

ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 23, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2008

OR

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

For the transition period from to

Commission file number 001-09818

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

1345 Avenue of the Americas, New York, N.Y.
(Address of principal executive offices)

10105
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Class
units representing assignments of beneficial ownership
of limited partnership interests

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No "

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes " No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2008 was approximately \$4.544 million.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of February 2, 2009 was 91,910,013. (This figure includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

DOCUMENTS INCORPORATED BY REFERENCE

This Form 10-K does not incorporate any document by reference.

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Glossary of Certain Defined Terms

“AllianceBernstein” – AllianceBernstein L.P. (Delaware limited partnership formerly known as Alliance Capital Management L.P., “Alliance Capital”), the operating partnership, and its subsidiaries and, where appropriate, its predecessors, Holding and ACMC, Inc. and their respective subsidiaries.

“AllianceBernstein Investments” – AllianceBernstein Investments, Inc. (Delaware corporation), a wholly-owned subsidiary of AllianceBernstein that services retail clients and distributes company-sponsored mutual funds.

“AllianceBernstein Partnership Agreement” – the Amended and Restated Agreement of Limited Partnership of AllianceBernstein, dated as of October 29, 1999 and as amended February 24, 2006.

“AllianceBernstein Units” – units of limited partnership interest in AllianceBernstein.

“AUM” – assets under management for clients.

“AXA” – AXA (société anonyme organized under the laws of France), the holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses.

“AXA Equitable” – AXA Equitable Life Insurance Company (New York stock life insurance company), an indirect wholly-owned subsidiary of AXA Financial, and its subsidiaries other than AllianceBernstein and its subsidiaries.

“AXA Financial” – AXA Financial, Inc. (Delaware corporation), a wholly-owned subsidiary of AXA.

“Bernstein GWM” – Bernstein Global Wealth Management, a unit of AllianceBernstein that services private clients.

“Bernstein Transaction” – on October 2, 2000, AllianceBernstein’s acquisition of the business and assets of SCB Inc., formerly known as Sanford C. Bernstein Inc. (“Bernstein”), and assumption of the liabilities of the Bernstein business.

“Exchange Act” – the Securities Exchange Act of 1934, as amended.

“ERISA” – the Employee Retirement Income Security Act of 1974, as amended.

“General Partner” – AllianceBernstein Corporation (Delaware corporation), the general partner of AllianceBernstein and Holding and a wholly-owned subsidiary of AXA Equitable, and, where appropriate, ACMC, Inc., its predecessor.

“Holding” – AllianceBernstein Holding L.P. (Delaware limited partnership).

“Holding Partnership Agreement” – the Amended and Restated Agreement of Limited Partnership of Holding, dated as of October 29, 1999 and as amended February 24, 2006.

“Holding Units” – units representing assignments of beneficial ownership of limited partnership interests in Holding.

“Investment Advisers Act” – the Investment Advisers Act of 1940, as amended.

“Investment Company Act” – the Investment Company Act of 1940, as amended.

“NYSE” – the New York Stock Exchange, Inc.

“Partnerships” – AllianceBernstein and Holding together.

“SCB” – SCB LLC and SCBL together.

“SCB LLC” – Sanford C. Bernstein & Co., LLC (Delaware limited liability company), a wholly-owned subsidiary of AllianceBernstein that provides institutional research services in the United States.

“SCBL” – Sanford C. Bernstein Limited (U.K. company), a wholly-owned subsidiary of AllianceBernstein that provides institutional research services primarily in Europe.

“SEC” – the United States Securities and Exchange Commission.

“Securities Act” – the Securities Act of 1933, as amended.

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PART I

Item 1. Business

The words “we” and “our” in this Form 10-K refer collectively to Holding and AllianceBernstein, or to their officers and employees. Similarly, the words “company” and “firm” refer 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.

We use “global” in this Form 10-K to refer to all nations, including the United States; we use “international” or “non-U.S.” to refer to nations other than the United States.

We use “emerging markets” in this Form 10-K to refer to countries considered to be developing countries by the international financial community and countries included in the MSCI emerging markets index. As of February 2, 2009, examples of such countries are Argentina, Brazil, Chile, Columbia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Pakistan, the People’s Republic of China, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey.

We use the term “hedge funds” in this Form 10-K to refer to private investment partnerships we sponsor that invest in various alternative strategies such as leverage, short selling of securities and utilizing forward contracts, currency options and other derivatives.

