

ALLIANCEBERNSTEIN HOLDING L.P.  
Form 10-Q  
October 31, 2008

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 No. 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

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

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

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

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

Yes

No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes

No

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2008 was 87,595,926.\*

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

ALLIANCEBERNSTEIN HOLDING L.P.

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## Part I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 30, 2008 (unaudited)	December 31, 2007
<b>ASSETS</b>		
Investment in AllianceBernstein	\$ 1,610,189	\$ 1,574,512
Other assets	945	722
<b>Total assets</b>	<b>\$ 1,611,134</b>	<b>\$ 1,575,234</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>Liabilities:</b>		
Payable to AllianceBernstein	\$ 6,691	\$ 7,460
Other liabilities	346	314
<b>Total liabilities</b>	<b>7,037</b>	<b>7,774</b>
Commitments and contingencies (See Note 7)		
<b>Partners' capital:</b>		
General Partner: 100,000 general partnership units issued and outstanding	1,666	1,698
Limited partners: 87,495,926 and 86,848,149 limited partnership units issued and outstanding	1,598,923	1,548,212
Accumulated other comprehensive income	3,508	17,550
<b>Total partners' capital</b>	<b>1,604,097</b>	<b>1,567,460</b>
<b>Total liabilities and partners' capital</b>	<b>\$ 1,611,134</b>	<b>\$ 1,575,234</b>

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.  
 Condensed Statements of Income  
 (in thousands, except per unit amounts)  
 (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Equity in earnings of AllianceBernstein	\$ 72,936	\$ 114,856	\$ 247,975	\$ 312,957
Income taxes	8,575	10,028	27,267	28,957
Net income	\$ 64,361	\$ 104,828	\$ 220,708	\$ 284,000
Net income per unit:				
Basic	\$ 0.73	\$ 1.21	\$ 2.52	\$ 3.29
Diluted	\$ 0.73	\$ 1.20	\$ 2.52	\$ 3.26

See Accompanying Notes to Condensed Financial Statements.

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

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 220,708	\$ 284,000
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in earnings of AllianceBernstein	(247,975)	(312,957)
Changes in assets and liabilities:		
(Increase) decrease in other assets	(223)	101
(Decrease) increase in payable to AllianceBernstein	(769)	749
Increase (decrease) in other liabilities	32	(1,649)
Net cash used in operating activities	(28,227)	(29,756)
Cash flows from investing activities:		
Investment in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units	(13,353)	(41,446)
Cash distributions received from AllianceBernstein	277,127	334,760
Net cash provided by investing activities	263,774	293,314
Cash flows from financing activities:		
Cash distributions to unitholders	(248,900)	(305,004)
Proceeds from exercise of compensatory options to buy Holding Units	13,353	41,446
Net cash used in financing activities	(235,547)	(263,558)
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	\$ —	\$ —
Non-cash investing activities:		
Change in accumulated other comprehensive income	\$ (14,042)	\$ 6,332
Issuance of Holding Units to fund deferred compensation plans	\$ 18,604	\$ —
Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures	\$ 68,720	\$ 35,102
Non-cash financing activities:		
Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net	\$ (21,806)	\$ (12,530)

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.  
Notes to Condensed Financial Statements  
September 30, 2008  
(unaudited)

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

1. Business Description and Organization

Holding’s principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership interests. The condensed financial statements and notes of Holding should be read in conjunction with the condensed consolidated financial statements and notes of AllianceBernstein included as an exhibit to this quarterly report on Form 10-Q and with Holding’s and AllianceBernstein’s audited financial statements included in Holding’s Form 10-K for the year ended December 31, 2007.

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

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

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

• **Institutional Research Services** – servicing institutional clients 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.

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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 private early-stage and later-stage high potential growth companies.

As of September 30, 2008, 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 1.6% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding (“Holding Units”).

As of September 30, 2008, the ownership structure of AllianceBernstein, as a percentage of general and limited partnership interests, was as follows:

AXA and its subsidiaries	62.4%
Holding	33.2
SCB Partners Inc. (a wholly-owned subsidiary of SCB Inc.; formerly known as Sanford C. Bernstein Inc.)	3.1
Unaffiliated Holders	1.3
	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. AXA and its subsidiaries were the beneficial owners of approximately 62.6% of the units of limited partnership interest in AllianceBernstein (“AllianceBernstein Units”) at September 30, 2008 (including those held indirectly through its ownership of approximately 1.6% of the issued and outstanding Holding Units) which, including the general partnership interests in AllianceBernstein and Holding, represent an approximate 63.0% economic interest in AllianceBernstein.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The interim condensed financial statements of Holding included herein have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The December 31, 2007 condensed statement of financial condition was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

On October 22, 2008, the General Partner declared a distribution of \$52.6 million, or \$0.60 per unit, representing Available Cash Flow for the three months ended September 30, 2008. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution is payable on November 13, 2008 to holders of record at the close of business on November 3, 2008.

