# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2006-05-08** | Period of Report: **2006-03-31**
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## FILER

**ALLIANCEBERNSTEIN L.P.**

CIK:**1109448**| IRS No.: **134064930** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-29961** | Film No.: **06817089**
SIC: **6282** Investment advice

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 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 No. 000-29961**

# ALLIANCEBERNSTEIN L.P.

(Exact name of registrant as specified in its charter)

| **Delaware** | **13-4064930** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

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

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

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

**Yes** ☒ **No** ☐

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

**Yes** ☐ **No** ☒

The number of units of limited partnership interest outstanding as of March 31, 2006 was 257,523,620.

ALLIANCEBERNSTEIN L.P.

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Part I

FINANCIAL INFORMATION



Part II

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Part I

## FINANCIAL INFORMATION

### Item 1. Financial Statements

**ALLIANCEBERNSTEIN L.P.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of Financial Condition**
(in thousands)

| | 3/31/06 (unaudited) | 12/31/05 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 775,955 | $ 654,168 |
| Cash and securities segregated, at market (cost: $1,629,511 and $1,720,295) | 1,629,805 | 1,720,809 |
| Receivables, net: | | |
| Brokers and dealers | 2,381,840 | 2,093,461 |
| Brokerage clients | 388,722 | 429,586 |
| Fees, net | 442,327 | 413,198 |
| Investments | 580,658 | 345,045 |
| Furniture, equipment and leasehold improvements, net | 244,689 | 236,309 |
| Goodwill, net | 2,876,657 | 2,876,657 |
| Intangible assets, net | 300,150 | 305,325 |
| Deferred sales commissions, net | 200,074 | 196,637 |
| Other investments | 80,335 | 86,369 |
| Other assets | 126,798 | 132,916 |
| **Total assets** | **$ 10,028,010** | **$ 9,490,480** |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| Liabilities: | | |
| Payables: | | |
| Brokers and dealers | $ 1,234,711 | $ 1,057,274 |
| Brokerage clients | 3,147,430 | 2,929,500 |
| AllianceBernstein mutual funds | 156,049 | 140,603 |
| Accounts payable and accrued expenses | 298,605 | 286,449 |
| Accrued compensation and benefits | 413,181 | 357,321 |

| | | |
|---|---|---|
| Debt | 446,288 | 407,291 |
| Minority interests in consolidated subsidiaries | 11,046 | 9,368 |
| **Total liabilities** | **5,707,310** | **5,187,806** |
| | | |
| Commitments and contingencies (See Note 5) | | |
| | | |
| **Partners' capital** | **4,320,700** | **4,302,674** |
| **Total liabilities and partners' capital** | **$ 10,028,010** | **$ 9,490,480** |

See Accompanying Notes to Condensed Consolidated Financial Statements.



**ALLIANCEBERNSTEIN L.P.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of Income**
(in thousands, except per unit amounts)
(unaudited)

| | Three Months Ended | |
|---|---|---|
| | **3/31/06** | **3/31/05** |
| **Revenues:** | | |
| Investment advisory and services fees | $ 626,719 | $ 517,428 |
| Distribution revenues | 102,830 | 107,833 |
| Institutional research services | 95,767 | 93,959 |
| Dividend and interest income | 55,328 | 25,082 |
| Investment gains (losses) | 26,229 | (5,680) |
| Other revenues | 37,005 | 28,615 |
| Total revenues | 943,878 | 767,237 |
| Less: Interest expense | 44,759 | 16,992 |
| Net revenues | 899,119 | 750,245 |
| | | |
| **Expenses:** | | |
| Employee compensation and benefits | 370,347 | 285,062 |
| Promotion and servicing: | | |
| Distribution plan payments | 71,045 | 91,438 |
| Amortization of deferred sales commissions | 26,381 | 36,548 |
| Other | 48,865 | 47,110 |
| General and administrative | 126,607 | 99,879 |
| Interest on borrowings | 7,431 | 6,272 |
| Amortization of intangible assets | 5,175 | 5,175 |
| | 655,851 | 571,484 |
| | | |
| **Income before income taxes** | **243,268** | **178,761** |
| | | |
| Income taxes | 15,695 | 10,254 |
| | | |
| **Net income** | **$ 227,573** | **$ 168,507** |

| | | |
|---|---|---|
| **Net income per unit:** | | |
| **Basic** | **$ 0.88** | **$ 0.66** |
| **Diluted** | **$ 0.87** | **$ 0.65** |

See Accompanying Notes to Condensed Consolidated Financial Statements.



**ALLIANCEBERNSTEIN L.P.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of**
**Changes in Partners' Capital**
**and Comprehensive Income**
(in thousands)
(unaudited)

| | Three Months Ended | |
|---|---|---|
| | 3/31/06 | 3/31/05 |
| **Partners' capital - beginning of period** | **$ 4,302,674** | **$ 4,183,698** |
| Comprehensive income: | | |
| Net income | 227,573 | 168,507 |
| Other comprehensive income: | | |
| Unrealized gain (loss) on investments, net | 603 | (813) |
| Foreign currency translation adjustment, net | (2,976) | 67 |
| Comprehensive income | 225,200 | 167,761 |
| Capital contributions from General Partner | 767 | 739 |
| Cash distributions to General Partner and unitholders | (290,776) | (230,986) |
| Purchases of Holding Units to fund deferred compensation plans, net | (16,115) | (6,388) |
| Issuance of Holding Units in exchange for cash awards made under the Partners Compensation Plan | 47,161 | – |
| Compensatory Holding Unit options expense | 618 | 564 |
| Amortization of deferred compensation expense | 11,316 | 14,411 |
| Additional investment by Holding with proceeds from exercise of compensatory options for Holding Units | 39,855 | 16,650 |
| **Partners' capital - end of period** | **$ 4,320,700** | **$ 4,146,449** |

See Accompanying Notes to Condensed Consolidated Financial Statements.



