payables are comprised of:

December 31,

| | 2007 | 2006 |
|---|---|---|
| | (in thousands) | |
| Brokers and dealers: | | |
| Collateral for securities loaned (fair value $114 in 2007 and $470,798 in 2006) | $ 122 | $ 489,093 |
| Other | 161,265 | 172,697 |
| Total brokers and dealers | 161,387 | 661,790 |
| Brokerage clients | 2,728,271 | 3,988,032 |
| AllianceBernstein mutual funds | 408,185 | 266,849 |
| Total payables | $ 3,297,843 | $ 4,916,671 |

During the fourth quarter of 2007, we outsourced our hedge fund related prime brokerage operations, resulting in the elimination of a substantial portion of our securities borrowing and securities lending activity.

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6. Investments

As of December 31, 2007 and 2006, investments consisted of investments available-for-sale, principally company-sponsored mutual funds, and trading investments, principally United States Treasury Bills and company-sponsored mutual funds. As of December 31, 2007 and 2006, United States Treasury Bills with a fair market value of $89.3 million and $17.0 million, respectively, were on deposit with various clearing organizations, which are included in fixed income trading investments.

The following is a summary of the cost and fair value of investments as of December 31, 2007 and 2006:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| December 31, 2007: | | | | |
| Available-for-sale: | | | | |
| Equity investments | $ 27,492 | $ 697 | $ (8,519) | $ 19,670 |
| Fixed income investments | 29,337 | 275 | (1,244) | 28,368 |
| | $ 56,829 | $ 972 | $ (9,763) | 48,038 |
| Trading: | | | | |
| Equity investments | $ 481,989 | $ 7,845 | $ (23,749) | 466,085 |
| Fixed income investments | 105,331 | 910 | (89) | 106,152 |
| | $ 587,320 | $ 8,755 | $ (23,838) | 572,237 |
| Total | | | | $ 620,275 |
| | | | | |
| December 31, 2006: | | | | |
| Available-for-sale: | | | | |
| Equity investments | $ 39,232 | $ 8,665 | $ (3) | $ 47,894 |
| Fixed income investments | 31,476 | 486 | (5) | 31,957 |
| | $ 70,708 | $ 9,151 | $ (8) | 79,851 |
| Trading: | | | | |
| Equity investments | $ 407,790 | $ 34,264 | $ (9,921) | 432,133 |
| Fixed income investments | 31,155 | 517 | (3) | 31,669 |
| | $ 438,945 | $ 34,781 | $ (9,924) | 463,802 |
| Total | | | | $ 543,653 |

Proceeds from sales of investments available-for-sale were approximately $52.4 million, $12.8 million, and $12.7 million in 2007, 2006, and 2005, respectively. Realized gains from our sales of available-for-sale investments were $8.5 million, $1.0 million, and $1.6 million in 2007, 2006, and 2005, respectively. Realized losses from our sales of available-for-sale investments were zero in 2007 and 2006, and $0.7 million in 2005.

We assess valuation declines to determine the extent to which such declines are fundamental to the underlying investment or attributable to market-related factors. Based on this assessment, we do not believe the declines are other than temporary.

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7. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net are comprised of:

| | December 31, 2007 | 2006 |
|---|---|---|
| | (in thousands) | |
| Furniture and equipment | $ 495,669 | $ 426,848 |
| Leasehold improvements | 306,908 | 254,421 |
| | 802,577 | 681,269 |
| Less: Accumulated depreciation and amortization | (435,298) | (392,694) |
| Furniture, equipment and leasehold improvements, net | $ 367,279 | $ 288,575 |

Depreciation and amortization expense on furniture equipment and leasehold improvements were $58.4 million, $43.8 million, and $45.8 million for the years ended December 31, 2007, 2006, and 2005, respectively.

8. Deferred Sales Commissions, Net

The components of deferred sales commissions, net for the years ended December 31, 2007 and 2006 were as follows:

| | December 31,(1) 2007 | 2006 |
|---|---|---|
| | (in thousands) | |
| Carrying amount of deferred sales commissions | $ 478,504 | $ 530,231 |
| Less: Accumulated amortization | (215,664) | (250,626) |
| Cumulative CDSC received | (79,269) | (84,655) |
| Deferred sales commissions, net | $ 183,571 | $ 194,950 |

(1) Excludes amounts related to fully amortized deferred sales commissions.

Amortization expense was $95.5 million, $100.4 million, and $132.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. Estimated future amortization expense related to the December 31, 2007 net asset balance, assuming no additional CDSC is received in future periods, is as follows (in thousands):

| | |
|---|---|
| 2008 | $ 75,562 |
| 2009 | 53,187 |
| 2010 | 34,234 |
| 2011 | 15,553 |
| 2012 | 4,557 |
| 2013 | 478 |
| | $ 183,571 |

9. Other Investments

Other investments consist primarily of investments in limited partnership hedge funds that we sponsor and manage, investments held by a consolidated venture capital fund we sponsor, and investments in unconsolidated joint ventures. The components of other investments as of December 31, 2007 and 2006 were as follows:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| | (in thousands) | |
| Investments in limited partnership hedge funds | $ 156,678 | $ 166,412 |
| Investments held by a consolidated venture capital fund | 135,601 | 33,996 |
| Investments in unconsolidated joint ventures and other investments | 2,527 | 3,542 |
| Other investments | $ 294,806 | $ 203,950 |

The underlying investments of the hedge funds include long and short positions in equity securities, fixed income securities (including various agency and non-agency asset-based securities), currencies, commodities, and derivatives (including various swaps and forward contracts). Such investments are valued at quoted market prices or, where quoted market prices are not available, are fair valued based on the pricing policies and procedures of the underlying funds.

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10. Debt

Total committed credit, debt outstanding, and weighted average interest rates as of December 31, 2007 and 2006 were as follows:

| | December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | | 2006 | | |
| | Committed Credit | Debt Outstanding | Interest Rate | Committed Credit | Debt Outstanding | Interest Rate |
| | (in millions) | | | | | |
| Commercial paper(1) | $ — | $ 533.9 | 4.3% | $ — | $ 334.9 | 5.3% |
| Revolving credit facility(1) | 1,000 | — | — | 800.0 | — | — |
| Total | $ 1,000 | $ 533.9 | 4.3 | $ 800.0 | $ 334.9 | 5.3 |

(1) Our revolving credit facility supports our commercial paper program; amounts borrowed under the commercial paper program reduce amounts available for other purposes under the revolving credit facility on a dollar-for-dollar basis.

In February 2006, we entered into an $800 million five-year revolving credit facility with a group of commercial banks and other lenders. The revolving credit facility is intended to provide back-up liquidity for our $800 million commercial paper program. Under the revolving credit facility, the interest rate, at our option, is a floating rate generally based upon a defined prime rate, a rate related to the London Interbank Offered Rate (“LIBOR”) or the Federal Funds rate. On November 2, 2007, we increased the revolving credit facility by $200 million to $1.0 billion. We also increased our commercial paper program by $200 million to $1.0 billion. The revolving credit facility contains covenants which, among other things, require us to meet certain financial ratios. We were in compliance with the covenants as of December 31, 2007. To supplement this revolving credit facility, in January 2008 we entered into a $100 million uncommitted line of credit with a major bank which expires in March 2008.

In August 2001, we issued $400 million 5.625% Notes (“Senior Notes”) pursuant to a shelf registration statement that originally permitted us to issue up to $600 million in senior debt securities. The Senior Notes matured in August 2006 and were retired using cash flow from operations and proceeds from the issuance of commercial paper. We currently have $200 million available under the shelf registration statement for future issuances.

In 2006, SCB LLC entered into four separate uncommitted line of credit facility agreements with various banks, each for $100 million. During January and February of 2007, SCB LLC increased three of the agreements to $200 million each and entered into an additional agreement for $100 million with a new bank. As of December 31, 2007, no amounts were outstanding under these credit facilities.

In January 2008, SCB LLC entered into a $950 million three-year revolving credit facility with a group of commercial banks to fund its obligations resulting from engaging in certain securities trading and other customer activities. Under the revolving credit facility, the interest rate, at the option of SCB LLC, is a floating rate generally based upon a defined prime rate, a rate related to the LIBOR or the Federal Funds rate.

In January 2008, AllianceBernstein and AXA executed guarantees in regard to the $950 million SCB LLC facility. In the event SCB LLC is unable to meet its obligations, AllianceBernstein or AXA will pay the obligations when due or on demand. AllianceBernstein will reimburse AXA to the extent AXA must pay on its guarantee. This agreement is continuous and remains in effect until the later of payment in full of any such obligation has been made or the maturity date.

Our substantial capital base and access to public and private debt, at competitive terms, should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AllianceBernstein Units or Holding Units will provide us with the resources to meet our financial obligations.

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11. Commitments and Contingencies

Operating Leases

We lease office space, furniture, and office equipment under various operating leases. The future minimum payments under non-cancelable leases, sublease commitments, and payments, net of sublease commitments as of December 31, 2007 are as follows:

| | Payments | Sublease (in millions) | Net Payments |
|---|---|---|---|
| 2008 | $ 117.1 | $ 3.3 | $ 113.8 |
| 2009 | 115.0 | 3.0 | 112.0 |
| 2010 | 117.2 | 3.0 | 114.2 |
| 2011 | 117.5 | 3.0 | 114.5 |
| 2012 | 120.7 | 3.2 | 117.5 |
| 2013 and thereafter | 1,770.4 | 12.9 | 1,757.5 |
| Total future minimum payments | $ 2,357.9 | $ 28.4 | $ 2,329.5 |

Office leases contain escalation clauses that provide for the pass through of increases in operating expenses and real estate taxes. Rent expense, which is amortized on a straight-line basis over the life of the lease, was $106.8 million, $99.7 million, and $76.0 million, respectively, for the years ended December 31, 2007, 2006, and 2005, respectively, net of sublease income of $3.4 million, $3.7 million, and $5.9 million for the years ended December 31, 2007, 2006, and 2005, respectively.

Deferred Sales Commission Asset

Payments of sales commissions made by AllianceBernstein Investments to financial intermediaries in connection with the sale of back-end load shares under our mutual fund distribution system (the “System”) are capitalized as deferred sales commissions (“deferred sales commission asset”) and amortized over periods not exceeding five and one-half years for U.S. fund shares and four years for non-U.S. fund shares, the periods of time during which the deferred sales commission asset is expected to be recovered. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received. The amount recorded for the net deferred sales commission asset was $183.6 million and $195.0 million as of December 31, 2007 and 2006, respectively. Payments of sales commissions made by AllianceBernstein Investments to financial intermediaries in connection with the sale of back-end load shares under the System, net of CDSC received of $31.1 million, $23.7 million, and $21.4 million, totaled approximately $84.1 million, $98.7 million, and $74.2 million during 2007, 2006, and 2005, respectively.

Management tests the deferred sales commission asset for recoverability quarterly. Significant assumptions utilized to estimate the company’s future average assets under management and undiscounted future cash flows from back-end load shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. As of December 31, 2007, management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would decrease undiscounted future cash flows. Future redemption rate assumptions range from 21% to 25% for U.S. fund shares and 23% to 31% for non-U.S. fund shares, determined by reference to actual redemption experience over the five-year, three-year, and one-year periods ended December 31, 2007, calculated as a percentage of the company’s average assets under management represented by back-end load shares. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. As of December 31, 2007, management determined that the deferred sales commission asset was not impaired. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using management’s best estimate of future cash flows discounted to a present value amount.

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During 2007, U.S. equity markets increased by approximately 5.5% as measured by the change in the Standard & Poor's 500 Stock Index and U.S. fixed income markets increased by approximately 7.0% as measured by the change in the Lehman Brothers' Aggregate Bond Index. The redemption rate for domestic back-end load shares was 21.0% in 2007. Non-U.S. capital markets increases ranged from 9.0% to 39.4% as measured by the MSCI World, Emerging Market, and EAFE Indices. The redemption rate for non-U.S. back-end load shares was 30.8% in 2007. Declines in financial markets or higher redemption levels, or both, as compared to the assumptions used to estimate undiscounted future cash flows, as described above, could result in the impairment of the deferred sales commission asset. Due to the volatility of the capital markets and changes in redemption rates, management is unable to predict whether or when a future impairment of the deferred sales commission asset might occur. Any impairment would reduce materially the recorded amount of the deferred sales commission asset with a corresponding charge to earnings.

Legal Proceedings

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 will be documented by a stipulation of settlement and will be submitted for court approval at a later date. The settlement amount ($30 million), which we previously accrued 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 employee arbitrations, regulatory inquiries, administrative proceedings, and litigation, some of which allege material damages. While any proceeding or litigation has the element of uncertainty, management believes that the outcome of any one of the other 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.

Claims Processing Contingency

During the fourth quarter of 2006, we recorded a $56.0 million pre-tax charge in general and administrative expenses ($54.5 million, net of related income tax benefit) for the estimated cost of reimbursing certain clients for losses arising out of an error we made in processing claims for class action settlement proceeds on behalf of these clients, which include some AllianceBernstein-sponsored mutual funds. We believe that most of this cost will ultimately be recovered from residual settlement proceeds and insurance. Our fourth quarter 2006 cash distribution was declared by the Board of Directors prior to recognition of this adjustment. As a result, to the extent that all or a portion of the cost is recovered in subsequent periods, we do not intend to include recoveries in Available Cash Flow (as defined in the AllianceBernstein Partnership Agreement), and would not distribute those amounts to unitholders. During 2007, we recorded an additional $0.7 million expense related to this matter and paid $45.5 million to clients. As of December 31, 2007, we had $11.2 million remaining in accrued expenses.

## 12. Net Capital

SCB LLC, a broker-dealer and a member organization of the New York Stock Exchange (“NYSE”), is subject to the Uniform Net Capital Rule 15c3-1 of the Exchange Act. SCB LLC computes its net capital under the alternative method permitted by the rule, which requires that minimum net capital, as defined, equal the greater of $1 million, or two percent of aggregate debit items arising from customer transactions, as defined. As of December 31, 2007, SCB LLC had net capital of $138.0 million, which was $128.2 million in excess of the minimum net capital requirement of $9.8 million. Advances, dividend payments and other equity withdrawals by SCB LLC are restricted by the regulations of the U.S. Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority, Inc., and other securities agencies. As of December 31, 2007, $24.6 million was not available for payment of cash dividends and advances.

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SCBL is a member of the London Stock Exchange. As of December 31, 2007, SCBL was subject to financial resources requirements of $19.4 million imposed by the Financial Services Authority of the United Kingdom and had aggregate regulatory financial resources of $40.8 million, an excess of $21.4 million.

AllianceBernstein Investments serves as distributor and/or underwriter for certain company-sponsored mutual funds. AllianceBernstein Investments is registered as a broker-dealer under the Exchange Act and is subject to the minimum net capital requirements imposed by the SEC. AllianceBernstein Investments' net capital as of December 31, 2007 was $67.0 million, which was $52.7 million in excess of its required net capital of $14.3 million.

## 13. Counterparty Risk

### Customer Activities

In the normal course of business, brokerage activities involve the execution, settlement, and financing of various customer securities trades, which may expose SCB LLC and SCBL to off-balance sheet risk by requiring SCB LLC and SCBL to purchase or sell securities at prevailing market prices in the event the customer is unable to fulfill its contracted obligations.

SCB LLC's customer securities activities are transacted on either a cash or margin basis. In margin transactions, SCB LLC extends credit to the customer, subject to various regulatory and internal margin requirements. These transactions are collateralized by cash or securities in the customer's account. In connection with these activities, SCB LLC may execute and clear customer transactions involving the sale of securities not yet purchased. SCB LLC seeks to control the risks associated with margin transactions by requiring customers to maintain collateral in compliance with the aforementioned regulatory and internal guidelines. SCB LLC monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary. A majority of SCB LLC's customer margin accounts are managed on a discretionary basis whereby AllianceBernstein maintains control over the investment activity in the accounts. For these discretionary accounts, SCB LLC's margin deficiency exposure is minimized through maintaining a diversified portfolio of securities in the accounts and by virtue of AllianceBernstein's discretionary authority and SCB LLC's role as custodian.

SCB LLC may enter into forward foreign currency contracts on behalf of accounts for which SCB LLC acts as custodian. SCB LLC minimizes credit risk associated with these contracts by monitoring these positions on a daily basis, as well as by virtue of AllianceBernstein's discretionary authority and SCB LLC's role as custodian.

In accordance with industry practice, SCB LLC and SCBL record customer transactions on a settlement date basis, which is generally three business days after trade date. SCB LLC and SCBL are exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case SCB LLC and SCBL may have to purchase or sell financial instruments at prevailing market prices. The risks assumed by SCB LLC and SCBL in connection with these transactions are not expected to have a material effect upon AllianceBernstein's, SCB LLC's or SCBL's financial condition or results of operations.

### Other Counterparties

SCB LLC and SCBL are engaged in various brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, SCB LLC and SCBL may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is SCB LLC's and SCBL's policy to review, as necessary, the credit standing of each counterparty.

In connection with SCB LLC’s security borrowing and lending arrangements, SCB LLC enters into collateralized agreements which may result in credit exposure in the event the counterparty to a transaction is unable to fulfill its contractual obligations. Security borrowing arrangements require SCB LLC to deposit cash collateral with the lender. With respect to security lending arrangements, SCB LLC receives collateral in the form of cash in amounts generally in excess of the market value of the securities loaned. SCB LLC minimizes credit risk associated with these activities by establishing credit limits for each broker and monitoring these limits on a daily basis. Additionally, security borrowing and lending collateral is marked to market on a daily basis, and additional collateral is deposited by or returned to SCB LLC as necessary. During the fourth quarter of 2007, SCB LLC outsourced its hedge fund related prime brokerage operations, resulting in the elimination of a substantial portion of its security borrowing and security lending activity.

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14. Qualified Employee Benefit Plans

We maintain a qualified profit sharing plan (the "Profit Sharing Plan") covering U.S. employees and certain foreign employees. Employer contributions are discretionary and generally limited to the maximum amount deductible for federal income tax purposes. Aggregate contributions for 2007, 2006, and 2005 were $29.4 million, $25.3 million, and $22.0 million, respectively.

We maintain several defined contribution plans for foreign employees in the United Kingdom, Australia, New Zealand, Japan and other foreign entities. Employer contributions are generally consistent with regulatory requirements and tax limits. Defined contribution expense for foreign entities was $8.3 million, $5.9 million, and $4.9 million in 2007, 2006, and 2005, respectively.

We maintain a qualified, noncontributory, defined benefit retirement plan ("Retirement Plan") covering current and former employees who were employed by AllianceBernstein in the United States prior to October 2, 2000. Benefits are based on years of credited service, average final base salary (as defined), and primary Social Security benefits. Our policy is to satisfy our funding obligation for each year in an amount not less than the minimum required by ERISA and not greater than the maximum amount we can deduct for federal income tax purposes.

The Retirement Plan's projected benefit obligation, fair value of plan assets, and funded status (amounts recognized in the consolidated statements of financial condition) were as follows:

| | Years Ended December 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (in thousands) | |
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | $ 84,683 | $ 83,815 |
| Service cost | 3,446 | 4,048 |
| Interest cost | 4,769 | 4,578 |
| Actuarial gains | (8,280) | (4,916) |
| Plan amendment | (4,365) | — |
| Benefits paid | (3,522) | (2,842) |
| Projected benefit obligation at end of year | 76,731 | 84,683 |
| Change in plan assets: | | |
| Plan assets at fair value at beginning of year | 53,315 | 47,406 |
| Actual return on plan assets | 2,193 | 4,414 |
| Employer contribution | 4,800 | 4,337 |
| Benefits paid | (3,522) | (2,842) |
| Plan assets at fair value at end of year | 56,786 | 53,315 |
| Funded status | $ (19,945) | $ (31,368) |

As a result of the Pension Protection Act of 2006 ("PPA"), we changed our basis for lump sums effective January 1, 2008. The change in the lump sum basis, considered a plan amendment, resulted in a decrease in our projected obligation of $4.4 million. As a prior service credit, the decrease in costs will be recognized into income over the next 11 years.

The amounts included in accumulated other comprehensive income (loss) as of December 31, 2007 and 2006 were as follows:

| | 2007 | 2006 |
|---|---|---|

| | (in thousands) | |
|---|---|---|
| Unrecognized net loss from experience different from that assumed and effects of changes and assumptions | $ (1,438) | $ (7,430) |
| Unrecognized prior service cost | 3,844 | (343) |
| Unrecognized net plan assets as of January 1, 1987 being recognized over 26.3 years | 710 | 849 |
| Accumulated other comprehensive income (loss) | $ 3,116 | $ (6,924) |

The estimated initial plan assets and prior service cost for the Retirement Plan that will be amortized from accumulated other comprehensive income over the next year is $143,000 and $427,000, respectively.

The accumulated benefit obligation for the plan was $65.0 million and $68.4 million as of December 31, 2007 and 2006, respectively. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. We currently estimate we will contribute $3.5 million to the plan during 2008. Contribution estimates, which are subject to change, are based on regulatory requirements, future market conditions and assumptions used for actuarial computations of the Retirement Plan's obligations and assets. Management, at the present time, is unable to determine the amount, if any, of additional future contributions that may be required.

