

ALLIANCEBERNSTEIN HOLDING L.P.  
Form 10-K  
February 28, 2007

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

**FORM 10-K**

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

**For the Fiscal Year Ended December 31, 2006**

**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  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**

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, or a non-accelerated filer. 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

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, 2006 was approximately \$4,995,985,095.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of January 31, 2007 was 85,919,404.\*

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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\*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.

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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 APMC, 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.

“**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, APMC, Inc., its predecessor.

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

“**Holding Partnership Agreement**” — the Amended and Restated Agreement of Limited Partnership of Holding.

“**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 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, AllianceBernstein and its subsidiaries, 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. Holding Unitholders own partnership interests in a holding company whose principal source of income and cash flow is attributable to its ownership of limited partnership interests in AllianceBernstein.

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.

**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 desiring independent institutional research.

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. We are dedicated to creating and sustaining a fiduciary culture. As a fiduciary, we place the interests of our clients first and foremost. We are committed to the fair and equitable treatment of all our clients, and to comply with all applicable rules and regulations and internal compliance policies to which our business is subject. We pursue these goals through education of our employees to promote awareness of our fiduciary obligations, incentives that align employees’ interests with those of our clients, and a range of measures, including active monitoring, to ensure regulatory compliance. Some of the specific steps we’ve taken in recent years to help us achieve these goals include:

- revising our code of ethics to better align the interests of our employees with those of our clients;

- forming two committees composed primarily of executive management to oversee and resolve code of ethics and compliance-related issues;

- creating an ombudsman office, where employees and others can voice concerns on a confidential basis; and

- initiating firm-wide compliance and ethics training programs.

***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 specialist 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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**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, group trusts, mutual 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 that are sponsored by various financial intermediaries worldwide (“Separately Managed Account Programs”), and other investment vehicles (collectively, “Retail Services”);

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

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

This broad range of investment services is provided by a group of investment professionals with significant expertise in their respective disciplines. As of December 31, 2006, our 329 research analysts, located around the world, supported our 174 portfolio managers. Our portfolio managers have an average of 19 years of experience in the industry and 10 years of experience with AllianceBernstein. Together, they oversee a number of different types of investment products within various vehicles and strategies, including separately managed accounts, mutual funds, hedge funds, structured products, and other investment vehicles. Our investment services include:

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

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 an increasingly important component of our product line. As of December 31, 2006, blend AUM were \$134 billion (representing 19% of our company-wide AUM), an increase of 52% from \$88 billion as of December 31, 2005 and 154% from \$53 billion as of December 31, 2004.

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. Dedicated marketing and client servicing professionals are responsible for servicing these relationships.

**Global Reach**

We serve clients in major global markets through operations in 47 cities in 24 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, 2006, 2005, and 2004 were as follows:

**By Client Domicile (\$ in billions):**

December 31, 2006	December 31, 2005	December 31, 2004
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**By Investment Service (\$ in billions):**

December 31, 2006	December 31, 2005	December 31, 2004
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As the above charts indicate, our business continues to become increasingly global. Our international client base increased by 44% during 2006 and 30% during 2005 and, likewise, our global and international AUM increased by 50% during 2006 and 38% during 2005. In addition, approximately 76%, 69%, and 51% of our gross asset inflows (sales / new accounts) during 2006, 2005, and 2004, respectively, were invested in global and international investment services.

**Revenues**

We earn revenues 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, with such 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 increase or decrease. Increases in AUM generally result from market appreciation, positive investment performance for clients, or net asset inflows from new or 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 sometimes charge a performance-based fee in addition to or in lieu of a base fee. Performance-based fees are 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, and they are recorded as revenue at the end of the measurement period. Accordingly, as performance-based fees continue to become an increasingly important part of our business, the seasonality and volatility of our revenues and earnings may become more significant.

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

We earn revenues from clients to whom we provide fundamental research, trading, 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 clients.

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For additional information about possible fluctuation in our revenues, see “Risk Factors” in Item 1A.

### **Employees**

As of December 31, 2006, we had 4,914 full-time employees, including 329 research analysts, 174 portfolio managers, 61 traders, and 28 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 15 years. We consider our employee relations to be good.

### **Institutional Investment Services**

We serve our institutional clients through AllianceBernstein Institutional Investments, a unit of AllianceBernstein, and through other units in our international subsidiaries and one of our joint ventures. 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, group trusts, mutual funds, and other investment vehicles. As of December 31, 2006, institutional assets under management were \$455 billion, or 64% of our company-wide assets under management. 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 2,200 separate accounts for these clients, which are located in more than 40 countries. As of December 31, 2006, we managed employee benefit plan assets for 47 of the Fortune 100 companies, and we managed public pension fund assets for 37 states and/or municipalities in those states.

Our Institutional Investment Services are becoming increasingly global. As of December 31, 2006, our institutional AUM invested in global and international investment services increased to \$269 billion, or 59% of institutional AUM, from \$172 billion, or 48% of institutional AUM, as of December 31, 2005, and from \$124 billion, or 40% of institutional AUM, as of December 31, 2004. Similarly, as of December 31, 2006, the AUM we invested for clients domiciled outside the United States increased to \$214 billion, or 47% of institutional AUM, from \$137 billion, or 38% of institutional AUM, as of December 31, 2005, and from \$103 billion, or 33% of institutional AUM, as of December 31, 2004.

### **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”). As of December 31, 2006, retail AUM, which are determined by subtracting applicable liabilities from AUM, were \$167 billion, or 23% 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 Services are designed to provide disciplined, research-based investments that contribute to a well-diversified investment portfolio. We distribute our Retail Products through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers, and financial planners.

Our Retail Products 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. Also among these products are Separately Managed Account Programs, which are sponsored by various financial intermediaries worldwide 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.

AllianceBernstein Investments serves as the principal underwriter and distributor of the U.S. Funds. AllianceBernstein Investments employs approximately 175 sales representatives who devote their time exclusively to promoting the sale of U.S. Funds and certain other Retail Products by financial intermediaries. AllianceBernstein Investments services approximately 3.9 million shareholder accounts.

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AllianceBernstein (Luxembourg) S.A. (“AllianceBernstein Luxembourg”), one of our wholly-owned subsidiaries, generally serves as the placing or distribution agent for the Non-U.S. Funds. AllianceBernstein Luxembourg employs approximately 65 sales representatives who devote their time exclusively to promoting the sale of Non-U.S. Funds and other Retail Products by financial intermediaries.

Our Retail Services are also becoming increasingly global. As of December 31, 2006, our retail AUM invested in global and international investment services increased to \$86 billion, or 52% of retail AUM, from \$65 billion, or 45% of retail AUM, as of December 31, 2005, and from \$48 billion, or 30% of retail AUM, as of December 31, 2004. As of December 31, 2006, the AUM we invested for clients domiciled outside the U.S. increased to \$40 billion, or 24% of retail AUM, from \$39 billion, or 27% of retail AUM, as of December 31, 2005, and from \$32 billion, or 19% of retail AUM, as of December 31, 2004.

We offer the following Retail Products to clients domiciled outside the United States:

- Internationally-distributed retail funds that currently offer 35 different portfolios to non-U.S. investors distributed by local financial intermediaries by means of distribution agreements in most major international markets (retail AUM in these funds totaled \$23 billion as of December 31, 2006);
- Local-market funds that we distribute through financial intermediaries in specific countries, including Japan, Hong Kong, Singapore, and Taiwan (retail AUM in these funds totaled \$5 billion as of December 31, 2006); and
- Retail sub-advisory mandates (AUM in these relationships totaled \$12 billion as of December 31, 2006).

Our U.S. Funds, which include retail funds, our variable products series fund (an insurance product), and the Sanford C. Bernstein Funds (principally Private Client Services products), currently offer 124 different portfolios to U.S. investors. As of December 31, 2006, retail U.S. Funds AUM was approximately \$58 billion, or 35% 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, which totaled \$27 billion as of December 31, 2006, as private client AUM.

### **Cash Management Services**

During June 2005, AllianceBernstein and Federated Investors, Inc. (“Federated”) completed a transaction pursuant to which Federated acquired our retail cash management services. For additional information, *see Note 21 to AllianceBernstein’s consolidated financial statements in Item 8.*

### **Private Client Services**

Bernstein GWM combines the former private client services group of Bernstein, which has served private clients for over 35 years, and the former private client group of Alliance Capital. As of December 31, 2006, private client AUM was \$95 billion, or 13% 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 \$400,000.

Our Private Client Services are built on a direct sales effort that involves approximately 298 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 any other relevant factors. Our private clients have access to 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.

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Our financial advisors are based in 18 cities in the U.S., including 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. Financial advisors have also been based in London since the third quarter of 2006. Bernstein GWM added 37 financial advisors in 2006 (a 14.2% increase from 2005), and plans to add additional advisors in 2007.

Non-U.S. investment services have become increasingly important in the private client channel. As of December 31, 2006, our private client AUM invested in global and international investment services increased to \$29 billion, or 30% of private client AUM, from \$20 billion, or 26% of private client AUM, as of December 31, 2005, and from \$14 billion, or 22% of private client AUM, as of December 31, 2004.