**ALLIANCEBERNSTEIN L.P.**
**AND SUBSIDIARIES**
**Condensed Consolidated Statements of Cash Flows**
(in thousands)
(unaudited)

| | Three Months Ended |
|---|---|

| | 3/31/06 | 3/31/05 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 227,573 | $ 168,507 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of deferred sales commissions | 26,381 | 36,548 |
| Amortization of deferred compensation | 19,473 | 24,077 |
| Depreciation and other amortization | 17,846 | 16,577 |
| Other, net | (22,714) | 7,069 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in segregated cash and securities | 91,004 | (201,275) |
| (Increase) in receivable from brokers and dealers | (288,461) | (147,480) |
| Decrease in receivable from brokerage clients | 40,864 | 7,716 |
| (Increase) in fees receivable, net | (30,772) | (19,368) |
| (Increase) in trading investments | (179,534) | (163,192) |
| (Increase) in deferred sales commissions | (29,816) | (15,671) |
| Decrease in other investments | 8,784 | 33,168 |
| Decrease (increase) in other assets | 5,371 | (8,424) |
| Increase in payable to brokers and dealers | 177,550 | 247,280 |
| Increase (decrease) in payable to brokerage clients | 217,930 | (2,677) |
| Increase in payable to AllianceBernstein mutual funds | 15,564 | 56,676 |
| Increase (decrease) in accounts payable and accrued expenses | 11,740 | (2,699) |
| Increase in accrued compensation and benefits, less deferred compensation | 95,762 | 40,359 |
| **Net cash provided by operating activities** | **404,545** | **77,191** |
| | | |
| Cash flows from investing activities: | | |
| Purchases of investments | (32,874) | (1,439) |
| Proceeds from sales of investments | 252 | 10,614 |
| Additions to furniture, equipment and leasehold improvements | (20,922) | (23,739) |
| **Net cash used in investing activities** | **(53,544)** | **(14,564)** |
| | | |
| Cash flows from financing activities: | | |
| Issuance (repayments) of commercial paper, net | 38,068 | (84) |
| Cash distributions to General Partner and unitholders | (290,776) | (230,986) |
| Capital contributions from General Partner | 767 | 739 |
| Additional investment by Holding with proceeds from exercise of compensatory options for Holding Units | 39,855 | 16,650 |
| Purchases of Holding Units to fund deferred compensation plans, net | (16,115) | (6,388) |
| **Net cash used in financing activities** | **(228,201)** | **(220,069)** |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | (1,013) | (1,050) |
| | | |
| **Net increase (decrease) in cash and cash equivalents** | **121,787** | **(158,492)** |
| Cash and cash equivalents as of beginning of period | 654,168 | 1,061,523 |
| **Cash and cash equivalents as of end of period** | **$ 775,955** | **$ 903,031** |
| | | |
| Non-cash financing activities: | | |
| Issuance of Holding Units in exchange for cash awards made under the Partners Compensation Plan | $ 47,161 | $ – |

See Accompanying Notes to Condensed Consolidated Financial Statements.

**ALLIANCEBERNSTEIN L.P.**
**AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**March 31, 2006**
(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 bold text.*

*These statements should be read in conjunction with AllianceBernstein's audited consolidated financial statements included in AllianceBernstein's Form 10-K for the year ended December 31, 2005.*

## 1. Organization and Business Description

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

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

Retail Services – servicing individual investors, primarily by means of retail mutual funds sponsored by AllianceBernstein, our subsidiaries or affiliated joint venture companies, sub-advisory relationships in respect of mutual funds sponsored by third parties, separately managed account programs that are sponsored by registered broker-dealers, and other investment vehicles.

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

Institutional Research Services – servicing institutional investors desiring institutional research services including in-depth research, portfolio strategy, trading, and brokerage-related services.

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

We provide a broad range of investment services with expertise in:

Growth and value equity, the two predominant equity strategies;

Blend, combining growth and value components and systematic rebalancing between the two;

Fixed income, including both taxable and tax-exempt securities;

Balanced, combining equity and fixed income components; and

Passive, including both index and enhanced index strategies.

We manage these strategies 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.

We have a broad foundation in fundamental research, including comprehensive industry and company coverage from the differing perspectives of growth, value, and fixed income, as well as global economic and currency forecasting capabilities and quantitative research.

As of March 31, 2006, AXA, a *société anonyme* organized under the laws of France and the holding company



for an international group of insurance and related financial services companies, AXA Financial, Inc. (an indirect wholly-owned subsidiary of AXA, "AXA Financial"), AXA Equitable Life Insurance Company (a wholly-owned subsidiary of AXA Financial, "AXA Equitable") and certain subsidiaries of AXA Equitable, collectively referred to as "AXA and its subsidiaries", owned approximately 1.7% of the issued and outstanding Holding Units.