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Actuarial computations used to determine benefit obligations as of December 31, 2007 and 2006 (measurement dates) were made utilizing the following weighted-average assumptions:

| | 2007 | 2006 |
|---|---|---|
| Discount rate on benefit obligations | 6.55% | 5.90% |
| Annual salary increases | 3.14% | 3.50% |

The Retirement Plan's asset allocation percentages consisted of:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| Equity securities | 69% | 69% |
| Debt securities | 21 | 22 |
| Real estate | 10 | 9 |
| | 100% | 100% |

The following benefit payments, which reflect expected future service, are expected to be paid as follows (in thousands):

| | |
|---|---|
| 2008 | $ 1,849 |
| 2009 | 2,717 |
| 2010 | 3,395 |
| 2011 | 3,200 |
| 2012 | 5,727 |
| 2013-2017 | 25,487 |

Net expense under the Retirement Plan was comprised of:

| | Years Ended December 31, 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (in thousands) | |
| Service cost | $ 3,447 | $ 4,048 | $ 4,268 |
| Interest cost on projected benefit obligations | 4,769 | 4,578 | 4,274 |
| Expected return on plan assets | (4,310) | (3,800) | (3,225) |
| Amortization of prior service credit | (59) | (59) | (59) |
| Amortization of transition asset | (143) | (143) | (143) |
| Amortization of loss | — | 280 | 501 |
| Net pension charge | $ 3,704 | $ 4,904 | $ 5,616 |

Actuarial computations used to determine net periodic costs were made utilizing the following weighted-average assumptions:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| Discount rate on benefit obligations | 5.90% | 5.65% | 5.75% |
| Expected long-term rate of return on plan assets | 8.00% | 8.00% | 8.00% |
| Annual salary increases | 3.14% | 3.50% | 3.35% |

In developing the expected long-term rate of return on plan assets of 8.0%, management considered the historical returns and future expectations for returns for each asset category, as well as the target asset allocation of the portfolio. The expected long-term rate of return on assets is based on weighted average expected returns for each asset class. We assumed a target allocation weighting of 50% to 70% for equity securities, 20% to 40% for debt securities, and 0% to 10% for real estate investment trusts. Exposure of the total portfolio to cash equivalents on average should not exceed 5% of the portfolio’s value on a market value basis. The plan seeks to provide a rate of return that exceeds applicable benchmarks over rolling five-year periods. The benchmark for the plan’s large cap domestic equity investment strategy is the S&P 500 Index; the small cap domestic equity investment strategy is measured against the Russell 2000 Index; the international equity investment strategy is measured against the MSCI EAFE Index; and the fixed income investment strategy is measured against the Lehman Brothers Aggregate Bond Index.

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Variances between actuarial assumptions and actual experience are amortized over the estimated average remaining service lives of employees participating in the Retirement Plan.

We provide postretirement medical benefits which allow retirees between the ages of 55 and 65 meeting certain service requirements, at their election, to continue to participate in our group medical program by paying 100% of the applicable group premium. Retirees older than 65 may also continue to participate in our group medical program, but are required to pay the full expected cost of benefits. To the extent that retirees' medical costs exceed premiums paid, we incur the cost of providing a postretirement medical benefit. During 2007, our net periodic benefit cost was $0.4 million, and our aggregate benefit obligation as of December 31, 2007 is $3.4 million.

## 15. Deferred Compensation Plans

We maintain an unfunded, non-qualified deferred compensation plan known as the Capital Accumulation Plan and also have assumed obligations under contractual unfunded deferred compensation arrangements covering certain executives ("Contractual Arrangements"). The Capital Accumulation Plan was frozen on December 31, 1987 and no additional awards have been made. The Board of Directors of the General Partner ("Board") may terminate the Capital Accumulation Plan at any time without cause, in which case our liability would be limited to benefits that have vested. Payment of vested benefits under both the Capital Accumulation Plan and the Contractual Arrangements will generally be made over a ten-year period commencing at retirement age. The General Partner is obligated to make capital contributions to AllianceBernstein in amounts equal to benefits paid under the Capital Accumulation Plan and the Contractual Arrangements. Amounts included in employee compensation and benefits expense for the Capital Accumulation Plan and the Contractual Arrangements for the years ended December 31, 2007, 2006, and 2005 were $1.7 million, $2.1 million, and $2.9 million, respectively.

In connection with the Bernstein Transaction, we adopted an unfunded, non-qualified deferred compensation plan, known as the SCB Deferred Compensation Award Plan ("SCB Plan"), under which we agreed to invest $96 million per annum for three years to fund notional investments in Holding Units or a company-sponsored money market fund, to be awarded for the benefit of certain individuals who were stockholders or principals of Bernstein or who were hired to replace them. The awards vest ratably over three years and are amortized as employee compensation expense over the vesting period. Awards are payable to participants when fully vested, but participants may elect to defer receipt of vested awards to future dates. The amounts charged to employee compensation and benefits expense for the years ended December 31, 2007, 2006, and 2005 were $0.6 million, $3.6 million, and $29.1 million, respectively.

We maintain an unfunded, non-qualified deferred compensation plan known as the Amended and Restated AllianceBernstein Partners Compensation Plan (the "Partners Plan") under which annual awards may be granted to eligible employees.

- Awards made in 1995 vested ratably over three years; awards made from 1996 through 1998 generally vested ratably over eight years.

- Until distributed, liability for the 1995 through 1998 awards increased or decreased through December 31, 2005 based on our earnings growth rate.

- Prior to January 1, 2006, payment of vested 1995 through 1998 benefits was generally made in cash over a five-year period commencing at retirement or termination of employment although, under certain circumstances, partial lump sum payments were made.

- Effective January 1, 2006, participant accounts were converted to notional investments in Holding Units or a money market fund, or a combination of both, at the election of the participant, in lieu of being subject to the earnings-based calculation. Each participant elected a distribution date, which could be no earlier than January 2007. Holding issued 834,864 Holding Units in January 2006 in connection with this conversion, with a market value on that date of approximately $47.2 million.

- Awards made for 1999 and 2000 are notionally invested in Holding Units.
- A subsidiary of AllianceBernstein purchases Holding Units to fund the related benefits.
- The vesting periods for 1999 and 2000 awards range from eight years to immediate depending on the age of the participant.
- For 2001, participants were required to allocate at least 50% of their awards to notional investments in Holding Units and could allocate the remainder to notional investments in certain of our investment services.

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- For 2002 awards, participants elected to allocate their awards in a combination of notional investments in Holding Units and notional investments in certain of our investment services.

- Beginning with 2003 awards, participants may elect to allocate their awards in a combination of notional investments in Holding Units (up to 50%) and notional investments in certain of our investment services.

- Beginning with 2006 awards, selected senior officers may elect to allocate up to a specified portion of their awards to investments in options to buy Holding Units ("Special Option Program"); the firm matches this allocation on a two-for-one basis (for additional information about the Special Option Program, see Note 16).

Beginning with 2001 awards, vesting periods range from four years to immediate depending on the age of the participant. Upon vesting, awards are distributed to participants unless a voluntary election to defer receipt has been made. Quarterly cash distributions on unvested Holding Units for which a deferral election has not been made are paid currently to participants. Quarterly cash distributions on vested and unvested Holding Units for which a deferral election has been made and income earned on notional investments in company-sponsored mutual funds are reinvested and distributed as elected by participants.

The Partners Plan may be terminated at any time without cause, in which case our liability would be limited to vested benefits. We made awards in 2007, 2006, and 2005 aggregating $314.6 million, $228.7 million, $202.0 million, respectively. The 2007 and 2006 awards are net of $9.9 million and $9.8 million, respectively, allocated to the December 2007 and January 2007 Special Option Program's awards. The amounts charged to employee compensation and benefits expense for the years ended December 31, 2007, 2006, and 2005 were $227.2 million, $191.9 million, and $133.1 million, respectively.

During 2003, we established the AllianceBernstein Commission Substitution Plan ("Commission Substitution"), an unfunded, non-qualified incentive plan. Employees whose principal duties are to sell or market the products or services of AllianceBernstein and whose compensation is entirely or mostly commission-based are eligible for an award under this plan. Participants designate the percentage of their awards to be allocated to notional investments in Holding Units or notional investments in certain of our investment services. Awards vest ratably over a three-year period and are amortized as employee compensation expense. The Commission Substitution plan was terminated in 2007 and no awards have been made since 2006. We made awards totaling $40.1 million in 2006, and $31.8 million in 2005. The amounts charged to employee compensation and benefits expense for the years ended December 31, 2007, 2006, and 2005 were $31.9 million, $27.0 million, and $15.8 million, respectively.

Effective August 1, 2005, we established the AllianceBernstein Financial Advisor Wealth Accumulation Plan ("Wealth Accumulation Plan"), an unfunded, non-qualified deferred compensation plan. The Wealth Accumulation Plan was established in order to create a compensation program to attract and retain eligible employees expected to make significant contributions to the future growth and success of Bernstein Global Wealth Management, a unit of AllianceBernstein. Participants designate the percentage of their awards to be notionally invested in Holding Units or certain of our investment services. No more than 50% of the award may be notionally invested in Holding Units. All awards vest annually on a pro rata basis over the term of the award. We made awards totaling $23.5 million in 2007, $14.5 million in 2006, and $14.1 million in 2005. The amounts charged to employee compensation and benefits expense for the years ended December 31, 2007, 2006, and 2005 were $8.0 million, $4.2 million, and $0.5 million, respectively.

In accordance with the terms of the employment agreement between Mr. Sanders, Chairman and CEO, and AllianceBernstein dated October 26, 2006 (and the terms of Mr. Sanders's prior employment agreement), Mr. Sanders is entitled to receive a deferred compensation award of not less than 1% of AllianceBernstein's consolidated operating income before incentive compensation for each calendar year during the employment term, beginning with 2004. The

2005 award of $14.8 million vested 67% in December 2006 and 33% in June 2007. The 2006 award of $19.0 million vests 65% in December 2007 and 35% in December 2008. The 2007 award of $21.5 million vests 75% in December 2008 and 25% in December 2009. The amounts charged to employee compensation and benefits expense for the years ended December 31, 2007, 2006, and 2005 were $19.7 million, $15.0 million, and $4.8 million, respectively. At year-end 2007, Mr. Sanders was required to allocate his 2007 award in a manner that would result in his aggregate deferred balance as of December 31, 2007 being 50% invested in Holding Units and 50% in investment services offered to clients by AllianceBernstein. In future years, 50% of each award must be allocated to notional investments in each of Holding Units and investment services offered to clients.

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16. Compensatory Unit Award and Option Plans

In 1988, we established an employee unit option plan (the "Unit Option Plan"), under which options to buy Holding Units were granted to certain key employees. Options were granted for terms of up to 10 years and each option had an exercise price of not less than the fair market value of Holding Units on the date of grant. Options were exercisable at a rate of 20% of the Holding Units subject to such options on each of the first five anniversary dates of the date of grant. No options have been granted under the Unit Option Plan since it expired in 1999. There were no options awarded under the Unit Option Plan that were outstanding as of December 31, 2007 and 2006.

In 1993, we established the 1993 Unit Option Plan ("1993 Plan"), under which options to buy Holding Units were granted to key employees and independent directors of the General Partner for terms of up to 10 years. Each option has an exercise price of not less than the fair market value of Holding Units on the date of grant. Options are exercisable at a rate of 20% of the Holding Units subject to such options on each of the first five anniversary dates of the date of grant. No options or other awards have been granted under the 1993 Plan since it expired in 2003.

In 1997, we established the 1997 Long Term Incentive Plan ("1997 Plan"), under which options to buy Holding Units, restricted Holding Units and phantom restricted Holding Units, performance awards, and other Holding Unit-based awards may be granted to key employees and independent directors of the General Partner for terms established at the time of grant (generally 10 years). Options granted to employees are generally exercisable at a rate of 20% of the Holding Units subject to such options on each of the first five anniversary dates of the date of grant (except for certain options awarded under the Special Option Program, which are described below); options granted to independent directors are generally exercisable at a rate of 33.3% of the Holding Units subject to such options on each of the first three anniversary dates of the date of grant. The aggregate number of Holding Units that can be the subject of options granted or that can be awarded under the 1997 Plan may not exceed 41,000,000 Holding Units. As of December 31, 2007, options to buy 14,485,555 Holding Units, net of forfeitures, had been granted and 1,080,298 Holding Units, net of forfeitures, were subject to other unit awards made under the 1997 Plan (as described below). Holding Unit-based awards (including options) in respect of 25,434,147 Holding Units were available for grant as of December 31, 2007.

On January 26, 2007, the Compensation Committee of the Board approved the Special Option Program, under which selected senior officers voluntarily allocate a specified portion of their Partners Plan award to options to buy Holding Units and the company matches this allocation on a two-for-one basis. Also on January 26, 2007, and pursuant to the Special Option Program, the Compensation Committee granted two separate awards of options to buy Holding Units to 67 participants. The exercise price for both awards is $90.65, the closing price of Holding Units on the grant date. The first grant, with a fair value of $17.69 per option, awarded options to buy 555,985 Holding Units, vesting in equal increments on each of the first five anniversaries of the grant date and expiring in 10 years. The second grant, with a fair value of $17.67 per option, awarded options to buy 1,113,220 Holding Units, vesting in equal annual increments on each of the sixth through tenth anniversaries of the grant date and expiring in 11 years.

On December 7, 2007, the Compensation Committee granted two separate awards of options to buy Holding Units to 68 participants under the Special Option Program. The exercise price for both awards is $80.46, the closing price of Holding Units on the grant date. The first grant, with a fair value of $13.30 per option, awarded options to buy 740,633 Holding Units, vesting in equal increments on each of the first five anniversaries of the grant date and expiring in 10 years. The second grant, with a fair value of $15.28 per option, awarded options to buy 1,289,321 Holding Units, vesting in equal annual increments on each of the sixth through tenth anniversaries of the grant date and expiring in 11 years. Since we do not have sufficient history of issuing options to selected officers under the Special Option Program, the expected terms were calculated using the "simplified" method, in accordance with SFAS No. 123-R and SEC Staff Accounting Bulletin No. 107.

Options to buy Holding Units were granted as follows: 3,708,939 options were granted during 2007; 9,712 options were granted during 2006; and 17,604 options were granted during 2005. The weighted average fair value of options to buy Holding Units granted during 2007, 2006, and 2005 was $15.96, $12.35, and $7.04, respectively, on the date of grant, determined using the Black-Scholes option valuation model with the following assumptions:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Risk-free interest rate | 3.5 – 4.9% | 4.9% | 3.7% |
| Expected cash distribution yield | 5.6 – 5.7% | 6.0% | 6.2% |
| Historical volatility factor | 27.7 – 30.8% | 31.0% | 31.0% |
| Expected term | 6.0 – 9.5 years | 6.5 years | 3 years |

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The following table summarizes the activity in options under our various option plans:

| | Holding Units | Weighted Average Exercise Price Per Holding Unit | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|---|
| Outstanding as of December 31, 2006 | 4,819,099 | $ 41.62 | | |
| Granted | 3,708,939 | 85.07 | | |
| Exercised | (1,234,917) | 39.25 | | |
| Forfeited | (19,500) | 33.18 | | |
| Outstanding as of December 31, 2007 | 7,273,621 | 64.20 | 6.9 | $ 80,374 |
| Exercisable as of December 31, 2007 | 3,526,342 | 42.52 | 3.5 | 115,417 |
| Expected to vest as of December 31, 2007 | 3,562,321 | 84.59 | 10.2 | (33,272) |

The total intrinsic value of options exercised during 2007, 2006, and 2005 was $58.8 million, $79.0 million, and $40.6 million, respectively.

Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the options awarded (determined using the Black-Scholes option valuation model) and is recognized over the vesting period. We recorded compensation expense relating to the option plans of $5.9 million, $2.7 million, and $2.2 million, respectively, for the years ended December 31, 2007, 2006, and 2005. As of December 31, 2007, there was $55.1 million of compensation cost related to unvested share-based compensation arrangements granted under the option plans not yet recognized. That cost is expected to be recognized over a weighted average period of 7.8 years.

Other Unit Awards

Restricted Units

In 2007, 2006, and 2005, restricted Holding Units (“Restricted Units”) were awarded to the independent directors of the General Partner. The Restricted Units give the directors, in most instances, all the rights of other Holding Unitholders subject to such restrictions on transfer as the Board may impose. We awarded 1,705, 1,848, and 2,644 Restricted Units in 2007, 2006, and 2005, respectively, with grant date fair values of $87.98, $65.02, and $45.45 per Holding Unit, respectively. All of the Restricted Units vest on the third anniversary of grant date or immediately upon a director’s resignation. We fully expensed these awards on the grant date. As of December 31, 2007, 4,875 Restricted Units, net of distributions made upon retirement of two directors, were outstanding. We recorded compensation expense of $178,000, $164,000, and $48,000 in 2007, 2006, and 2005, respectively, related to Restricted Units.

The following table summarizes the activity of unvested Restricted Units during 2007:

| | Holding Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Unvested as of January 1, 2007 | 3,170 | $ 56.86 |
| Granted | 1,705 | 87.98 |
| Vested | — | — |
| Forfeited | — | — |

| | | |
|---|---|---|
| Unvested as of December 31, 2007 | 4,875 | 67.74 |

Century Club Plan

In 1993, we established the Century Club Plan, under which employees of AllianceBernstein whose primary responsibilities are to assist in the distribution of company-sponsored mutual funds and who meet certain sales targets, are eligible to receive an award of Holding Units. Awards vest ratably over three years and are amortized as employee compensation expense. We awarded 45,072, 36,020, and 33,800 Holding Units in 2007, 2006, and 2005, respectively, with grant date fair values of $82.37, $63.82, and $46.60 per Holding Unit, respectively.

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The following table summarizes the activity of unvested Century Club units during 2007:

| | Holding Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| Unvested as of January 1, 2007 | 60,692 | $ 55.01 |
| Granted | 45,072 | 82.37 |
| Vested | (30,058) | 52.04 |
| Forfeited | (1,716) | 65.76 |
| Unvested as of December 31, 2007 | 73,990 | 72.63 |

The total fair value of units that vested during 2007, 2006, and 2005 was $2.5 million, $1.7 million, and $1.2 million, respectively.

We recorded compensation expense relating to the Century Club Plan of $2.3 million, $1.5 million, and $1.1 million, respectively, for the years ended December 31, 2007, 2006, and 2005. As of December 31, 2007, there was $3.5 million of compensation cost related to unvested share-based compensation arrangements granted under the Century Club Plan not yet recognized. That cost is expected to be recognized over a weighted average period of 1.6 years.

Awards under the Century Club Plan and those of Restricted Units reduce the number of options to acquire Holding Units available for grant under the 1997 Plan and forfeitures under the Century Club Plan and those of Restricted Units increase them.

## 17. Units Outstanding

The following table summarizes the activity in units:

| | |
|---|---|
| Outstanding as of December 31, 2005 | 255,624,870 |
| Options exercised | 2,567,017 |
| Units awarded | 37,868 |
| Issuance of units | 834,864 |
| Units forfeited | (2,605) |
| Outstanding as of December 31, 2006 | 259,062,014 |
| Options exercised | 1,234,917 |
| Units awarded | 46,777 |
| Units forfeited | (1,716) |
| Outstanding as of December 31, 2007 | 260,341,992 |

Units awarded and units forfeited pertain to Restricted Unit awards to independent members of the Board of Directors and Century Club Plan unit awards to company-sponsored mutual fund sales personnel, see Note 16. In 2006, we issued units to certain Partners Plan participants, see Note 15.

## 18. Income Taxes

AllianceBernstein is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, AllianceBernstein is subject to a 4.0% New York City unincorporated business tax (“UBT”). Domestic corporate subsidiaries of AllianceBernstein, which are subject to federal, state and local income taxes, are generally included in the filing of a consolidated federal income tax return with separate state and local income tax returns being filed. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located.

In order to preserve AllianceBernstein's status as a private partnership for federal income tax purposes, AllianceBernstein Units must not be considered publicly traded. The AllianceBernstein Partnership Agreement provides that all transfers of AllianceBernstein Units must be approved by AXA Equitable and the General Partner; AXA Equitable and the General Partner approve only those transfers permitted pursuant to one or more of the safe harbors contained in relevant treasury regulations. If such units were considered readily tradable, AllianceBernstein's net income would be subject to federal and state corporate income tax. Furthermore, should AllianceBernstein enter into a substantial new line of business, Holding, by virtue of its ownership of AllianceBernstein, would lose its status as a grandfathered publicly traded partnership and would become subject to corporate income tax which would reduce materially Holding's net income and its quarterly distributions to Holding Unitholders.

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Earnings before income taxes and income tax expense are comprised of:

| | Years Ended December 31, 2007 | 2006 (in thousands) | 2005 |
|---|---|---|---|
| Earnings before income taxes: | | | |
| United States | $ 1,096,529 | $ 1,050,212 | $ 812,450 |
| Foreign | 291,760 | 133,434 | 120,439 |
| Total | $ 1,388,289 | $ 1,183,646 | $ 932,889 |
| Income tax expense: | | | |
| Partnership UBT | $ 30,219 | $ 23,696 | $ 16,365 |
| Corporate subsidiaries: | | | |
| Federal | 6,852 | 4,901 | 7,100 |
| State and local | 2,733 | 374 | 1,236 |
| Foreign | 87,494 | 41,061 | 35,676 |
| Current tax expense | 127,298 | 70,032 | 60,377 |
| Deferred tax expense | 547 | 5,013 | 4,194 |
| Income tax expense | $ 127,845 | $ 75,045 | $ 64,571 |

The principal reasons for the difference between the effective tax rates and the UBT statutory tax rate of 4.0% are as follows:

| | Years Ended December 31, 2007 | | 2006 (in thousands) | | 2005 | |
|---|---|---|---|---|---|---|
| UBT statutory rate | $ 55,532 | 4.0% | $ 47,346 | 4.0% | $ 37,315 | 4.0% |
| Corporate subsidiaries' federal, state, local, and foreign income taxes | 83,195 | 6.0 | 40,708 | 3.4 | 37,114 | 3.9 |
| Other non-deductible and permanent items, primarily income not taxable resulting from use of UBT business apportionment factors | (10,882) | (0.8) | (13,009) | (1.1) | (9,858) | (1.0) |
| Income tax expense and effective tax rate | $ 127,845 | 9.2 | $ 75,045 | 6.3 | $ 64,571 | 6.9 |

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109". FIN 48 requires that the effects of a tax position be recognized in the financial statements only if, as of the reporting date, it is "more likely than not" to be sustained based solely on its technical merits. In making this assessment, a company must assume that the taxing authority will examine the tax position and have full knowledge of all relevant information. As a result of adopting FIN 48, we recognized a $442,000 decrease in the liability for unrecognized tax benefits, which was accounted for as a cumulative-effect adjustment to the January 1, 2007 balance of partners' capital. The adjustment reflects the difference between the net amount of liabilities recognized in our consolidated statement of financial position prior to the application of FIN 48 and the net amount of liabilities recognized as a result of applying the provisions of FIN 48.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | | |
|---|---|---|
| Balance as of January 1, 2007 | $ | 17,862 |
| Additions for prior year tax positions | | 2,000 |
| Reductions for prior year tax positions | | (1,452) |
| Additions for current year tax positions | | 3,317 |
| Reductions for current year tax positions | | (303) |
| Reductions related to settlements with tax authorities/closed years | | (2,408) |
| Balance as of December 31, 2007 | $ | 19,016 |

During the year 2007, unrecognized tax benefits with respect to certain tax positions taken in the prior years have been adjusted resulting in a net increase to the reserve totaling $0.5 million. As described below, settlements with taxing authorities resulted in a $2.4 million reduction to the reserve. The amount of unrecognized tax benefits as of December 31, 2007, when recognized, will be recorded as a reduction to income tax expense and affect the company’s effective tax rate.