**Institutional Research Services**

Institutional Research Services (“IRS”) consist of in-depth, independent, fundamental research, portfolio strategy, trading and brokerage-related services provided to institutional investors such as pension fund, hedge fund, and mutual fund managers, and other institutional investors. Trade execution and brokerage-related services are provided by SCB LLC in the United States and SCBL primarily in Europe. As of December 31, 2006, SCB LLC and SCBL (together, “SCB”) served approximately 1,325 clients in the U.S. and approximately 390 clients outside the U.S. For more information concerning the revenues we derive from IRS, see “*Assets Under Management, Revenues, and Fees*” in this Item 1.

SCB provides in-depth fundamental company and industry research, along with disciplined research into securities valuation and factors affecting stock-price movements. Company and industry analysts are consistently among the highest ranked research analysts in industry surveys conducted by third-party organizations. Along with quantitative analysts and portfolio strategists, our IRS research team totals approximately 160 people, including 52 senior analysts.

In 2006, SCB expanded its research capabilities in London and now has 16 published analysts covering industries and companies in Europe. In addition, SCB LLC’s trading and brokerage operations were enhanced in 2005 with the launch of several proprietary algorithmic trading products. These product additions complemented other major changes already undertaken to transform our trading capability, including the launch of a dedicated sector block trading desk and the expansion of our product specialist team.

Table of Contents**Assets Under Management, Revenues, and Fees**

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

**Assets Under Management<sup>(1)(2)</sup>**

	<b>December 31,</b>			<b>% Change</b>	
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006-05</b>	<b>2005-04</b>
	<b>(in millions)</b>				
Institutional Investment Services	\$ 455,069	\$ 358,545	\$ 309,883	26.9%	15.7%
Retail Services	166,928	145,134	134,882	15.0	7.6
Private Client Services	94,898	74,873	63,600	26.7	17.7
	716,895	578,552	508,365	23.9	13.8
Dispositions <sup>(3)</sup>	—	—	30,399	—	(100.0)
<b>Total</b>	<b>\$ 716,895</b>	<b>\$ 578,552</b>	<b>\$ 538,764</b>	<b>23.9</b>	<b>7.4</b>

(1) Excludes certain non-discretionary client relationships.

(2) Starting in 2005, we revised the way we classify our AUM to better align publicly reported AUM with our internal reporting. AUM as of December 31, 2004 has been reclassified by investment service and distribution channel, including the fixed income portions of balanced accounts previously reported in equity, to conform to the 2005 and 2006 presentation.

(3) Includes AUM of cash management services, South African joint venture interest, and Indian mutual funds. For information about these dispositions, see Note 21 to AllianceBernstein's consolidated financial statements in Item 8.

**Revenues<sup>(1)</sup>**

	<b>Years Ended December 31,</b>			<b>% Change</b>	
	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2006-05</b>	<b>2005-04</b>
	<b>(in thousands)</b>				
Institutional Investment Services	\$ 1,221,780	\$ 894,781	\$ 727,696	36.5%	23.0%
Retail Services	1,303,849	1,188,553	1,288,939	9.7	(7.8)
Private Client Services	882,881	673,216	543,446	31.1	23.9
Institutional Research Services	375,075	352,757	420,141	6.3	(16.0)
Other	354,655	199,281	108,007	78.0	84.5
Total Revenues	4,138,240	3,308,588	3,088,229	25.1	7.1
Less: Interest Expense	187,833	95,863	32,796	95.9	192.3
<b>Net Revenues</b>	<b>\$ 3,950,407</b>	<b>\$ 3,212,725</b>	<b>\$ 3,055,433</b>	<b>23.0</b>	<b>5.1</b>

(1) Certain prior-year amounts have been reclassified to conform to our 2006 presentation. See Note 2 to AllianceBernstein's consolidated financial statements in Item 8.

AXA Financial, AXA Equitable, and our other affiliates, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 16%, 19%, and 19% of our company-wide AUM as of December 31, 2006, 2005, and 2004, respectively. We also earned approximately 5% of our company-wide net revenues from them for each of 2006, 2005, and 2004. We manage some of these assets as part of our Institutional Investment Services and some as part of our Retail Services.



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

**Institutional Investment Services Assets Under Management<sup>(1)</sup>**  
(by Investment Service)

	2006	December 31 2005 (in millions)	2004	% Change	
				2006-05	2005-04
Growth Equity:					
U.S.	\$ 36,670	\$ 39,721	\$ 39,600	(7.7)%	0.3%
Global and International	66,242	39,327	23,326	68.4	68.6
	102,912	79,048	62,926	30.2	25.6
Value Equity:					
U.S.	55,562	50,556	51,006	9.9	(0.9)
Global and International	158,572	101,791	68,595	55.8	48.4
	214,134	152,347	119,601	40.6	27.4
Fixed Income:					
U.S.	73,414	74,964	77,314	(2.1)	(3.0)
Global and International	39,166	27,709	25,859	41.3	7.2
	112,580	102,673	103,173	9.6	(0.5)
Index / Structured:					
U.S.	19,942	20,908	19,297	(4.6)	8.3
Global and International	5,501	3,569	4,886	54.1	(27.0)
	25,443	24,477	24,183	3.9	1.2
Total:					
U.S.	185,588	186,149	187,217	(0.3)	(0.6)
Global and International	269,481	172,396	122,666	56.3	40.5
	455,069	358,545	309,883	26.9	15.7
Dispositions <sup>(2)</sup>	—	—	1,375	—	(100.0)
<b>Total</b>	<b>\$ 455,069</b>	<b>\$ 358,545</b>	<b>\$ 311,258</b>	<b>26.9</b>	<b>15.2</b>

(1) Excludes certain non-discretionary client relationships.

(2) Represents AUM of South African joint venture interest. For information about this disposition, see Note 21 to AllianceBernstein's consolidated financial statements in Item 8.

Table of Contents**Revenues From Institutional Investment Services<sup>(1)</sup>**

(by Investment Service)

	Years Ended December 31,			% Change	
	2006	2005	2004	2006-05	2005-04
	(in thousands)				
Investment Advisory and Services					
Fees:					
Growth Equity:					
U.S.	\$ 122,132	\$ 126,894	\$ 141,264	(3.8)%	(10.2)%
Global and International	226,293	115,403	70,321	96.1	64.1
	348,425	242,297	211,585	43.8	14.5
Value Equity:					
U.S.	154,163	155,046	154,681	(0.6)	0.2
Global and International	570,185	362,181	213,565	57.4	69.6
	724,348	517,227	368,246	40.0	40.5
Fixed Income:					
U.S.	97,452	95,585	113,581	2.0	(15.8)
Global and International	38,825	29,887	24,108	29.9	24.0
	136,277	125,472	137,689	8.6	(8.9)
Index / Structured:					
U.S.	4,993	5,159	5,116	(3.2)	0.8
Global and International	7,177	4,197	5,060	71.0	(17.1)
	12,170	9,356	10,176	30.1	(8.1)
Total Investment Advisory and Services Fees:					
U.S.	378,740	382,684	414,642	(1.0)	(7.7)
Global and International	842,480	511,668	313,054	64.7	63.4
	1,221,220	894,352	727,696	36.5	22.9
Distribution Revenues	560	429	—	30.5	n/m
<b>Total</b>	<b>\$ 1,221,780</b>	<b>\$ 894,781</b>	<b>\$ 727,696</b>	<b>36.5</b>	<b>23.0</b>

<sup>(1)</sup>Certain prior-year amounts have been reclassified to conform to our 2006 presentation. We reclassified transaction charge revenues earned from certain Institutional Investment Services clients from investment advisory and services fees to Institutional Research Services.

As of December 31, 2006, 2005, and 2004, Institutional Investment Services represented approximately 64%, 62%, and 58%, respectively, of our company-wide AUM. The fees we earned from these services represented approximately 31%, 28%, and 24% of our company-wide net revenues for 2006, 2005, and 2004, respectively.

We manage assets for AXA and its subsidiaries, which together constitute our largest institutional client. These assets accounted for approximately 17%, 18%, and 20% of our total institutional AUM as of December 31, 2006, 2005, and 2004, respectively, and approximately 7%, 8%, and 9% of our total institutional revenues for 2006, 2005, and 2004, respectively.

The institutional AUM we manage for our affiliates, along with our nine other largest institutional accounts, account for approximately 31% of our total institutional AUM as of December 31, 2006 and approximately 16% of our total

institutional net revenues for the year ended December 31, 2006. 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, 2006.

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.

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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 charge performance-based fees on approximately 15% of institutional assets under management. Performance-based fees provide for a relatively low asset-based fee plus an additional fee based on investment performance.

**Retail Services**

The following tables summarize our Retail Services AUM and revenues:

**Retail Services Assets Under Management**  
(by Investment Service)

	2006	December 31, 2005 (in millions)	2004	% Change	
				2006-05	2005-04
Growth Equity:					
U.S.	\$ 28,587	\$ 31,193	\$ 33,436	(8.4)%	(6.7)%
Global and International	19,937	19,523	14,670	2.1	33.1
	48,524	50,716	48,106	(4.3)	5.4
Value Equity:					
U.S.	35,749	32,625	32,113	9.6	1.6
Global and International	38,797	16,575	8,600	134.1	92.7
	74,546	49,200	40,713	51.5	20.8
Fixed Income:					
U.S.	11,420	12,053	17,076	(5.3)	(29.4)
Global and International	27,614	27,648	23,742	(0.1)	16.5
	39,034	39,701	40,818	(1.7)	(2.7)
Index / Structured:					
U.S.	4,824	4,230	4,203	14.0	0.6
Global and International	—	1,287	1,042	(100.0)	23.5
	4,824	5,517	5,245	(12.6)	5.2
Total:					
U.S.	80,580	80,101	86,828	0.6	(7.7)
Global and International	86,348	65,033	48,054	32.8	35.3
	166,928	145,134	134,882	15.0	7.6
Dispositions <sup>(1)</sup>	—	—	28,670	—	(100.0)
<b>Total</b>	<b>\$ 166,928</b>	<b>\$ 145,134</b>	<b>\$ 163,552</b>	<b>15.0</b>	<b>(11.3)</b>

<sup>(1)</sup>Includes AUM of cash management services and Indian mutual funds. For information about these dispositions, see Note 21 to AllianceBernstein's consolidated financial statements in Item 8.