As of March 31, 2006, the ownership structure of AllianceBernstein, as a percentage of limited partnership interests, was as follows:

| | |
|---|---|
| AXA and its subsidiaries | 59.6% |
| Holding | 32.7 |
| SCB Partners Inc. (a wholly-owned subsidiary of SCB Inc.; formerly known as Sanford C. Bernstein Inc.) | 6.3 |
| Other | 1.4 |
| | 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 (which receive quarterly distributions equal to those received by limited partnership units) in Holding and a 1% general partnership interest in AllianceBernstein. Including the general partnership interests in AllianceBernstein and Holding, and their equity interest in Holding, as of March 31, 2006, AXA and its subsidiaries had an approximate 60.6% economic interest in AllianceBernstein.

## 2. Summary of Significant Accounting Policies

***Basis of Presentation***

The interim condensed consolidated financial statements of AllianceBernstein included herein have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed consolidated 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, 2005 condensed consolidated 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.

With respect to the unaudited condensed consolidated interim financial information of AllianceBernstein L.P. for the three-month period ended March 31, 2006, included in this quarterly report on Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated

May 8, 2006 appearing herein, state that they did not audit and they do not express an opinion on that unaudited condensed consolidated interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933, as amended ("Securities Act") for their report on the unaudited condensed consolidated interim financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Securities Act.

***Principles of Consolidation***

The condensed consolidated financial statements include AllianceBernstein, its majority-owned and/or controlled subsidiaries and company-sponsored mutual funds during their start-up periods. All significant inter-company transactions and balances among the consolidated entities have been eliminated.



The equity method of accounting is used for unconsolidated joint ventures and, in accordance with Emerging Issues Task Force D-46, "*Accounting for Limited Partnership Investments*", for investments made primarily to seed limited partnership hedge funds that we sponsor and manage during their start-up periods. The investments are included in "other investments" on the condensed consolidated balance sheets and the related investment income and gains and losses are included in "other revenues" on the condensed consolidated statements of income.

***Reclassifications***

Certain prior period amounts have been reclassified to conform to the current year presentation. These include the reclassification of $18.7 million of transaction charges revenues from investment advisory and services fees to institutional research services on the condensed consolidated statement of income.

***Cash Distributions***

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

net cash provided by operating activities of AllianceBernstein,

proceeds from borrowings and from sales or other dispositions of assets in the ordinary course of business, and

income from investments in marketable securities, liquid investments, and other financial instruments that are acquired for investment purposes and that have a value that may be readily established,

and then subtracting from this amount the sum of :

payments in respect of the principal of borrowings, and

amounts expended for the purchase of assets in the ordinary course of business.

On April 26, 2006, the General Partner declared a distribution of $226.3 million, or $0.87 per AllianceBernstein Unit, representing the distribution of Available Cash Flow for the three months ended March 31, 2006. The distribution is payable on May 18, 2006 to holders of record as of May 8, 2006.

***Fees Receivable, Net***

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

***Goodwill, Net***

On October 2, 2000, AllianceBernstein acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. ("Bernstein"), and assumed the liabilities of Bernstein ("Bernstein Transaction"). The purchase price consisted of a cash payment of approximately $1.5 billion and 40.8 million newly issued AllianceBernstein Units. AXA Financial purchased approximately 32.6 million newly issued AllianceBernstein Units for $1.6 billion on June 21, 2000, to fund the cash portion of the purchase price.

The Bernstein Transaction was accounted for under the purchase method with the results of Bernstein included in the consolidated financial statements from the acquisition date. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. Portions of the purchase



price were identified as net tangible assets of $0.1 billion and costs assigned to contracts acquired of $0.4 billion. The excess of the purchase price over the fair value of identifiable assets acquired resulted in the recognition of goodwill of approximately $3.0 billion.

In accordance with Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), *"Goodwill and Other Intangible Assets"*, we test goodwill at least annually, as of September 30, for impairment. As of September 30, 2005, the impairment test indicated that goodwill was not impaired. Also, as of March 31, 2006, management believes that goodwill was not impaired.

***Intangible Assets, Net***

Intangible assets consist of costs assigned to investment management contracts of SCB Inc., less accumulated amortization. In order to determine the fair market value and the remaining useful lives of these investment management contracts, we performed an analysis as of October 2, 2000, the acquisition date, that considered the following factors:

The nature and characteristics of the intangible assets, including:

the historical and expected future economic benefits associated with the assets as of the valuation date,

the historical and expected attrition associated with the assets, and

any special rights associated with the assets;

The historical and then-current financial condition and operating results of SCB Inc.;

Discussions with management of SCB Inc. and others to improve our understanding of the nature of the intangible assets; and

Reviews of market data and other available information relating to SCB Inc. and the investment management industry.

Intangible assets are being amortized over the estimated useful life of approximately 20 years. The gross carrying amount and accumulated amortization of intangible assets subject to amortization totaled $414.0 million and $113.8 million as of March 31, 2006, respectively. Amortization expense was $5.2 million for each of the three months ended March 31, 2006 and 2005, and estimated annual amortization expense for each of the next five years is approximately $20.7 million. Management tests intangible assets for impairment quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of these assets. As of March 31, 2006, management believes that intangible assets were not impaired.