Interest and penalties, if any, relating to tax positions are recorded in income tax expense on the consolidated statements of income. The total amount of accrued interest recorded on the consolidated statement of financial condition as of January 1, 2007, the date of adoption of FIN 48, was $1.7 million. As of December 31, 2007, the amount is $2.2 million. There were no accrued penalties as of January 1, 2007 or December 31, 2007.

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The company is generally no longer subject to U.S federal, or state and local income tax examinations by tax authorities for any year prior to 2004. However, by agreement, the year 2003 remains open in connection with the New York City tax examinations that are discussed below. The Internal Revenue Service ("IRS") commenced an examination of our domestic corporate subsidiaries' federal tax returns for 2003 and 2004 in the second quarter of 2006. This examination was settled during the third quarter of 2007 resulting in a tax payment to the U.S. Treasury in the amount of $0.4 million and a reduction to the reserve for unrecorded tax benefits in the amount of $2.2 million. The IRS recently notified us of their intention to examine our aforementioned federal tax returns for the year 2005, for which we do not believe an increase for unrecognized tax benefits is necessary. In addition, examinations of AllianceBernstein's New York City Partnership and corporate subsidiary tax returns for 2003 through 2005 commenced in the second quarter of 2007. These examinations remain in the preliminary stage and we do not currently believe that an increase in the reserve for unrecognized tax benefits is necessary. Adjustment to the reserve could occur in light of changing facts and circumstances. Subject to the results of the examinations for the tax years 2003-2005, under our existing policy for determining whether a tax position is effectively settled for purposes of recognizing previously unrecognized tax benefits, there is the possibility that recognition of unrecognized tax benefits of approximately $14.5 million including accrued interest could occur over the next twelve months.

During the fourth quarter of 2007, the Japanese National Tax Agency commenced an examination of our corporate subsidiary located in Japan. The examination is substantially complete resulting in a settlement of approximately $0.5 million which has been recorded in the books of the company. Currently, there are no other income tax examinations at our significant non-U.S. subsidiaries. Years that remain open and may be subject to examination vary under local law, and range from one to seven years.

Under Statement of Financial Accounting Standards No. 109 ("SFAS No. 109"), "Accounting for Income Taxes", deferred income taxes reflect the net tax effect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effect of significant items comprising the net deferred tax (liability) asset is as follows:

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| | (in thousands) | |
| Deferred tax asset: | | |
| Differences between book and tax basis: | | |
| Deferred compensation plans | $ 10,252 | $ 9,768 |
| Intangible assets | 401 | 512 |
| Charge for mutual fund matters, legal proceedings, and claims processing contingency | 4,179 | 5,612 |
| Other, primarily revenues taxed upon receipt and accrued expenses deductible when paid | 3,909 | 2,452 |
| | 18,741 | 18,344 |
| Valuation allowance | — | (1,761) |
| Deferred tax asset, net of valuation allowance | 18,741 | 16,583 |
| Deferred tax liability: | | |
| Differences between book and tax basis: | | |
| Furniture, equipment and leasehold improvements | 301 | 848 |
| Investment partnerships | 1,634 | 3,136 |
| Intangible assets | 14,889 | 12,427 |
| Translation adjustment | 5,694 | 2,106 |
| Other, primarily undistributed earnings of certain foreign subsidiaries | 2,359 | 2,686 |
| | 24,877 | 21,203 |
| Net deferred tax (liability) asset | $ (6,136) | $ (4,620) |

The deferred tax asset is included in other assets. Management has determined that realization of the deferred tax asset is more likely than not based on anticipated future taxable income.

The company provides income taxes on the undistributed earnings of non-U.S. corporate subsidiaries except to the extent that such earnings are permanently invested outside the United States. As of December 31, 2007, $334.9 million of accumulated undistributed earnings of non-U.S. corporate subsidiaries were permanently invested. At existing applicable income tax rates, additional taxes of approximately $17.0 million would need to be provided if such earnings were remitted.

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On October 22, 2004, the American Jobs Creation Act of 2004 (“AJCA”) was signed into law. The AJCA contained a one-time foreign dividend repatriation provision, which provided for a special deduction with respect to certain qualifying dividends from foreign subsidiaries until December 31, 2005. In December 2005, our foreign subsidiaries distributed $42.7 million of previously unremitted earnings which qualified for the special deduction under the AJCA. The company incurred income taxes of less than $0.5 million as a result of these distributions.

## 19. Business Segment Information

We adopted Statement of Financial Accounting Standards No. 131 (“SFAS No. 131”), “Disclosures about Segments of an Enterprise and Related Information”, in 1999. SFAS No. 131 establishes standards for reporting information about operating segments in annual and interim financial statements. It also establishes standards for disclosures about products and services, geographic areas and major customers. Generally, financial information is required to be reported consistent with the basis used by management to allocate resources and assess performance.

Management has assessed the requirements of SFAS No. 131 and determined that, because we utilize a consolidated approach to assess performance and allocate resources, we have only one operating segment. Enterprise-wide disclosures as of, and for the years ended, December 31, 2007, 2006, and 2005 were as follows:

Services

Net revenues derived from our various research, investment management and related services were as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 (in millions) | 2005 |
| Institutional investment | $ 1,482 | $ 1,222 | $ 895 |
| Retail | 1,521 | 1,304 | 1,189 |
| Private client | 961 | 883 | 673 |
| Institutional research services | 424 | 375 | 353 |
| Other | 332 | 354 | 199 |
| Total revenues | 4,720 | 4,138 | 3,309 |
| Less: Interest expense | 195 | 188 | 96 |
| Net revenues | $ 4,525 | $ 3,950 | $ 3,213 |

Geographic Information

Net revenues and long-lived assets, related to our U.S. and international operations, as of and for the years ended December 31, were:

| | 2007 | 2006 (in millions) | 2005 |
|---|---|---|---|
| Net revenues: | | | |
| United States | $ 3,013 | $ 2,733 | $ 2,376 |
| International | 1,512 | 1,217 | 837 |
| Total | $ 4,525 | $ 3,950 | $ 3,213 |
| Long-lived assets: | | | |
| United States | $ 3,656 | $ 3,619 | $ 3,597 |
| International | 52 | 42 | 18 |

| | | | |
|---|---|---|---|
| Total | $ 3,708 | $ 3,661 | $ 3,615 |

Major Customers

Company-sponsored mutual funds are distributed to individual investors through broker-dealers, insurance sales representatives, banks, registered investment advisers, financial planners and other financial intermediaries. AXA Advisors, LLC ("AXA Advisors"), a wholly-owned subsidiary of AXA Financial that uses members of the AXA Equitable insurance agency sales force as its registered representatives, has entered into a selected dealer agreement with AllianceBernstein Investments and has been responsible for 2%, 2%, and 3% of our open-end mutual fund sales in 2007, 2006, and 2005, respectively. Subsidiaries of Merrill Lynch & Co., Inc. ("Merrill Lynch") were responsible for approximately 7%, 6%, and 5% of our open-end mutual fund sales in 2007, 2006, and 2005, respectively. Citigroup, Inc. and its subsidiaries ("Citigroup"), was responsible for approximately 7%, 5%, and 5% of our open-end mutual fund sales in 2007, 2006, and 2005, respectively. AXA Advisors, Merrill Lynch and Citigroup are under no obligation to sell a specific amount of shares of company-sponsored mutual funds, and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations (in the case of Merrill Lynch and Citigroup).

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AXA and the general and separate accounts of AXA Equitable (including investments by the separate accounts of AXA Equitable in the funding vehicle EQ Advisors Trust) accounted for approximately 5% of total revenues for each of the years ended December 31, 2007, 2006, and 2005. No single institutional client other than AXA and its subsidiaries accounted for more than 1% of total revenues for the years ended December 31, 2007, 2006, and 2005, respectively.

## 20. Related Party Transactions

Mutual Funds

Investment management, distribution, shareholder and administrative, and brokerage services are provided to individual investors by means of retail mutual funds sponsored by our company, our subsidiaries, and our affiliated joint venture companies. Substantially all of these services are provided under contracts that set forth the services to be provided and the fees to be charged. The contracts are subject to annual review and approval by each of the mutual funds' boards of directors or trustees and, in certain circumstances, by the mutual funds' shareholders. Revenues for services provided or related to the mutual funds are as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands) | | |
| Investment advisory and services fees | $ 1,025,394 | $ 840,453 | $ 728,492 |
| Distribution revenues | 473,435 | 421,045 | 397,800 |
| Shareholder servicing fees | 103,604 | 97,236 | 99,358 |
| Other revenues | 6,502 | 6,917 | 8,014 |
| Institutional research services | 1,583 | 1,902 | 3,855 |

AXA and its Subsidiaries

We provide investment management and certain administration services to AXA and its subsidiaries. In addition, AXA and its subsidiaries distribute company-sponsored mutual funds, for which they receive commissions and distribution payments. Sales of company-sponsored mutual funds through AXA and its subsidiaries, excluding cash management products, aggregated approximately $0.5 billion for each of the years ended December 31, 2007, 2006, and 2005. Also, we are covered by various insurance policies maintained by AXA subsidiaries and we pay fees for technology and other services provided by AXA and its subsidiaries that are included in General and Administrative expenses. Aggregate amounts included in the consolidated financial statements for transactions with AXA and its subsidiaries are as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (in thousands) | | |
| Revenues: | | | |
| Investment advisory and services fees | $ 208,786 | $ 184,122 | $ 168,124 |
| Institutional research services | 606 | 657 | 2,051 |
| Other revenues | 824 | 736 | 734 |
| | $ 210,216 | $ 185,515 | $ 170,909 |
| Expenses: | | | |
| Commissions and distribution payments to financial intermediaries | $ 7,178 | $ 5,708 | $ 5,500 |

| | | | |
|---|---|---|---|
| Other promotion and servicing | 1,409 | 936 | 1,158 |
| General and administrative | 10,219 | 9,533 | 6,665 |
| | $ 18,806 | $ 16,177 | $ 13,323 |
| Balance Sheet: | | | |
| Institutional investment advisory and services fees receivable | $ 10,103 | $ 7,330 | $ 7,182 |
| Other due (to) from AXA and its subsidiaries | (506) | (965) | 1,362 |
| | $ 9,597 | $ 6,365 | $ 8,544 |

AllianceBernstein and AXA Asia Pacific Holdings Limited ("AXA Asia Pacific") maintain two investment management companies and we include their financial results in our consolidated results of operations. Investment advisory and services fees earned by these companies were approximately $77.6 million, $61.1 million, and $44.6 million for the years ended December 31, 2007, 2006, and 2005, respectively, of which approximately $22.9 million, $21.3 million, and $19.9 million, respectively, were from AXA affiliates and are included in the table above. Minority interest recorded for these companies was $11.1 million, $8.8 million, and $5.9 million for the years ended December 31, 2007, 2006, and 2005, respectively.

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During the fourth quarter of 2006, AllianceBernstein Venture Fund I, L.P. was established as an investment vehicle to achieve long-term capital appreciation through equity and equity-related investments, acquired in private transactions, in early stage growth companies. One of our subsidiaries is the general partner of the fund and, as a result, the fund is included in our consolidated financial statements, with approximately $136 million and $34 million of investments on the consolidated statement of financial condition as of December 31, 2007 and 2006, respectively. AXA Equitable holds a 10% limited partnership interest in this fund.

Other Related Parties

The consolidated statements of financial condition include a net receivable from Holding and a net receivable or payable to our unconsolidated joint ventures as a result of cash transactions for fees and expense reimbursements. The net balances included in the consolidated statements of financial condition as of December 31, 2007, 2006, and 2005 are as follows:

| | December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | | (in thousands) | |
| Due from Holding, net | $ 7,460 | $ 7,149 | $ 7,197 |
| Due from (to) unconsolidated joint ventures, net | $ 255 | $ 376 | $ (2,678) |

21. Acquisition

On May 2, 2006, we purchased the 50% interest in our Hong Kong joint venture (including its wholly-owned Taiwanese subsidiary) owned by our joint venture partner for $16.1 million in cash. The effect of this acquisition was not material to our consolidated financial condition, results of operations or cash flows.

22. Dispositions

Cash Management Services

In June 2005, AllianceBernstein and Federated Investors, Inc. (“Federated”) completed a transaction pursuant to which Federated acquired our cash management services. In the transaction, $19.3 billion in assets under management from 22 of our third-party distributed money market funds were transitioned into Federated money market funds.

The total sales price (much of which is contingent) is estimated to be approximately $95.0 million, which is composed of three parts: (1) an initial cash payment of $25.0 million which was received in the second quarter of 2005, (2) annual contingent purchase price payments payable over a five-year period ending 2010, which we estimate will total $60.0 million, and (3) a final contingent $10.0 million payment, which is based on comparing revenues generated by applicable assets during the fifth year following the closing of the transaction to the revenues generated by those assets during a specified period prior to the closing of the transaction.

The annual contingent purchase price payments are calculated as a percentage of revenues, less certain expenses, directly attributed to these assets and certain other assets of our former cash management clients transferred to Federated. Income is accrued as earned. The contingent payments received from Federated in the five years following the closing of the transaction are expected to largely offset the loss of operating income that would have been earned for managing the cash in money market fund customer accounts. As a result, this transaction is not expected to have a material impact on future results of operations, cash flow or liquidity during that period.

During 2005, we recorded a $19.4 million pre-tax gain as non-operating income, net of transaction expenses and a "clawback" provision that would have required us to pay Federated up to $7.5 million if average daily transferred assets for the six-month period ended June 29, 2006 had fallen below a certain percentage of initial assets transferred at closing. We were not required to make a payment under the clawback provision and, accordingly, we recognized a gain of $7.5 million during the second quarter of 2006. In addition, we earned contingent purchase price payments of $15.8 million and $12.8 million during 2007 and 2006, respectively.

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Indian Mutual Funds

In the third quarter of 2005, Alliance Capital Asset Management (India) Pvt. Ltd., 75% owned by AllianceBernstein, whose principal activity was to sponsor and serve as the investment advisor to AllianceBernstein mutual funds in India, transferred those mutual funds and its rights to manage those mutual funds to Birla Sun Life. During 2005, we recorded a pre-tax gain of $8.1 million from this transaction, net of related expenses, as non-operating income.

South African Joint Venture

AllianceBernstein completed a transaction on December 31, 2005 pursuant to which Investec Asset Management (Proprietary) Ltd. acquired AllianceBernstein’s interest in Alliance Capital Management (Proprietary) Ltd., the firm’s South African domestic investment management subsidiary, including Alliance Capital Management (Proprietary) Namibia Ltd, its wholly-owned Namibian subsidiary.

In the fourth quarter of 2005, we recorded a pre-tax gain of $7.0 million as non-operating income consisting of $8.9 million of cash proceeds, offset by $0.3 million of transaction charges and $1.6 million of payments to former minority shareholders.

23. Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”), “Fair Value Measurements”. Among other requirements, SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (“SFAS No. 159”), “Fair Value Option for Financial Assets and Financial Liabilities”. SFAS No. 159 expands the use of fair value measurement by permitting entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Both SFAS No. 157 and SFAS No. 159 are effective beginning the first fiscal year that begins after November 15, 2007. We adopted both standards on January 1, 2008. SFAS No. 157 is not expected to have a material impact on our consolidated financial statements. Currently, we have not elected to expand the use of fair value measurements in our consolidated financial statements as permitted by SFAS No. 159.

In June 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force (“EITF”) in EITF Issue No. 06-11 (“EITF 06-11”), “Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards”. Under EITF 06-11, a realized income tax benefit from distributions or distribution equivalents that are charged to partners’ capital and are paid to employees for equity classified non-vested Units should be recognized as an increase to partners’ capital. The amount recognized in partners’ capital for the realized income tax benefit from distributions on those awards should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. EITF 06-11 is effective January 1, 2008 and is to be applied prospectively. EITF 06-11 is not expected to have a material impact on our financial condition or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) (“SFAS No. 141-R”), “Business Combinations”. SFAS No. 141-R improves the relevance, representational faithfulness, and comparability regarding business combinations and their effects. Also in December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 (“SFAS No. 160”), “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51”. SFAS No. 160 establishes accounting, reporting, and disclosure standards for the noncontrolling interest, sometimes referred to as a minority interest, in a subsidiary and for the deconsolidation of the subsidiary. Both of these standards seek to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. Both SFAS No. 141-R and SFAS No. 160 are effective for fiscal years beginning on or after December 15, 2008. We do not believe the application of SFAS No. 141-R or SFAS No. 160 will have a material effect on our future results of operations, liquidity, or capital resources.

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24. Quarterly Financial Data (Unaudited)

| | Quarters Ended 2007 December 31 | September 30 | June 30 | March 31 |
|---|---|---|---|---|
| | (in thousands, except per unit amounts) | | | |
| Net revenues | $ 1,169,386 | $ 1,152,822 | $ 1,158,773 | $ 1,044,336 |
| Net income | $ 309,732 | $ 348,082 | $ 334,929 | $ 267,701 |
| Basic net income per unit(1) | $ 1.18 | $ 1.33 | $ 1.28 | $ 1.02 |
| Diluted net income per unit(1) | $ 1.17 | $ 1.32 | $ 1.27 | $ 1.01 |
| Cash distributions per unit(2) | $ 1.17 | $ 1.32 | $ 1.27 | $ 1.01 |

| | Quarters Ended 2006 December 31 | September 30 | June 30 | March 31 |
|---|---|---|---|---|
| | (in thousands, except per unit amounts) | | | |
| Net revenues | $ 1,186,698 | $ 934,711 | $ 933,330 | $ 895,668 |
| Net income(3) | $ 366,952 | $ 252,974 | $ 261,102 | $ 227,573 |
| Basic net income per unit(1) (3) | $ 1.40 | $ 0.97 | $ 1.00 | $ 0.88 |
| Diluted net income per unit(1) (3) | $ 1.39 | $ 0.96 | $ 0.99 | $ 0.87 |
| Cash distributions per unit(2) (3) | $ 1.60 | $ 0.96 | $ 0.99 | $ 0.87 |

(1) Basic and diluted net income per unit are computed independently for each of the periods presented. Accordingly, the sum of the quarterly net income per unit amounts may not agree to the total for the year.

(2) Declared and paid during the following quarter.

(3) During the fourth quarter of 2006, we recorded a $56.0 million pre-tax charge for the estimated cost of reimbursing certain clients for losses arising out of an error we made in processing claims for class action settlement proceeds on behalf of these clients, which include some AllianceBernstein-sponsored mutual funds. The charge and related income tax benefit decreased 2006 net income and net income per unit by $54.5 million and $0.21, respectively. We believe that most of this cost will ultimately be recovered from residual settlement proceeds and insurance. Our fourth quarter 2006 cash distribution was declared by the Board of Directors prior to recognition of this adjustment. As a result, to the extent that all or a portion of the cost is recovered in subsequent periods, we do not intend to include recoveries in Available Cash Flow (as defined in the AllianceBernstein Partnership Agreement), and would not distribute those amounts to unitholders.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of income, changes in partners' capital and comprehensive income and cash flows present fairly, in all material respects, the financial position of AllianceBernstein L.P. and its subsidiaries ("AllianceBernstein") at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AllianceBernstein maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AllianceBernstein's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on AllianceBernstein's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 22, 2008

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Report of Independent Registered Public Accounting Firm

The General Partner and Unitholders
AllianceBernstein L.P.:

We have audited the accompanying consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the year ended December 31, 2005 of AllianceBernstein L.P. and subsidiaries ("AllianceBernstein"), formerly Alliance Capital Management L.P. These consolidated financial statements are the responsibility of the management of the General Partner. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of AllianceBernstein for the year ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP
New York, New York
February 24, 2006

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## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Neither AllianceBernstein nor Holding had any changes in or disagreements with accountants in respect of accounting or financial disclosure.

## Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Each of Holding and AllianceBernstein maintains a system of disclosure controls and procedures that is designed to ensure information required to be disclosed in our reports under the Exchange Act 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 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.

Management's Report on Internal Control over Financial Reporting

Management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting for each of Holding and AllianceBernstein.

Internal control over financial reporting is a process designed by, or under the supervision of, a company's principal executive officer and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial statement preparation and presentation. Because of these inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of each of Holding's and AllianceBernstein's internal control over financial reporting as of December 31, 2007. In making its assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework

("COSO criteria").

Based on its assessment, management concluded that, as of December 31, 2007, each of Holding and AllianceBernstein maintained effective internal control over financial reporting based on the COSO criteria.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the 2007 financial statements included in this Form 10-K, has issued an attestation report on the effectiveness of each of Holding's and AllianceBernstein's internal control over financial reporting as of December 31, 2007. These reports can be found in Item 8.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the fourth quarter of 2007 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Both AllianceBernstein and Holding reported all information required to be disclosed on Form 8-K during the fourth quarter of 2007.

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## PART III

## Item 10. Directors, Executive Officers and Corporate Governance

General Partner

The Partnerships' activities are managed and controlled by the General Partner; the Board of Directors of the General Partner ("Board") acts as the Board of each of the Partnerships. The General Partner has agreed that it will conduct no active business other than managing the Partnerships, although it may make certain investments for its own account. Neither AllianceBernstein Unitholders nor Holding Unitholders have any rights to manage or control the Partnerships, or to elect directors of the General Partner. The General Partner is an indirect, wholly-owned subsidiary of AXA.