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**Revenues From Retail Services<sup>(1)</sup>**  
(by Investment Service)

	Years Ended December 31,			% Change	
	2006	2005	2004	2006-05	2005-04
	(in thousands)				
Investment Advisory and Services Fees:					
Growth Equity:					
U.S.	\$ 143,344	\$ 140,428	\$ 152,207	2.1%	(7.7)%
Global and International	152,883	119,173	101,088	28.3	17.9
	296,227	259,601	253,295	14.1	2.5
Value Equity:					
U.S.	123,355	119,545	115,907	3.2	3.1
Global and International	133,314	64,718	27,957	106.0	131.5
	256,669	184,263	143,864	39.3	28.1
Fixed Income:					
U.S. <sup>(2)</sup>	43,705	88,714	177,916	(50.7)	(50.1)
Global and International	186,196	156,068	147,183	19.3	6.0
	229,901	244,782	325,099	(6.1)	(24.7)
Index / Structured:					
U.S.	1,673	1,507	1,661	11.0	(9.3)
Global and International	3,363	3,640	3,130	(7.6)	16.3
	5,036	5,147	4,791	(2.2)	7.4
Total Investment Advisory and Services Fees:					
U.S.	312,077	350,194	447,691	(10.9)	(21.8)
Global and International	475,756	343,599	279,358	38.5	23.0
	787,833	693,793	727,049	13.6	(4.6)
Distribution Revenues <sup>(3)</sup>	418,780	395,402	445,911	5.9	(11.3)
Shareholder Servicing Fees <sup>(3)</sup>	97,236	99,358	115,979	(2.1)	(14.3)
<b>Total</b>	<b>\$ 1,303,849</b>	<b>\$ 1,188,553</b>	<b>\$ 1,288,939</b>	<b>9.7</b>	<b>(7.8)</b>

(1) Certain prior-year amounts have been reclassified to conform to our 2006 presentation. We reclassified transaction charge revenues earned from certain Retail Services clients from investment advisory and services fees to Institutional Research Services.

(2) Reflects disposition of cash management services. See Note 21 to AllianceBernstein's consolidated financial statements in Item 8.

(3) For a description of distribution revenues and shareholder servicing fees, see below.

Fees for our Retail Products are generally charged as a percentage of average daily AUM. As certain of the U.S. Funds have grown, we have revised our fee schedules to provide lower incremental fees above certain asset levels. Fees paid by the U.S. Funds, EQ Advisors Trust ("EQAT"), AXA Enterprise Multimanager Funds Trust ("AXA Enterprise Trust"), and AXA Premier VIP Trust are reflected in the applicable investment management agreement and generally must be approved annually by the boards of directors or trustees of those funds, including by a majority of the independent directors or trustees. Increases in these fees must be approved by fund shareholders. In general, each investment management agreement with the AllianceBernstein Funds, EQAT, AXA Enterprise Trust, and AXA

Premier VIP Trust provides for termination by either party at any time upon 60 days' notice.

Fees paid by Non-U.S. Funds are reflected in investment management agreements that continue until they are terminated. Increases in these fees must generally be approved by the relevant regulatory authority depending on the domicile and structure of the fund, and Non-U.S. Fund shareholders must be given advance notice of any fee increases.

Our Retail Products include variable products, which are open-end mutual funds designed to fund variable annuity contracts and variable life insurance policies offered by the separate accounts of life insurance companies ("Variable Products"). We manage the AllianceBernstein Variable Products Series Fund, Inc. ("ABVPS"), which serves as the investment vehicle for insurance products offered by unaffiliated insurance companies, and we sub-advise mutual funds sponsored by the following affiliates: EQAT, AXA Enterprise Trust, AXA Premier VIP Trust, and AXA Asia Pacific Holdings Limited and its subsidiaries ("AXA Asia Pacific"). As of December 31, 2006, the AUM of Variable Products portfolios totaled approximately \$58 billion.

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EQAT, AXA Enterprise Trust, AXA Premier VIP Trust, AXA Asia Pacific, together with other AXA affiliates, constitute our largest retail client. They accounted for approximately 24%, 29%, and 24% of our total retail AUM as of December 31, 2006, 2005, and 2004, respectively, and approximately 7%, 8%, and 7% of our total retail revenues for 2006, 2005 and 2004, respectively.

Our mutual fund distribution system (the “System”) includes a multi-class share structure that permits open-end AllianceBernstein 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 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 the sale. For back-end load shares, AllianceBernstein Investments pays sales commissions to financial intermediaries at the time of sale and also receives higher ongoing distribution services fees from the mutual funds. In addition, investors who redeem back-end load shares 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 through receipt of a CDSC and/or the higher ongoing distribution services fees we receive from holders of back-end load shares. 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 \$23.7 million, \$21.4 million, and \$32.9 million, totaled approximately \$98.7 million, \$74.2 million, and \$44.6 billion during 2006, 2005, and 2004, respectively.

The rules of the National Association of Securities Dealers, Inc. (“NASD”) effectively cap the aggregate sales charges that may be received by AllianceBernstein Investments. The cap is 6.25% of cumulative gross sales (plus interest at the prime rate plus 1% per annum) in each share class of the open-end U.S. Funds.

Most open-end U.S. Funds have adopted a plan under Rule 12b-1 of the Investment Company Act that allows the fund to pay, out of assets of the fund, distribution and service fees for the distribution and sale of its shares (“Rule 12b-1 Fees”). The open-end AllianceBernstein Funds have entered into agreements with AllianceBernstein Investments under which they pay a distribution services fee to AllianceBernstein Investments. AllianceBernstein Investments has entered into selling and distribution agreements pursuant to which it pays sales commissions to the financial intermediaries that distribute our open-end U.S. Funds. These agreements are terminable by either party upon notice (generally not more than 60 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. A small amount of mutual fund sales is made directly by AllianceBernstein Investments, in which case AllianceBernstein Investments retains the entire sales charge.

In addition to Rule 12b-1 Fees, AllianceBernstein Investments, at its own expense, currently provides additional payments under distribution services and educational support agreements to firms that sell shares of our funds, a practice sometimes referred to as revenue sharing. Although the amount of payments made to each qualifying firm in any given year may vary, the total amount paid to a financial intermediary in connection with the sale of shares of U.S. Funds will generally not exceed the sum of (i) 0.25% of the current year’s fund sales by that firm, and (ii) 0.10% of average daily net assets attributable to that firm over the course of the year. These sums may be associated with our funds’ status on a financial intermediary’s preferred list of funds or may be otherwise associated with the financial intermediary’s marketing and other support activities, such as client education meetings and training efforts relating to our funds.

Financial intermediaries sometimes also receive sub-transfer agency or recordkeeping payments from us and our U.S. Funds.

During 2006, the 10 financial intermediaries responsible for the largest volume of sales of open-end AllianceBernstein Funds were responsible for 36% of such sales. AXA Advisors, LLC (“AXA Advisors”), a wholly-owned subsidiary of AXA Financial that utilizes members of AXA Equitable’s insurance sales force as its registered representatives, was

responsible for approximately 2%, 3%, and 4% of total sales of shares of open-end AllianceBernstein Funds in 2006, 2005, and 2004, respectively. AXA Advisors is under no obligation to sell a specific amount of AllianceBernstein Fund shares and also sells shares of mutual funds sponsored by other affiliates and unaffiliated organizations.

Subsidiaries of Merrill Lynch & Co., Inc. (collectively "Merrill Lynch") were responsible for approximately 6%, 5%, and 6% of open-end AllianceBernstein Fund sales in 2006, 2005, and 2004, respectively. Citigroup Inc. (and its subsidiaries, "Citigroup") was responsible for approximately 5% of open-end AllianceBernstein Fund sales in 2006, 5% in 2005, and 7% in 2004. Neither Merrill Lynch nor Citigroup is under any obligation to sell a specific amount of AllianceBernstein Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations.

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No dealer or agent has in any of the last three years accounted for more than 10% of total sales of shares of our open-end AllianceBernstein Funds.

Based on industry sales data reported by the Investment Company Institute (December 2006), our market share in the U.S. mutual fund industry is 1.14% of total industry assets and we accounted for 0.86% of total open-end industry sales in the U.S. during 2006. The investment performance of the U.S. Funds is an important factor in the sale of their shares, but there are also other factors, including the level and quality of shareholder services (*see below*) and the amounts and types of distribution assistance and administrative services payments made to financial intermediaries. We believe that our compensation programs with financial intermediaries are competitive with others in the industry.

Under current interpretations of U.S. laws and regulations governing depository institutions, banks and certain of their affiliates generally are permitted to act as agent for their customers in connection with the purchase of mutual fund shares and to receive as compensation a portion of the sales charges paid with respect to such purchases. During 2006, banks and their affiliates accounted for approximately 14% of open-end U.S. Funds and Variable Products sales.