***Deferred Sales Commissions, Net***

Sales commissions paid to financial intermediaries in connection with the sale of shares of open-end company-sponsored mutual funds sold without a front-end sales charge are capitalized as deferred sales commissions and amortized over periods not exceeding five and one-half years, the periods of time during which deferred sales commissions are generally recovered from distribution services fees received from those funds and from contingent deferred sales charges (“CDSC”) received from shareholders of those funds upon the redemption of their shares. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received.

Management tests the deferred sales commission asset for recoverability quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Significant assumptions utilized to estimate the company’ s future average assets under management and undiscounted future cash flows from back-end load shares include expected future market performance and redemption rates. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. Management considers the results of these analyses performed at various dates. If management determines in the future that an impairment condition exists a loss would be recorded. The amount of the loss would be measured as the amount by which the recorded amount of the asset



exceeds its estimated fair value. Estimated fair value is determined using management’ s best estimate of future cash flows discounted to a present value amount.

***Loss Contingencies***

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 (“FIN 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.

***Revenue Recognition***

Investment advisory and services base fees, generally calculated as a percentage of assets under management for clients, are recorded as revenue as the related services are performed. Certain investment advisory contracts provide for a performance-based fee, in addition to or in lieu of a base fee, that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance-based fees are recorded as revenue at the end of each measurement period. Institutional research services revenue consists of brokerage transaction charges received by Sanford C. Bernstein & Co. (“SCB LLC”) and Sanford C. Bernstein Limited (“SCBL”), both wholly-owned subsidiaries of AllianceBernstein, for in-depth research and

other services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Distribution revenues and shareholder servicing fees are accrued as earned.

***Compensatory Option Plans***

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

Prior to January 1, 2006, we utilized the fair value method of recording compensation expense, including a straight-line amortization policy, relating to compensatory option awards of Holding Units granted subsequent to 2001, as permitted by Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "*Accounting for Stock-Based Compensation*", as amended by Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), "*Accounting for Stock-Based Compensation − Transition and Disclosure".*

Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award (determined using the Black-Scholes option valuation model) and is recognized over the vesting period.



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

| | | |
|---|---|---|
| SFAS No. 123 pro forma net income: | | |
| Net income as reported | $ | 168,507 |
| Add: stock-based compensation expense included in net income, net of tax | | 532 |
| Deduct: total stock-based compensation expense determined under fair value method for all awards, net of tax | | (1,090) |
| SFAS No. 123 pro forma net income | $ | 167,949 |
| | | |
| Net income per unit: | | |
| Basic net income per unit as reported | $ | 0.66 |
| Basic net income per unit pro forma | $ | 0.65 |
| Diluted net income per unit as reported | $ | 0.65 |
| Diluted net income per unit pro forma | $ | 0.65 |

***Variable Interest Entities***

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

We derive no benefit from client assets under management of these entities other than investment management fees and cannot utilize those assets in our operations.

As of March 31, 2006, we have significant variable interests in certain structured products and hedge funds with approximately $367.1 million in client assets under management. However, these VIEs do not require consolidation because management has determined that we are not the primary beneficiary. Our maximum exposure to loss in these entities is limited to our nominal investments in, and prospective investment management fees earned from, these entities.

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

As of March 31, 2006, $1.6 billion of United States Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of brokerage customers of SCB LLC under Rule 15c3-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). During the first week of April, 2006, we deposited an additional $0.3 billion in United States Treasury Bills in a special account pursuant to Rule 15c3-3 requirements.



## 4. Net Income Per Unit

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

| | Three Months Ended | |
|---|---|---|
| | 3/31/06 | 3/31/05 |
| | (in thousands, except per unit amounts) | |
| Net income | $ 227,573 | $ 168,507 |
| Weighted average units outstanding - basic | 256,820 | 254,196 |
| Dilutive effect of compensatory options | 2,295 | 1,887 |
| Weighted average units outstanding - diluted | 259,115 | 256,083 |
| Basic net income per unit | $ 0.88 | $ 0.66 |
| Diluted net income per unit | $ 0.87 | $ 0.65 |

As of March 31, 2006, there were no out-of-the-money options. As of March 31, 2005, out-of-the-money options to acquire 4,187,000 units were excluded from the diluted net income per unit computation due to their anti-dilutive effect.

## 5. Commitments and Contingencies

***Deferred Sales Commission Asset***

Our mutual fund distribution system (the "System") includes a multi-class share structure that permits our open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including both front-end load shares and back-end load shares. For front-end load shares of open-end mutual funds we sponsor that are registered as investment companies ("U.S. Funds") under the Investment Company Act of 1940, as amended ("Investment Company Act"), AllianceBernstein Investments, Inc. ("AllianceBernstein Investments"), a wholly-owned subsidiary of AllianceBernstein, pays sales commissions to financial intermediaries distributing the funds

from the front-end sales charge it receives from investors at the time of sale. For back-end load shares, AllianceBernstein Investments pays sales commissions to 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 CDSC to AllianceBernstein Investments.

Payments of sales commissions made by AllianceBernstein Investments to financial intermediaries in connection with the sale of back-end load shares under the System are capitalized as deferred sales commissions ("deferred sales commission asset") and amortized over periods not exceeding five and one-half years, the period of time during which the deferred sales commission asset is expected to be recovered. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received. The amount recorded for the net deferred sales commission asset was $200.1 million as of March 31, 2006. Payments of sales commissions made by AllianceBernstein Investments to financial intermediaries in connection with the sale of back-end load shares under the System, net of CDSC received of $6.0 million and $6.1 million, totaled approximately $29.8 million and $15.7 million during the three months ended March 31, 2006 and 2005, respectively.

