

ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-Q
October 24, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission File No. 001-09818

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

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

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

Yes

No

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

to submit and post such files).

Yes T

No o

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

Large accelerated filer T

Accelerated filer o

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

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

Yes o

No T

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2012 was 105,173,342.*

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

ALLIANCEBERNSTEIN HOLDING L.P.

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Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Investment in AllianceBernstein	\$ 1,605,472	\$ 1,627,912
Other assets	—	1,072
Total assets	\$ 1,605,472	\$ 1,628,984
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Other liabilities	\$ 701	\$ 358
Due to AllianceBernstein	4,307	2,453
Total liabilities	5,008	2,811
Commitments and contingencies (See Note 7)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,380	1,416
Limited partners: 105,073,342 and 105,073,342 limited partnership units issued and outstanding	1,729,311	1,760,388
Holding Units held by AllianceBernstein to fund deferred compensation plans	(117,910)	(121,186)
Accumulated other comprehensive loss	(12,317)	(14,445)
Total partners' capital	1,600,464	1,626,173
Total liabilities and partners' capital	\$ 1,605,472	\$ 1,628,984

See Accompanying Notes to Condensed Financial Statements.

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

	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Equity in net (loss) income attributable to AllianceBernstein Unitholders	\$ (16,595)	\$ 34,074	\$ 43,915	\$ 127,877
Income taxes	6,547	7,071	19,019	21,682
Net (loss) income	\$ (23,142)	\$ 27,003	\$ 24,896	\$ 106,195
Net (loss) income per unit:				
Basic	\$ (0.23)	\$ 0.26	\$ 0.25	\$ 1.02
Diluted	\$ (0.23)	\$ 0.26	\$ 0.25	\$ 1.02

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net (loss) income	\$ (23,142)	\$ 27,003	\$ 24,896	\$ 106,195
Other comprehensive income (loss), before taxes:				
Foreign currency translation adjustments	2,298	(4,367)	1,569	3,362
Unrealized gains on investments:				
Unrealized gains (losses) arising during period	120	(345)	410	(136)
Less: reclassification adjustment for gains (losses) included in net income	(17)	15	(10)	(33)
Change in unrealized gains (losses) on investments	137	(360)	420	(103)
Changes in employee benefit related items:				
Amortization of transition asset	(13)	(13)	(40)	(40)
Amortization of prior service cost	10	10	30	30
Recognized actuarial loss (gain)	79	(13)	124	7
Other comprehensive income (loss), before taxes	2,511	(4,743)	2,103	3,256
Income tax benefit (expense)	(146)	(156)	26	(417)
Comprehensive (loss) income	\$ (20,777)	\$ 22,104	\$ 27,025	\$ 109,034

See Accompanying Notes to Condensed Financial Statements.

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

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$24,896	\$106,195
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income attributable to AllianceBernstein Unitholders	(43,915)	(127,877)
Cash distributions received from AllianceBernstein	77,829	145,102
Changes in assets and liabilities:		
Decrease (increase) in other assets	1,072	(129)
Increase in payable to AllianceBernstein	1,854	992
Increase (decrease) in other liabilities	343	(197)
Net cash provided by operating activities	62,079	124,086
Cash flows from investing activities:		
Investments in AllianceBernstein from cash distributions paid to AllianceBernstein consolidated rabbi trust	(6,071)	(3,371)
Investments in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units	—	(1,476)
Net cash used in investing activities	(6,071)	(4,847)
Cash flows from financing activities:		
Cash distributions to unitholders	(56,008)	(120,715)
Proceeds from exercise of compensatory options to buy Holding Units	—	1,476
Net cash used in financing activities	(56,008)	(119,239)
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	\$—	\$—

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.
Notes to Condensed Financial Statements
September 30, 2012
(unaudited)

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

1. Business Description and Organization

Holding’s principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership interests. The condensed financial statements and notes of Holding should be read in conjunction with the condensed consolidated financial statements and notes of AllianceBernstein included as an exhibit to this quarterly report on Form 10-Q and with Holding’s and AllianceBernstein’s audited financial statements included in Holding’s Form 10-K for the year ended December 31, 2011.