During 2004, each of the U.S. Funds appointed an independent compliance officer reporting to the independent directors of each U.S. Fund. The expense of this officer and his staff is borne by AllianceBernstein.

AllianceBernstein Investor Services, Inc. (“Investor Services”), one of our wholly-owned subsidiaries, provides transfer agency and related services for each open-end U.S. Fund and provides shareholder servicing for each open-end U.S. Fund’s shareholder accounts. As of December 31, 2006, Investor Services employed 239 people. Investor Services operates in Secaucus, New Jersey, and San Antonio, Texas. It receives a monthly fee under each of its servicing agreements with the open-end U.S. Funds based on the number and type of shareholder accounts serviced. Each servicing agreement must be approved annually by the relevant open-end U.S. Fund’s board of directors or trustees, including a majority of the independent directors or trustees, and may be terminated by either party without penalty upon 60 days’ notice.

Most AllianceBernstein Funds utilize our personnel to perform legal, clerical, and accounting services not required to be provided by AllianceBernstein. Payments by the U.S. Funds and certain Non-U.S. Funds for these services must be specifically approved in advance by the fund’s board of directors or trustees. Currently, AllianceBernstein and Investor Services record revenues for providing these services to the AllianceBernstein Funds at the rate of approximately \$7.0 million per year.

AllianceBernstein Investor Services, a unit of AllianceBernstein Luxembourg (“ABIS Lux”), is the transfer agent of substantially all of the Non-U.S. Funds. As of December 31, 2006, ABIS Lux employed 59 people. ABIS Lux operates in Luxembourg (and is supported by operations in Singapore, Hong Kong, and the United States) and receives a monthly fee for its transfer agency services and a transaction-based fee under various services agreements, which agreements may be terminated by either party upon 60 days’ notice. AllianceBernstein (Luxembourg) S.A. is one of our wholly-owned subsidiaries.

Table of Contents**Private Client Services**

The following tables summarize Private Client Services AUM and revenues:

**Private Client Services Assets Under Management**  
(by Investment Service)

	2006	December 31, 2005 (in millions)	2004	% Change	
				2006-05	2005-04
Growth Equity:					
U.S.	\$ 13,237	\$ 9,986	\$ 7,022	32.6%	42.2%
Global and International	9,418	6,390	4,001	47.4	59.7
	22,655	16,376	11,023	38.3	48.6
Value Equity:					
U.S.	27,703	23,725	22,411	16.8	5.9
Global and International	19,091	12,959	9,874	47.3	31.2
	46,794	36,684	32,285	27.6	13.6
Fixed Income:					
U.S.	25,032	21,471	20,111	16.6	6.8
Global and International	328	241	75	36.1	221.3
	25,360	21,712	20,186	16.8	7.6
Index / Structured:					
U.S.	80	101	106	(20.8)	(4.7)
Global and International	9	—	—	—	—
	89	101	106	(11.9)	(4.7)
Total:					
U.S.	66,052	55,283	49,650	19.5	11.3
Global and International	28,846	19,590	13,950	47.2	40.4
	94,898	74,873	63,600	26.7	17.7
Dispositions <sup>(1)</sup>	—	—	354	—	(100.0)
<b>Total</b>	<b>\$ 94,898</b>	<b>\$ 74,873</b>	<b>\$ 63,954</b>	<b>26.7</b>	<b>17.1</b>

<sup>(1)</sup>Includes AUM of cash management services. For information about this disposition, see Note 21 to AllianceBernstein's consolidated financial statements in Item 8.

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(by Investment Service)

	Years Ended December 31,			% Change	
	2006	2005	2004	2006-05	2005-04
	(in thousands)				
Investment Advisory and Services					
Fees:					
Growth Equity:					
U.S.	\$ 134,070	\$ 93,716	\$ 62,892	43.1%	49.0%
Global and International	83,615	58,308	39,086	43.4	49.2
	217,685	152,024	101,978	43.2	49.1
Value Equity:					
U.S.	293,281	256,580	237,796	14.3	7.9
Global and International	260,529	161,793	97,380	61.0	66.1
	553,810	418,373	335,176	32.4	24.8
Fixed Income:					
U.S.	108,418	99,868	104,010	8.6	(4.0)
Global and International	1,188	879	257	35.2	242.0
	109,606	100,747	104,267	8.8	(3.4)
Index / Structured:					
U.S.	75	103	653	(27.2)	(84.2)
Global and International	—	—	—	—	—
	75	103	653	(27.2)	(84.2)
Total Investment Advisory and Services Fees:					
U.S.	535,844	450,267	405,351	19.0	11.1
Global and International	345,332	220,980	136,723	56.3	61.6
	881,176	671,247	542,074	31.3	23.8
Distribution Revenues	1,705	1,969	1,372	(13.4)	43.5
<b>Total</b>	<b>\$ 882,881</b>	<b>\$ 673,216</b>	<b>\$ 543,446</b>	<b>31.1</b>	<b>23.9</b>

<sup>(1)</sup>Certain prior-year amounts have been reclassified to conform to our 2006 presentation. We reclassified transaction charge revenues earned from certain Private Client Services clients from investment advisory and services fees to Institutional Research Services.

Private client accounts are managed pursuant to a written investment advisory agreement generally among the client, AllianceBernstein and SCB LLC (sometimes between the client and AllianceBernstein Limited, a wholly-owned subsidiary of ours organized in the U.K.), which usually is terminable at any time or upon relatively short notice by any party. In general, these contracts may not be assigned without the consent of the client. For providing services to private clients, we are compensated by fees calculated as a percentage of AUM and that vary based on the type of portfolio and the size of the account. The aggregate fees we charge for managing hedge funds may be higher than the fees we charge for managing other assets in private client accounts because hedge fund fees provide for performance-based fees, incentive allocations, or carried interests in addition to asset-based fees. We charge performance-based fees on approximately 7% of private client assets under management, primarily assets held in hedge funds.

We market and distribute our hedge funds globally to high-net-worth clients and, to a lesser extent, institutional investors. Hedge fund AUM totaled \$7.2 billion as of December 31, 2006, \$5.8 billion of which was private client AUM and \$1.4 billion of which was institutional AUM.

We eliminated transaction charges during 2005 on U.S. equity services for most private clients as part of a management initiative that changed the structure of investment advisory and services fees charged for our services. The restructuring eliminated transaction charges for trade execution performed by SCB LLC for most private clients; the transaction charges were replaced by higher asset-based fees. This new fee structure provides greater transparency and predictability of asset management costs for our private clients. The elimination of transaction charges was not the result of the NYAG AoD (*see "Regulation" in this Item 1* for the definition of NYAG AoD and additional information) or an agreement with any other regulator.

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Revenues from Private Client Services represented approximately 22%, 21%, and 18% of our company-wide net revenues for the years ended December 31, 2006, 2005, and 2004, respectively.

***Institutional Research Services***

The following table summarizes Institutional Research Services revenues:

**Revenues From Institutional Research Services**

	Years Ended December 31,			% Change	
	2006	2005	2004	2006-05	2005-04
	(in thousands)				
Transaction Execution and Research:					
U.S. Clients	\$ 296,736	\$ 290,511	\$ 371,127	2.1%	(21.7)%
Non-U.S. Clients	69,279	57,870	45,598	19.7	26.9
	366,015	348,381	416,725	5.1	(16.4)
Other	9,060	4,376	3,416	107.0	28.1
<b>Total</b>	<b>375,075</b>	<b>352,757</b>	<b>420,141</b>	<b>6.3</b>	<b>(16.0)</b>
Reclassification <sup>(1)</sup>	(1,760)	(31,476)	(116,532)	(94.4)	(73.0)
<b>Without Reclassification</b>	<b>\$ 373,315</b>	<b>\$ 321,281</b>	<b>\$ 303,609</b>	<b>16.2</b>	<b>5.8</b>

<sup>(1)</sup>SCB earned revenues of approximately \$1.8 million in 2006 from brokerage transactions executed on behalf of AllianceBernstein (acting on behalf of certain of its U.S. asset management clients that have authorized AllianceBernstein to use SCB for trade execution) which previously were reported as investment advisory and services fees. Since January 1, 2006, we have reported all revenues earned by SCB from brokerage transactions executed for these clients as Institutional Research Services revenues. Accordingly, we reclassified \$31.5 million and \$116.5 million of transaction charge revenue in 2005 and 2004, respectively, from investment advisory and services fees to Institutional Research Services to conform to our 2006 presentation.

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing SCB to execute brokerage transactions, for which we earn transaction charges. These services accounted for approximately 9%, 11%, and 14% of our company-wide net revenues for the years ended December 31, 2006, 2005, and 2004, respectively.

Fee rates charged for brokerage transactions have declined significantly in recent years, but increases in transaction volume and market share in both the U.S. and Europe have more than offset decreases in fee rates. For additional information, see “Risk Factors” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Executive Overview” in Item 7.

**Custody and Brokerage*****Custody***

SCB LLC acts as custodian for the majority of AllianceBernstein’s private client AUM and some of AllianceBernstein’s hedge fund AUM and institutional AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or other custodians.



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**Brokerage**

We generally have the discretion to select the broker-dealers to execute securities transactions for client accounts. When selecting brokers, we are required to obtain “best execution”. Although there is no single statutory definition, SEC releases and other legal guidelines make clear that the duty to obtain best execution requires us to seek “the most advantageous terms reasonably available under the circumstances for a customer’s account”. In addition to paying the lowest possible commission rate, we take into account such factors as current market conditions, financial strength, and the ability and willingness of the broker to commit capital by taking positions in order to execute transactions.