The General Partner does not receive any compensation from AllianceBernstein or Holding for services rendered to them as their general partner. The General Partner holds a 1% general partnership interest in AllianceBernstein and 100,000 units of general partnership interest in Holding. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each limited partnership unit.

The General Partner is entitled to reimbursement by AllianceBernstein for any expenses it incurs in carrying out its activities as general partner of the Partnerships, including compensation paid by the General Partner to its directors and officers (to the extent such persons are not compensated directly by AllianceBernstein).

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## Directors and Executive Officers

As of January 31, 2008, the directors and executive officers of the General Partner were as follows (officers of the General Partner also serve as officers of AllianceBernstein and Holding):

| Name | Age | Position |
|---|---|---|
| Lewis A. Sanders | 61 | Chairman of the Board and Chief Executive Officer |
| Dominique Carrel-Billiard | 41 | Director |
| Henri de Castries | 53 | Director |
| Christopher M. Condron | 60 | Director |
| Denis Duverne | 54 | Director |
| Richard S. Dziadzio | 44 | Director |
| Peter Etzenbach | 40 | Director |
| Deborah S. Hechinger | 57 | Director |
| Weston M. Hicks | 51 | Director |
| Gerald M. Lieberman | 61 | Director, President and Chief Operating Officer |
| Lorie A. Slutsky | 55 | Director |
| A.W. (Pete) Smith, Jr. | 64 | Director |
| Peter J. Tobin | 63 | Director |
| Lawrence H. Cohen | 46 | Executive Vice President |
| Laurence E. Cranch | 61 | Executive Vice President and General Counsel |
| Edward J. Farrell | 47 | Senior Vice President and Controller |
| Sharon E. Fay | 47 | Executive Vice President |
| Marilyn G. Fedak | 61 | Executive Vice President |
| James A. Gingrich | 49 | Executive Vice President |
| Mark R. Gordon | 54 | Executive Vice President |
| Thomas S. Hexner | 51 | Executive Vice President |
| Robert H. Joseph, Jr. | 60 | Senior Vice President and Chief Financial Officer |
| Mark R. Manley | 45 | Senior Vice President, Deputy General Counsel and Chief Compliance Officer |
| Seth J. Masters | 48 | Executive Vice President |
| Marc O. Mayer | 50 | Executive Vice President |
| Douglas J. Peebles | 42 | Executive Vice President |
| Jeffrey S. Phlegar | 41 | Executive Vice President |
| James G. Reilly | 46 | Executive Vice President |
| Lisa A. Shalett | 44 | Executive Vice President |
| David A. Steyn | 48 | Executive Vice President |
| Gregory J. Tencza | 41 | Executive Vice President |
| Christopher M. Toub | 48 | Executive Vice President |

## Biographies

Mr. Sanders was elected Chairman of the Board of the General Partner effective January 1, 2005 and Chief Executive Officer of AllianceBernstein effective July 1, 2003. Before taking on his current roles, he had served as Vice Chairman and Chief Investment Officer since the Bernstein Transaction in 2000. Prior to the Bernstein Transaction, Mr. Sanders had served as Chairman and Chief Executive Officer of Bernstein since 1992; he began his career with Bernstein in 1968 as a research analyst. Mr. Sanders is the Chairman and Chief Executive Officer of SCB Inc.

Mr. Carrel-Billiard was elected a Director of the General Partner in July 2004. He has been Chief Executive Officer of AXA Investment Managers, a subsidiary of AXA ("AXA IM"), since June 13, 2006. Mr. Carrel-Billiard joined AXA on June 1, 2004 as the Senior Vice President-Business Support and Development in charge of AXA Financial, asset management and reinsurance. Prior to joining AXA, Mr. Carrel-Billiard was a Partner of McKinsey and Company where he specialized in the financial services industry. During the 12 years he spent at McKinsey, Mr. Carrel-Billiard worked on a broad array of topics (including insurance, asset gathering and management, and corporate and investment banking) for the top management of international banks, insurance companies, including AXA, and other financial services groups. Mr. Carrel-Billiard also led the European Retail Savings and Life Insurance practice, with focus on distribution issues for asset gathering products to retail investors.

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Mr. de Castries was elected a Director of the General Partner in October 1993. Since May 3, 2000, he has been Chairman of the Management Board of AXA. Prior thereto, he served AXA in various capacities, including Vice Chairman of the AXA Group Management Board; Senior Executive Vice President-Financial Services and Life Insurance Activities in the United States, Germany, the United Kingdom, and Benelux from 1996 to 2000; Executive Vice President-Financial Services and Life Insurance Activities from 1993 to 1996; General Secretary from 1991 to 1993; and Central Director of Finances from 1989 to 1991. He is also a director or officer of AXA Financial, AXA Equitable, and various other subsidiaries and affiliates of the AXA Group. Mr. de Castries was elected Vice Chairman of AXA Financial on February 14, 1996 and was elected Chairman of AXA Financial, effective April 1, 1998.

Mr. Condron was elected a Director of the General Partner in May 2001. He has been Director, President and Chief Executive Officer of AXA Financial since May 2001. He is Chairman of the Board, Chief Executive Officer and President of AXA Equitable and a member of the AXA Group Management Board. In addition, Mr. Condron is Chairman of the Board, President and Chief Executive Officer of MONY Life Insurance Company, which AXA Financial acquired in July 2004. Prior to joining AXA Financial, Mr. Condron served as both President and Chief Operating Officer of Mellon Financial Corporation (“Mellon”), from 1999, and as Chairman and Chief Executive Officer of The Dreyfus Corporation, a subsidiary of Mellon, from 1995. Mr. Condron is a member of the Board of Directors of KBW, Inc., a full-service investment bank and broker-dealer. He also serves as Chairman of KBW’s compensation committee and as a member of its audit committee and its corporate governance and nominating committee. Mr. Condron is also a member of the Board of Directors of The American Council of Life Insurers and the Financial Services Round Table (“FSR”); he is the 2008 Chairman–Elect of the FSR.

Mr. Duverne was elected a Director of the General Partner in February 1996. He has been Chief Financial Officer of AXA since May 2003 and a member of the AXA Group Management Board since February 2003. From January 2000 to May 2003, Mr. Duverne served as Group Executive Vice President-Finance, Control and Strategy. Mr. Duverne joined AXA as Senior Vice President in 1995. He is a Director of AXA Financial, AXA Equitable, and various other subsidiaries and affiliates of the AXA Group.

Mr. Dziadzio was re-elected a Director of the General Partner in May 2007. (He had previously served on the Board from February 2001 to May 2004.) He is Executive Vice President and Chief Financial Officer of AXA Financial. He joined the AXA Group in 1994 as a senior analyst in the corporate finance department, working primarily on mergers and acquisitions. In 1997, he was promoted to corporate finance officer, handling corporate finance activities for the group in insurance and asset management in the U.S. and U.K. In 1998, Mr. Dziadzio became head of finance and administration for AXA Real Estate Investment Managers, a subsidiary of AXA. From February 2001 to June 2004, he was responsible for business support and development for AXA Financial, AllianceBernstein, and AXA IM. Mr. Dziadzio joined AXA Financial in July 2004, and was elected Executive Vice President of AXA Equitable in September 2004. He became Executive Vice President and Deputy Chief Financial Officer of AXA Financial and AXA Equitable in September 2005.

Mr. Etzenbach was elected a Director of the General Partner in May 2006. He is Senior Vice President-Business Support and Development of AXA in charge of AXA Equitable, asset management, and reinsurance. He joined the AXA Group in 2005 as a lead strategic auditor in the AXA Group Audit Department. Prior to joining AXA, Mr. Etzenbach was an Executive Director of Goldman Sachs in investment banking and equity capital markets. During the 13 years he spent at Goldman Sachs, Mr. Etzenbach held various management roles, including Business Unit Manager for the European Investment Banking Division (2001 to 2002) and Chief Operating Officer for the Sovereign Effort, a position which reported to the Vice Chairman of Goldman Sachs International (2004).

Ms. Hechinger was elected a Director of the General Partner in May 2007. Currently an independent consultant on non-profit governance, she was President and Chief Executive Officer of BoardSource, a leading governance resource for non-profit organizations, from 2003 to 2007. From 2004 to 2007, Ms. Hechinger also served as co-convener of the

Governance and Fiduciary Responsibilities work group, one of the five groups established by the Panel on the Nonprofit Sector to make recommendations to Congress on ways to improve the governance and accountability of non-profit organizations. She also served on the Advisory Board for the Center for Effective Philanthropy and was a Member of the Ethics and Accountability Committee at Independent Sector. Prior to joining BoardSource, Ms. Hechinger was the Executive Vice President of the World Wildlife Fund, a large, global conservation organization, where she oversaw all fundraising, communication and operations activities. She has also served as Deputy Comptroller and Director of the Securities and Corporate Practices Division at the Office of the Comptroller of the Currency and has held senior executive positions in the Division of Enforcement at the SEC.

Mr. Hicks was elected a Director of the General Partner in July 2005. He has been a Director and the President and chief executive officer of Alleghany Corporation (“Alleghany”), an insurance and diversified financial services holding company, since December 2004 and was Executive Vice President of Alleghany from October 2002 until December 2004. From March 2001 through October 2002, Mr. Hicks was Executive Vice President and Chief Financial Officer of The Chubb Corporation.

Mr. Lieberman was elected a Director of the General Partner and the Chief Operating Officer of AllianceBernstein in November 2003 and was elected President of AllianceBernstein in November 2004, when he was also elected a member of AXA’s Executive Committee. Mr. Lieberman joined AllianceBernstein in October 2000 and served as Executive Vice President - Finance and Operations of AllianceBernstein from November 2000 to November 2003. Prior to the Bernstein Transaction, Mr. Lieberman served as a Senior Vice President, Finance and Administration of Bernstein, which he joined in 1998, and was a member of Bernstein’s Board of Directors. Mr. Lieberman is a Director of SCB Inc.

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Ms. Slutsky was elected a Director of the General Partner in July 2002. Since January 1990, she has been President and Chief Executive Officer of The New York Community Trust, a $2 billion community foundation which annually grants more than $150 million. Ms. Slutsky has been a Director of AXA Financial, AXA Equitable, and certain other subsidiaries of AXA Financial since September 2006.

Mr. Smith was elected a Director of the General Partner in July 2005. The former CEO of Watson Wyatt Worldwide, he was also President of the Private Sector Council, a non-profit public service organization dedicated to improving the efficiency of the federal government, from September 2000 until May 2005. Mr. Smith has been President of Smith Consulting since June 2005.

Mr. Tobin was elected a Director of the General Partner in May 2000. From September 2003 to June 2005, he was Special Assistant to the President of St. John's University. Prior thereto, Mr. Tobin served as Dean of the Tobin College of Business of St. John's University from August 1998 to September 2003. As Dean, Mr. Tobin was the chief executive and academic leader of the College of Business. Mr. Tobin was Chief Financial Officer at The Chase Manhattan Corporation from 1996 to 1997. Prior thereto, he was Chief Financial Officer of Chemical Bank (which merged with Chase in 1996) from 1991 to 1996 and Chief Financial Officer of Manufacturers Hanover Trust (which merged with Chemical in 1991) from 1985 to 1991. Mr. Tobin is on the Boards of Directors of The H.W. Wilson Co. and CIT Group Inc. He has been a Director of AXA Financial since March 1999.

Mr. Cohen has been Executive Vice President and Chief Technology Officer since joining AllianceBernstein in 2004. In this role, he is responsible for technology strategy, application development, and infrastructure services throughout AllianceBernstein. Prior to joining AllianceBernstein, Mr. Cohen held executive IT positions at UBS, Goldman Sachs, Morgan Stanley, and Fidelity Investments.

Mr. Cranch has been Executive Vice President and General Counsel since joining AllianceBernstein in 2004. Prior to joining AllianceBernstein, Mr. Cranch was a partner of Clifford Chance, an international law firm. Mr. Cranch joined Clifford Chance in 2000 when Rogers & Wells, a New York law firm of which he was Managing Partner, merged with Clifford Chance.

Mr. Farrell has been Senior Vice President and Controller since joining AllianceBernstein in 2003. He also serves as the Chief Financial Officer of SCB LLC. From 1994 through 2003, Mr. Farrell worked at Nomura Securities International, where he was a Managing Director and a member of the senior management committee. He also held various financial positions including Controller and Chief Financial Officer.

Ms. Fay joined Bernstein in 1990 as a research analyst in investment management, following the airlines, lodging, trucking, and retail industries, and has been Executive Vice President and Chief Investment Officer-Global Value Equities of AllianceBernstein since 2003, overseeing all portfolio management and research activities relating to cross-border and non-U.S. value investment portfolios and chairing the Global Value Investment Policy Group. Until January 2006, Ms. Fay was Co-Chief Investment Officer-European and U.K. Value Equities, a position she assumed with Bernstein in 1999. Between 1997 and 1999, she was Chief Investment Officer-Canadian Value Equities with Bernstein. Prior to that, she had been a senior portfolio manager of International Value Equities since 1995.

Ms. Fedak, a Chartered Financial Analyst, joined Bernstein in 1984 as a senior portfolio manager. An Executive Vice President of AllianceBernstein since 2000, she is Head of Global Value Equities and Chair of the U.S. Large Cap Value Equity Investment Policy Group. From 1993 through 2003, Ms. Fedak was Chief Investment Officer for U.S. Value Equities; in 2003, she named a Co-CIO. Ms. Fedak is the President of Sanford C. Bernstein Fund, Inc. She is also a Director of SCB Inc.

Mr. Gingrich joined Bernstein in 1999 as a senior research analyst covering the U.S. household and personal products industry. He became an Executive Vice President of AllianceBernstein and the Chairman and Chief Executive Officer of SCB LLC in February 2007. Prior to becoming Chairman and CEO of SCB LLC, Mr. Gingrich served as Global Director of Research. Mr. Gingrich was elected a Senior Vice President of AllianceBernstein in 2002.

Mr. Gordon, a Chartered Financial Analyst, joined Bernstein in 1983 and currently serves as Director of Global Quantitative Research of AllianceBernstein, co-head of Alternative Investments, and Chief Investment Officer for the Global Diversified Funds. He was elected an Executive Vice President of AllianceBernstein in February 2004. Mr. Gordon previously served as Bernstein's Head of Risk Management, Director of Product Development, and Director of Quantitative Research.

Mr. Hexner joined Bernstein in 1986 as a financial advisor. An Executive Vice President of AllianceBernstein since 2000, he is Head of Bernstein GWM and oversees the firm's private client business worldwide. Mr. Hexner has been responsible for the firm's private client business since 1996. He was named President of Bernstein Investment Research and Management, a unit of AllianceBernstein, in 2000, and Head of Bernstein GWM in 2006 in recognition of the global expansion of the private client business. Mr. Hexner is a Director of SCB Inc.

Mr. Joseph joined AllianceBernstein in 1984 and held various financial positions until his election as Senior Vice President and Chief Financial Officer in 1994. Before joining AllianceBernstein, Mr. Joseph was a Senior Audit Manager with Price Waterhouse for 13 years.

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Mr. Manley joined AllianceBernstein in 1984 and currently serves as Senior Vice President, Deputy General Counsel and Chief Compliance Officer. Mr. Manley served as Acting General Counsel from July 2003 through July 2004 and has served as the company’s Chief Compliance Officer since 1988. From February 1998 through June 2003, Mr. Manley was Senior Vice President and Assistant General Counsel. From February 1992 through February 1998, he was Vice President and Counsel.

Mr. Masters joined Bernstein in 1991 as a research analyst covering banks, insurance companies, and other financial firms. He currently heads the AllianceBernstein Blend Strategies team and is Chief Investment Officer for Style Blend, roles he has held since 2002. Mr. Masters was named Executive Vice President of AllianceBernstein in 2004 and Senior Vice President in 2000. Between 1994 and 2002, Mr. Masters was Chief Investment Officer of Emerging Markets Value Equities, a service he took the lead in designing.

Mr. Mayer joined Bernstein in 1989 as a research analyst and later became research director in the institutional research services group. He has been an Executive Vice President of AllianceBernstein since 2000 and was elected Executive Managing Director of AllianceBernstein Investments in November 2003. Mr. Mayer had been Head of AllianceBernstein Institutional Investments from 2001 until that time. Prior to 2001, Mr. Mayer was Head of SCB LLC. Mr. Mayer is President of the U.S. Funds (other than the SCB Funds), and he is a Director of SCB Inc.

Mr. Peebles joined AllianceBernstein in 1987 and has been an Executive Vice President of AllianceBernstein and Co-Chief Investment Officer of Fixed Income since 2004. He is Co-Chairman of the Fixed Income Investment Strategy Committee. He is also Director of Global Fixed Income, with investment responsibility for the institutional and retail global fixed income portfolios managed by AllianceBernstein. His responsibilities include formulating daily portfolio management and risk decisions. From February 1998 until April 2004, Mr. Peebles served as a Senior Vice President in Global Fixed Income.

Mr. Phlegar joined AllianceBernstein in 1993 and has been an Executive Vice President of AllianceBernstein and Co-Chief Investment Officer of Fixed Income since 2004. He is Co-Chairman of the Fixed Income Investment Strategy Committee. Mr. Phlegar oversees the portfolio managers and research analysts responsible for Fixed Income AUM across AllianceBernstein’s three distribution channels, Institutional Investments, Retail, and Private Client, worldwide. He served as a Senior Vice President in U.S. Investment Grade Fixed Income from 1998 until 2004. Prior to joining AllianceBernstein, Mr. Phlegar managed high grade securities for regulated insurance entities at Equitable Capital Management Corporation, which AllianceBernstein acquired in 1993.

Mr. Reilly joined AllianceBernstein in 1985 as a Vice President and quantitative and fundamental research analyst covering airlines and railroads, and is currently the U.S. Large Cap Growth team leader. He has been an Executive Vice President since 1999 and a portfolio manager with AllianceBernstein’s large cap growth team since 1988. Mr. Reilly was a Senior Vice President of AllianceBernstein from 1993 until 1999.

Ms. Shalett joined Bernstein in 1995 and has been Executive Vice President of AllianceBernstein since November 2002. In February 2007, she joined the management team of Alliance Growth Equities as the Global Research Director and was named Global Head of Growth Equities in January 2008. For the four years prior, Ms. Shalett was Chair and Chief Executive Officer of SCB LLC, the firm’s institutional research brokerage business. Previously, Ms. Shalett served as Director of Global Research for the sell-side and served as a senior research analyst covering capital goods and diversified industrials.

Mr. Steyn joined Bernstein in 1999, having been the founding co-Chief Executive Officer of Bernstein’s London office, and has been Executive Vice President and Global Head of Client Service and Marketing since April 2007. In this role, the Heads of AllianceBernstein’s three distribution channels, Institutional Investments, Retail and Private Client, report to him. Prior to serving in this role, Mr. Steyn had been Executive Vice President and Head of

AllianceBernstein Institutional Investments since November 2003. Mr. Steyn was elected a Senior Vice President of AllianceBernstein in 2000.

Mr. Tencza joined Bernstein in 1997 as Director of Consultant Relations for Institutions and has been Executive Vice President and Head of Institutional Investments since May 2007, overseeing AllianceBernstein's institutional business worldwide. From May 2006 until assuming his most recent post, he was senior managing director and Head of Global Sales and Client Service. Previously, Mr. Tencza was Head of Institutional Global Business Development and Consultant Relations, after having served as product manager for Global Value Equities between 2000 and 2002.

Mr. Toub joined AllianceBernstein in 1992 as a portfolio manager with the Disciplined Growth group. He has been an Executive Vice President of AllianceBernstein since 1999 and Head of Global/International Growth Equities since 1998. Mr. Toub became Chief Executive Officer of AllianceBernstein Limited, a London-based wholly-owned subsidiary of AllianceBernstein, in April 2005. He served as Director of Research—Global Growth Equities from 1998 through 2000.

## Corporate Governance

### Board of Directors

The Board holds quarterly meetings, generally in February, May, July or August, and November of each year, and holds special meetings or takes action by unanimous written consent as circumstances warrant. The Board has standing Executive, Audit, Corporate Governance, and Compensation Committees, each of which is described in further detail below. Of the directors, only Mr. Dziadzio attended fewer than 75% of the aggregate of all Board and committee meetings which he was entitled to attend in 2007.

### Committees of the Board

The Executive Committee of the Board ("Executive Committee") is composed of Ms. Slutsky and Messrs. Condron, Duverne, Lieberman, Sanders (Chair), and Tobin. The Executive Committee exercises all of the powers and authority of the Board (with limited exceptions) when the Board is not in session, or when it is impractical to assemble the Board. The Executive Committee held five meetings in 2007.

The Corporate Governance Committee of the Board ("Governance Committee") is composed of Mr. Condron, Ms. Hechinger, Mr. Sanders, and Ms. Slutsky (Chair). The Governance Committee assists the Board in (i) identifying and evaluating qualified individuals to become Board members; (ii) determining the composition of the Board and its committees; (iii) developing and monitoring a process to assess Board effectiveness; (iv) developing and implementing our corporate governance guidelines; and (v) reviewing our policies and programs that relate to matters of corporate responsibility of the General Partner and the Partnerships. The Governance Committee held three meetings in 2007.

The Audit Committee of the Board ("Audit Committee") is composed of Messrs. Hicks, Smith, and Tobin (Chair). The primary purposes of the Audit Committee are to: (i) assist the Board in its oversight of (1) the integrity of the financial statements of the Partnerships, (2) the Partnerships' status and system of compliance with legal and regulatory requirements and business conduct, (3) the independent registered public accounting firm's qualification and independence, and (4) the performance of the Partnerships' internal audit function; and (ii) oversee the appointment, retention, compensation, evaluation, and termination of the Partnerships' independent registered public accounting firm. Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Partnerships' policies, procedures, and practices at all levels. With respect to these matters, the Audit Committee provides an open avenue of communication among the independent registered public accounting firm, senior management, the Internal Audit Department, and the Board. The Audit Committee held nine meetings in 2007.

The functions of each of the committees discussed above are more fully described in the respective committee's charter, each of which is available on our Internet site (http://www.alliancebernstein.com).