Recent Developments

2008 Overview

The collapse of the U.S. sub-prime mortgage market in the second half of 2007 triggered in 2008 dramatic capital market losses and financial sector dislocation that led to the loss of tens of trillions of dollars of wealth and severely impaired the business dynamics of our industry and our firm. Equity returns across the capital markets were sharply negative in 2008, declining 20% or more in the fourth quarter. The S&P 500, down 22.6% for the fourth quarter and 38.5% for the year (excluding reinvested dividends), posted its worst quarter since the fourth quarter of 1987 and its worst year since 1931. There was little discrimination across styles or geographies in 2008, as the Russell 1000 Value and Russell 1000 Growth indices declined 36.8% and 38.4% for the year, respectively, and global equities declined more than 40% for the year. 2008 was the worst year for the MSCI EAFE Index (down 43.4%) since its inception in 1969, while the MSCI World and MSCI Emerging Markets indices fell 40.7% and 53.3%, respectively.

Within the capital markets, we have recently seen some signs of improving credit conditions, as stronger corporate credits have been able to access capital markets, credit spreads have tightened slightly, and liquidity has improved in some areas. At the same time, however, economic conditions continue to deteriorate; housing, credit, employment, GDP levels and retail sales all continue to show significant weakness. Furthermore, the balance sheets of the world’s largest banks continue to be under acute financial stress and lending activities remain sporadic.

Governments and central banks around the globe are focused on creating demand for goods and services and stimulating credit. Historically, when governmental stimulus efforts take hold they produce increased lending activity. Of course, the timing of any recovery will depend significantly on when and how government stimulus funds are spent.

At AllianceBernstein, the financial crisis had a significant adverse effect on our business in 2008. Our assets under management have declined 42.3% from \$800.4 billion at December 31, 2007 to \$462.0 billion at December 31, 2008. This decline in assets under management, as well as market losses on our deferred compensation plan-related investments, were the primary factors producing a 22.3% decline in net revenues and a 33.4% decline in net income during 2008. Our unit price declined 72.4%, from \$75.25 at the end of 2007 to \$20.79 at the end of 2008.

Change in Leadership

On December 19, 2008, the Board of Directors (“Board”) of the General Partner named Peter S. Kraus Chairman of the Board of the General Partner and Chief Executive Officer (“CEO”) of the General Partner, AllianceBernstein and Holding. Mr. Kraus replaced Lewis A. Sanders, former Chairman of the Board of the General Partner and CEO of the General Partner, AllianceBernstein and Holding, who announced his retirement on December 19, 2008.

For additional information about Mr. Kraus, see “Directors and Executive Officers” in Item 10 and “Compensation Discussion and Analysis (“CD&A”)” in Item 11.

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General

Clients

AllianceBernstein provides research, diversified investment management and related services globally to a broad range of clients, including:

- institutional clients, including unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and various affiliates;

- retail clients;

- private clients, including high-net-worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities; and

- institutional investors seeking independent research and related services.

We also provide distribution, shareholder servicing, and administrative services to our sponsored mutual funds.

Our primary objective is to have more investment knowledge and to use it better than our competitors to help our clients achieve their investment goals and financial peace of mind.

Research

Our high-quality, in-depth, fundamental research is the foundation of our business. We believe that our global team of research professionals gives us a competitive advantage in achieving investment success for our clients.

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.

Products and Services

We offer a broad range of investment products and services to our clients:

- To our institutional clients, we offer separately managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles (“Institutional Investment Services”);

- To our retail clients, we offer retail mutual funds sponsored by AllianceBernstein, our subsidiaries and our affiliated joint venture companies, sub-advisory relationships with mutual funds sponsored by third parties, separately managed account programs sponsored by various financial intermediaries worldwide (“Separately Managed Account Programs”) and other investment vehicles (collectively, “Retail Services”);

- To our private clients, we offer diversified investment management services through separately managed accounts, hedge funds, mutual funds and other investment vehicles (“Private Client Services”); and

•To institutional investors, we offer independent research, portfolio strategy and brokerage-related services (“Institutional Research Services”).

These services are provided by a group of investment professionals with significant expertise in their respective disciplines (see “Employees” in this Item 1). Our buy-side research analysts, who are located around the world, support our portfolio managers. Together, they oversee a number of different types of investment services within various vehicles (discussed above) and strategies (discussed below). Our sell-side research analysts provide the foundation for our Institutional Research Services.