While we select brokers primarily on the basis of their execution capabilities, we may also take into consideration the quality and amount of research services (“Soft Dollar Services”) a broker provides to us for the benefit of our clients. Soft Dollar Services, which we purchase to augment our own research capabilities, are governed by Section 28(e) of the Exchange Act. We use broker-dealers that provide Soft Dollar Services in consideration for commissions paid for the execution of client trades, subject at all times to our duty to seek best execution, and with respect to which we reasonably conclude, in good faith, that the value of the execution and other services we receive from the broker-dealer is reasonable in relation to the amount of commissions paid. The commissions charged by these full-service brokers are higher than those charged by electronic trading networks and other “low-touch” venues.

We sometimes execute client transactions through SCB LLC or SCBL, our affiliated broker-dealers. We do so only when our clients have consented to our use of affiliated broker-dealers or we are otherwise permitted to do so, and only when we can execute these transactions in accordance with applicable law (e.g., our obligation to obtain best execution). In 2006, we executed approximately \$4.8 million in transactions through SCB. We may use brokers to effect client transactions that sell shares of AllianceBernstein Funds or third party funds we sub-advise; however, we prohibit our investment professionals who place trades from considering these other relationships or the sale of fund shares as a factor when selecting brokers to effect transactions.

We have a Brokerage Allocation Committee that covers equities and has principal oversight responsibility for evaluating brokerage matters, including how to use the Soft Dollar Services we receive in a manner that is in the best interests of our clients and consistent with current regulatory requirements.

**Service Marks**

In connection with our name changes to AllianceBernstein L.P. and AllianceBernstein Holding L.P. in February 2006, we applied to register a number of service marks with the U.S. Patent and Trademark Office and various foreign patent offices, including an “AB” design logo and the combination of such logo with the mark “AllianceBernstein”.

In connection with the Bernstein Transaction, we acquired all of the rights and title in, and to, the Bernstein service marks, including the mark “Bernstein”.

**Regulation**

AllianceBernstein, Holding, the General Partner, SCB LLC, AllianceBernstein Global Derivatives Corporation (a wholly-owned subsidiary of AllianceBernstein, “Global Derivatives”), and Alliance Corporate Finance Group Incorporated (a wholly-owned subsidiary of AllianceBernstein) are investment advisers registered under the Investment Advisers Act. SCB LLC and Global Derivatives are also registered with the Commodity Futures Trading Commission as commodity pool operators.

Each U.S. Fund is registered with the SEC under the Investment Company Act and the shares of most U.S. Funds are qualified for sale in all states in the United States and the District of Columbia, except for U.S. Funds offered only to residents of a particular state. Investor Services is registered with the SEC as a transfer agent.

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SCB LLC and AllianceBernstein Investments are registered with the SEC as broker-dealers. SCB LLC is a member of the NYSE. SCBL is a broker regulated by the Financial Services Authority of the United Kingdom (“FSA”) and is a member of the London Stock Exchange. SCB LLC and AllianceBernstein Investments are subject to minimum net capital requirements imposed by the SEC, and SCBL is subject to the financial resources requirements of the FSA, as follows:

	<b>Minimum Net Capital/ Financial Resources as of December 31, 2006</b>	
	<b>Required</b>	<b>Actual</b>
	<b>(in millions)</b>	
AllianceBernstein Investments	\$ 21.6	\$ 42.4
SCB	41.5	154.1
SCBL	16.0	30.7
<b>Total</b>	<b>\$ 79.1</b>	<b>\$ 227.2</b>

Holding Units trade publicly on the NYSE under the ticker symbol “AB”. Holding is an NYSE listed company and, therefore, subject to the applicable regulations set forth in the NYSE Listed Company Manual.

AllianceBernstein Trust Company, LLC, a wholly-owned subsidiary of AllianceBernstein, is a non-depository trust company chartered under New Hampshire law. AllianceBernstein Trust Company was chartered in order to serve as trustee and investment adviser to company-sponsored collective investment trusts and is authorized to act as trustee, executor, transfer agent, custodian, investment adviser, and in any other capacity authorized for a trust company under New Hampshire law. As a state-chartered trust company exercising fiduciary powers, AllianceBernstein Trust Company must comply with New Hampshire laws applicable to trust company operations (such as NH Revised Statutes Annotated Part 392), certain federal laws (such as ERISA and sections of the Bank Secrecy Act), and the New Hampshire banking laws.

Our relationships with AXA and its subsidiaries are subject to applicable provisions of the insurance laws and regulations of New York and other states. Under such laws and regulations, the terms of certain investment advisory and other agreements we enter into with AXA or its subsidiaries are required to be fair and equitable, charges or fees for services performed must be reasonable, and, in some cases, are subject to regulatory approval.

All aspects of our business are subject to various federal and state laws and regulations, rules of various securities regulators and exchanges, and laws in the foreign countries in which our subsidiaries and joint ventures conduct business. These laws and regulations are primarily intended to benefit clients and fund shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in business for specific periods, the revocation of the registration as an investment adviser or broker-dealer, censures, and fines.

Some of our subsidiaries are subject to the oversight of regulatory authorities in Europe, including the FSA in the U.K., and in Asia, including the Securities and Futures Commission in Hong Kong and the Monetary Authority of Singapore. While the requirements of these foreign regulators are often comparable to the requirements of the SEC and other U.S. regulators, they are sometimes more restrictive and may cause us to incur substantial expenditures of time and money in our effort to comply.

***Market Timing Investigations***

On December 18, 2003, we entered into agreements with the SEC and the New York State Attorney General (“NYAG”) in connection with their investigations into trading practices in the shares of certain of our sponsored mutual funds. Our agreement with the SEC was reflected in an Order of the Commission (“SEC Order”) dated December 18, 2003 (amended and restated January 15, 2004), while our final agreement with the NYAG was reflected in the Assurance of Discontinuance dated September 1, 2004 (“NYAG AoD”). We took a number of important initiatives to resolve these matters, including:

- establishing a \$250 million restitution fund to compensate fund shareholders for the adverse effects of market timing (“Restitution Fund”);

- reducing by 20% (on a weighted average basis) the advisory fees on U.S. long-term open-end retail mutual funds by reducing our advisory fee rates (resulting in an approximate \$66 million reduction in 2006 advisory fees, a \$63 million reduction in 2005 advisory fees, and a \$70 million reduction in 2004 advisory fees), and we will maintain these reduced fee rates for at least the five-year period that commenced January 1, 2004; and

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- agreeing to have an independent third party perform a comprehensive compliance review biannually.

We believe that our remedial actions provide reasonable assurance that the deficiencies in our internal controls related to market timing will not reoccur.

With the approval of the independent directors of the U.S. Fund Boards and the staff of the SEC, we retained an Independent Distribution Consultant (“IDC”) to develop a plan for the distribution of the Restitution Fund. To the extent it is determined that the harm to mutual fund shareholders caused by market timing exceeds \$200 million, we will be required to contribute additional monies to the Restitution Fund. On September 30, 2005, the IDC submitted to the SEC Staff the portion of his report concerning his methodology for determining damages and a proposed distribution plan, which addresses the mechanics of distribution. The Restitution Fund proceeds will not be distributed until after the SEC has issued an order approving the distribution plan. Until then, it is not possible to predict the exact timing, method, or amount of the distribution.

Certain market timing-related litigation to which we are currently subject involves the State of West Virginia. For a description of these matters, see *“Legal Proceedings - Market Timing-related Matters”* in Item 3.

### **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 the 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. Separate state and local income tax returns are filed. Foreign corporate subsidiaries are generally subject to taxes in the jurisdictions where they are located. Holding is a publicly traded partnership for federal income tax purposes and is subject to the 4.0% UBT, net of credits for UBT paid by AllianceBernstein, and a 3.5% federal tax on partnership gross income from the active conduct of a trade or business.

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.

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 would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, 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 become subject to income tax.

### **History and Structure**

We have been in the investment research and management business for more than 35 years. Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. merged with the investment advisory business of Moody’s Investor Services, Inc. Bernstein was founded in 1967.

In April 1988, Holding “went public” as a master limited partnership. Holding Units, which trade under the ticker symbol “AB”, have been listed on the NYSE since that time.

In October 1999, Holding reorganized by transferring its business and assets to AllianceBernstein, a newly-formed operating partnership, in exchange for all of the AllianceBernstein Units (“Reorganization”). Since the date of the Reorganization, AllianceBernstein has conducted the business formerly conducted by Holding and Holding’s activities have consisted of owning AllianceBernstein Units and engaging in related activities. As stated above, Holding Units trade publicly; AllianceBernstein Units do not trade publicly and are subject to significant restrictions on transfer. The General Partner is the general partner of both AllianceBernstein and Holding.

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In October 2000, our two legacy firms, Alliance Capital and Bernstein, combined, bringing together Alliance Capital's expertise in growth equity and corporate fixed income investing, and its family of retail mutual funds, with Bernstein's expertise in value equity and tax-exempt fixed income management, and its private client business. For additional details about our business combination, *see Item 12*.

As of December 31, 2006, the condensed ownership structure of AllianceBernstein was as follows (for a more complete description of our ownership structure, *see Item 12*):

<sup>(1)</sup>Direct and indirect ownership including unallocated Holding Units held in a trust for our deferred compensation plans.