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

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

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

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

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

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

AllianceBernstein’s high-quality, in-depth research is the foundation of its business. AllianceBernstein’s research disciplines include fundamental, quantitative and economic research and currency forecasting. In addition, AllianceBernstein has created several specialized research initiatives, including research examining global strategic developments that can affect multiple industries and geographies.

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

- Value equities, generally targeting stocks that are out of favor and considered undervalued;

- Growth equities, generally targeting stocks with under-appreciated growth potential;
 - Fixed income securities, including taxable and tax-exempt securities;
 - Blend strategies, combining style-pure investment components with systematic rebalancing;
 - Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds, currency management strategies and private equity (e.g., direct real estate investing); and
- Asset allocation services, including dynamic asset allocation, customized target date funds, target risk funds and other strategies tailored to help clients meet their investment goals.

AllianceBernstein provides 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 geography (e.g., U.S., international, global and emerging markets), as well as local and regional disciplines in major markets around the world.

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As of September 30, 2012, AXA, a société anonyme organized under the laws of France and the holding company for an international group of insurance and related financial services companies, through certain of its subsidiaries (“AXA and its subsidiaries”) owned approximately 1.4% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding (“Holding Units”).

As of September 30, 2012, the ownership structure of AllianceBernstein, expressed as a percentage of general and limited partnership interests, was as follows:

AXA and its subsidiaries	61.0	%
Holding	37.5	
Unaffiliated holders	1.5	
	100.0	%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both Holding and AllianceBernstein. AllianceBernstein Corporation owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including both the general partnership and limited partnership interests in Holding and AllianceBernstein, AXA and its subsidiaries had an approximate 64.2% economic interest in AllianceBernstein as of September 30, 2012.

2. Summary of Significant Accounting Policies

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The December 31, 2011 condensed statement of financial condition was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Investment in AllianceBernstein

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

Revision

During the second quarter of 2012, we revised prior period amounts recorded for our cash distributions to AllianceBernstein on unallocated Holding Units held in its consolidated rabbi trust from due from AllianceBernstein to investments in AllianceBernstein in the condensed statements of financial condition. In addition, changes in due from AllianceBernstein included in cash flows from operating activities in prior periods are now presented as additional investments in AllianceBernstein included in cash flows from investing activities. As of March 31, 2012, the cumulative impact of the revision on the investment in AllianceBernstein in the condensed statement of financial condition was \$8.8 million and the impact of the revision for the full year 2011 in the statement of cash flows was

\$5.7 million. Management concluded that the revision did not, individually or in the aggregate, result in a material misstatement of Holding's financial statement for any prior period.

Cash Distributions

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

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On October 24, 2012, the General Partner declared a distribution of \$37.9 million, or \$0.36 per unit, representing Available Cash Flow for the three months ended September 30, 2012. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution is payable on November 21, 2012 to holders of record at the close of business on November 5, 2012.

Deferred Compensation Plans

AllianceBernstein maintains several unfunded, non-qualified deferred compensation plans under which annual awards to employees are made generally in the fourth quarter.

For awards made before 2009, participants were permitted to allocate their awards: (i) among notional investments in Holding Units, certain of the investment services AllianceBernstein provided to clients and a money market fund or (ii) under limited circumstances, in options to buy Holding Units.

- AllianceBernstein made investments in its services that were notionally elected by participants and maintained them in a consolidated rabbi trust or separate custodial account.
- Awards generally vested over four years but could vest more quickly depending on the terms of the individual award, the age of the participant, or the terms of the participant's employment, separation or retirement agreement. Upon vesting, an award is distributed to the participant unless the participant has made a voluntary long-term election to defer receipt.
- Quarterly cash distributions on unvested Holding Units for which a long-term deferral election has not been made are paid currently to participants. Quarterly cash distributions on notional investments in Holding Units and income credited on notional investments in our investment services or the money market fund for which a long-term deferral election has been made are reinvested and distributed as elected by participants.
- Prior to a fourth quarter 2011 amendment made to all outstanding deferred incentive compensation awards of active employees (discussed below), compensation expense for awards under the plans, including changes in participant account balances resulting from gains and losses on related investments (other than in Holding Units and options to buy Holding Units), was recognized by AllianceBernstein on a straight-line basis over the applicable vesting periods. Mark-to-market gains or losses on investments made to fund deferred compensation obligations (other than in Holding Units and options to buy Holding Units) were, and continue to be, recognized by AllianceBernstein as investment gains (losses) in the condensed consolidated statements of income. In addition, equity in the earnings of investments in limited partnership hedge funds made to fund deferred compensation obligations was, and continues to be, recognized by AllianceBernstein as investment gains (losses) in the condensed consolidated statements of income.