Our services include:

- 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 strategies and venture capital; and

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

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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.

Blend strategies are a key component of our product line. As of December 31, 2008, blend AUM was \$85 billion (representing 18% of our company-wide AUM), a decrease of 52% from \$175 billion as of December 31, 2007 and 37% from \$134 billion as of December 31, 2006.

We market and distribute alternative investment products (which include hedge funds, venture capital and currency management strategies) globally to high-net-worth clients and, more recently, to institutional investors. Alternative product AUM totaled \$6.6 billion as of December 31, 2008, \$3.3 billion of which was private client AUM (primarily hedge funds) and \$3.3 billion of which was institutional AUM (primarily currency services). Our hedge fund AUM constitutes only a small portion of our company-wide AUM, but can have a disproportionately large effect on our revenues because of the performance-based fees we may be eligible to earn. For additional information about these fees, see “Revenues” in this Item 1, “Risk Factors” in Item 1A, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7.

Sub-advisory client mandates span our investment strategies, including growth, value, fixed income and blend. We serve as sub-adviser for retail mutual funds, insurance products, retirement platforms and institutional investment products.

In addition, in August 2008, we created a new initiative called AllianceBernstein Defined Contribution Investments (“ABDC”) focused on expanding our firm’s capabilities in the defined contribution (“DC”) market. ABDC seeks to provide the most effective DC investment solutions in the industry as measured by product features, reliability, cost and flexibility to meet specialized client needs by integrating research and investment design, product strategy, strategic partnerships (e.g., record-keeper partnerships and operations collaboration), and client implementation and service. As of December 31, 2008, our DC assets under management, which are spread across our three distribution channels, totaled \$18.2 billion and our pipeline of won but unfunded DC mandates was \$3.5 billion.

Global Reach

We serve clients in major global markets through operations in 47 cities in 25 countries. Our client base includes investors throughout the Americas, Europe, Asia, Africa and Australia. We utilize an integrated global investment platform that provides our clients with access to local (country-specific), international, and global research and investment strategies.

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Assets under management by client domicile and investment service as of December 31, 2008, 2007 and 2006 were as follows:

By Client Domicile (\$ in billions):

By Investment Service (\$ in billions):

Our international client base decreased by 43% during 2008 and increased 23% during 2007. Our global and international AUM decreased by 47% during 2008 and increased 27% during 2007. In addition, approximately 76%, 80% and 76% of our gross asset inflows (sales / new accounts) during 2008, 2007 and 2006, respectively, were invested in global and international investment services. The shift in AUM mix towards U.S. assets and away from Global / International assets, which is the opposite of the trend we had been experiencing in the last few years, is due to investment performance and currency fluctuations.

Revenues

We earn revenues primarily by charging fees for managing the investment assets of, and providing research to, our clients.

We generally calculate investment advisory fees as a percentage of the value of AUM at a specific point in time or as a percentage of the value of average AUM for the applicable billing period, with these fees varying by type of investment service, size of account, and total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increases or decreases. Increases in AUM generally result from market appreciation, positive investment performance for clients, or net asset inflows from new and existing clients. Similarly, decreases in AUM generally result from market depreciation, negative investment performance for clients, or net asset outflows due to client redemptions, account terminations, or asset withdrawals.

We are eligible to earn performance-based fees on hedge fund services, as well as some long-only services for our institutional clients. In these situations, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that 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. In addition, some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we underperform our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, we will impair our ability to earn future performance-based fees. If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2008 were \$13.4 million, in 2007 were \$81.2 million and in 2006 were \$235.7 million. For additional information about performance-based fees, see "Risk Factors" in Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

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We sometimes experience periods when the number of new accounts or the amount of AUM increases or decreases significantly. These shifts result from wide-ranging factors, including conditions of financial markets, our investment performance for clients and changes in our clients' investment preferences.

We earn revenues from clients to whom we provide fundamental research and brokerage-related services generally in the form of transaction fees calculated as either "cents per share" or a percentage of the value of the securities traded for these clients.

Our revenues may fluctuate for a number of reasons; see "Risk Factors" in Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

Employees

During the fourth quarter of 2008, we reduced headcount and announced our intention to reduce capital outlays in 2009 in order to lower our expense base in light of declines in assets under management and net revenues. As a result of this workforce reduction, headcount was 4,997 as of December 31, 2008, compared to a high of 5,660 (reflecting an 11.7% reduction) as of September 30, 2008, and 5,580 (reflecting a 10.4% reduction) as of December 31, 2007.