As of December 31, 2006, AXA, through certain of its subsidiaries (*see Item 12*), beneficially owned approximately 1.7% of the issued and outstanding Holding Units and approximately 59.3% of the issued and outstanding AllianceBernstein Units.

The General Partner, an indirect wholly-owned subsidiary of AXA, owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including the general partnership interests in Holding and AllianceBernstein, and its equity interest in Holding, as of December 31, 2006, AXA, through certain of its subsidiaries, had an approximate 60.3% economic interest in AllianceBernstein.

AXA and its subsidiaries own all of the issued and outstanding shares of the common stock of AXA Financial. AXA Financial owns all of the issued and outstanding shares of AXA Equitable. *See Item 12*.

AXA, a *société anonyme* organized under the laws of France, is the holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses. AXA's operations are diverse geographically, with major operations in Western Europe, North America, and the Asia/Pacific area and, to a lesser extent, in other regions including the Middle East and Africa. AXA has five operating business segments: life and savings, property and casualty, international insurance (including reinsurance), asset management, and other financial services (including banks).

**Competition**

The financial services industry is intensely competitive and new entrants are continually attracted to it. No single or small group of competitors is dominant in the industry.

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We compete in all aspects of our business with numerous investment management firms, mutual fund sponsors, brokerage and investment banking firms, insurance companies, banks, savings and loan associations, and other financial institutions that often provide investment products that have similar features and objectives as those we offer. Our competitors offer a wide range of financial services to the same customers that we seek to serve. Some of our competitors are larger, have a broader range of product choices and investment capabilities, conduct business in more markets, and have substantially greater resources than we do. These factors may place us at a competitive disadvantage, and we can give no assurance that our strategies and efforts to maintain and enhance our current client relationships, and create new ones, will be successful.

AXA, AXA Financial, AXA Equitable and certain of their direct and indirect subsidiaries provide financial services, some of which are competitive with those offered by AllianceBernstein. The AllianceBernstein Partnership Agreement specifically allows AXA Financial and its subsidiaries (other than the General Partner) to compete with AllianceBernstein and to exploit opportunities that may be available to AllianceBernstein. AXA, AXA Financial, AXA Equitable and certain of their subsidiaries have substantially greater financial resources than we do and are not obligated to provide resources to us.

To grow our business, we must be able to compete effectively for assets under management. Key competitive factors include:

- our commitment to place the interests of our clients first;
- the quality of our research;
- our ability to attract, retain, and motivate highly skilled, and often highly specialized, personnel;
  - our investment performance for clients;
  - the array of investment products we offer;
  - the fees we charge;
  - our operational effectiveness;
- our ability to further develop and market our brand; and
  - our global presence.

Increased competition could reduce the demand for our products and services, and that could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.

Competition is an important risk that our business faces and should be considered along with the other risk factors we discuss in *Item 1A below*.

**Other Information**

AllianceBernstein and Holding file or furnish annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports required to comply with federal securities laws. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at

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1-800-SEC-0330. The SEC also maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

AllianceBernstein and Holding maintain an Internet site (<http://www.alliancebernstein.com>). The portion of the site at “Investor & Media Relations” and “Reports & SEC Filings” links to both companies’ annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports are available through the site free of charge as soon as reasonably practicable after such material is filed with, or furnished to, the SEC.

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**Item 1A.**

**Risk Factors**

Please read this section along with the description of our business *in Item 1*, the competition section just above, and AllianceBernstein's financial information *contained in Items 6, 7, and 8*. The majority of the risk factors discussed below directly affect AllianceBernstein. These risk factors also affect Holding because Holding's principal source of income and cash flow is attributable to its investment in AllianceBernstein. See also our discussion of risks associated with forward-looking statements *in Item 7*.

**Changes in financial market levels have a direct and significant impact on our assets under management; a significant reduction in assets under management could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.**

Performance of financial markets (both domestic and international), global economic conditions, interest rates, inflation rates, tax regulation changes, and other factors that are difficult to predict affect the mix, market values, and levels of assets under management. Investment advisory and services fees, the largest component of revenues, are generally calculated as a percentage of the value of assets under management and vary with the type of account managed. Accordingly, fee income generally increases or decreases as assets under management increase or decrease and is affected by market appreciation or depreciation, inflow of new client assets (including purchases of mutual fund shares), and outflow of client assets (including redemption of mutual fund shares). In addition, changing market conditions and investment trends, particularly with respect to retirement savings, may reduce interest in certain of our investment products and may result in a reduction in assets under management. In addition, a shift 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.

Declines in financial markets or higher redemption levels in our mutual funds, or both, as compared to the assumptions we have used to estimate undiscounted future cash flows from distribution plan fees, as described *in Item 7*, could result in impairment of the deferred sales commission asset. Due to the volatility of financial markets and changes in redemption rates, we are unable to predict whether or when a future impairment of the deferred sales commission asset might occur. The occurrence of an impairment would result in a material charge to our earnings.

**Our business is dependent on investment advisory, selling and distribution agreements that are subject to termination or non-renewal on short notice.**

We derive most of our revenues pursuant to written investment management agreements (or other arrangements) with institutional investors, mutual funds, and private clients, and selling and distribution agreements between AllianceBernstein Investments and financial intermediaries that distribute AllianceBernstein Funds. Generally, the investment management agreements (and other arrangements) are terminable at any time or upon relatively short notice by either party. The selling and distribution agreements are terminable by either party upon notice (generally not more than 60 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. In addition, investors in AllianceBernstein Funds can redeem their investments without notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.

**Our ability to establish new client relationships and maintain existing ones is partly dependent on our relationships with various financial intermediaries and consultants that are not obligated to continue to work with us.**

Our ability to market our mutual funds, sub-advisory services, and investment services is partly dependent on our access to a client base of corporate and public employee pension funds, endowment funds, domestic and foreign

institutions and governments, insurance companies, securities firms, brokers, banks, and other intermediaries. These intermediaries generally offer their clients investment products in addition to, and in competition with, our products. In addition, certain institutional investors rely on consultants to advise them on the choice of investment adviser, and we are not always considered among the best choices by all consultants. Also, our Private Client Services group relies on referrals from financial planners, registered investment advisers, and other professionals. We cannot be certain that we will continue to have access to, or receive referrals from, these third parties. Loss of such access or referrals could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.

**We may be unable to continue to attract and retain key personnel.**

Our business depends on our ability to attract, retain, and motivate highly skilled, and often highly specialized, technical, managerial, and executive personnel; there is no assurance that we will be able to do so.

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The market for qualified research analysts, portfolio managers, financial advisers, traders, and other professionals is extremely competitive and is characterized by frequent movement of these investment professionals among different firms. Portfolio managers and financial advisers often maintain strong, personal relationships with their clients so their departure could cause us to lose client accounts, which could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.

**Poor investment performance could lead to loss of clients and a decline in revenues.**

Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, as well as a prospective client's decision to invest. Our inability to meet relevant investment benchmarks could result in clients withdrawing assets and in prospective clients choosing to invest with competitors. This could also result in lower investment management fees, including minimal or no performance-based fees, which could result in a decline in our revenues.

**We may enter into more performance-based fee arrangements with our clients in the future, which could cause greater fluctuations in our revenues.**

We sometimes charge our clients performance-based fees where we earn a relatively low base advisory fee and an additional fee if our investment performance exceeds a specified benchmark. If we do not exceed our investment return target for a particular period, we will not earn a performance-based fee for that period and, if the target is based on cumulative returns, our ability to earn performance-based fees in future periods may be impaired.

We currently charge performance-based fees on approximately 15% of the assets we manage for our institutional clients and approximately 7% of the assets we manage for private clients. Our performance-based fees are an increasingly important part of our business. As the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings may become more significant.

**Unpredictable events, including natural disaster, technology failure, and terrorist attack, could adversely impact our ability to conduct business.**

War, terrorist attack, power failure, natural disaster, and rapid spread of serious disease could interrupt our operations by:

- causing disruptions in U.S. or global economic conditions, thus decreasing investor confidence and making investment products generally less attractive;
- inflicting loss of life;
- triggering massive technology failures or delays; and
- requiring substantial capital expenditures and operating expenses to remediate damage and restore operations.

Our operations require experienced, professional staff. Loss of a substantial number of such persons or an inability to provide properly equipped places for them to work may, by disrupting our operations, adversely affect our revenues, financial condition, results of operations, and business prospects.

**We depend on various systems and technologies for our business to function properly and to safeguard confidential information.**

We utilize software and related technologies throughout our business, including both proprietary systems and those provided by outside vendors. Although we have established and tested business continuity plans, we may experience systems delays and interruptions and it is not possible to predict with certainty all of the adverse effects that could result from our failure, or the failure of a third party, to efficiently address these problems. These adverse effects could include the inability to perform critical business functions or failure to comply with financial reporting and other regulatory requirements, which could lead to loss of client confidence, harm to our reputation, exposure to disciplinary action, and liability to our clients. Accordingly, potential system failures and the cost necessary to correct those failures could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.

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In addition, we could be subject to losses if we fail to properly safeguard sensitive and confidential information. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. Our systems could be damaged by unauthorized users or corrupted by computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Such disclosure could, among other things, allow competitors access to our proprietary business information and require significant time and expense to investigate and remediate the breach.