Management tests the deferred sales commission asset for recoverability quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Significant assumptions utilized to estimate the company' s future average assets under management and undiscounted



future cash flows from back-end load shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. As of March 31, 2006, management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would decrease undiscounted future cash flows. Future redemption rate assumptions ranging from 23% to 26% were determined by reference to actual redemption experience over the five-year, three-year, one-year and current periods ended March 31, 2006, calculated as a percentage of the company' s average assets under management represented by back-end load shares. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. Management considers the results of these analyses performed at various dates. As of March 31, 2006, management determined that the deferred sales commission asset was not impaired. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using management' s best estimate of future cash flows discounted to a present value amount.

During the three months ended March 31, 2006, equity markets increased by approximately 4% as measured by the change in the Standard & Poor' s 500 Stock Index and fixed income markets decreased by approximately 1% as measured by the change in the Lehman Brothers' Aggregate Bond Index. The redemption rate for domestic back-end load shares was approximately 25.6% during the three months ended March 31, 2006. Declines in financial markets or higher redemption levels, or both, as compared to the assumptions used to estimate undiscounted future cash flows, as described above, could result in the impairment of the deferred sales commission asset. Due to the volatility of the capital markets and changes in redemption rates, management is unable to predict whether or when a future impairment of the deferred sales commission asset might occur. Any impairment would reduce materially the recorded amount of the deferred sales commission asset with a corresponding charge to earnings.

***Legal Proceedings***

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 *In re Enron Corporation Securities Litigation*, a consolidated complaint ("Enron Complaint") was filed in the United States District Court for the Southern District of Texas, Houston Division, against numerous defendants, including AllianceBernstein. The principal allegations of the Enron Complaint, as they pertain to AllianceBernstein, are that AllianceBernstein violated Sections 11 and 15 of the Securities Act with respect to a registration statement filed by Enron Corp. ("Enron") and effective with the SEC on July 18, 2001, which was used to sell $1.9 billion Enron Zero Coupon Convertible Notes due 2021. Plaintiffs allege that the registration statement was materially misleading and that Frank Savage, a director of Enron, signed the registration statement at issue. Plaintiffs further allege that AllianceBernstein was a controlling person of Frank Savage, who was at that time an employee of AllianceBernstein and a director of the General Partner. Plaintiffs therefore assert that AllianceBernstein is



itself liable for the allegedly misleading registration statement. Plaintiffs seek rescission or a rescissionary measure of damages. On June 3, 2002, AllianceBernstein moved to dismiss the Enron Complaint as the allegations therein pertain to it. On March 12, 2003, that motion was denied. A First Amended Consolidated Complaint ("Enron Amended Consolidated Complaint"), with substantially similar allegations as to AllianceBernstein, was filed on May 14, 2003. AllianceBernstein filed its answer on June 13, 2003. On May 28, 2003, plaintiffs filed an Amended Motion for Class Certification. On October 23, 2003, following the completion of class discovery, AllianceBernstein filed its opposition to class certification. On April 12, 2006, AllianceBernstein moved for summary judgment dismissing the Enron Amended Consolidated Complaint as the allegations therein pertain to AllianceBernstein. Each of these motions is pending.

We believe that plaintiffs' allegations in the Enron Amended Consolidated Complaint as to us 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.

On October 1, 2003, a class action complaint entitled *Erb, et al. v. Alliance Capital Management L.P.* ("Erb Complaint") was filed in the Circuit Court of St. Clair County, Illinois, against AllianceBernstein. The plaintiff, purportedly a shareholder in the AllianceBernstein Premier Growth Fund (now known as the AllianceBernstein Large Cap Growth Fund, "Large Cap Growth Fund") Large Cap Growth Fund, alleged that AllianceBernstein breached unidentified provisions of Large Cap Growth Fund' s prospectus and subscription and confirmation agreements that allegedly required that every security bought for Large Cap Growth Fund' s portfolio must be a "1-rated" stock, the highest rating that AllianceBernstein' s research analysts could assign. On June 24, 2004, plaintiff filed an amended complaint ("Amended Erb Complaint") in the Circuit Court of St. Clair County, Illinois. The Amended Erb Complaint allegations are substantially similar to those contained in the previous complaint, however, the Amended Erb Complaint adds a new plaintiff and seeks to allege claims on behalf of a purported class of persons or entities holding an interest in any portfolio managed by AllianceBernstein' s Large Cap Growth Team. The Amended Erb Complaint alleges that AllianceBernstein breached its contracts with these persons or entities by impermissibly purchasing shares of stocks that were not 1-rated. Plaintiffs seek rescission of all purchases of any non-1-rated stocks AllianceBernstein made for Large Cap Growth Fund and other Large Cap Growth Team clients' portfolios over the past eight years, as well as an unspecified amount of damages. On September 2, 2005, AllianceBernstein' s appeal was denied. The case was voluntarily dismissed with prejudice on March 21, 2006 pursuant to a settlement agreement.

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 of 1940, as amended ("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.