Our firm's 4,997 full-time employees, who are located in 25 countries, include 325 research analysts, 171 portfolio managers, 44 traders and 31 professionals with other investment-related responsibilities. We have employed these professionals for an average period of approximately eight years, and their average investment experience is approximately 16 years. We consider our employee relations to be good.

Institutional Investment Services

We serve our institutional clients primarily through AllianceBernstein Institutional Investments ("Institutional Investments"), a unit of AllianceBernstein, and through other units in our international subsidiaries and one of our joint ventures (institutional relationships of less than \$25 million are generally serviced by Bernstein GWM, our Private Client channel, discussed below). Institutional Investment Services include actively managed equity accounts (including growth, value, and blend accounts), fixed income accounts, and balanced accounts (which combine equity and fixed income), as well as passive management of index and enhanced index accounts. These services are provided through separately managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, and other investment vehicles. As of December 31, 2008, institutional AUM was \$291 billion, or 63% of our company-wide AUM. For more information concerning institutional AUM, revenues and fees, see "Assets Under Management, Revenues and Fees" in this Item 1.

Our institutional client base includes unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and certain of our affiliates (AXA and its subsidiaries), as well as certain sub-advisory relationships with unaffiliated sponsors of various other investment products. We manage approximately 2,329 mandates for these clients, which are located in 46 countries. As of December 31, 2008, we managed employee benefit plan assets for 49 of the Fortune 100 companies, and we managed public pension fund assets for 38 states and /or municipalities in those states.

As of December 31, 2008, our institutional AUM invested in global and international investment services was \$180 billion, or 62% of institutional AUM, as compared to \$341 billion, or 67% of institutional AUM, as of December 31, 2007 and \$270 billion, or 59% of institutional AUM, as of December 31, 2006. As of December 31, 2008, the AUM we invested for clients domiciled outside the United States was \$152 billion, or 52% of institutional AUM, as

compared to \$269 billion, or 53% of institutional AUM, as of December 31, 2007 and \$214 billion, or 47% of institutional AUM, as of December 31, 2006.

Retail Services

We provide investment management and related services to a wide variety of individual retail investors, both in the U.S. and internationally, through retail mutual funds sponsored by our company, our subsidiaries and affiliated joint venture companies; mutual fund sub-advisory relationships; Separately Managed Account Programs; and other investment vehicles (“Retail Products and Services”). As of December 31, 2008, retail AUM was \$102 billion, or 22% of our company-wide AUM. For more information concerning retail AUM, revenues and fees, see “Assets Under Management, Revenues and Fees” in this Item 1.

Our Retail Products and Services are designed to provide disciplined, research-based investments that contribute to a well-diversified investment portfolio. We distribute these products and services through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers, and financial planners.

As of December 31, 2008, our retail AUM invested in global and international investment services was \$61 billion, or 60% of retail AUM, as compared to \$110 billion, or 60% of retail AUM, as of December 31, 2007 and \$86 billion, or 52% of retail AUM, as of December 31, 2006. As of December 31, 2008, the AUM we invested for clients domiciled outside the U.S. was \$25 billion, or 24% of retail AUM, as compared to \$44 billion, or 24% of retail AUM, as of December 31, 2007 and \$40 billion, or 24% of retail AUM, as of December 31, 2006.

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Our Retail Products and Services include open-end and closed-end funds that are either (i) registered as investment companies under the Investment Company Act (“U.S. Funds”), or (ii) not registered under the Investment Company Act and generally not offered to United States persons (“Non-U.S. Funds” and collectively with the U.S. Funds, “AllianceBernstein Funds”). They provide a broad range of investment options, including local and global growth equities, value equities, blend strategies and fixed income securities. They also include Separately Managed Account Programs, which are sponsored by financial intermediaries and generally charge an all-inclusive fee covering investment management, trade execution, asset allocation, and custodial and administrative services. We also provide distribution, shareholder servicing, and administrative services for our Retail Products and Services.