**A failure in our operational systems or infrastructure, or those of third parties, could disrupt our operations, damage our reputation, and reduce our revenues.**

Weaknesses or failures in our internal processes, people or systems could lead to disruption of our operations, liability to clients, exposure to disciplinary action, or harm to our reputation. Our business is highly dependent on our ability to process, on a daily basis, large numbers of transactions, many of which are highly complex, across numerous and diverse markets. These transactions generally must adhere to investment guidelines, as well as stringent legal and regulatory standards.

Despite the contingency plans and facilities we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by AllianceBernstein or third parties with which we conduct business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to conduct business with and on behalf of our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel.

**Our business is based on the trust and confidence of our clients; any damage to that trust and confidence can cause assets under management to decline and can have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.**

We are dedicated to earning and maintaining the trust and confidence of our clients; the good reputation created thereby is essential to our business. Damage to our reputation could substantially impair our ability to maintain or grow our business.

**We may not always successfully manage potential conflicts of interest that arise in our business.**

Our reputation is one of our most important assets. As our business and client base expand, we increasingly must manage potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client, as well as situations where certain of our employees have access to material non-public information that may not be shared with all employees of our firm. Failure to adequately address potential conflicts of interest could adversely affect our revenues, financial condition, results of operations, and business prospects.

We have procedures and controls that are designed to address and manage conflicts of interest, including those designed to prevent the improper sharing of information. However, appropriately managing conflicts of interest is complex and difficult, and our reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if we fail, or appear to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or enforcement actions.

**Rates we charge for brokerage transactions have declined significantly in recent years, and we expect those declines to continue, which could have an adverse effect on our revenues.**

Fee rates charged for brokerage transactions have declined significantly in recent years and this has affected our Institutional Research Services revenues. To date, increases in transaction volume and market share have more than offset decreases in rates, but this may not continue. Brokerage transaction revenues are also affected by the increasing use of electronic trading systems which charge transaction fees for execution-only services that are a small fraction of the full service fee rates traditionally charged by SCB and other brokers for brokerage services and the provision of proprietary research. Also, regulatory changes in the United Kingdom and the United States have resulted or will result in investors being given more information regarding the allocation of amounts they are paying for brokerage between execution services and research services and this may further reduce the willingness of investors to pay current rates for full-service brokerage. All of these factors may result in reductions in per transaction brokerage fees that SCB charges its clients; we expect these reductions to continue.

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**The costs of insurance are substantial and may increase.**

Our insurance expenses increased significantly between 2001 and 2004 and, although they decreased slightly in 2005 and 2006, increases in the future are possible. In addition, certain insurance coverage may not be available or may only be available at prohibitive costs. As we renew our insurance policies, we may be subject to additional costs resulting from rising premiums, the assumption of higher deductibles and/or co-insurance liability, a revised premium-sharing arrangement with certain U.S. Funds, and, to the extent certain U.S. Funds purchase separate directors and officers/errors and omissions liability coverage, an increased risk of insurance companies disputing responsibility for joint claims. Higher insurance costs and incurred deductibles reduce our net income.

**Our business is subject to pervasive global regulation, the compliance with which could involve substantial expenditures of time and money, and the violation of which could result in material adverse consequences.**

Virtually all aspects of our business are subject to various federal and state laws and regulations, rules of various securities regulators and exchanges, and laws in the foreign countries in which our subsidiaries conduct business. If we violate these laws or regulations, we could be subject to civil liability, criminal liability, or sanction, including revocation of our and our subsidiaries' registrations as investment advisers or broker-dealers, revocation of the licenses of our employees, censures, fines, or temporary suspension or permanent bar from conducting business. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanction, could require substantial expenditures of time and money. Any such liability or sanction could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including, in some cases, the power to limit or restrict doing business for failure to comply with such laws and regulations. Moreover, regulators in non-U.S. jurisdictions could change their policies or laws in a manner that might restrict or otherwise impede our ability to market, distribute, or register investment products in their respective markets. These local requirements could increase the expenses we incur in a specific jurisdiction without any corresponding increase in revenues from operating in the jurisdiction.

Due to the extensive laws and regulations to which we are subject, we devote substantial time and effort to legal and regulatory compliance issues. In addition, the regulatory environment in which we operate changes frequently and regulations have increased significantly in recent years. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

**The financial services industry is highly competitive.**

The financial services industry is intensely competitive. We compete on the basis of a number of factors, including our array of investment services, our investment performance for our clients, innovation, reputation, and price. As our global presence continues to expand, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand.

**We are involved in various legal proceedings and regulatory matters and may be involved in such proceedings in the future, any one or combination of which could have a material adverse effect on our revenues, financial condition, results of operations, and business prospects.**

We are involved in various matters, including employee arbitrations, regulatory inquiries, administrative proceedings, and litigation, some of which allege material damages, and we may be involved in additional matters in the future. Litigation is subject to significant uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, or when the litigation is highly complex or broad in scope. We have described all pending material legal proceedings *in Item 3*.



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***Risks related to the Partnerships' structure***

**The partnership structure of Holding and AllianceBernstein limits unitholders' abilities to influence the management and operation of AllianceBernstein's business and is highly likely to prevent a change in control of Holding and AllianceBernstein.**

The General Partner, as general partner of both Holding and AllianceBernstein, generally has the exclusive right and full authority and responsibility to manage, conduct, control, and operate their respective businesses, except as otherwise expressly stated in their respective Amended and Restated Agreements of Limited Partnership. Holding and AllianceBernstein unitholders have more limited voting rights on matters affecting AllianceBernstein than do holders of common stock in a corporation. The respective Amended and Restated Agreements of Limited Partnership provide that unitholders do not have any right to vote for directors of the General Partner and that unitholders can only vote on certain extraordinary matters (including removal of the General Partner under certain extraordinary circumstances). Additionally, the AllianceBernstein Partnership Agreement includes significant restrictions on transfers of AllianceBernstein Units and provisions that have the practical effect of preventing the removal of the General Partner, which are highly likely to prevent a change in control of AllianceBernstein's management.

**AllianceBernstein Units are illiquid.**

There is no public trading market for AllianceBernstein Units and AllianceBernstein does not anticipate that a public trading market will ever develop. The AllianceBernstein Partnership Agreement restricts our ability to participate in a public trading market or anything substantially equivalent to one by providing that any transfer which may cause AllianceBernstein to be classified as a "publicly traded partnership" as defined in Section 7704 of the Internal Revenue Code of 1986, as amended, shall be deemed void and shall not be recognized by AllianceBernstein. In addition, AllianceBernstein Units are subject to significant restrictions on transfer; all transfers of AllianceBernstein Units are subject to the written consent of AXA Equitable and the General Partner pursuant to the AllianceBernstein Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AllianceBernstein would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer policy that requires a seller to locate a purchaser, and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our corporate secretary (*corporate.secretary@alliancebernstein.com*). Also, we have filed the transfer program as Exhibit 10.09 to this Form 10-K.

**Failure to properly maintain the partnership structure of Holding and AllianceBernstein would have significant tax ramifications.**

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 the 4.0% UBT. Holding is a publicly traded partnership for federal income tax purposes and is subject to the 4.0% UBT, net of credits for UBT paid by AllianceBernstein, and a 3.5% federal tax on partnership gross income from the active conduct of a trade or business.

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.

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 would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, 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 income tax as set forth above.

**Item 1B.**

**Unresolved Staff Comments**

Neither AllianceBernstein nor Holding has unresolved comments from the staff of the SEC to report.

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**Item 2.**

**Properties**

Our principal executive offices at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease which extends until 2029. We currently occupy approximately 837,270 square feet of space at this location. We also occupy approximately 226,374 square feet of space at 135 West 50th Street, New York, New York under a lease expiring in 2029 and approximately 210,756 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2031. AllianceBernstein Investments and Investor Services occupy approximately 134,261 square feet of space in Secaucus, New Jersey, and approximately 92,067 square feet of space in San Antonio, Texas, under leases expiring in 2007 and 2009, respectively. We exercised an early lease termination option, effective 2007, for Secaucus, New Jersey; that lease originally expired in 2016.

We also lease space in 19 other cities in the United States. Our subsidiaries and joint ventures lease space in London, England under leases expiring in 2013, 2015, and 2016, in Tokyo, Japan under leases expiring in 2009, and in 23 other cities outside the United States.

**Item 3.**

**Legal Proceedings**

With respect to all significant litigation matters, we conduct a probability assessment of 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 (“SFAS No. 5”), “*Accounting for Contingencies*”, and Financial Accounting Standards Board (“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 indicate 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 significant uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, or when the litigation is highly complex or broad in scope.

On April 8, 2002, *In re Enron Corporation Securities Litigation*, a consolidated complaint (as subsequently amended, “Enron Complaint”) was filed in the United States District Court for the Southern District of Texas, Houston Division, against numerous defendants, including AllianceBernstein, alleging that AllianceBernstein violated Sections 11 and 15 of the Securities Act with respect to a registration statement filed by Enron Corp. On January 2, 2007, the court issued a final judgment dismissing the Enron Complaint as the allegations therein pertained to AllianceBernstein. The parties have agreed that there will be no appeal.