Since October 2, 2003, 43 additional lawsuits making factual allegations generally similar to those in the Hindo Complaint were filed in various federal and state courts against AllianceBernstein and certain other defendants. The plaintiffs in such lawsuits have asserted a variety of theories for recovery including, but not limited to, violations of the Securities Act, the Exchange Act, the Advisers Act, the Investment Company Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), certain state securities laws, and common law. 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 actions to the



United States District Court for the District of Maryland.

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 include substantially identical factual allegations, which appear to be based in large part on our agreement with the SEC ("SEC Order") dated December 18, 2003 (amended and restated January 15, 2004), and our final agreement with the New York State Attorney General ("NYAG AoD") dated September 1, 2004. The claims in the mutual fund derivative consolidated amended complaint are generally based on the theory that all fund advisory agreements, distribution agreements and 12b-1 plans between AllianceBernstein and the U.S. Funds should be invalidated, regardless of whether market timing occurred in each individual fund, because each was approved by fund trustees on the basis of materially misleading information with respect to the level of market timing permitted in funds managed by AllianceBernstein. The claims asserted in the other three consolidated amended complaints are similar to those that the respective plaintiffs asserted in their previous federal lawsuits. All of these lawsuits seek an unspecified amount of damages.

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.

As previously disclosed, AllianceBernstein recorded charges of $330 million during the second half of 2003 to cover market timing-related liabilities (including a $250 million restitution fund paid in January 2004 to the SEC out of operating cash flow). We intend to use the market timing-related reserves ($30 million) remaining as of March 31, 2006 to settle these claims in accordance with the terms in the MOU. With this settlement, all of these reserves will have been used.

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 February 10, 2004, we received (i) a subpoena duces tecum from the Office of the Attorney General of the State of West Virginia and (ii) a request for information from the Office of the State Auditor, Securities Commission, for the State of West Virginia ("WV Securities

Commissioner") (subpoena and request together, the "Information Requests"). Both Information Requests required us to produce documents concerning, among other things, any market timing or late trading in our sponsored mutual funds. We responded to the Information Requests and have been cooperating fully with the investigation.

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 26, 2006, AllianceBernstein, Holding, and various unaffiliated respondents filed a Petition for Writ of Prohibition and Order Suspending Proceedings in West Virginia state court seeking to vacate the Summary Order and for other relief. On April 12, 2006, respondents' petition was denied. On May 4, 2006, respondents appealed the court' s determination.



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.

Since June 22, 2004, nine additional lawsuits making factual allegations substantially similar to those in the Aucoin Complaint were filed against AllianceBernstein and certain other defendants. All nine of the lawsuits (i) were brought as class actions filed in the United States District Court for the Southern District of New York, (ii) assert claims substantially identical to the Aucoin Complaint, and (iii) are brought on behalf of shareholders of U.S. Funds.

On February 2, 2005, plaintiffs filed a consolidated amended class action complaint ("Aucoin Consolidated Amended Complaint"), which asserts claims substantially similar to the Aucoin Complaint and the nine additional lawsuits referenced above. On October 19, 2005, the District Court 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. Plaintiffs have moved for leave to amend their consolidated complaint.

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.

We are involved in various other inquiries, administrative proceedings, and litigation, some of which allege substantial 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.

**6. Employee Benefit Plans**

We maintain a qualified profit sharing plan (the "Profit Sharing Plan") covering U.S. employees and certain foreign employees. Contributions are generally limited to the maximum amount deductible for federal income tax purposes.



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

We contributed $4.3 million to the Retirement Plan in April 2006. Contribution estimates, which are subject to change, are based on regulatory requirements, future market conditions and assumptions used for actuarial computations of the Retirement Plan' s obligations and assets. Management, at the present time, is unable to determine the amount, if any, of additional future contributions that may be required.

Net expense under the retirement plan was comprised of:

| | Three Months Ended | |
|---|---|---|
| | 3/31/06 | 3/31/05 |
| | (in thousands) | |
| Service cost | $ 1,127 | $ 1,159 |
| Interest cost on projected benefit obligations | 1,167 | 1,143 |
| Expected return on plan assets | (948) | (800) |
| Amortization of prior service (credit) | (15) | (15) |
| Amortization of transition (asset) | (36) | (36) |
| Recognized actuarial loss | 99 | 162 |
| Net pension charge | $ 1,394 | $ 1,613 |

**7. Income Taxes**

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

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

## 8. Dispositions

***Cash Management Services***

In June 2005, AllianceBernstein and Federated Investors, Inc. ("Federated") completed a transaction pursuant to which Federated acquired our cash management services. In the transaction, $19.3 billion in assets under management from 22 of our third-party distributed money market funds were transitioned into Federated money market funds. There were no assets or liabilities recorded on the consolidated balance sheet that were transferred as part of this transaction.



The total sales price (much of which is contingent) is estimated to be approximately $103.0 million, which is composed of three parts: (1) an initial cash payment of $25.0 million, which was received in the second quarter of 2005, (2) annual contingent purchase price payments payable over the next five years, which we estimate will total $68.0 million, and (3) a final contingent $10.0 million payment, which is based on comparing revenues generated by applicable assets during the fifth year following the closing of the transaction to the revenues generated by those assets during a specified period prior to the closing of the transaction.