Our U.S. Funds, which include retail funds, our variable products series fund (a component of an insurance product) and the Sanford C. Bernstein Funds (principally Private Client Services products), currently offer 106 different portfolios to U.S. investors. As of December 31, 2008, retail U.S. Funds AUM was approximately \$39 billion, or 38% of total retail AUM. Because of the way they are marketed and serviced, we report substantially all of the AUM in the Sanford C. Bernstein Funds (“SCB Funds”), which totaled \$21 billion as of December 31, 2008, as private client AUM.

Our Non-U.S. Funds are distributed internationally by local financial intermediaries to non-U.S. investors by means of distribution agreements in most major international markets. As of December 31, 2008, these funds consisted of 67 different portfolios and AUM in these funds was \$11 billion. We also offer local-market funds that we distribute in Japan through financial intermediaries. As of December 31, 2008, retail AUM in these funds was \$2 billion.

AllianceBernstein Investments serves as the principal underwriter and distributor of the U.S. Funds. AllianceBernstein Investments employs approximately 130 sales representatives who devote their time exclusively to promoting the sale of U.S. Funds and certain other Retail Products and Services by financial intermediaries.

AllianceBernstein (Luxembourg) S.A. (“AllianceBernstein Luxembourg”), a Luxembourg management company and one of our wholly-owned subsidiaries, generally serves as the placing or distribution agent for the Non-U.S. Funds. AllianceBernstein Luxembourg employs approximately 66 sales representatives who devote their time exclusively to promoting the sale of Non-U.S. Funds and other Retail Products and Services by financial intermediaries.

Private Client Services

Bernstein GWM combines the former private client services group of Bernstein, which has served private clients for more than 40 years, and the former private client group of Alliance Capital. As of December 31, 2008, private client AUM was \$69 billion, or 15% of our company-wide AUM. For more information concerning private client AUM, revenues and fees, see “Assets Under Management, Revenues and Fees” in this Item 1.

Through Bernstein GWM, we provide Private Client Services to 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. We target investors with financial assets of \$1 million or more, although we have a minimum opening account size of \$500,000.

Our Private Client Services are built on a sales effort that involves 299 financial advisors. These advisors do not manage money, but work with private clients and their tax, legal, and other advisors to assist clients in determining a suitable mix of U.S. and non-U.S. equity securities and fixed income investments. The diversified portfolio created for each client is intended to maximize after-tax investment returns, in light of the client’s individual investment goals, income requirements, risk tolerance, tax situation, and other relevant factors. In creating these portfolios, we utilize all of our resources, including research reports, investment planning services, and our Wealth Management Group, which has in-depth knowledge of trust, estate and tax planning strategies.

Our financial advisors are based in 18 cities in the U.S.: New York City, Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Houston, Los Angeles, Miami, Minneapolis, Philadelphia, San Diego, San Francisco, Seattle, Tampa, Washington, D.C. and West Palm Beach. We also have financial advisors based in London, England. As part of our reduction in force (for additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7), we reduced our financial advisor staff by 9% in 2008. However, we kept both the best and highest potential professionals that service our private clients and we intend to begin hiring new financial advisors in 2009.

As of December 31, 2008, our private client AUM invested in global and international investment services was \$18 billion, or 26% of private client AUM, as compared to \$38 billion, or 35% of private client AUM, as of December 31, 2007 and \$29 billion, or 30% of private client AUM, as of December 31, 2006.

Institutional Research Services

Institutional Research Services (“IRS”) consist of fundamental research, quantitative services and brokerage-related services provided to institutional investors such as pension fund, hedge fund and mutual fund managers, and other institutional investors. Brokerage-related services are provided by SCB LLC in the United States and SCBL primarily in Europe. For more information concerning the revenues we derive from IRS, see “Assets Under Management, Revenues and Fees” in this Item 1.

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SCB provides fundamental company and industry research along with disciplined research into securities valuation and factors affecting stock-price movements. Our analysts are consistently among the highest ranked research analysts in industry surveys conducted by third-party organizations.

Assets Under Management, Revenues and Fees

The following tables summarize our AUM and revenues by distribution channel:

Assets Under Management(1)

	2008	December 31, 2007 (in millions)	2006	% Change 2008-07	2007-06
Institutional Investment Services	\$ 291,361	\$ 508,081	\$ 455,095	(42.7)%	11.6%
Retail Services	101,643	183,165	166,928	(44.5)	9.7
Private Client Services	68,947	109,144	94,898	(36.8)	15.0
Total	\$ 461,951	\$ 800,390	\$ 716,921	(42.3)	11.6

(1) Excludes certain non-discretionary client relationships.