Awards in 2010 and 2009 consisted solely of restricted Holding Units and deferred cash. (In 2010, deferred cash was an option available only to certain non-U.S. employees.)

- AllianceBernstein engaged in open-market purchases of Holding Units, or purchased newly-issued Holding Units from Holding, that were awarded to participants and held them in a consolidated rabbi trust.
- Upon vesting, awards are distributed to participants unless the participant has made a voluntary long-term election to defer receipt.
- Quarterly cash distributions on vested and unvested Holding Units are paid currently to participants, regardless of whether or not a long-term deferral election has been made.

·Prior to a fourth quarter 2011 amendment made to all outstanding deferred incentive compensation awards of active employees (discussed below), compensation expense for awards under the plans was recognized by AllianceBernstein on a straight-line basis over the applicable vesting periods.

Awards in 2011 allowed participants to allocate their awards between restricted Holding Units and deferred cash. Participants (except certain members of senior management) generally could allocate up to 50% of their awards to deferred cash, not to exceed a total of \$250,000 per award, and had until January 13, 2012 to make their elections. The number of restricted Holding Units issued equaled the remaining dollar value of the award divided by the average of the closing prices of a Holding Unit for the five business day period that commenced on January 13, 2012 and concluded on January 20, 2012.

·AllianceBernstein engaged in open-market purchases of Holding Units, or purchased newly-issued Holding Units from Holding, that were awarded to participants and held in a consolidated rabbi trust.

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- Quarterly distributions on vested and unvested Holding Units are paid currently to participants, regardless of whether or not a long-term deferral election has been made.
- Interest on deferred cash is accrued monthly based on AllianceBernstein's monthly weighted average cost of funds.

During the fourth quarter of 2011, AllianceBernstein implemented changes to its employee long-term incentive compensation award program designed to better align the costs of employee compensation and benefits with the company's current year financial performance, and provide employees with a higher degree of certainty that they will receive the incentive compensation they are awarded. Specifically, AllianceBernstein amended all outstanding year-end deferred incentive compensation awards of active employees, so that employees who terminate their employment or are terminated without cause may retain their award, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition and employee and client solicitation, and a claw-back for failing to follow existing risk management policies. Most equity replacement, sign-on or similar deferred compensation awards included in separate employment agreements or arrangements were not amended.

AllianceBernstein recognizes compensation expense related to equity compensation grants in the financial statements using the fair value method. Fair value of restricted Holding Unit awards is the closing price of a Holding Unit on the grant date; fair value of options is determined using the Black-Scholes option valuation model. Under the fair value method, compensatory expense is measured at the grant date based on the estimated fair value of the award and is recognized over the required service period. Prior to the amendment made to the employee long-term incentive compensation award program in the fourth quarter of 2011, an employee's service requirement was typically the same as the delivery dates. This amendment eliminated employee service requirements, but did not modify delivery dates contained in the original award agreements.

As a result of this change, AllianceBernstein recorded a one-time, non-cash charge of \$587.1 million in the fourth quarter of 2011 for all unrecognized deferred incentive compensation on the amended outstanding awards from prior years. In addition, upon approval and communication of the dollar value of the 2011 awards in December 2011, AllianceBernstein recorded 100% of the expense associated with its 2011 deferred incentive compensation awards of \$159.9 million. In January 2012, 8.7 million restricted Holding Units held in the consolidated rabbi trust were awarded for the 2011 awards and AllianceBernstein reclassified \$130.3 million of the liability to partners' cap