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During the third quarter of 2008, AllianceBernstein recorded approximately \$35.3 million in insurance recoveries relating to payments made for a class action claims processing error for which it recorded a charge of \$56.0 million in the fourth quarter of 2006 (see Note 7). AllianceBernstein's and Holding's fourth quarter 2006 cash distributions were based on net income as calculated prior to AllianceBernstein recording the charge. Accordingly, the insurance recoveries (\$0.13 per unit) are not included in AllianceBernstein's or Holding's cash distributions to unitholders, which were declared on October 22, 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. In accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), ("SFAS No. 123-R"), "Share Based Payment", AllianceBernstein recognizes compensation expense related to grants of compensatory options in its financial statements. Under the fair value method, compensatory 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. Upon exercise of Holding Unit options, Holding exchanges the proceeds for AllianceBernstein Units, thus increasing Holding's investment in AllianceBernstein.

## 3. Net Income Per Unit

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands, except per unit amounts)			
Net income – basic	\$ 64,361	\$ 104,828	\$ 220,708	\$ 284,000
Additional allocation of equity in earnings of AllianceBernstein resulting from assumed dilutive effect of compensatory options	251	1,243	1,531	4,141
Net income – diluted	\$ 64,612	\$ 106,071	\$ 222,239	\$ 288,141
Weighted average units outstanding – basic	87,582	86,680	87,433	86,340
Dilutive effect of compensatory options	515	1,556	909	1,936
Weighted average units outstanding – diluted	88,097	88,236	88,342	88,276
Basic net income per unit	\$ 0.73	\$ 1.21	\$ 2.52	\$ 3.29
Diluted net income per unit	\$ 0.73	\$ 1.20	\$ 2.52	\$ 3.26

For the three months and nine months ended September 30, 2008, we excluded, respectively, 5,073,605 and 3,664,405 out-of-the-money options (i.e., options with an exercise price greater than the weighted average closing price of a unit for the relevant period) from the diluted net income per unit computation due to their anti-dilutive effect. For the three

months and nine months ended September 30, 2007, we excluded 1,678,985 out-of-the-money options from the diluted net income per unit computation due to their anti-dilutive effect.

4. Investment in AllianceBernstein

Changes in Holding's investment in AllianceBernstein for the nine-month period ended September 30, 2008 were as follows (in thousands):

Investment in AllianceBernstein as of December 31, 2007	\$ 1,574,512
Equity in earnings of AllianceBernstein	247,975
Additional investment with proceeds from exercise of compensatory options to buy Holding Units	13,353
Change in accumulated other comprehensive income	(14,042)
Cash distributions received from AllianceBernstein	(277,127)
Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net	(21,806)
Issuance of Holding Units to fund deferred compensation plans	18,604
Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures	68,720
Investment in AllianceBernstein as of September 30, 2008	\$ 1,610,189

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## 5. Units Outstanding

The following table summarizes the activity in Holding Units during the first nine months of 2008:

Outstanding as of December 31, 2007	86,948,149
Options exercised	315,467
Units awarded	48,365
Issuance of units	293,344
Units forfeited	(9,399)
Outstanding as of September 30, 2008	87,595,926

Units awarded and units forfeited pertain to restricted unit awards made to independent members of the Board of Directors and to Century Club Plan unit awards made to AllianceBernstein employees whose primary responsibilities are to assist in the distribution of company-sponsored mutual funds and who meet certain sales targets. Issuance of units pertains to Holding Units issued by AllianceBernstein to fund deferred compensation plan elections by participants.

## 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.

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

## 7. Commitments and Contingencies

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

## 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 expensed and disclosed, has been disbursed. The derivative claims brought on behalf of Holding, in which plaintiffs seek an unspecified amount of damages, remain pending.

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

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

## 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. During the third quarter of 2008, AllianceBernstein recorded approximately \$35.3 million in insurance recoveries relating to this error. AllianceBernstein's and Holding's fourth quarter 2006 cash distributions were based on net income as calculated prior to AllianceBernstein recording the charge. Accordingly, the insurance recoveries (\$0.13 per unit) are not included in AllianceBernstein's or Holding's cash distribution to unitholders, which were declared on October 22, 2008. As of September 30, 2008, AllianceBernstein had \$7.8 million remaining in accrued liabilities related to the \$56.0 million pre-tax charge.