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

During 2005, we recorded a $11.4 million net gain from this transaction in Other Revenues, Net in the consolidated statement of income. The gain consisted of the initial cash payment of $25.0 million received from Federated, offset by a gain contingency of $7.5 million and approximately $6.1 million of transaction expenses. In addition, $8.1 million of contingent payments were earned during 2005, which are also included in Other Revenues, Net in the consolidated statement of income. The gain contingency is a "clawback" provision that requires us to pay Federated up to $7.5 million if average daily transferred assets for the six-month period ended June 29, 2006 fall below a certain percentage of initial assets transferred at closing. Based on information currently available, we consider it unlikely that we will be required to make a payment under the clawback provision.

In the first quarter of 2006, $3.5 million of contingent payments were earned.

## 9. Compensatory Unit Award and Option Plans

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

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

In 1997, Holding established the 1997 Long-Term Incentive Plan ("1997 Plan"), under which options to acquire Holding Units, restricted Holding Units and phantom restricted Holding Units, performance awards, and other Holding Unit-based awards may be granted to key employees and independent directors of the General Partner for terms established at the time of grant (generally ten years). Options granted to employees generally become exercisable at a rate of 20% of the Holding Units subject to such options on each of the first five anniversary dates of the date of grant; options granted to independent directors generally become exercisable at a rate of 33.3% of the Holding Units subject to such options on each of the first three anniversary dates of the date of grant. The aggregate number of Holding Units that can be the subject of options granted or that can be awarded under the 1997 Plan may not exceed 41,000,000 Holding Units. As of March 31, 2006, options to acquire 10,813,904 Holding Units, net of forfeitures, had been granted and 1,035,810 Holding Units, net of forfeitures, were subject to other unit awards made under the 1997 Plan (see below). Holding Unit-based awards (including options) in respect of 29,150,286 Holding Units were available for grant as of March 31, 2006.



During the first quarter of 2006 and 2005, no options were granted.

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

| | Holding Units | Weighted Average Exercise Price Per Holding Unit |
|---|---|---|
| **Outstanding as of December 31, 2005** | **7,450,204** | **$ 40.45** |
| Granted | – | $ – |
| Exercised | (1,028,050) | $ 38.36 |
| Forfeited | (46,300) | $ 38.53 |
| **Outstanding as of March 31, 2006** | **6,375,854** | **$ 40.80** |
| **Exercisable as of March 31, 2006** | **5,343,050** | |

The following table summarizes information concerning outstanding and exercisable options as of March 31, 2006:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices: | Number Outstanding as of 3/31/06 | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Exercisable as of 3/31/06 | Weighted Average Exercise Price |
| $ 12.56 - $ 18.47 | 451,900 | 1.45 | $ 16.95 | 451,900 | $ 16.95 |
| 25.63 - 30.25 | 1,006,000 | 3.29 | 28.56 | 1,002,000 | 28.57 |
| 32.52 - 48.50 | 2,478,404 | 5.79 | 39.24 | 1,746,200 | 41.59 |
| 50.15 - 50.56 | 1,332,550 | 5.67 | 50.26 | 1,039,950 | 50.26 |
| 51.10 - 58.50 | 1,107,000 | 4.71 | 53.78 | 1,103,000 | 53.78 |
| $ 12.56 - $ 58.50 | 6,375,854 | 4.87 | $ 40.80 | 5,343,050 | $ 41.27 |

The following table summarizes the activity of unvested options during the first quarter of 2006:

| | Holding Units | Weighted Average Exercise Price Per Holding Unit |
|---|---|---|
| **Unvested as of December 31, 2005** | **1,083,504** | **$ 38.47** |
| Granted | – | $ – |
| Vested | (4,400) | $ 56.61 |
| Forfeited | (46,300) | $ 38.53 |
| **Unvested as of March 31, 2006** | **1,032,804** | **$ 38.39** |

The total fair value of shares vested during the quarter ended March 31, 2006 was $0.2 million.

Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the options awarded (determined using the Black-Scholes option valuation model) and is recognized over the vesting period. We recorded compensation expense of $0.6 million for the quarters ended March 31, 2006 and 2005, respectively, relating to the option plans. As of March 31, 2006, there was $3.4 million of compensation cost related to unvested share-based compensation arrangements granted under the option plans for unvested awards not yet recognized. That cost is expected to be recognized over a weighted average period of 1.43 years.



**Other Unit Awards**

***Restricted Units***

In May 2005, restricted Holding Units ("Restricted Units") were first awarded to the independent directors of the General Partner, and we expect such grants to occur annually. The Restricted Units give the directors, in most instances, all the rights of other Holding Unitholders subject to such restrictions on transfer as the Board of Directors may impose. No Restricted Units were awarded in the first quarter of 2006. All of the Restricted Units vest on the third anniversary of grant date or immediately upon leaving the Board. As of March 31, 2006, 1,322 Restricted Units, net of distributions made upon retirement of two directors, were outstanding. We recorded compensation expense of $29 thousand in the first quarter of 2006 related to Restricted Units.

***Century Club Plan***

In 1993, Holding established the Century Club Plan, under which employees whose primary responsibilities are to assist in the distribution of company-sponsored mutual funds and who meet certain sales targets are eligible to receive an award of Holding Units. Awards vest ratably over three years and are amortized as employee compensation expense. In the first quarter of 2006, awards totaling 36,020 Holding Units, with a market value on the date of award of approximately $2.3 million, were granted under the Century Club Plan.