**Market Timing-related Matters**

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 AllianceBernstein, Holding, the General Partner, AXA Financial, the U.S. Funds, the registrants and issuers of those funds, certain officers of AllianceBernstein (“AllianceBernstein defendants”), and certain unaffiliated defendants, as well as unnamed Doe defendants. The Hindo Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of two of the U.S. Funds. The Hindo Complaint alleges that certain of the AllianceBernstein defendants failed to disclose that they improperly allowed certain hedge funds and other unidentified parties to engage in “late trading” and “market timing” of U.S. Fund securities, violating Sections 11 and 15 of the Securities Act, Sections 10(b) and 20(a) of the Exchange Act, and Sections 206 and 215 of the Investment Advisers Act. Plaintiffs seek an unspecified amount of compensatory damages and rescission of their contracts with AllianceBernstein, including recovery of all fees paid to AllianceBernstein pursuant to such contracts.

Following October 2, 2003, additional lawsuits making factual allegations generally similar to those in the Hinds Complaint were filed in various federal and state courts against AllianceBernstein and certain other defendants. All state court actions against AllianceBernstein either were voluntarily dismissed or removed to federal court. On February 20, 2004, the Judicial Panel on Multidistrict Litigation transferred all federal actions to the United States District Court for the District of Maryland (“Mutual Fund MDL”). 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 ERISA by participants in the Profit Sharing Plan for Employees of AllianceBernstein. All four complaints included substantially identical factual allegations, which appear to be based in large part on the SEC Order and the NYAG AoD.

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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 (“MOU”) 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.

On April 11, 2005, a complaint entitled *The Attorney General of the State of West Virginia v. AIM Advisors, Inc., et al.* (“WVAG Complaint”) was filed against AllianceBernstein, Holding, and various unaffiliated defendants. The WVAG Complaint was filed in the Circuit Court of Marshall County, West Virginia by the Attorney General of the State of West Virginia. The WVAG Complaint makes factual allegations generally similar to those in the Hindo Complaint. On October 19, 2005, the WVAG Complaint was transferred to the Mutual Fund MDL. On August 30, 2005, the WV Securities Commissioner signed a Summary Order to Cease and Desist, and Notice of Right to Hearing (“Summary Order”) addressed to AllianceBernstein and Holding. The Summary Order claims that AllianceBernstein and Holding violated the West Virginia Uniform Securities Act and makes factual allegations generally similar to those in the SEC Order and NYAG AoD. On January 25, 2006, AllianceBernstein and Holding moved to vacate the Summary Order. In early September 2006, the court denied this motion, and the Supreme Court of Appeals in West Virginia denied our petition for appeal. On September 22, 2006, we filed an answer and moved to dismiss the Summary Order with the WV Securities Commissioner.

We intend to vigorously defend against the allegations in the WVAG Complaint and the Summary Order. At the present time, we are unable to predict the outcome or estimate a possible loss or range of loss in respect of these matters because of the inherent uncertainty regarding the outcome of complex litigation, the fact that plaintiffs did not specify an amount of damages sought in their complaint, and the fact that, to date, we have not engaged in settlement negotiations.

**Revenue Sharing-related Matters**

On June 22, 2004, a purported class action complaint entitled *Aucoin, et al. v. Alliance Capital Management L.P., et al.* (“Aucoin Complaint”) was filed against AllianceBernstein, Holding, the General Partner, AXA Financial, AllianceBernstein Investments, certain current and former directors of the U.S. Funds, and unnamed Doe defendants. The Aucoin Complaint names the U.S. Funds as nominal defendants. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of the AllianceBernstein Growth & Income Fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from U.S. Fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with AllianceBernstein, including recovery of all fees paid to AllianceBernstein pursuant to such contracts, an accounting of all U.S. Fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

On February 2, 2005, plaintiffs filed a consolidated amended class action complaint (“Aucoin Consolidated Amended Complaint”) that asserted claims substantially similar to the Aucoin Complaint and nine additional subsequently-filed lawsuits. On October 19, 2005, the United States District Court for the Southern District of New York dismissed each of the claims set forth in the Aucoin Consolidated Amended Complaint, except for plaintiffs’ claim under Section 36(b) of the Investment Company Act. On January 11, 2006, the District Court granted defendants’ motion for reconsideration and dismissed the remaining Section 36(b) claim. On May 31, 2006, the District Court denied plaintiffs’ motion for leave to file their amended complaint. On July 5, 2006, plaintiffs filed a notice of appeal, which was subsequently withdrawn subject to plaintiffs’ right to reinstate it at a later date.

We believe that plaintiffs’ allegations in the Aucoin Consolidated Amended Complaint are without merit and intend to vigorously defend against these allegations. 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, the fact that plaintiffs did not specify an amount of damages sought in their complaint, and the fact that, to date, we have not engaged in settlement negotiations.

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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, we believe 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.

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

Neither AllianceBernstein nor Holding submitted a matter to a vote of security holders during the fourth quarter of 2006.

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Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market for Holding Units and AllianceBernstein Units; Cash Distributions**

Holding Units trade publicly on the NYSE under the ticker symbol "AB".

There is no established public trading market for AllianceBernstein Units, which are subject to significant restrictions on transfer. In general, transfers of AllianceBernstein Units will be allowed only with the written consent of both AXA Equitable and the General Partner. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AllianceBernstein would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer policy, a copy of which you may request from our corporate secretary (*corporate.secretary@alliancebernstein.com*). Also, we have filed the transfer program as Exhibit 10.09 to this Form 10-K.

Each of Holding and AllianceBernstein distributes on a quarterly basis all of its Available Cash Flow, as defined in the Holding Partnership Agreement and AllianceBernstein Partnership Agreement, to its unitholders and the General Partner. For additional information concerning distribution of Available Cash Flow by Holding, *see Note 2 to Holding's financial statements in Item 8*. For additional information concerning distribution of Available Cash Flow by AllianceBernstein, *see Note 2 to AllianceBernstein's consolidated financial statements in Item 8*.

Holding's principal source of income and cash flow is attributable to its limited partnership interests in AllianceBernstein.

The tables set forth below provide the distributions of Available Cash Flow made by AllianceBernstein and Holding during 2006 and 2005 and the high and low sale prices of Holding Units on the NYSE during 2006 and 2005:

	<b>Quarters Ended 2006</b>			
	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
Cash distributions per AllianceBernstein Unit <sup>(1)</sup>	\$ 1.60	\$ 0.96	\$ 0.99	\$ 0.87
Cash distributions per Holding Unit <sup>(1)</sup>	\$ 1.48	\$ 0.87	\$ 0.89	\$ 0.78
Holding Unit prices:				
High	\$ 82.92	\$ 71.03	\$ 72.11	\$ 66.60
Low	\$ 68.27	\$ 56.10	\$ 55.50	\$ 56.12

	<b>Quarters Ended 2005</b>			
	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
Cash distributions per AllianceBernstein Unit <sup>(1)</sup>	\$ 1.12	\$ 0.82	\$ 0.76	\$ 0.63
Cash distributions per Holding Unit <sup>(1)</sup>	\$ 1.02	\$ 0.74	\$ 0.68	\$ 0.56
Holding Unit prices:				
High	\$ 58.46	\$ 48.39	\$ 47.75	\$ 49.90
Low	\$ 46.00	\$ 43.65	\$ 42.35	\$ 40.25

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(1)

Declared and paid during the following quarter.

On January 31, 2007, the closing price of Holding Units on the NYSE was \$90.09 per Unit and there were approximately 1,106 Holding Unitholders of record for approximately 90,000 beneficial owners. On January 31, 2007, there were approximately 512 AllianceBernstein Unitholders of record, and we do not believe there are substantial additional beneficial owners.

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Table of Contents**Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities**

As reported in our Form 10-Q for the quarter ended March 31, 2005, on February 25, 2005 and April 1, 2004, we allocated 131,873 and 262,510 Holding Units, respectively, with aggregate values of \$5,538,640 and \$9,191,996, respectively, for the benefit of certain of our employees under an employee award plan. An exemption from registration under Section 4(2) of the Securities Act was available for the allocation of the Holding Units because such transactions did not involve a public offering.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information relating to any Holding Units bought by us or one of our affiliates in the fourth quarter of the fiscal year covered by this report:

**Issuer Purchases of Equity Securities**

Period	(a) Total Number of Holding Units Purchased	(b) Average Price Paid Per Holding Unit, net of Commissions	(c) (d) Total Number of Dollar Value) of Holding Units Holding Units that Purchased as May Yet Be Part of Publicly Purchased Under Announced Plans the Plans or or Programs Programs	
10/1/06-10/31/06 <sup>(1)</sup>	74,405	\$ 68.99	—	—
11/1/06-11/30/06	—	—	—	—
12/1/06-12/31/06 <sup>(2)</sup>	40,642	76.98	—	—
<b>Total</b>	<b>115,047</b>	<b>\$ 71.81</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup>On October 2, 2006, we purchased these Holding Units from employees to allow them to fulfill statutory withholding tax requirements at the time of distribution of deferred compensation awards.

<sup>(2)</sup>On December 1, 2006, we purchased these Holding Units from employees to allow them to fulfill statutory withholding tax requirements at the time of distribution of deferred compensation awards.

The following table provides information relating to any AllianceBernstein Units bought by us or one of our affiliates in the fourth quarter of the fiscal year covered by this report:

**Issuer Purchases of Equity Securities**

Period	(a) Total Number of AllianceBernstein Units Purchased	(b) Average Price Paid Per Unit, net of Commissions	(c) (d) Total Number of Maximum AllianceBernstein Number Units Purchased as (or Approximate Part of Publicly Dollar Value) of Announced Plans AllianceBernstein or Programs Units that May Yet Be Purchased	

**Under the Plans or  
Programs**

10/1/06-10/31/06

—\$

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