Revenues

	2008	Years Ended December 31, 2007 (in thousands)	2006	% Change 2008-07	2007-06
Institutional Investment Services	\$ 1,240,636	\$ 1,481,885	\$ 1,221,780	(16.3)%	21.3%
Retail Services	1,227,538	1,521,201	1,303,849	(19.3)	16.7
Private Client Services	849,830	960,669	882,881	(11.5)	8.8
Institutional Research Services	471,716	423,553	375,075	11.4	12.9
Other(1)	(239,037)	332,441	354,655	n/m	(6.3)
Total Revenues	3,550,683	4,719,749	4,138,240	(24.8)	14.1
Less: Interest Expense	36,524	194,432	187,833	(81.2)	3.5
Net Revenues	\$ 3,514,159	\$ 4,525,317	\$ 3,950,407	(22.3)	14.6

(1) Other revenues primarily consist of dividend and interest income, investment gains (losses) and shareholder servicing fees. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

AXA and its subsidiaries, whose AUM consists primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 20%, 15% and 17% of our company-wide AUM as of December 31, 2008, 2007 and 2006, respectively. We also earned approximately 5% of our company-wide net revenues from our affiliates for each of 2008, 2007 and 2006. We manage this AUM as part of our Institutional Investment Services and

our Retail Services.

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Institutional Investment Services

The following tables summarize our Institutional Investment Services AUM and revenues:

Institutional Investment Services Assets Under Management(1)
(by Investment Service)

	2008	December 31, 2007 (in millions)	2006	% Change	
				2008-07	2007-06
Value Equity:					
U.S.	\$ 22,598	\$ 49,235	\$ 55,562	(54.1)%	(11.4)%
Global and International	84,787	192,472	158,572	(55.9)	21.4
	107,385	241,707	214,134	(55.6)	12.9
Growth Equity:					
U.S.	16,075	31,908	36,668	(49.6)	(13.0)
Global and International	38,034	88,691	66,242	(57.1)	33.9
	54,109	120,599	102,910	(55.1)	17.2
Fixed Income:					
U.S.	66,151	73,240	73,414	(9.7)	(0.2)
Global and International	51,043	53,978	39,166	(5.4)	37.8
	117,194	127,218	112,580	(7.9)	13.0
Other (2):					
U.S.	6,617	12,426	19,942	(46.7)	(37.7)
Global and International	6,056	6,131	5,529	(1.2)	10.9
	12,673	18,557	25,471	(31.7)	(27.1)
Total:					
U.S.	111,441	166,809	185,586	(33.2)	(10.1)
Global and International	179,920	341,272	269,509	(47.3)	26.6
Total	\$ 291,361	\$ 508,081	\$ 455,095	(42.7)	11.6

(1) Excludes certain non-discretionary client relationships.

(2) Includes index, structured and asset allocation services.

Table of ContentsRevenues from Institutional Investment Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2008	2007	2006	2008-07	2007-06
	(in thousands)				
Investment Advisory and Services Fees:					
Value Equity:					
U.S.	\$ 108,921	\$ 153,747	\$ 154,163	(29.2)%	(0.3)%
Global and International	607,431	747,957	570,185	(18.8)	31.2
	716,352	901,704	724,348	(20.6)	24.5
Growth Equity:					
U.S.	70,119	108,691	122,132	(35.5)	(11.0)
Global and International	276,676	311,727	226,293	(11.2)	37.8
	346,795	420,418	348,425	(17.5)	20.7
Fixed Income:					
U.S.	85,333	91,144	97,452	(6.4)	(6.5)
Global and International	78,197	54,021	38,825	44.8	39.1
	163,530	145,165	136,277	12.7	6.5
Other (1):					
U.S.	2,883	4,441	4,993	(35.1)	(11.1)
Global and International	11,076	9,865	7,177	12.3	37.5
	13,959	14,306	12,170	(2.4)	17.6
Total Investment Advisory and Services Fees:					
U.S.	267,256	358,023	378,740	(25.4)	(5.5)
Global and International	973,380	1,123,570	842,480	(13.4)	33.4
	1,240,636	1,481,593	1,221,220	(16.3)	21.3
Distribution Revenues	—	292	560	(100.0)	(47.9)
Total	\$ 1,240,636	\$ 1,481,885	\$ 1,221,780	(16.3)	21.3

(1) Includes index, structured and asset allocation services.