The Compensation Committee of the Board ("Compensation Committee") is composed of Mr. Condron (Chair), Mr. Sanders, Ms. Slutsky and Mr. Smith. For additional information about the Compensation Committee, see "Executive Compensation - Compensation Discussion & Analysis" in Item 11.

In 2003, the Board appointed a Special Committee, now consisting of Ms. Slutsky and Mr. Tobin (Chair), to oversee a number of matters relating to investigations by the NYAG, the SEC, and other regulators. The Special Committee remains responsible for overseeing the handling of a related unitholder derivative suit and the distribution of the Restitution Fund (for additional information, see "Business - Regulation" in Item 1). The members of the Special Committee do not receive any additional compensation for their service on the Special Committee, apart from the ordinary meeting fees described in "Executive Compensation - Director Compensation" in Item 11. The Special

Committee did not meet during 2007.

Audit Committee Financial Experts

In January 2007 and January 2008, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that each of Weston M. Hicks and Peter J. Tobin is an "audit committee financial expert" within the meaning of Item 401(h) of Regulation S-K. The Board so determined at its regular meeting in February 2007 and February 2008. The Board also determined at these meetings that each member of the Audit Committee (Messrs. Hicks, Smith, and Tobin) is financially literate and possesses accounting or related financial management expertise, as contemplated by Section 303A.07(a) of the NYSE Listed Company Manual.

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Independence of Certain Directors

In January 2007, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that each of Mr. Hicks, Ms. Slutsky, Mr. Smith, and Mr. Tobin is "independent" within the meaning of Section 303A.02 of the NYSE Listed Company Manual. The Board considered immaterial relationships of Mr. Hicks (relating to Alleghany Corporation being a client of SCB LLC and Mr. Hicks being a former employee of Bernstein), and Ms. Slutsky (relating to contributions made by AllianceBernstein to The New York Community Trust, of which she is President and Chief Executive Officer) and then determined, at its February 2007 regular meeting, that each of Mr. Hicks, Ms. Slutsky, Mr. Smith, and Mr. Tobin is independent within the meaning of the relevant rules.

In January 2008, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that each of Ms. Hechinger, Mr. Hicks, Ms. Slutsky, Mr. Smith, and Mr. Tobin is "independent" within the meaning of Section 303A.02 of the NYSE Listed Company Manual. The Board considered immaterial relationships of Ms. Hechinger (relating to her service as an executive officer of BoardSource concurrently with Ms. Slutsky serving as that company's Chairperson), Mr. Hicks (relating to Alleghany Corporation being a client of SCB LLC and Mr. Hicks having been employed by Bernstein from 1991 to 1999), and Ms. Slutsky (relating to contributions made by AllianceBernstein to The New York Community Trust, of which she is President and Chief Executive Officer) and then determined, at its February 2008 regular meeting, that each of Ms. Hechinger, Mr. Hicks, Ms. Slutsky, Mr. Smith, and Mr. Tobin is independent within the meaning of the relevant rules.

Code of Ethics and Related Policies

All of our directors, officers and employees are subject to our Code of Business Conduct and Ethics. The code is intended to comply with Section 303A.10 of the NYSE Listed Company Manual, Rule 204A-1 under the Investment Advisers Act and Rule 17j-1 under the Investment Company Act and with recommendations issued by the Investment Company Institute regarding, among other things, practices and standards with respect to securities transactions of investment professionals. The Code of Business Conduct and Ethics establishes certain guiding principles for all of our employees, including sensitivity to our fiduciary obligations and ensuring that we meet those obligations. Our Code of Business Conduct and Ethics may be found in the "Corporate Governance" portion of our Internet site (http://www.alliancebernstein.com).

We have adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers, which is intended to comply with Section 406 of the Sarbanes-Oxley Act of 2002 ("Item 406 Code"). The Item 406 Code was adopted on October 28, 2004 by the Executive Committee. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding certain amendments to, or waivers from, provisions of the Item 406 Code that apply to the Chief Executive Officer, Chief Financial Officer and Controller by posting such information on our Internet site (http://www.alliancebernstein.com). To date, there have been no such amendments or waivers.

NYSE Governance Matters

Section 303A.00 of the NYSE Listed Company Manual exempts limited partnerships from compliance with the following sections of the Manual: Section 303A.01 (board must have a majority of independent directors), 303A.04 (corporate governance committee must have only independent directors as its members), and 303A.05 (compensation committee must have only independent directors as its members). Holding is a limited partnership (as is AllianceBernstein). In addition, because the General Partner is a wholly-owned subsidiary of AXA, and the General Partner controls Holding (and AllianceBernstein), we believe we would also qualify for the "controlled company" exemption. Notwithstanding the foregoing, the Board has adopted a Corporate Governance Committee Charter that complies with Section 303A.04 and a Compensation Committee Charter that complies with Section 303A.05. However, not all members of these committees are independent.

Our Corporate Governance Guidelines ("Guidelines") promote the effective functioning of the Board and its committees, promote the interests of the Partnerships' respective unitholders, with appropriate regard to the Board's duties to the sole stockholder of the General Partner, and set forth a common set of expectations as to how the Board, its various committees, individual directors, and management, should perform their functions. The Guidelines may be found in the "Corporate Governance" portion of our Internet site (http://www.alliancebernstein.com).

The Corporate Governance Committee is responsible for considering any request for a waiver under the Code of Business Conduct and Ethics, the Item 406 Code, the AXA Code of Business Conduct, and AXA Financial Policy Statement on Ethics from any director or executive officer of the General Partner. Any such waiver that has been granted would be set forth in the "Corporate Governance" portion of our Internet site (http://www.alliancebernstein.com).

Peter J. Tobin has been chosen to preside at all executive sessions of non-management and independent directors. Interested parties wishing to communicate directly with Mr. Tobin may send an e-mail, with "confidential" in the subject line, to corporate.secretary@alliancebernstein.com. Upon receipt, our Corporate Secretary will promptly forward all such e-mails to Mr. Tobin. Interested parties may also address mail to Mr. Tobin in care of Corporate Secretary, AllianceBernstein Corporation, 1345 Avenue of the Americas, New York, NY 10105, and the Corporate Secretary will promptly forward such mail to Mr. Tobin. We have posted this information in the "Corporate Governance" portion of our Internet site (http://www.alliancebernstein.com).

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Our Internet site (http://www.alliancebernstein.com), under the heading “Contact our Directors”, provides an e-mail address for any interested party, including unitholders, to communicate with the Board of Directors. Our Corporate Secretary reviews e-mails sent to that address and has some discretion in determining how or whether to respond, and in determining to whom such e-mails should be forwarded. In our experience, substantially all of the e-mails received are ordinary client requests for administrative assistance that are best addressed by management or solicitations of various kinds.

The 2007 Certification by our Chief Executive Officer under NYSE Listed Company Manual Section 303A.12(a) was submitted to the NYSE on March 26, 2007.

Certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been furnished as exhibits to this Form 10-K.

Holding Unitholders and AllianceBernstein Unitholders may request a copy of any committee charter, the Guidelines, the Code of Business Conduct and Ethics, and the Item 406 Code by contacting the Corporate Secretary of AllianceBernstein (corporate.secretary@alliancebernstein.com). The charters and memberships of the Executive, Audit, Corporate Governance, and Compensation Committees, may be found in the “Corporate Governance” portion of our Internet site (http://www.alliancebernstein.com).

Management Committees

The Management Executive Committee is composed of Messrs. Cohen, Cranch, Gingrich, Gordon, Hexner, Lieberman, Manley, Masters, Mayer, Peebles, Phlegar, Reilly, Sanders, Steyn, Tencza and Toub, and Mses. Fay, Fedak, and Shalett, who together are the group of key executives responsible for managing AllianceBernstein, enacting strategic initiatives, and allocating resources to our company’s various departments. Mr. Sanders serves ex-officio as Chairman of the Management Executive Committee. The Management Executive Committee meets on a regular basis and at such other times as circumstances warrant.

The Code of Ethics Oversight Committee (“Ethics Committee”), composed of each member of the Management Executive Committee and certain other senior executives, oversees all matters relating to issues arising under the AllianceBernstein Code of Business Conduct and Ethics. The Ethics Committee, which was created pursuant to the SEC Order (see “Business - Regulation” in Item 1), meets on a quarterly basis and at such other times as circumstances warrant.

The Internal Compliance Controls Committee (“Compliance Committee”), also composed of each member of the Management Executive Committee and certain other senior executives, reviews compliance issues throughout our company, endeavors to develop solutions to those issues as they may arise from time to time, and oversees implementation of those solutions. The Compliance Committee, which was created pursuant to the SEC Order (see “Business - Regulation” in Item 1), meets on a quarterly basis and at such other times as circumstances warrant.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors of the General Partner and executive officers of the Partnerships, and persons who own more than 10% of the Holding Units or AllianceBernstein Units, to file with the SEC initial reports of ownership and reports of changes in ownership of Holding Units or AllianceBernstein Units. To the best of management’s knowledge, during 2007: (i) all Section 16(a) filing requirements relating to Holding were complied with, except that a Form 3 was filed late for Mr. Dziadzio in respect of his election to the Board in May 2007, a Form 4 was filed late for Mr. Cohen in respect of his January 2007 award under the Special Option Program (the Special Option Program is more fully discussed below in “Compensation Discussion and Analysis” in Item 11), a Form 4 was filed late for Ms. Slutsky in respect of a gift of Holding Units she made in March 2006, and a Form 4 was filed late for Mr. Toub in respect of the Holding Units withheld from his December 2007 employee deferred compensation distribution to pay a portion of applicable withholding taxes; and (ii) all Section 16(a) filing requirements relating to AllianceBernstein were complied with, except that a Form 3 was filed late for Mr. Dziadzio in respect of his election to the Board. You can find our Section 16 filings under "Investor & Media Relations" / "Reports & SEC Filings" on our Internet site (http://www.alliancebernstein.com).

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Item 11. Executive Compensation

Compensation Discussion and Analysis ("CD&A")

Overview of Compensation Philosophy and Program

Our employees' intellectual capital is collectively the most important asset of our firm. We invest in people - we hire qualified people, train them, encourage them to give their best thinking to the firm and our clients, and compensate them in a manner designed to motivate and retain them. As a result, the costs of employee compensation and benefits are significant, comprising approximately 58% of our operating expenses and representing approximately 41% of our net revenues for 2007. These percentages are not unusual for companies in the financial services industry. The magnitude of this expense also requires that it be monitored by management, and overseen by the Board, with the particular attention of the Compensation Committee.

We believe that the quality, skill, and dedication of our executive officers are critical to enhancing the long-term value of our company. Our key compensation goals are to attract highly-qualified executive talent, provide rewards for the past year's performance, provide incentives for future performance, align our executives' long-term interests with those of our clients and Unitholders, and retain our key leaders. We believe that fundamental success in achieving good results for the firm, and for our Unitholders, must flow from achieving investment success for our clients. Accordingly, in recent years, our deferred incentive compensation program has encouraged our executives to allocate their awards on a notional basis to the investment products we offer to our clients, in addition to notional investments in Holding Units and, in certain cases (see below), investments in options to buy Holding Units.

Historically, we have used a variety of compensation elements to achieve the goals described above. Currently, we use base salary, annual cash bonuses, a deferred compensation plan (the Amended and Restated AllianceBernstein Partners Compensation Plan, "Partners Plan"), a defined contribution plan, and Holding Unit options, all of which are discussed in more detail below.

We do not set firm-wide financial performance targets (such as earnings per unit, market capitalization, net income or organic growth) and, therefore, management efforts are not directed at meeting any such specific targets. Estimates are developed for budgeting and strategic planning purposes, but employee and officer compensation is not directly tied to "hitting" or "missing" financial performance targets. Some salespeople do have compensation incentives based on sales levels.

Our incentive compensation, consisting of annual cash bonuses and awards of deferred compensation, is intended to encourage our officers to remain with the firm. Annual cash bonuses provide a shorter-term incentive to remain through year-end because such bonuses are typically paid during the last week of the year. Deferred awards encourage longer-term retention because such awards vest over time and are subject to forfeiture; recipients are therefore discouraged from leaving.

The gross amount of incentive compensation – that is, the "bonus pool" available to pay annual cash bonuses and make deferred awards – is a function of our overall financial performance. The bonus pool is based on formula-driven calculations (with separate calculations for cash bonuses and deferred awards) using annual operating income and institutional research services revenues. It may be increased or decreased in the discretion of management, subject to the approval of the Compensation Committee, to maintain appropriate levels of compensation. This results in an "adjusted bonus pool" (discussed below). In the past three years, we granted incentive compensation awards that, in the aggregate, were significantly less than the bonus pool calculation permitted.

Decisions about executive officer compensation are based primarily on our assessment of each executive's leadership, operational performance, and potential to enhance investment returns and service for our clients and, in doing so, contribute to long-term Unitholder value. We rely upon our judgment about each executive's performance — rather than utilizing quantitative formulas — in determining the amount and mix of compensation elements and whether each particular payment or award provides an appropriate reward for the current year's performance. Key factors that we consider include: performance compared to the operational and strategic goals established for the executive at the beginning of the year; nature, scope, and level of responsibilities; contribution of the executive's business unit to the company's commitment to create and maintain a fiduciary culture in which clients' interests are paramount; and contribution to our overall financial results.

We also consider each executive's current salary, and prior-year cash bonus and deferred award, the appropriate balance between incentives for long-term and short-term performance, and the compensation paid to the executive's peers within the company. In addition, we review information provided by McLagan Partners, compensation consultants retained by management, about compensation levels at other companies. In general, we believe that key employees should be well-compensated, but that significant portions of compensation should be deferred and earned for service in future periods, which provides an incentive for key employees to remain with the firm.

In addition to the benefits of aligning the interests of employees and clients, we recognize that there are benefits to aligning the interests of employees and Unitholders. Our CEO's employment agreement was amended in 2007 to require that half of his unvested balance be allocated to Holding Units and that half of his future awards be allocated to Holding Units (in each case, the other half must be allocated to investment services offered to clients by AllianceBernstein). Before this amendment, the agreement did not permit Mr. Sanders to allocate any portion of his deferred awards to Holding Units. In addition, there is a small group of senior officers to whom we wish to provide additional financial incentives to remain with AllianceBernstein because executive management believes they constitute the next generation of firm leadership or because of their exceptional individual contributions to the company's success. Accordingly, in January 2007, the Compensation Committee approved the Special Option Program ("Special Option Program"). The Special Option Program permits selected senior officers to voluntarily allocate up to a specified portion of their annual deferred compensation award to options to buy Holding Units ("Allocated Award Options"); the firm matches this allocation on a two-for-one basis ("Match Options"). Members of the Management Executive Committee generally do not receive awards under the Special Option Program.

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The value allocated to each option granted under the Special Option Program equals the Black-Scholes value of the option calculated on the option grant date. The exercise price for each option is equal to the price of a Holding Unit as reported for NYSE composite transactions at the close of trading on the option grant date. The option grant date is the date of the meeting of the Compensation Committee at which it approved the granting of the options. Allocated Award Options have a 10-year term and vest in equal annual increments on each of the first five anniversaries of the grant date; Match Options have an 11-year term and vest in equal annual increments on each of the sixth through tenth anniversaries of the grant date.

Options granted on January 26, 2007 pursuant to the Special Option Program represent the first Holding Unit options granted to employees as part of their year-end compensation packages since December 2002. Independent directors receive annual grants of Holding Unit options and Restricted Units (for additional information about these awards, see "Director Compensation" below).

Compensation Elements for Executive Officers

Below we describe the major elements of our executive compensation.

1. Base Salary. Base salaries make up a small portion of executive officers' total compensation and are maintained at low levels relative to salaries of executives at peer firms; except for the CEO and amounts reflecting foreign exchange rates related to service in non-U.S. locations, no executive officers at the firm were paid a base salary greater than $200,000. Within the relatively narrow range of base salaries paid to executive officers, we consider individual experience, responsibilities and tenure with the firm. The salaries we paid during 2007 to our chief executive officer, chief financial officer, and our three most highly compensated executive officers (the "named executive officers") are shown in column (c) of the Summary Compensation Table.

2. Cash Bonus. We pay annual cash bonuses in late December from the cash portion of the bonus pool to reward individual performance for the year. These bonuses are based on management's evaluation (subject to the Compensation Committee's review and approval) of each executive's performance during the year, and the performance of the executive's business unit or function, compared to business and operational goals established at the beginning of the year, and in the context of our overall financial performance. The aggregate amount of cash bonuses awarded to all employees is limited by the size of the cash portion of the adjusted bonus pool. The cash bonuses we awarded in 2007 to our named executive officers are shown in column (d) of the Summary Compensation Table.

In 2007, the calculations described above resulted in a larger bonus pool than in 2006, and total cash incentive compensation in 2007 was therefore higher than in the prior year, primarily due to higher headcount. However, turbulence in the global financial markets during the second half of the year adversely affected our firm's financial results, in particular our performance-based investment management fees (for additional information about these fees, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7). Given these results, and in light of our increased headcount, we determined generally to award senior officers cash bonuses equal to those received in 2006, while increasing appropriately the amount of their deferred awards.

3. Deferred Compensation. The Partners Plan is an unfunded, non-qualified deferred compensation plan under which awards may be granted to eligible employees. Since 2001, participants have been permitted to allocate their Partners Plan awards in a combination of notional investments in certain of our investment services offered to clients and notional investments in Holding Units. Since 2003, no more than 50% of an annual award may be allocated to Holding Units. As described above, we have created a Special Option Program which permits a limited number of senior officers to allocate a portion of their Partners Plan award to options to buy Holding Units. A participant's allocation to options is subject to this 50% limitation. The aggregate amount of all deferred compensation available for award to employees is limited by the size of the deferred portion of the adjusted bonus pool. The 2007 deferred

compensation awards granted to our named executive officers are shown in column (i) of the Summary Compensation Table and column (c) of the Non-Qualified Deferred Compensation Table.

The value used for Holding Units to effect a participant's allocation to Holding Units (excluding Holding Unit options) is the closing price as reported for NYSE composite transactions on a day shortly following the release of fourth quarter earnings. If the trust does not hold a sufficient number of Holding Units to fulfill the aggregate amount of participant allocations, the company issues the needed amount of Holding Units under an existing equity compensation plan, effective as of this same day.

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Since 2001, vesting periods for Partners Plan awards have ranged from four years to immediate, depending on the age of the participant; all awards fully vest if a participant remains in our employ through December 1 in the year during which he or she turns 65. Upon vesting, awards are distributed to participants unless the participant has, in advance, voluntarily elected to defer receipt to future periods. Quarterly cash distributions on unvested Holding Units for which a deferral election has not been made are paid currently to participants. Quarterly cash distributions on vested and unvested Holding Units for which a voluntary deferral election has been made, and earnings credited on investment services, are reinvested and distributed as elected by participants. These are shown as "earnings" in column (d) of the Non-Qualified Deferred Compensation Table.

4. Special Option Program. As discussed above, in January 2007 the Compensation Committee approved the Special Option Program, which provides for a select group of senior officers recommended by management and approved by the Compensation Committee to allocate a portion of their Partners Plan awards to options to buy Holding Units, and to receive a two-for-one match of such allocated amount. Because the Special Option Program is designed to retain individuals whom we believe will constitute the next generation of the firm's leadership, our named executive officers were not selected to participate in the Special Option Program.

5. Defined Contribution Plan. All employees are eligible to participate in the Amended and Restated Profit Sharing Plan for Employees of AllianceBernstein L.P. ("Profit Sharing Plan"), a tax-qualified plan. The Compensation Committee determines the amount of company contributions (both the level of annual matching by the firm of an employee's pre-tax salary deferral contributions and the annual company profit sharing contribution). In recent years, we have matched employee deferral contributions on a one-to-one basis up to five percent of eligible compensation; profit sharing contributions have been an additional five percent of eligible compensation. Company contributions to the Profit Sharing Plan on behalf of the named executive officers are shown in column (i) of the Summary Compensation Table.

6. CEO Arrangements. Mr. Sanders, our chief executive officer, is compensated in accordance with the October 2006 employment agreement, as amended, between himself and our company ("Employment Agreement"). The Employment Agreement is described below under "Other Information regarding Compensation of Named Executive Officers". The Employment Agreement sets minimum amounts of annual base salary ($275,000) and of deferred compensation awards (one percent of the firm's adjusted consolidated operating income). The Compensation Committee may award amounts in excess of each minimum; they did not do so at year-end 2007. Mr. Sanders is not paid a cash bonus. Substantially all of the compensation paid to Mr. Sanders under the Employment Agreement vests on a deferred basis in accordance with the terms of the Employment Agreement and is distributed to Mr. Sanders upon vesting. The deferral of such awards, and the notional investments available for such awards, are designed to serve the same retention function as the deferral of Partners Plan awards. At year-end 2007, Mr. Sanders was required to allocate his 2007 award in a manner that would result in his aggregate deferred balance being 50% invested in Holding Units and 50% in investment services offered to clients by AllianceBernstein. In future years, 50% of each award must be allocated to notional investments in each of Holding Units and investment services offered to clients.

Compensation Committee

The Compensation Committee is composed of Mr. Condron (Chair), Mr. Sanders, Ms. Slutsky and Mr. Smith. As discussed elsewhere (see "Directors, Executive Officers and Corporate Governance - NYSE Governance Matters" in Item 10), because it is a limited partnership, Holding is exempt from NYSE rules that require public companies to have a compensation committee made up solely of independent directors. Because AXA owns, indirectly, an approximate 63.2% economic interest in AllianceBernstein, and because compensation expense is such a significant factor in our financial results, Mr. Condron, President and Chief Executive Officer of AXA Financial, serves as chairman of the Compensation Committee.

The Compensation Committee has general oversight of compensation and compensation-related matters, including, but not limited to: (i) determining cash bonuses; (ii) determining contributions and awards under incentive plans or other compensation arrangements (whether qualified or non-qualified) for employees of AllianceBernstein and its subsidiaries, and amending or terminating such plans or arrangements or any welfare benefit plan or arrangement or making recommendations to the Board with respect to adopting any new incentive compensation plan, including equity-based plans; (iii) reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating his performance in light of those goals and objectives, and determining and approving his compensation level based on this evaluation (Mr. Sanders recuses himself from voting on his own compensation); and (iv) reviewing the CD&A, and recommending to the Board its inclusion in the Partnerships' Forms 10-K. In December 2007, the Compensation Committee delegated responsibility for managing AllianceBernstein's non-qualified plans to the Omnibus Committee for Non-Qualified Plans, a newly-formed committee whose five members are senior officers of AllianceBernstein. The Compensation Committee held three meetings in 2007, including the approval of the Special Option Program and related awards on January 26, 2007.