## 8. Comprehensive Income

Partners' capital is adjusted to reflect its pro-rata share of certain transactions of AllianceBernstein. Comprehensive income consisted of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Net income	\$ 64,361	\$ 104,828	\$ 220,708	\$ 284,000
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	(108)	(1,507)	(1,305)	(1,633)
Foreign currency translation adjustment	(15,977)	4,426	(12,607)	8,035
Changes in retirement plan related items	(33)	(19)	(130)	(70)
	(16,118)	2,900	(14,042)	6,332
Comprehensive income	\$ 48,243	\$ 107,728	\$ 206,666	\$ 290,332

## 9. Subsequent Events

In our news release reporting financial and operating results for the third quarter of 2008, AllianceBernstein announced its intention to reduce headcount and future capital outlays in order to lower its expense base in light of declines in assets under management and net revenues. Although the size of the headcount reduction has not yet been determined, most of the reduction will occur in the fourth quarter of 2008 and will result in a charge against earnings.





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Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed statement of financial condition of AllianceBernstein Holding L.P. (“AllianceBernstein Holding”) as of September 30, 2008, the related condensed statements of income for the three-month and nine-month periods ended September 30, 2008 and 2007, and the condensed statements of cash flows for the nine-month periods ended September 30, 2008 and 2007. These interim financial statements are the responsibility of the management of AllianceBernstein Corporation, the General Partner.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of financial condition as of December 31, 2007, and the related statements of income, of changes in partners’ capital and comprehensive income, and of cash flows for the year then ended (not presented herein), and in our report dated February 22, 2008, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed statement of financial condition as of December 31, 2007 is fairly stated in all material respects in relation to the statement of financial condition from which it has been derived.

/s/ PricewaterhouseCoopers LLP  
New York, New York  
October 31, 2008

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

Holding's principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership interests. The Holding interim condensed financial statements and notes and management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with those of AllianceBernstein included as an exhibit to this Form 10-Q. They should also be read in conjunction with AllianceBernstein's audited financial statements and notes and MD&A included in Holding's Form 10-K for the year ended December 31, 2007.

## Results of Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	% Change	2008	2007	% Change
	(in millions, except per unit amounts)					
AllianceBernstein net income	\$ 219.5	\$ 348.1	(36.9)%	\$ 747.3	\$ 950.7	(21.4)%
Weighted average equity ownership interest	33.2%	33.0%		33.2%	32.9%	
Equity in earnings of AllianceBernstein	\$ 72.9	\$ 114.9	(36.5)	\$ 248.0	\$ 313.0	(20.8)
Net income of Holding	\$ 64.4	\$ 104.8	(38.6)	\$ 220.7	\$ 284.0	(22.3)
Diluted net income per Holding Unit	\$ 0.73	\$ 1.20	(39.2)	\$ 2.52	\$ 3.26	(22.7)
Distribution per Holding Unit	\$ 0.60	\$ 1.20	(50.0)	\$ 2.39	\$ 3.27	(26.9)

Net income for the three-month and nine-month periods ended September 30, 2008 decreased \$40.4 million and \$63.3 million, respectively, to \$64.4 million and \$220.7 million from net income of \$104.8 million and \$284.0 million, for the corresponding prior year periods. The decrease reflects lower equity in earnings of AllianceBernstein. See AllianceBernstein's MD&A contained in Exhibit 99.1.

## 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, or \$0.21 per unit) 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. During the third quarter of 2008, AllianceBernstein recorded approximately \$35.3 million in insurance recoveries relating to this error. AllianceBernstein's and Holding's fourth quarter 2006 cash distributions were based on net income as calculated prior to AllianceBernstein recording the charge. Accordingly, the insurance recoveries (\$0.13 per unit) are not included in AllianceBernstein's or Holding's cash distributions to unitholders, which were declared on October 22, 2008. As of September 30, 2008, AllianceBernstein had \$7.8 million remaining in accrued liabilities related to the \$56.0 million pre-tax charge, some of which we hope to recover for our clients in future periods from related class action settlement funds, the amount of which is not known.

## Expense Reduction

In our news release reporting financial and operating results for the third quarter of 2008, AllianceBernstein announced its intention to reduce headcount and future capital outlays in order to lower its expense base in light of declines in assets under management and net revenues. Although the size of the headcount reduction has not yet been

determined, most of the reduction will occur in the fourth quarter of 2008 and will result in a charge against earnings.