As of December 31, 2008, 2007 and 2006, Institutional Investment Services represented approximately 63% of our company-wide AUM. The fees we earned from these services represented approximately 35%, 33% and 31% of our company-wide net revenues for 2008, 2007 and 2006, respectively.

We manage assets for AXA and its subsidiaries, which together constitute our largest institutional client. These assets accounted for approximately 16%, 16% and 17% of our total institutional AUM as of December 31, 2008, 2007 and 2006, respectively, and approximately 8%, 7% and 7% of our total institutional revenues for 2008, 2007 and 2006, respectively.

The institutional AUM we manage for our affiliates, along with our nine other largest institutional accounts, accounts for approximately 36% of our total institutional AUM as of December 31, 2008 and approximately 16% of our total institutional revenues for the year ended December 31, 2008. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our company-wide net revenues for the year ended December 31, 2008.

We manage the assets of our institutional clients through written investment management agreements or other arrangements, all of which are generally terminable at any time or upon relatively short notice by either party. In general, our written investment management agreements may not be assigned without client consent.

We are compensated principally on the basis of investment advisory fees calculated as a percentage of assets under management. The percentage we charge varies with the type of investment service, the size of the account, and the total amount of assets we manage for a particular client.

We are eligible to earn performance-based fees on approximately 14% of institutional assets under management, which are primarily invested in long-only equity and fixed income services rather than hedge funds. Performance-based fees provide for a relatively low asset-based fee plus an additional fee based on investment performance. For additional information about performance-based fees, see “General—Revenues” in this Item 1 and “Risk Factors” in Item 1A.

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Retail Services

The following tables summarize our Retail Services AUM and revenues:

Retail Services Assets Under Management
(by Investment Service)

	2008	December 31, 2007 (in millions)	2006	% Change	
				2008-07	2007-06
Value Equity:					
U.S.	\$ 12,086	\$ 33,488	\$ 35,749	(63.9)%	(6.3)%
Global and International	28,053	56,560	38,797	(50.4)	45.8
	40,139	90,048	74,546	(55.4)	20.8
Growth Equity:					
U.S.	8,494	24,637	28,587	(65.5)	(13.8)
Global and International	11,544	23,530	19,937	(50.9)	18.0
	20,038	48,167	48,524	(58.4)	(0.7)
Fixed Income:					
U.S.	9,857	10,627	11,420	(7.2)	(6.9)
Global and International	20,178	29,855	27,614	(32.4)	8.1
	30,035	40,482	39,034	(25.8)	3.7
Other (1):					
U.S.	9,851	4,468	4,824	120.5	(7.4)
Global and International	1,580	—	—	n/m	—
	11,431	4,468	4,824	155.8	(7.4)
Total:					
U.S.	40,288	73,220	80,580	(45.0)	(9.1)
Global and International	61,355	109,945	86,348	(44.2)	27.3
Total	\$ 101,643	\$ 183,165	\$ 166,928	(44.5)	9.7

(1) Includes index, structured and asset allocation services.

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(by Investment Service)

	Years Ended December 31,			% Change	
	2008	2007	2006	2008-07	2007-06
	(in thousands)				
Investment Advisory and Services Fees:					
Value Equity:					
U.S.	\$ 88,394	\$ 129,125	\$ 123,355	(31.5)%	4.7%
Global and International	216,561	262,369	133,314	(17.5)	96.8
	304,955	391,494	256,669	(22.1)	52.5
Growth Equity:					
U.S.	84,651	119,880	143,344	(29.4)	(16.4)
Global and International	130,247	168,817	152,883	(22.8)	10.4
	214,898	288,697	296,227	(25.6)	(2.5)
Fixed Income:					
U.S.	30,888	39,644	43,705	(22.1)	(9.3)
Global and International	195,373	224,335	186,196	(12.9)	20.5
	226,261	263,979	229,901	(14.3)	14.8
Other (1):					
U.S.	3,702	1,868	1,673	98.2	11.7
Global and International	1,297	—	3,363	n/m	(100.0)
	4,999	1,868	5,036	167.6	(62.9)
Total Investment Advisory and Services Fees:					
U.S.	207,635	290,517	312,077	(28.5)	(6.9)
Global and International	543,478	655,521	475,756	(17.1)	37.8
	751,113	946,038	787,833	(20.6)	