The Compensation Committee's year-end process has generally focused on the cash bonus and deferred awards granted to senior management, including awards to Mr. Sanders under the Employment Agreement. Mr. Sanders plays an active role in the work of the Compensation Committee. Messrs. Lieberman and Sanders, working with other members of senior management, provide recommendations of awards to the Compensation Committee for their consideration. Management periodically retains McLagan Partners to assist in providing industry benchmarking data to the Compensation Committee. The Compensation Committee has not retained its own consultants.

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The Compensation Committee's functions are more fully described in the committee's charter, which is available online at our Internet site (http://www.alliancebernstein.com).

Other Compensation-Related Matters

AllianceBernstein and Holding are, respectively, private and public limited partnerships, and are subject to taxes other than federal and state corporate income tax. (See "Business - Taxes" in Item 1.) Accordingly, Section 162(m) of the Code, which limits tax deductions relating to executive compensation otherwise available to entities taxed as corporations, is not applicable to either AllianceBernstein or Holding.

We have amended our qualified and non-qualified plans to the extent necessary to comply with the requirements of Section 409A of the Code.

All compensation awards that involve the issuance of Holding Units are made under the Amended and Restated 1997 Long Term Incentive Plan ("1997 Plan"), which Holding Unitholders initially approved in 1997. Holding Unitholders approved amendments to the 1997 Plan (increasing the number of Holding Units that may be issued thereunder, and extending its life) in 2000. No more than 41 million Holding Units may be awarded under the 1997 Plan through July 26, 2010. As of December 31, 2007, 25,434,147 Holding Units were available for future awards under the 1997 Plan.

Compensation Committee Interlocks and Insider Participation

Mr. Condron is the President and Chief Executive Officer of AXA Equitable, the sole stockholder of the General Partner. AXA Equitable and its affiliates own an aggregate 63.2% economic interest in AllianceBernstein.
Mr. Sanders is Chairman and Chief Executive Officer of the General Partner, and, accordingly, also serves in those positions for AllianceBernstein and Holding. No executive officer of AllianceBernstein served as a member of a compensation committee or a director of another entity, an executive officer of which served as a member of AllianceBernstein's Compensation Committee or Board.

Compensation Committee Report

The members of the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth above and, based on such review and discussion, recommended its inclusion in this Form 10-K.

| | |
|---|---|
| Christopher M. Condron (Chair) | Lewis A. Sanders |
| Lorie A. Slutsky | A.W. (Pete) Smith, Jr. |

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Summary Compensation Table

The following table summarizes the total compensation of our named executive officers as of the end of 2007 and 2006:

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compen-sation ($) | Change in Pension Value and Nonquali-fied Deferred Compensation Earnings ($) | All Other Compen-sation ($) |
|---|---|---|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| Lewis A. Sanders Chairman & Chief Executive Officer | 2007<br>2006 | 275,002<br>275,002 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | 21,893,098<br>19,501,985 |
| Gerald M. Lieberman President & Chief Operating Officer | 2007<br>2006 | 200,000<br>200,000 | 4,050,000<br>4,050,000 | -<br>- | 42,908<br>61,192 | -<br>- | -<br>- | 7,568,795<br>6,224,070 |
| Marilyn G. Fedak Executive Vice President | 2007<br>2006 | 160,000<br>140,769 | 4,000,000<br>4,000,000 | -<br>- | -<br>- | -<br>- | -<br>- | 7,356,000<br>6,123,707 |
| Sharon E. Fay Executive Vice President | 2007<br>2006 | 160,000<br>150,000 | 3,900,000<br>3,900,000 | -<br>- | -<br>- | -<br>- | -<br>- | 8,370,008<br>7,284,717 |
| Robert H. Joseph, Jr. Senior Vice President & Chief Financial Officer | 2007<br>2006 | 185,000<br>175,000 | 1,050,000<br>1,050,000 | -<br>- | 16,091<br>22,947 | -<br>- | 18,664<br>31,041 | 1,088,406<br>868,726 |

Each named executive officer received a base salary for 2007 and 2006 and, except for Mr. Sanders, an annual cash bonus at year-end. These amounts are reflected in columns (c) and (d), respectively. For information about how salary and bonus relate to total compensation, see "Compensation Elements for Executive Officers" in this Item 11.

Column (f) reflects AllianceBernstein's amortization expense in respect of the vesting of prior years' option grants based on the value of those grants on the grant date. For additional information, see Note 16 to AllianceBernstein's consolidated financial statements in Item 8.

Column (h) reflects the change in pension value for Mr. Joseph, the only named executive officer who participates in the Amended and Restated Retirement Plan for Employees of AllianceBernstein L.P. ("Retirement Plan").

Column (i) reflects awards under the Partners Plan, Mr. Sanders's deferred award under his Employment Agreement, and other items. We report Partners Plan awards and Mr. Sanders's award under column (i) because of their nature. They are designed to provide incentives to recipients, but they cannot be categorized as having been granted under an "incentive plan" under relevant SEC rules because there are no specific performance measures that must be met before a participant may receive his or her award. Also, as noted above, any allocation of awards by recipients to equity of the firm is voluntary; we do not unilaterally make awards of Holding Units to employees. In addition, awards under the Partners Plan are not accounted for under SFAS No. 123-R.

During 2007, we owned fractional interests in two aircraft with an aggregate operating cost of $3,362,012 (including $1,025,422 in maintenance fees, $1,651,440 in usage fees, and $685,150 of amortization based on the original cost of our fractional interests, less estimated residual value). The unamortized value of the fractional interests as of December 31, 2007 was $9,958,136.

During 2006, we owned fractional interests in two aircraft with an aggregate operating cost of $3,277,654 (including $1,175,531 in maintenance fees, $1,440,963 in usage fees, and $661,160 of amortization based on the original cost of our fractional interests, less estimated residual value). The unamortized value of the fractional interests as of December 31, 2006 was $10,633,385.

Our interests in aircraft facilitate business travel of members of our management executive committee. In 2007, we also permitted our Chief Executive Officer, our President, and our former Chairman to use the aircraft for personal travel; in 2006, in addition to these officers, we also permitted our former Vice Chairman to use the aircraft for personal travel. Overall, personal travel constituted approximately 21.1% and 38.1% of our actual use of the aircraft in 2007 and 2006, respectively.

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Our methodology for determining the reported value of personal use of aircraft includes fees paid to the managers of the aircraft (fees take into account the aircraft type and weight, number of miles flown, flight time, number of passengers, and a variable fee), but excludes our fixed costs (amortization of original cost less estimated residual value, and monthly maintenance fees). We included such amounts in column (i).

We use the Standard Industry Fare Level ("SIFL") methodology to calculate the amount to include in the taxable income of executives for the personal use of company-owned aircraft. Using this methodology, which was approved by our Compensation Committee, limits our ability to deduct the full cost of personal use of company-owned aircraft by our executive officers. Taxable income for the twelve months ended October 31, 2007 for personal use imputed to Mr. Sanders is $55,068 and to Mr. Lieberman is $14,669. Ms. Fedak, Ms. Fay, and Mr. Joseph did not make personal use of company-owned aircraft during those 12 months, so no income was imputed to them. Taxable income for the twelve months ended October 31, 2006 for personal use imputed to Mr. Sanders is $66,368 and to Mr. Lieberman is $12,958. Ms. Fedak, Ms. Fay, and Mr. Joseph did not make personal use of company-owned aircraft during those 12 months, so no income was imputed to them.

Column (i) also includes the aggregate incremental cost to our company of certain other expenses and perquisites, including leased cars, drivers, contributions to the Profit Sharing Plan, life insurance premiums, disability pay, non-U.S. living expenses, tax equalization payments, business club dues, and parking, as applicable.

For 2007, column (i) includes:

for Mr. Sanders, $21,472,988 for his 2007 annual deferred award under his Employment Agreement, $238,916 for personal use of aircraft, $157,506 for personal use of a car (including lease costs ($25,547), driver salary ($110,579), and other car-related costs ($21,380) such as parking, gas, tolls, and repairs and maintenance), a $22,500 contribution to the Profit Sharing Plan, and $1,188 of life insurance premiums.

for Mr. Lieberman, $7,350,000 for his 2007 Partners Plan award, $58,395 for personal use of aircraft, $140,400 for personal use of a car (including lease costs ($25,556), driver salary ($97,504), and other car-related costs ($17,340) such as parking, gas, tolls, and repairs and maintenance), and a $20,000 contribution to the Profit Sharing Plan.

for Ms. Fedak, $7,340,000 for her 2007 Partners Plan award and a $16,000 contribution to the Profit Sharing Plan.

for Ms. Fay, $7,140,000 for her 2007 Partners Plan award, a $16,000 contribution to the Profit Sharing Plan, $5,500 for tax preparation, and $198 of life insurance premiums. Column (i) for Ms. Fay also includes payments and reimbursements under AllianceBernstein's expatriate assignment policy ("Expatriate Policy"), which applies to all employees on a temporary overseas assignment and is designed to eliminate any financial gain or loss to the employee from his or her assignment. Payments and reimbursements for 2007 to Ms. Fay include $112,839 for living expenses in London and tax equalization of approximately $1,095,471.

for Mr. Joseph, $1,040,000 for his 2007 Partners Plan award, $16,235 for personal use of a car (including lease costs ($9,515) and other car-related costs ($6,720) such as parking, gas, and repairs and maintenance), $6,741 in business club dues, an $18,500 contribution to the Profit Sharing Plan, and $6,930 of life insurance premiums.

For 2006, column (i) includes:

for Mr. Sanders, $19,012,000 for his 2006 annual deferred award under his employment agreement, $303,935 for personal use of aircraft, $162,862 for personal use of a car (including lease costs ($38,146), driver salary ($103,339), and other car-related costs ($21,377) such as parking, gas, tolls, and repairs and maintenance), a $22,000 contribution to the Profit Sharing Plan, and $1,188 of life insurance premiums.

for Mr. Lieberman, $6,050,000 for his 2006 Partners Plan award, $11,234 for personal use of aircraft, $142,836 for personal use of a car (including lease costs ($27,355), driver salary ($97,719), and other car-related costs ($17,762) such as parking, gas, tolls, and repairs and maintenance), and a $20,000 contribution to the Profit Sharing Plan.

for Ms. Fedak, $6,100,000 for her 2006 Partners Plan award, $8,755 of sick-pay and short-term disability pay, and a $14,952 contribution to the Profit Sharing Plan.

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for Ms. Fay, $5,700,000 for her 2006 Partners Plan award, a $15,000 contribution to the Profit Sharing Plan, and $180 of life insurance premiums. Column (i) for Ms. Fay also includes payments and reimbursements under our Expatriate Policy. Payments and reimbursements for 2006 to Ms. Fay include $202,320 for living expenses in London and tax equalization of approximately $1,367,217 (we reported 2006 tax equalization as $185,579 last year; we are revising this figure to more accurately represent the tax equalization cost on an accrued basis).

for Mr. Joseph, $825,000 for his 2006 Partners Plan award, $13,869 for personal use of a car (including lease costs ($6,516) and other car-related costs ($7,353) such as parking, gas, and repairs and maintenance), $8,100 in business club dues, a $17,500 contribution to the Profit Sharing Plan, and $4,257 of life insurance premiums.

Grant of Plan-based Awards

We have not granted Holding Units or options to buy Holding Units to the named executive officers for a number of years, and the Partners Plan cannot be categorized as an "incentive plan" under relevant SEC rules. Accordingly, we made no grants of plan-based awards to the named executive officers in 2007, and we have omitted the related table.

Outstanding Equity Awards at Fiscal Year-End

The following table describes any outstanding equity awards as of December 31, 2007 of our named executive officers, if any:

| | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested ($) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Lewis A. Sanders | - | - | - | n/a | n/a | - | - | - | - |
| Gerald M. Lieberman | 40,000 | - | - | 33.18 | 12/06/12 | - | - | - | - |
| | 40,000 | - | - | 50.25 | 12/07/11 | - | - | - | - |
| Marilyn G. Fedak | - | - | - | n/a | n/a | - | - | - | - |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Sharon E. Fay | - | - | - | n/a | n/a | - | - | - | - |
| | 15,000 | - | - | 33.18 | 12/06/12 | - | - | - | - |
| Robert H. Joseph, Jr. | 15,000 | - | - | 50.25 | 12/07/11 | - | - | - | - |
| | 15,000 | - | - | 53.75 | 12/11/10 | - | - | - | - |
| | 50,000 | - | - | 48.50 | 06/20/10 | - | - | - | - |
| | 15,000 | - | - | 30.25 | 12/06/09 | - | - | - | - |
| | 20,000 | - | - | 26.31 | 12/10/08 | - | - | - | - |

Of the named executive officers, only Messrs. Lieberman and Joseph have been granted options to buy Holding Units. No named executive officer has been awarded Holding Units.

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Option Exercises and Stock Vested

None of our named executive officers exercised options or had Holding Units vest during 2007. Accordingly, we have omitted the table.

Pension Benefits

The following table describes the accumulated benefit under our company pension plan belonging to each of our named executive officers as of December 31, 2007, if any:

| Name | Plan Name | Number of Years Credited Service (#) | Present Value of Accumulated Benefit ($) | Payments During Last Fiscal Year ($) |
|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) |
| Lewis A. Sanders | n/a | - | - | - |
| Gerald M. Lieberman | n/a | - | - | - |
| Marilyn G. Fedak | n/a | - | - | - |
| Sharon E. Fay | n/a | - | - | - |
| Robert H. Joseph, Jr. | Retirement Plan | 23 | 426,530 | - |

Of the named executive officers, only Mr. Joseph participates in the Retirement Plan and continues to accrue benefits thereunder. This plan is a qualified, noncontributory, defined benefit retirement plan covering current and former employees who were employed in the United States prior to October 2, 2000. Each participant's benefits are determined under a formula which takes into account years of credited service, the participant's average compensation over prescribed periods and Social Security covered compensation. The maximum annual benefit payable under the plan may not exceed the lesser of $100,000 or 100% of a participant's average aggregate compensation for the three consecutive years in which he or she received the highest aggregate compensation from us or such lower limit as may be imposed by the Code on certain participants by reason of their coverage under another qualified retirement plan we maintain. A participant is fully vested after the completion of five years of service. The plan generally provides for payments to, or on behalf of, each vested employee upon such employee's retirement at the normal retirement age provided under the plan or later, although provision is made for payment of early retirement benefits on an actuarially reduced basis. Normal retirement age under the plan is 65. Death benefits are payable to the surviving spouse of an employee who dies with a vested benefit under the plan. For additional information regarding interest rates and actuarial assumptions, see Note 14 to AllianceBernstein's consolidated financial statements in Item 8.

Non-Qualified Deferred Compensation

The following table describes our named executive officers' non-qualified deferred compensation contributions, earnings, and distributions during 2007 and their non-qualified deferred compensation plan balances as of December 31, 2007:

| Name | Executive Contributions in | Registrant Contributions in | Aggregate Earnings | Aggregate Withdrawals/ | Aggregate Balance |
|---|---|---|---|---|---|

| | Last FY ($) | Last FY ($) | in Last FY ($) | Distributions ($) | at Last FYE ($) |
|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) |
| Lewis A. Sanders | - | 21,472,988 | (943,139) | 12,102,529 | 44,133,908 |
| Gerald M. Lieberman | - | 7,350,000 | 1,128,080 | 7,328,000 | 22,533,870 |
| Marilyn G. Fedak | - | 7,340,000 | 297,595 | - | 29,338,060 |
| Sharon E. Fay | - | 7,140,000 | 650,307 | 5,743,478 | 15,310,922 |
| Robert H. Joseph, Jr. | - | 1,040,000 | 177,354 | 893,876 | 9,015,515 |

For Mr. Sanders, the amounts shown reflect his awards under the Employment Agreement and his former employment agreement. For Mr. Lieberman, the amounts shown reflect the aggregate of his interest in both the SCB Deferred Compensation Award Plan ("SCB Deferred Plan"), under which the last awards were permitted to be made in 2003, and the Partners Plan. For Ms. Fay, the amounts shown in columns (d) and (e) reflect the aggregate of her interest in both the SCB Deferred Plan and the Partners Plan, while the amounts in columns (c) and (f) reflect her interest in only the Partners Plan. (Ms. Fay had a zero balance in the SCB Deferred Plan as of year-end 2007.) For Ms. Fedak and Mr. Joseph, amounts shown reflect their respective interests in the Partners Plan. For additional information about the SCB Deferred Plan, the Partners Plan, and the Employment Agreement, see Note 15 to AllianceBernstein's consolidated financial statements in Item 8. Amounts in column (c) are also included in column (i) of the Summary Compensation Table. For individuals with notional investments in Holding Units, amounts of distributions on such Holding Units are reflected as earnings in column (d) and, to the extent distributed to the named executive officer, reflected as distributions in column (e).

Column (f) includes the value of all notional investments as of the close of business on December 31, 2007. As of that date, Mr. Lieberman notionally held 37,466 Holding Units in the Partners Plan, and Mr. Joseph notionally held 55,041 Holding Units in the Partners Plan.

Other Information regarding Compensation of Named Executive Officers

There are no amounts payable to any of the named executive officers upon a change in control of the company.

On October 26, 2006, Lewis A. Sanders and AllianceBernstein entered into the Employment Agreement, pursuant to which Mr. Sanders shall serve as Chairman and Chief Executive Officer of the General Partner through December 31, 2011 ("Employment Term") unless the Employment Agreement is terminated in accordance with its terms. Mr. Sanders will be paid a minimum base salary of $275,000 per year during the Employment Term and, for calendar year 2006 and each subsequent calendar year during the Employment Term, he is entitled to receive a deferred compensation award of not less than one percent (1%) of AllianceBernstein's consolidated operating income before incentive compensation (as defined with respect to the calculation of AllianceBernstein's bonus pool) for such calendar year. Mr. Sanders is entitled to perquisites on the same terms as other senior executives through the Employment Term, including personal use of aircraft and a car and driver (our President is the only other officer entitled to personal use of aircraft and a car and driver).

Mr. Sanders holds an indirect equity interest in AllianceBernstein through his ownership of a portion of SCB Inc. SCB Inc. must exercise its final AllianceBernstein Unit put option before it expires in October 2010 and, when it is exercised, Mr. Sanders will no longer hold this indirect equity interest. At the December 7, 2007 meeting of the Compensation Committee, Mr. Sanders and the Committee agreed that it would be appropriate for Mr. Sanders to maintain an equity exposure to AllianceBernstein as part of his deferred compensation awards under the Employment Agreement. Accordingly, the Employment Agreement has been amended to require Mr. Sanders to allocate his 2007 award in a manner that would result in his aggregate deferred balance being 50% notionally invested in Holding Units and 50% in investment services offered to clients by AllianceBernstein. In future years, Mr. Sanders will be required to allocate 50% of each award under the Employment Agreement to notional investments in each of Holding Units and investment services offered to clients.

Mr. Sanders may receive payments upon termination of his employment pursuant to his Employment Agreement. During any year in which we terminate Mr. Sanders without "cause" (as defined below), he is entitled to (i) his annual base salary for that year, (ii) the deferred compensation award described above calculated as of his termination date, (iii) all unvested deferred compensation awards, and (iv) health and welfare benefits for Mr. Sanders, his spouse, and his dependents through the end of that year. The first three of these elements, assuming 2007 costs, would have resulted in a payment to Mr. Sanders of approximately $44.4 million had he been terminated without cause as of January 1, 2008.

During any year in which the employment of Mr. Sanders is terminated for "cause", he is entitled to (i) the pro rata portion of his annual salary for that year for services rendered to the date of termination, to the extent not previously paid, and (ii) all deferred compensation awards described above that have vested prior to such termination. Mr. Sanders would be entitled to no other payments or benefits under the Employment Agreement, which defines "cause" as Mr. Sanders's (i) willful failure to perform his duties, (ii) engaging in conduct found by a court to (A) constitute employment disqualification or a felony and which is materially and demonstrably injurious to our business or reputation, or (B) materially violate federal or state securities laws, (iii) absent the finding in clause (ii) above, a good faith determination by the Board that conduct by Mr. Sanders constitutes such a disqualification, felony or violation, and that his continued employment would be materially and demonstrably injurious to our business or reputation, or (iv) breach of the confidentiality or non-competition covenants contained in the Employment Agreement, which breach is material to our business.

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Director Compensation

The following table describes how we compensated our independent directors during 2007:

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| Deborah S. Hechinger | 36,000 | 30,000 | 30,000 | - | - | - | 96,000 |
| Weston M. Hicks | 56,500 | 30,000 | 30,000 | - | - | - | 116,500 |
| Lorie A. Slutsky | 68,500 | 30,000 | 30,000 | - | - | - | 128,500 |
| A.W. (Pete) Smith, Jr. | 64,000 | 30,000 | 30,000 | - | - | - | 124,000 |
| Peter J. Tobin | 88,000 | 30,000 | 30,000 | - | - | - | 148,000 |

The General Partner only pays fees, and makes equity awards to, directors who are not employed by our company or by any of our affiliates. Such fees and awards consist of:

- an annual retainer of $40,000 (paid quarterly after any quarter during which a director serves on the Board);
- a fee of $1,500 for participating in a meeting of the Board, or any duly constituted committee of the Board, whether he or she participates in person or by telephone;
- an annual retainer of $15,000 for acting as Chair of the Audit Committee;
- an annual retainer of $7,500 for acting as Chair of the Corporate Governance Committee; and
- an annual equity-based grant under the 1997 Plan consisting of:
- restricted Holding Units having a value of $30,000 based on the closing price of Holding Units on the NYSE as of the grant date; and
- options to buy Holding Units with a value of $30,000 calculated using the Black-Scholes method.