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## Capital Resources and Liquidity

The following table identifies selected items relating to capital resources and liquidity:

	Nine Months Ended		% Change
	2008	2007	
	September 30,		
	(in millions)		
Partners' capital, as of September 30	\$ 1,604.1	\$ 1,608.7	(0.3)%
Distributions received from AllianceBernstein	277.1	334.8	(17.2)
Distributions paid to unitholders	(248.9)	(305.0)	(18.4)
Proceeds from exercise of compensatory options to buy Holding Units	13.4	41.4	(67.8)
Investment in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units	(13.4)	(41.4)	(67.8)
Purchases of Holding Units by AllianceBernstein to fund deferred compensation plans, net	(21.8)	(12.5)	74.0
Issuance of Holding Units to fund deferred compensation plans	18.6	—	n/m
Awards of Holding Units made by AllianceBernstein under deferred compensation plans, net of forfeitures	68.7	35.1	95.8
Available Cash Flow	209.0	282.5	(26.0)

Cash and cash equivalents were zero as of September 30, 2008 and 2007. Cash inflows from AllianceBernstein distributions received were offset by cash distributions paid to unitholders and income taxes paid. Holding is required to distribute quarterly all of its Available Cash Flow, as defined in the Holding Partnership Agreement, to its unitholders (including the General Partner). Management believes that the cash flow realized from its investment in AllianceBernstein will provide Holding with the resources to meet its financial obligations. See Note 2 to the condensed financial statements contained in Item 1 for a description of Available Cash Flow.

## Commitments and Contingencies

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

## CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AllianceBernstein's Form 10-Q attached hereto as Exhibit 99.1 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions, and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, see "Risk Factors" in Part I, Item 1A of our Form 10-K for the year ended December 31, 2007 and Part II, Item 1A of this Form 10-Q. Any or all of the forward-looking statements that we make in Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public

statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in “Risk Factors” and those listed below could also adversely affect our revenues, financial condition, results of operations, and business prospects.

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

◆ Our confidence in our investment and client service professionals to work closely with our clients to guide them through this period of stress and volatility: The actual performance of the capital markets and other factors beyond our control will affect our investment success for clients and asset flows.

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

◆ Our hope that we will recover a portion of the \$7.8 million remaining in accrued liabilities related to the claims processing error-related charge: Our ability to recover more of this cost depends on the availability of funds from the related class-action settlement funds, the amount of which is not known.

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•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.

•Our solid financial foundation and access to public and private debt providing adequate liquidity for our general business needs: Our solid financial foundation is dependent on our cash flow from operations, which is subject to the performance of the capital markets and other factors beyond our control. Our access to public and private debt, as well as the market for debt or equity we may choose to issue, may be limited by turbulent market conditions and changes in government regulations, including tax rates and interest rates.

•The possibility that future impairment tests of goodwill, intangible assets, and the deferred sales commission asset may result in impairments: To the extent that securities valuations stay depressed for prolonged periods of time and market conditions stagnate or worsen as a result of the global financial crisis (factors that are beyond our control), our assets under management, profitability, and unit price may be adversely affected. As a result, subsequent impairment tests may be based upon different assumptions and future cash flow projections which may result in an impairment of goodwill, intangible assets, and the deferred sales commission asset.

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

## OTHER INFORMATION

With respect to the unaudited condensed interim financial information of Holding for the three-month and nine-month periods ended September 30, 2008, included in this quarterly report on Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated October 31, 2008 appearing herein states that they did not audit and they do not express an opinion on the unaudited condensed interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended ("Securities Act") for their report on the unaudited condensed interim financial information because that report is not a "report" or a "part" of registration statements prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Securities Act.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to Holding's market risk for the quarter ended September 30, 2008.

### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

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

timely decisions regarding our disclosure.

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

#### Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the third quarter of 2008 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



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Part II

OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In our Form 10-K for the year ended December 31, 2007, we note in “Risk Factors” in Part I, Item 1A that a shift by our clients towards fixed income products might result in a related decline in revenues and income because we generally earn higher revenues from assets invested in our equity services than in our fixed income services. The same would be true of a shift towards passive investments from active investments. The global economic turmoil in recent months has caused some investors to shift their focus away from equities to fixed income, passive, or money market products (some of which we do not offer), and this trend may continue or accelerate.

In addition to the information set forth in this report, please consider carefully “Risk Factors” in Part I, Item 1A of our Form 10-K for the year ended December 31, 2007. Such factors could materially affect our revenues, financial condition, results of operations, and business prospects. See also our cautions regarding forward-looking statements in Part I, Item 2.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

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

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

32.1 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.

32.2 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.

99.1 Part I, Items 1 through 4, of the AllianceBernstein L.P. Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

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SIGNATURE

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

Date: October 31, 2008

ALLIANCEBERNSTEIN HOLDING L.P.

By: /s/ Robert H. Joseph, Jr.  
Robert H. Joseph, Jr.  
Senior Vice President and Chief Financial Officer