On May 15, 2007, at a regularly scheduled meeting of the Board, 341 restricted Holding Units and options to buy 1,956 Holding Units at $87.98 per Unit were granted to Ms. Hechinger, Mr. Hicks, Ms. Slutsky, Mr. Smith and Mr. Tobin. Such grants have generally been made at the May meeting of the Board. The date of the meeting was set at a Board meeting in 2006. The exercise price of the options was the closing price on the NYSE on the grant date. Due to rounding, directors received slightly more than the value of the grant (but in no case greater than approximately

$103.32). For information about how the Black-Scholes value was calculated, see Note 16 to AllianceBernstein's consolidated financial statements in Item 8. Options granted to independent directors vest ratably over three years. Restricted Holding Units granted to independent directors vest after three years. In order to avoid any perception that our directors' independence might be impaired, these options and restricted Holding Units are not forfeitable. Vesting of options continues following a director's resignation from the Board. Restricted Holding Units vest and are distributed immediately following an independent director's resignation from the Board.

The General Partner may reimburse any director for reasonable expenses incurred in participating in Board meetings. Holding and AllianceBernstein, in turn, reimburse the General Partner for expenses incurred by the General Partner on their behalf, including amounts in respect of directors' fees and expenses. These reimbursements are subject to any relevant provisions of the Holding Partnership Agreement and AllianceBernstein Partnership Agreement.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes the Holding Units to be issued pursuant to our equity compensation plans as of December 31, 2007:

Equity Compensation Plan Information(1)

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 7,273,621 | $ 64.20 | 25,434,147 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 7,273,621 | $ 64.20 | 25,434,147 |

(1) The figures in this table do not include cash awards under certain of AllianceBernstein’s deferred compensation plans pursuant to which employees (including those employees who qualify as “named executive officers”; see Item 11) may choose to notionally invest a portion of such awards in Holding Units. AllianceBernstein satisfies its obligations under these plans by purchasing Holding Units or issuing new Holding Units under the 1997 Plan. For additional information concerning such plans, see Note 15 to AllianceBernstein’s consolidated financial statements in Item 8.

There are no AllianceBernstein Units to be issued pursuant to an equity compensation plan.

For information about our equity compensation plans (1993 Unit Option Plan, 1997 Long Term Incentive Plan, Century Club Plan), see Note 16 to AllianceBernstein’s consolidated financial statements in Item 8.

Principal Security Holders

As of January 31, 2008, we had no information that any person beneficially owned more than 5% of the outstanding Holding Units.

As of January 31, 2008, we had no information that any person beneficially owned more than 5% of the outstanding AllianceBernstein Units except (i) AXA and certain of its wholly-owned subsidiaries as reported on Forms 4 filed with the SEC on December 12, 2007 pursuant to the Exchange Act, (ii) AXA and certain of its wholly-owned subsidiaries as reported on Schedule 13D/A filed with the SEC on March 7, 2007 pursuant to the Exchange Act, and (iii) SCB Inc. and SCB Partners Inc. (SCB Partners Inc. is a wholly-owned subsidiary of SCB Inc.) as reported on Schedule 13D/A filed with the SEC on February 27, 2007 pursuant to the Exchange Act.

The table below and the notes following it have been prepared in reliance upon such filings for the nature of ownership and an explanation of overlapping ownership.

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| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership Reported on Schedule | Percent of Class |
|---|---|---|
| AXA(1)(2)(3)(4)(6) | | |
| 25 avenue Matignon 75008 Paris, France | 161,961,745 | 62.1% |
| SCB Inc.,(5)(6) SCB Partners Inc.(5)(6) | | |
| 50 Main Street, Suite 1000, White Plains, NY 10606 | 8,160,000 | 3.1% |

(1) Based on information provided by AXA Financial, on December 31, 2007, AXA and certain of its subsidiaries beneficially owned all of AXA Financial's outstanding common stock. For insurance regulatory purposes the shares of common stock of AXA Financial beneficially owned by AXA and its subsidiaries have been deposited into a voting trust ("Voting Trust"), the term of which has been extended until May 12, 2012. The trustees of the Voting Trust (the "Voting Trustees") are Claude Bébéar, Henri de Castries and Denis Duverne, each of whom serves either on the Management Board or on the Supervisory Board of AXA. The Voting Trustees have agreed to exercise their voting rights to protect the legitimate economic interests of AXA, but with a view to ensuring that certain minority shareholders of AXA do not exercise control over AXA Financial or certain of its insurance subsidiaries.

(2) Based on information provided by AXA, as of December 31, 2007, 14.48% of the issued ordinary shares (representing 21.10% of the voting power) of AXA were owned directly and indirectly by two French mutual insurance companies (the "Mutuelles AXA").

(3) The Voting Trustees and the Mutuelles AXA, as a group, may be deemed to be beneficial owners of all AllianceBernstein Units beneficially owned by AXA and its subsidiaries. By virtue of the provisions of the Voting Trust Agreement, AXA may be deemed to have shared voting power with respect to the AllianceBernstein Units. AXA and its subsidiaries have the power to dispose or direct the disposition of all shares of the capital stock of AXA Financial deposited in the Voting Trust. The Mutuelles AXA, as a group, may be deemed to share the power to vote or to direct the vote and to dispose or to direct the disposition of all the AllianceBernstein Units beneficially owned by AXA and its subsidiaries. The address of each of AXA and the Voting Trustees is 25 avenue Matignon, 75008 Paris, France. The address of the Mutuelles AXA is 26, rue Drouot, 75009 Paris, France.

(4) By reason of their relationships, AXA, the Voting Trustees, the Mutuelles AXA, AXA Financial, AXA Equitable, ACMC Inc., and ECMC, LLC may be deemed to share the power to vote or to direct the vote and to dispose or direct the disposition of all or a portion of the 161,961,745 AllianceBernstein Units.

(5) SCB Partners Inc. is a wholly-owned subsidiary of SCB Inc. Mr. Sanders is a Director and the Chairman and Chief Executive Officer of SCB Inc., and is the owner of a 22.13% equity interest in SCB Inc. Mr. Lieberman is a Director and the Senior Vice President—Finance and Administration of SCB Inc., and is the owner of a less than 1% equity interest in SCB Inc. Ms. Fedak is a Director and Senior Vice President of SCB Inc., and is the owner of a 2.67% equity interest in SCB Inc. Ms. Fay is the owner of a less than 1% equity interest in SCB Inc. Mr. Sanders, Mr. Lieberman, Ms. Fedak, and Ms. Fay disclaim beneficial ownership of the 8,160,000 AllianceBernstein Units owned by SCB Partners Inc., except to the extent of their pecuniary interests therein. For additional information about these pecuniary interests, see "Management" in this Item 12.

(6) In connection with the Bernstein Transaction, SCB Inc., AllianceBernstein and AXA Financial entered into a purchase agreement under which SCB Inc. has the right to sell or assign up to 2,800,000 AllianceBernstein Units

issued in connection with the Bernstein Transaction at any time. SCB Inc. has the right to sell ("Put") to AXA Financial or its designee up to 8,160,000 AllianceBernstein Units issued in connection with the Bernstein Transaction each year less any AllianceBernstein Units SCB Inc. may have otherwise sold or assigned that year. The Put rights expire on October 2, 2010. Generally, SCB Inc. may exercise its Put rights only once per year and SCB Inc. may not deliver an exercise notice regarding its Put rights until at least nine months after it delivered its immediately preceding exercise notice. On each of November 25, 2002, March 5, 2004, December 21, 2004, and February 23, 2007, AXA Financial or certain of its wholly-owned subsidiaries purchased 8,160,000 AllianceBernstein Units from SCB Partners Inc., a wholly-owned subsidiary of SCB Inc., pursuant to exercises of the Put rights by SCB Inc.

As of January 31, 2008, Holding was the record owner of 87,251,925, or 33.5%, of the issued and outstanding AllianceBernstein Units.

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Management

The following table sets forth, as of January 31, 2008, the beneficial ownership of Holding Units by each director and named executive officer of the General Partner and by all directors and executive officers as a group:

| Name of Beneficial Owner | Number of Holding Units and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| Lewis A. Sanders(1)(9) | 264,095 | * |
| Dominique Carrel-Billiard(1) | - | * |
| Henri de Castries(1) | 2,000 | * |
| Christopher M. Condron(1) | 20,000 | * |
| Denis Duverne(1) | 2,000 | * |
| Richard S. Dziadzio(1) | - | * |
| Peter Etzenbach(1) | - | * |
| Deborah S. Hechinger | 341 | * |
| Weston M. Hicks(2) | 6,612 | * |
| Gerald M. Lieberman(1)(3)(9) | 218,746 | * |
| Lorie A. Slutsky(1)(4) | 25,367 | * |
| A.W. (Pete) Smith, Jr.(5) | 2,647 | * |
| Peter J. Tobin(1)(6) | 39,207 | * |
| Marilyn G. Fedak(1) | - | * |
| Sharon E. Fay(1)(9) | 28,003 | * |
| Robert H. Joseph, Jr.(1)(7)(9) | 216,554 | * |
| All directors and executive officers of the General Partner as a group (33 persons)(8)(9) | 2,882,164 | 3.3% |

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* Number of Holding Units listed represents less than 1% of the Units outstanding.

(1) Excludes Holding Units beneficially owned by AXA and its subsidiaries. Ms. Slutsky and Messrs. Carrel-Billiard, de Castries, Condron, Duverne, Dziadzio, Etzenbach, Lieberman, and Tobin are directors and/or officers of AXA, AXA Financial, and/or AXA Equitable. Mses. Fedak and Fay, and Messrs. Sanders, Lieberman, and Joseph, are directors and/or officers of the General Partner.
(2) Includes 809 Holding Units Mr. Hicks can acquire within 60 days under the 1997 Plan.
(3) Includes 80,000 Holding Units Mr. Lieberman can acquire within 60 days under the 1997 Plan.
(4) Includes 22,493 Holding Units Ms. Slutsky can acquire within 60 days under the 1997 Plan.
(5) Includes 809 Holding Units Mr. Smith can acquire within 60 days under the 1997 Plan.
(6) Includes 37,743 Holding Units Mr. Tobin can acquire within 60 days under the 1997 Plan.
(7) Includes 130,000 Holding Units Mr. Joseph can acquire within 60 days under AllianceBernstein option plans.
(8) Includes 648,376 Holding Units the directors and executive officers as a group can acquire within 60 days under AllianceBernstein option plans.
(9) Includes 802,020 Holding Units to which executive officers have allocated their awards under deferred compensation arrangements.

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As of January 31, 2008, our directors and executive officers beneficially owned AllianceBernstein Units only to the extent of their respective indirect pecuniary interests in 8,160,000 AllianceBernstein Units beneficially owned by SCB Partners Inc. Based on their respective equity interests in SCB Inc. and/or notional interests in the AllianceBernstein Units through an SCB Partners Inc. profit sharing plan, the individuals named below may be deemed to own beneficially and indirectly the number of AllianceBernstein Units set forth opposite their respective names.

| Name of Beneficial Owner | Number of AllianceBernstein Units and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| Lewis A. Sanders | 1,538,880 | * |
| Gerald M. Lieberman | 62,688 | * |
| Sharon E. Fay | 24,418 | * |
| Marilyn G. Fedak | 184,393 | * |
| Mark R. Gordon | 104,373 | * |
| Thomas S. Hexner | 80,114 | * |
| Seth J. Masters | 34,918 | * |
| Marc O. Mayer | 48,708 | * |
| Lisa A. Shalett | 5,266 | * |
| David A. Steyn | 878 | * |
| All directors and executive officers of the General Partner as a group (33 persons) | 2,084,636 | * |

* Number of AllianceBernstein Units listed represents less than 1% of the outstanding AllianceBernstein Units.

The following table sets forth, as of January 31, 2008, the beneficial ownership of the common stock of AXA by each director and named executive officer of the General Partner and by all directors and executive officers as a group:

AXA Common Stock(1)

| Name of Beneficial Owner | Number of Shares and Nature of Beneficial Ownership | Percent of Class |
|---|---|---|
| Lewis A. Sanders | - | * |
| Dominique Carrel-Billiard(2) | 45,744 | * |
| Henri de Castries(3) | 6,788,071 | * |
| Christopher M. Condron(4) | 2,694,625 | * |
| Denis Duverne(5) | 2,097,144 | * |
| Richard S, Dziadzio(6) | 41,431 | * |
| Peter Etzenbach(7) | 29,042 | * |
| Deborah S. Hechinger | - | * |
| Weston M. Hicks | - | * |
| Gerald M. Lieberman | - | * |
| Lorie A. Slutsky | 1,403 | * |
| A.W. (Pete) Smith, Jr. | - | * |
| Peter J. Tobin(8) | 11,138 | * |
| Marilyn G. Fedak | - | * |

| | | |
|---|---|---|
| Sharon E. Fay | - | * |
| Robert H. Joseph, Jr. | - | * |
| All directors and executive officers of the General Partner as a group (33 persons)(9) | 11,708,598 | * |

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* Number of shares listed represents less than 1% of the outstanding AXA common stock.

(1) Holdings of AXA American Depositary Shares ("ADS") are expressed as their equivalent in AXA common stock. Each AXA ADS represents the right to receive one AXA ordinary share.

(2) Includes 34,000 shares Mr. Carrel-Billiard can acquire within 60 days under option plans.

(3) Includes 5,067,759 shares and 162,394 ADSs Mr. de Castries can acquire within 60 days under option plans. Also includes 162,394 tandem stock appreciation rights.

(4) Includes 521,140 shares and 1,576,209 ADSs Mr. Condron can acquire within 60 days under option plans. Also includes 62,296 performance units, which are paid out when vested based on the price of ADSs at that time; payout will be 70% in cash and 30% in ADSs.

(5) Includes 1,372,344 shares Mr. Duverne can acquire within 60 days under option plans.

(6) Includes 26,550 shares Mr. Dziadzio can acquire within 60 days under option plans. Also includes 8,721 performance units, which are paid out when vested based on the price of ADSs at that time; payout will be 70% in cash and 30% in ADSs.

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(7) Includes 19,150 shares Mr. Etzenbach can acquire within 60 days under options plans.
(8) Includes 2,625 ADSs Mr. Tobin can acquire within 60 days under option plans.
(9) Includes 7,040,943 shares and 1,741,228 ADSs the directors and executive officers as a group can acquire within 60 days under option plans.

Partnership Matters

The General Partner makes all decisions relating to the management of AllianceBernstein and Holding. The General Partner has agreed that it will conduct no business other than managing AllianceBernstein and Holding, although it may make certain investments for its own account. Conflicts of interest, however, could arise between AllianceBernstein and Holding, the General Partner and the Unitholders of both Partnerships.

Section 17-403(b) of the Delaware Revised Uniform Limited Partnership Act ("Delaware Act") states in substance that, except as provided in the Delaware Act or the applicable partnership agreement, a general partner of a limited partnership has the liabilities of a general partner in a general partnership governed by the Delaware Uniform Partnership Law (as in effect on July 11, 1999) to the partnership and to the other partners. Accordingly, while under Delaware law a general partner of a limited partnership is liable as a fiduciary to the other partners, those fiduciary obligations may be altered by the terms of the applicable partnership agreement. The AllianceBernstein Partnership Agreement and Holding Partnership Agreement both set forth limitations on the duties and liabilities of the General Partner. Each partnership agreement provides that the General Partner is not liable for monetary damages for errors in judgment or for breach of fiduciary duty (including breach of any duty of care or loyalty) unless it is established that the General Partner's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury, with reckless disregard for the best interests of the Partnerships or with actual bad faith on the part of the General Partner, or constituted actual fraud. Whenever the AllianceBernstein Partnership Agreement and the Holding Partnership Agreement provide that the General Partner is permitted or required to make a decision (i) in its "discretion", the General Partner is entitled to consider only such interests and factors as it desires and has no duty or obligation to consider any interest of or other factors affecting the Partnerships or any Unitholder of AllianceBernstein or Holding or (ii) in its "good faith" or under another express standard, the General Partner will act under that express standard and will not be subject to any other or different standard imposed by the AllianceBernstein Partnership Agreement and the Holding Partnership Agreement or applicable law or in equity or otherwise. The partnership agreements further provide that to the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to either Partnership or any partner, the General Partner acting under the AllianceBernstein Partnership Agreement or the Holding Partnership Agreement, as applicable, will not be liable to the Partnerships or any partner for its good faith reliance on the provisions of the partnership agreement.

In addition, the AllianceBernstein Partnership Agreement and the Holding Partnership Agreement grant broad rights of indemnification to the General Partner and its directors and affiliates and authorize AllianceBernstein and Holding to enter into indemnification agreements with the directors, officers, partners, employees and agents of AllianceBernstein and its affiliates and Holding and its affiliates. The Partnerships have granted broad rights of indemnification to officers and employees of AllianceBernstein and Holding. The foregoing indemnification provisions are not exclusive, and the Partnerships are authorized to enter into additional indemnification arrangements. AllianceBernstein and Holding have obtained directors and officers/errors and omissions liability insurance.

The AllianceBernstein Partnership Agreement and the Holding Partnership Agreement also allow transactions between AllianceBernstein and Holding and the General Partner or its affiliates if the transactions are on terms determined by the General Partner to be comparable to (or more favorable to AllianceBernstein or Holding than) those that would prevail with an unaffiliated party. The partnership agreements provide that those transactions are deemed to meet that standard if such transactions are approved by a majority of those directors of the General Partner who are not directors, officers or employees of any affiliate of the General Partner (other than AllianceBernstein, and its subsidiaries or Holding) or, if in the reasonable and good faith judgment of the General Partner, the transactions are on terms substantially comparable to (or more favorable to AllianceBernstein or Holding than) those that would prevail in a transaction with an unaffiliated party.

The AllianceBernstein Partnership Agreement and the Holding Partnership Agreement expressly permit all affiliates of the General Partner (including AXA Equitable and its other subsidiaries) to compete, directly or indirectly, with AllianceBernstein and Holding, to engage in any business or other activity and to exploit any opportunity, including those that may be available to AllianceBernstein and Holding. AXA, AXA Financial, AXA Equitable and certain of their subsidiaries currently compete with AllianceBernstein. (See “Business - Competition” in Item 1.) The partnership agreements further provide that, except to the extent that a decision or action by the General Partner is taken with the specific intent of providing an improper benefit to an affiliate of the General Partner to the detriment of AllianceBernstein or Holding, there is no liability or obligation with respect to, and no challenge of, decisions or actions of the General Partner that would otherwise be subject to claims or other challenges as improperly benefiting affiliates of the General Partner to the detriment of the Partnerships or otherwise involving any conflict of interest or breach of a duty of loyalty or similar fiduciary obligation.

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Section 17-1101(c) of the Delaware Act provides that it is the policy of the Delaware Act to give maximum effect to the principle of freedom of contract and to the enforceability of partnership agreements. Further, Section 17-1101(d) of the Delaware Act provides in part that to the extent that, at law or in equity, a partner has duties (including fiduciary duties) to a limited partnership or to another partner, those duties may be expanded, restricted, or eliminated by provisions in a partnership agreement (provided that a partnership agreement may not eliminate the implied contractual covenant of good faith and fair dealing). In addition, Section 17-1101(f) of the Delaware Act provides that a partnership agreement may limit or eliminate any or all liability of a partner to a limited partnership or another partner for breach of contract or breach of duties (including fiduciary duties); provided, however, that a partnership agreement may not limit or eliminate liability for any act or omission that constitutes a bad faith violation of the implied contractual covenant of good faith and fair dealing. Decisions of the Delaware courts have recognized the right of parties, under the above provisions of the Delaware Act, to alter by the terms of a partnership agreement otherwise applicable fiduciary duties and liability for breach of duties. However, the Delaware Courts have required that a partnership agreement make clear the intent of the parties to displace otherwise applicable fiduciary duties (the otherwise applicable fiduciary duties often being referred to as “default” fiduciary duties). Judicial inquiry into whether a partnership agreement is sufficiently clear to displace default fiduciary duties is necessarily fact driven and is made on a case by case basis. Accordingly, the effectiveness of displacing default fiduciary obligations and liabilities of general partners continues to be a developing area of the law and it is not certain to what extent the foregoing provisions of the AllianceBernstein Partnership Agreement and the Holding Partnership Agreement are enforceable under Delaware law.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

### Policies and Procedures Regarding Transactions with Related Persons

Each of the Holding Partnership Agreement and the AllianceBernstein Partnership Agreement expressly permits AXA and its affiliates, which includes AXA Equitable and its affiliates (collectively, “AXA Affiliates”), to provide services to AllianceBernstein and Holding if the terms of the transaction are “approved by the General Partner in good faith as being comparable to (or more favorable to each such partnership than) those that would prevail in a transaction with an unaffiliated party”. This requirement is “conclusively presumed to be satisfied as to any transaction or arrangement that (x) in the reasonable and good faith judgment of the General Partner”, meets that unaffiliated party standard, “or (y) has been approved by a majority of those directors of the General Partner who are not also directors, officers or employees of an Affiliate of the General Partner”.

In practice, our management pricing committees review investment advisory agreements with AXA Affiliates, which is the manner in which the General Partner reaches a judgment regarding the appropriateness of the fees. Other transactions with AXA Affiliates are submitted to the Audit Committee for their review and approval; the unanimous consent of the Audit Committee constitutes the consent of three of five independent directors on the Board. We are not aware of any transaction during 2007 between our company and any related person with respect to which these procedures were not followed.

We do not have written policies regarding the employment of immediate family members of any of our related persons. Compensation and benefits for all of our employees, including employees who are immediate family members of any of our related persons, is established in accordance with our employment and compensation practices applicable to employees with equivalent qualifications and responsibilities who hold similar positions.

### Financial Arrangements with AXA Affiliates

The General Partner has, in its reasonable and good faith judgment (based on its knowledge of, and inquiry with respect to, comparable arrangements with or between unaffiliated parties), approved the following arrangements with

AXA Equitable and its affiliates as being comparable to, or more favorable to AllianceBernstein than, those that would prevail in a transaction with an unaffiliated party.

The following tables summarize transactions between AllianceBernstein and related persons during 2007. The first table summarizes services we provide to related persons, and the second table summarizes services our related persons provide to us:

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| Parties(1) | General Description of Relationship | Amounts Received or Accrued for in 2007 |
|---|---|---|
| EQAT, AXA Enterprise Trust and AXA Premier VIP Trust | We serve as sub-adviser to these open-end mutual funds, each of which is sponsored by a subsidiary of AXA Financial. | $ 83,613,000 |
| AXA Asia Pacific(2) | We provide investment management services. | $ 52,277,000 |
| AXA Equitable(2) | We provide investment management services and ancillary accounting, valuation, reporting, treasury, and other services to the general and separate accounts of AXA Equitable and its insurance company subsidiaries. | $ 35,437,000 (of which $673,500 relates to the ancillary services) |
| MONY Life Insurance Company and its subsidiaries(2)(3) | We provide investment management services and ancillary accounting services. | $ 9,503,000 (of which $150,000 relates to the ancillary services) |
| AXA Sun Life(2) | We provide investment management services. | $ 8,569,000 |
| AXA Group Life Insurance | We provide investment management services. | $ 7,530,000 |
| AXA U.K. Group Pension Scheme | We provide investment management services. | $ 3,495,000 |
| AXA Rosenberg Investment Management Asia Pacific(2) | We provide investment management services. | $ 2,166,000 |
| AXA (Canada)(2) | We provide investment management services. | $ 1,933,000 |
| AXA France(2) | We provide investment management services. | $ 1,581,000 |
| AXA Winterthur(2) | We provide investment management services. | $ 1,053,000 |
| AXA Corporate Solutions(2) | We provide investment management services. | $ 965,000 |
| AXA Reinsurance Company(2) | We provide investment management services. | $ 567,000 |
| AXA Germany(2) | We provide investment management services. | $ 510,000 |
| AXA Investment Managers Limited(2) | We provide investment management services. | $ 472,000 |
| AXA Foundation, Inc., a subsidiary of AXA Financial | We provide investment management services. | $ 201,000 |
| AXA Belgium(2) | We provide investment management services. | $ 151,000 |
| Other AXA subsidiaries | We provide investment management services. | $ 193,000 |

(1) AllianceBernstein is a party to each transaction.
(2) This entity is a subsidiary of AXA. AXA is an indirect parent of AllianceBernstein.
(3) Subsidiaries include MONY Life Insurance Company of America and U.S. Financial Life Insurance Company.

| Parties(1)(2) | General Description of Relationship | Amounts Paid or Accrued for in 2007 |
|---|---|---|
| AXA Advisors | AXA Advisors distributes certain of our Retail Products. | $ 7,178,000 |
| AXA Equitable | AXA Equitable provides certain data processing services and related functions. | $ 3,493,000 |
| AXA Equitable | | $ 3,040,000 |

| | | | |
|---|---|---|---|
| | We are covered by various insurance policies maintained by AXA Equitable. | | |
| AXA Business Services | AXA Business Services provides data processing services and support for certain investment operations functions. | $ | 1,535,000 |
| AXA Advisors | AXA Advisors sells shares of our mutual funds under Distribution Services and Educational Support agreements. | $ | 1,409,000 |
| AXA Technology Services India Pvt. Ltd. | AXA Technology Services India Pvt. Ltd. provides certain data processing services and functions. | $ | 1,279,000 |
| GIE Informatique AXA ("GIE") | GIE provides cooperative technology development and procurement services to us and to various other subsidiaries of AXA. | $ | 962,000 |

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(1) AllianceBernstein is a party to each transaction.

(2) Each entity is a subsidiary of AXA. AXA is an indirect parent of AllianceBernstein.

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Additional Transactions with Related Persons

On January 25, 2008, a three-year $950 million Revolving Credit Agreement (“SCB Credit Agreement”) was entered into among SCB LLC, as Borrower, AllianceBernstein, as U.S. Guarantor, and a group of commercial banks. As U.S. Guarantor under the SCB Credit Agreement, AllianceBernstein has agreed to guarantee the obligations of SCB LLC. AXA has guaranteed the obligations of SCB LLC under the SCB Credit Agreement. AllianceBernstein will reimburse AXA to the extent AXA must pay on its guarantee.

On February 1, 2001, AllianceBernstein and AXA Asia Pacific entered into a Subscription and Shareholders Agreement under which they established two investment management companies in Australia and New Zealand named AllianceBernstein Australia Limited and AllianceBernstein New Zealand Limited, respectively. AXA Asia Pacific and AllianceBernstein each own fifty percent (50%) of the equity of each company and have equal representation on the boards. These companies currently manage approximately $59.6 billion in client assets, and earned approximately $77.6 million in management fees in 2007 (of which $22.9 million is included in the table above).

AXA Advisors was our ninth largest distributor of U.S. Funds in 2007, for which we paid AXA Advisors sales concessions on sales of approximately $534 million. Various subsidiaries of AXA distribute certain of our Non-U.S. Funds, for which such entities received aggregate distribution payments of approximately $373,000 in 2007.

AXA Equitable and its affiliates are not obligated to provide funds to us, except for ACMC Inc.’s and the General Partner’s obligation to fund certain of our deferred compensation and employee benefit plan obligations. ACMC Inc. and the General Partner are obligated, subject to certain limitations, to make capital contributions to AllianceBernstein in an amount equal to the payments AllianceBernstein is required to make as deferred compensation under the employment agreements entered into in connection with AXA Equitable’s 1985 acquisition of Donaldson, Lufkin and Jenrette Securities Corporation (since November 2000, a part of Credit Suisse Group) as well as obligations of AllianceBernstein to various employees and their beneficiaries under AllianceBernstein’s Capital Accumulation Plan. In 2007, ACMC Inc. made capital contributions to AllianceBernstein in the amount of approximately $4.9 million in respect of these obligations. ACMC Inc.’s obligations to make these contributions are guaranteed by Equitable Holdings, LLC (a wholly-owned subsidiary of AXA Equitable), subject to certain limitations. All tax deductions with respect to these obligations, to the extent funded by ACMC Inc., the General Partner, or Equitable Holdings, LLC, will be allocated to ACMC Inc. or the General Partner.

Arrangements with Immediate Family Members of Related Persons

Two of our executive officers, one of whom is also a director, have immediate family members whom we employ. We established the compensation and benefits of each such family member in accordance with our employment and compensation practices applicable to employees with equivalent qualifications and responsibilities who hold similar positions. These employees are three of our 5,580 employees.

Gerald M. Lieberman’s daughter, Andrea L. Feldman, is employed in AllianceBernstein Institutional Investments and received 2007 compensation of $155,000 (salary and bonus). Mr. Lieberman’s son-in-law, Jonathan H. Feldman, Ms. Feldman’s spouse, is employed in Retail Services and received 2007 compensation of $260,000 (salary, bonus and deferred compensation). Gerald M. Lieberman is Director of the General Partner and the President and Chief Operating Officer of AllianceBernstein.

James G. Reilly’s brother, Michael J. Reilly, is a U.S. Large Cap Growth portfolio manager and received 2007 compensation of $3,060,000 (salary, bonus, and deferred compensation). James G. Reilly is an Executive Vice President of AllianceBernstein and our U.S. Large Cap Growth team leader.

Director Independence

See “Corporate Governance – Independence of Certain Directors” in Item 10.

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Item 14. Principal Accountant Fees and Services

The following tables present fees for professional audit services rendered by PricewaterhouseCoopers LLP ("PwC") for the audit of AllianceBernstein's and Holding's annual financial statements for 2007 and 2006, respectively, and fees for other services rendered by PwC ($ in thousands):

| | 2007 | 2006 |
|---|---|---|
| Audit Fees(1) | $ 7,212 | $ 7,675 |
| Audit Related Fees(2) | 2,530 | 2,082 |
| Tax Fees(3) | 2,003 | 1,670 |
| All Other Fees(4) | 27 | 57 |
| Total | $ 11,772 | $ 11,484 |

(1) Includes $105,000 and $175,000, respectively, in respect of 2007 and 2006 audit services for Holding.

(2) Audit related fees consist principally of fees for audits of financial statements of certain employee benefit plans, internal control reviews, and accounting consultation.

(3) Tax fees consist of fees for tax consultation and tax compliance services.

(4) All other fees in 2007 and 2006 consisted of miscellaneous non-audit services.

On November 9, 2005, the Audit Committee adopted a policy to pre-approve audit and non-audit service engagements with the independent registered public accounting firm. This policy was revised on August 3, 2006. The independent registered public accounting firm is to provide annually a comprehensive and detailed schedule of each proposed audit and non-audit service to be performed. The Audit Committee then affirmatively indicates its approval of the listed engagements. Engagements that are not listed, but that are of similar scope and size to those listed and approved, may be deemed to be approved, if the fee for such service is less than $100,000. In addition, the Audit Committee has delegated to its chairman the ability to approve any permissible non-audit engagement where the fees are expected to be less than $100,000.

## PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) There is no document filed as part of this Form 10-K.

Financial Statement Schedules.

Attached to this Form 10-K is a schedule describing Valuation and Qualifying Account-Allowance for Doubtful Accounts for the three years ended December 31, 2007, 2006, and 2005. PwC's report regarding the 2007 and 2006 schedules and KPMG LLP's report regarding the 2005 schedule are also attached.

(b) Exhibits.

The following exhibits required to be filed by Item 601 of Regulation S-K are filed herewith or incorporated by reference herein, as indicated:

| Exhibit | Description |
|---|---|
| 2.01 | Agreement between Federated Investors, Inc. and Alliance Capital Management L.P. dated as of October 28, 2004 (incorporated by reference to Exhibit 2.1 to Form 10-Q for the quarterly period ended September 30, 2004, as filed November 8, 2004). |
| 2.02 | Acquisition Agreement dated as of June 20, 2000 and Amended and Restated as of October 2, 2000 among Alliance Capital Management L.P., Alliance Capital Management Holding L.P., Alliance Capital Management LLC, SCB Inc., Bernstein Technologies Inc., SCB Partners Inc., Sanford C. Bernstein & Co., LLC and SCB LLC (incorporated by reference to Exhibit 2.1 to Form 10-K for the fiscal year ended December 31, 2000, as filed April 2, 2001). |
| 3.01 | Amended and Restated Certificate of Limited Partnership dated February 24, 2006 of Holding (incorporated by reference to Exhibit 99.06 to Form 8-K, as filed February 24, 2006). |
| 3.02 | Amendment No. 1 dated February 24, 2006 to Amended and Restated Agreement of Limited Partnership of Holding (incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarterly period ended September 30, 2006, as filed November 8, 2006). |
| 3.03 | Amended and Restated Agreement of Limited Partnership dated October 29, 1999 of Alliance Capital Management Holding L.P. (incorporated by reference to Exhibit 3.2 to Form 10-K for the fiscal year ended December 31, 2003, as filed March 10, 2004). |
| 3.04 | Amended and Restated Certificate of Limited Partnership dated February 24, 2006 of AllianceBernstein (incorporated by reference to Exhibit 99.07 to Form 8-K, as filed February 24, 2006). |
| 3.05 | Amendment No. 1 dated February 24, 2006 to Amended and Restated Agreement of Limited Partnership of AllianceBernstein (incorporated by reference to Exhibit 3.2 to Form 10-Q for the quarterly period ended September 30, 2006, as filed November 8, 2006). |
| 3.06 | Amended and Restated Agreement of Limited Partnership dated October 29, 1999 of Alliance Capital Management L.P. (incorporated by reference to Exhibit 3.3 to Form 10-K for the fiscal year ended December 31, 2003, as filed March 10, 2004). |

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| 3.07 | Certificate of Amendment to the Certificate of Incorporation of AllianceBernstein Corporation (incorporated by reference to Exhibit 99.08 to Form 8-K, as filed February 24, 2006). |
| 3.08 | AllianceBernstein Corporation By-Laws with amendments through February 24, 2006 (incorporated by reference to Exhibit 99.09 to Form 8-K, as filed February 24, 2006). |
| 10.01 | Amended and Restated AllianceBernstein Partners Compensation Plan, as amended through November 28, 2007. |
| 10.02 | Amended and Restated 1997 Long Term Incentive Plan, as amended through November 28, 2007. |

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| 10.03 | Amended and Restated AllianceBernstein Commission Substitution Plan, as amended through November 28, 2007. |
| 10.04 | Amended and Restated AllianceBernstein Century Club Plan. |
| 10.05 | Form of Award Agreement under the Amended and Restated AllianceBernstein Partners Compensation Plan. |
| 10.06 | Forms of Award Agreement under the Special Option Program. |
| 10.07 | Form of Award Agreement under the AllianceBernstein L.P. Financial Advisor Wealth Accumulation Plan. |
| 10.08 | Revolving Credit Agreement dated as of January 25, 2008 among Sanford C. Bernstein & Co., LLC, as Borrower, AllianceBernstein L.P., as U.S. Guarantor, Citibank, N.A., as Administrative Agent, Citigroup Global Markets Inc., as Arranger, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as Co-Syndication Agents, HSBC Bank USA, National Association, as Documentation Agent, and the financial institutions whose names appear on the signature pages as “Banks”. |
| 10.09 | Uncommitted Line of Credit Agreement dated as of January 23, 2008 between AllianceBernstein L.P. and Citibank, N.A. |
| 10.10 | Supplement dated November 2, 2007 to the Revolving Credit Facility (see Exhibit 10.18). |
| 10.11 | Guidelines for Transfer of AllianceBernstein L.P. Units and AllianceBernstein L.P. Policy Regarding Partners’ Requests for Consent to Transfer of Limited Partnership Interests to Third Parties. |
| 10.12 | Amendment and Restatement of the Profit Sharing Plan for Employees of AllianceBernstein L.P., as amended through September 1, 2007 (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2007, as filed November 5, 2007). |
| 10.13 | Amendment and Restatement of the Retirement Plan for Employees of AllianceBernstein L.P., as amended through September 1, 2007 (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarterly period ended September 30, 2007, as filed November 5, 2007). |
| 10.14 | Amendment to Letter Agreement entered into by Lewis A. Sanders and AllianceBernstein L.P. on December 17, 2007 (incorporated by reference to Exhibit 99.01 to Form 8-K, as filed December 20, 2007). |
| 10.15 | Letter Agreement entered into by Lewis A. Sanders and AllianceBernstein L.P. on October 26, 2006 (incorporated by reference to Exhibit 99.31 to Form 8-K, as filed October 31, 2006). |
| 10.16 | Amended and Restated Commercial Paper Dealer Agreement, dated as of May 3, 2006 (incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarterly period ended March 31, 2006, as filed May 8, 2006). |
| 10.17 | Amended and Restated Issuing and Paying Agency Agreement, dated as of May 3, 2006 (incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarterly period ended March 31, 2006, as filed May 8, 2006). |

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| 10.18 | Revolving Credit Facility dated as of February 17, 2006 among AllianceBernstein, as Borrower, Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC, as Arranger, Citibank N.A. and The Bank of New York, as Co-Syndication Agents, Deutsche Bank Securities Inc. and JPMorgan Chase Bank, N.A., as Co-Documentation Agents, and The Various Financial Institutions Whose Names Appear on the Signature Pages as “Banks” (incorporated by reference to Exhibit 10.1 to Form 10-K for the fiscal year ended December 31, 2005, as filed February 24, 2006). |
| 10.19 | AllianceBernstein L.P. Financial Advisor Wealth Accumulation Plan effective August 1, 2005 (incorporated by reference to Exhibit 99.3 to Form S-8, as filed August 5, 2005). |
| 10.20 | Investment Advisory and Management Agreement for MONY Life (incorporated by reference to Exhibit 10.4 to Form 10-K for the fiscal year ended December 31, 2004, as filed March 15, 2005). |
| 10.21 | Investment Advisory and Management Agreement for the General Account of AXA Equitable (incorporated by reference to Exhibit 10.5 to Form 10-K for the fiscal year ended December 31, 2004, as filed March 15, 2005). |
| 10.22 | Summary of AllianceBernstein L.P.’s Lease at 1345 Avenue of the Americas, New York, New York 10105 (incorporated by reference to Exhibit 10.3 to Form 10-K for the fiscal year ended December 31, 2003, as filed March 10, 2004). |

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| 10.23 | Alliance Capital Management L.P. Partners Plan of Repurchase adopted as of February 20, 2003 (incorporated by reference to Exhibit 10.2 to Form 10-K for the fiscal year ended December 31, 2002, as filed March 27, 2003). |
| 10.24 | Services Agreement dated as of April 22, 2001 between Alliance Capital Management L.P. and AXA Equitable (incorporated by reference to Exhibit 10.19 to Form 10-K for the fiscal year ended December 31, 2001, as filed March 28, 2002). |
| 10.25 | Registration Rights Agreement dated as of October 2, 2000 by and among Alliance Capital Management L.P., SCB Inc. and SCB Partners Inc. (incorporated by reference to Exhibit 10.17 to Form 10-K for the fiscal year ended December 31, 2000, as filed April 2, 2001). |
| 10.26 | Purchase Agreement dated as of June 20, 2000 by and among Alliance Capital Management L.P., AXA Financial and SCB Inc. (incorporated by reference to Exhibit 10.18 to Form 10-K for the fiscal year ended December 31, 2000, as filed April 2, 2001). |
| 10.27 | Alliance Capital Management L.P. Annual Elective Deferral Plan (incorporated by reference to Exhibit 99 to Form S-8, as filed November 6, 2000). |
| 10.28 | Extendible Commercial Notes Dealer Agreement, dated as of December 14, 1999 (incorporated by reference to Exhibit 10.10 to the Form 10-K for the fiscal year ended December 31, 1999, as filed March 28, 2000). |
| 10.29 | Amended and Restated Investment Advisory and Management Agreement dated January 1, 1999 among Alliance Capital Management Holding L.P., Alliance Corporate Finance Group Incorporated and AXA Equitable (incorporated by reference to Exhibit (a)(6) to Form 10-Q/A for the quarterly period ended September 30, 1999, as filed on September 28, 2000). |
| 10.30 | Amended and Restated Accounting, Valuation, Reporting and Treasury Services Agreement dated January 1, 1999 between Alliance Capital Management Holding L.P., Alliance Corporate Finance Group Incorporated and AXA Equitable (incorporated by reference to Exhibit (a)(7) to the Form 10-Q/A for the quarterly period ended September 30, 1999, as filed September 28, 2000). |
| 10.31 | Alliance Capital Accumulation Plan (incorporated by reference to Exhibit 10.11 to Form 10-K for the fiscal year ended December 31, 1988, as filed March 31, 1989). |
| 12.01 | AllianceBernstein Consolidated Ratio of Earnings to Fixed Charges in respect of the years ended December 31, 2007, 2006, and 2005. |
| 21.01 | Subsidiaries of AllianceBernstein. |
| 23.01 | Consents of PricewaterhouseCoopers LLP. |
| 23.02 | Consents of KPMG LLP. |
| 31.01 | Certification of Mr. Sanders furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.02 | Certification of Mr. Joseph furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

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|---|---|
| 32.01 | Certification of Mr. Sanders 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. |
| 32.02 | Certification of Mr. Joseph 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. |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLIANCEBERNSTEIN HOLDING L.P.

| | | |
|---|---|---|
| Date: February 22, 2008 | By: | /s/ Lewis A. Sanders<br>Lewis A. Sanders<br>Chairman of the Board<br>and Chief Executive Officer |

Pursuant to the requirements of the Exchange Act, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| Date: February 22, 2008 | /s/ Robert H. Joseph, Jr.<br>Robert H. Joseph, Jr.<br>Senior Vice President and<br>Chief Financial Officer |
| Date: February 22, 2008 | /s/ Edward J. Farrell<br>Edward J. Farrell<br>Senior Vice President and<br>Chief Accounting Officer |

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DIRECTORS

/s/ Lewis A. Sanders
Lewis A. Sanders
Chairman of the Board

/s/ Dominique Carrel-Billiard
Dominique Carrel-Billiard
Director

/s/ Christopher M. Condron
Christopher M. Condron
Director

/s/ Henri de Castries
Henri de Castries
Director

/s/ Denis Duverne
Denis Duverne
Director

/s/ Richard S. Dziadzio
Richard S. Dziadzio
Director

/s/ Peter Etzenbach
Peter Etzenbach
Director

/s/ Deborah S. Hechinger
Deborah S. Hechinger
Director

/s/ Weston M. Hicks
Weston M. Hicks
Director

/s/ Gerald M. Lieberman
Gerald M. Lieberman
Director

/s/ Lorie A. Slutsky
Lorie A. Slutsky
Director

/s/ A.W. (Pete) Smith, Jr.
A.W. (Pete) Smith, Jr.
Director

/s/ Peter J. Tobin
Peter J. Tobin
Director

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Schedule II
AllianceBernstein L.P.
Valuation and Qualifying Account - Allowance for Doubtful Accounts
For the Three Years Ending December 31, 2007, 2006, and 2005

| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Deductions | Balance at End of Period |
|---|---|---|---|---|
| | (in thousands) | | | |
| For the year ended December 31, 2005 | $ 1,707 | $ 55 | $ 823(a) | $ 939 |
| For the year ended December 31, 2006 | $ 939 | $ 251 | $ 77(b) | $ 1,113 |
| For the year ended December 31, 2007 | $ 1,113 | $ 955 | $ 276(c) | $ 1,792 |

(a) Includes accounts written-off as uncollectible of $123 and a net reduction of the allowance balance of $700.
(b) Includes accounts written-off as uncollectible of $93 and a net addition to the allowance balance of $16.
(c) Includes accounts written-off as uncollectible of $267 and a net reduction of the allowance balance of $9.

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Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

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

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 22, 2008 appearing in the 2007 Annual Report to Unitholders of AllianceBernstein L.P. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 22, 2008

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Report of Independent Registered Public Accounting Firm

The General Partner and Unitholders
AllianceBernstein L.P.:

Under date of February 24, 2006, we reported on the consolidated statements of income, changes in partners' capital and comprehensive income and cash flows of AllianceBernstein L.P. and subsidiaries ("AllianceBernstein") for the year ended December 31, 2005, which are included in this Form 10-K. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule referenced in Item 15 (a) of this Form 10-K. This financial statement schedule is the responsibility of the General Partner's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP
New York, New York
February 24, 2006