The following table summarizes the activity of unvested Century Club units during the first quarter of 2006:

| | Holding Units |
|---|---|
| **Unvested as of December 31, 2005** | **53,250** |
| Granted | 36,020 |
| Vested | (25,855) |

| | |
|---|---|
| Forfeited | (184) |
| **Unvested as of March 31, 2006** | **63,231** |

We recorded compensation expense of $0.2 million for the quarters ended March 31, 2006 and March 31, 2005, respectively, relating to the Century Club Plan. As of March 31, 2006, there was $3.4 million of compensation cost related to unvested share-based compensation arrangements granted under the Plan not yet recognized. That cost is expected to be recognized over a weighted average period of 2.34 years.

***Pre-1999 Partners Compensation Plan Conversion***

We maintain an unfunded, non-qualified deferred compensation plan known as the Amended and Restated Alliance Partners Compensation Plan (the "Partners Compensation Plan"), under which awards may be granted to eligible employees. Liabilities for outstanding cash awards granted from 1995 through 1998 increased or decreased in accordance with a formula based on our earnings growth rate through December 31, 2005. Effective January 1, 2006, participant account balances were notionally invested in Holding Units, or a money market fund, or a combination of both, at the election of the participant, and are no longer subject to the earnings-based formula. As a result, Holding issued 834,864 Holding Units in January 2006, with a market value on that date of approximately $47.2 million.



Report of Independent Registered Public Accounting Firm

To the General Partner and Unitholders
AllianceBernstein L.P.

We have reviewed the accompanying condensed consolidated statement of financial condition of AllianceBernstein L.P. and its subsidiaries as of March 31, 2006, and the related condensed consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the three-month period ended March 31, 2006. These condensed consolidated interim financial statements are the responsibility of the management of AllianceBernstein Corporation, the General Partner.

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

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

/s/ PricewaterhouseCoopers LLP
New York, New York
May 8, 2006



Report of Independent Registered Public Accounting Firm

The General Partner and Unitholders
AllianceBernstein L.P.

We have reviewed the condensed consolidated statement of financial condition of AllianceBernstein L.P., formerly known as Alliance Capital Management L.P., ("AllianceBernstein") as of March 31, 2005, and the related condensed consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the three-month period ended March 31, 2005. These condensed consolidated financial statements are the responsibility of the management of AllianceBernstein Corporation, formerly known as Alliance Capital Management Corporation, the General Partner.

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

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
May 5, 2005



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

***Executive Overview***

During the first quarter of 2006, equity capital markets were strong, with global and international equity markets performing particularly well. In general, our investment performance versus benchmarks was varied but in the aggregate good. Global and international value, and small-cap, mid-cap and emerging markets growth equities exhibited strong performance. U.S. equity returns, although positive in small-cap and mid-cap services, trailed their benchmarks. Our U.S. strategic value and large-cap growth institutional composites underperformed for the quarter by nearly 200 basis points. Although rising interest rates dampened fixed income relative returns, performance nonetheless was favorable in almost all key services. Our longer-term performance versus benchmarks remains excellent.

Continued growth in our Institutional Investments Services channel was due to strong net inflows into global and international services. Inflows also remain well diversified geographically. Furthermore, our outlook for organic growth remains favorable as the pipeline of unfunded mandates is very strong. Our style blend services accounted for approximately one-third of new mandates.

Our Retail Services channel experienced positive net flows for the third consecutive quarter, with Luxembourg showing record fund sales. Our U.S. Funds experienced positive inflows for the first time since the first quarter of 2002. In addition, our separately managed account business continues to strengthen. Lastly, our Wealth Strategies Services reached nearly $6.0 billion in assets under management.

Growth in our Private Client Services channel was particularly robust with strong net inflows. Our current U.K expansion plans remain on track for the second half of 2006. During the first quarter of 2006, we increased the number of financial advisors by 23% to 270.

Institutional Research Services experienced double-digit revenue growth in both the U.S. and U.K., without the effect of a reclassification (**see Net Revenues below** for a description of the reclassification), driven by higher market share and volume, despite continued industry-wide pricing declines. Record market share resulted from our research quality, the success of our algorithmic trading platform in the U.S. and record daily trading volume. Revenue growth remained strong in our London-based research unit, as client acceptance of our research services continued. Three new analysts in our European research team launched coverage of media, biotech and medical devices, and beverages/spirits, respectively, while in the U.S. we launched coverage of specialty pharmaceuticals.

Our financial results were solid for the quarter. Revenues increased 20%, our operating margin expanded by more than three percentage points, and net income rose by 35%, as compared to the first quarter of 2005. We achieved these results despite unusually high legal expenses of approximately $0.04 per unit as we continued to take action to resolve outstanding litigation and made considerable progress.

***Assets Under Management***

Effective January 1, 2006, we transferred certain client accounts to different distribution channels due to changes in how we service these accounts, which are reflected as transfers in the tables below.

Assets under management by distribution channel were as follows (in billions):

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2006 | 2005 | $ Change | % Change |
| Institutional Investments | $ 389.9 | $ 311.3 | $ 78.6 | 25.3% |
| Retail | 145.9 | 157.5 | (11.6) | (7.4) |
| Private Client | 81.8 | 65.1 | 16.7 | 25.6 |
| **Total** | **$ 617.6** | **$ 533.9** | **$ 83.7** | **15.7%** |



Assets under management by investment service were as follows (in billions):

| | As of March 31, | | | |
|---|---|---|---|---|
| | 2006 | 2005 | $ Change | % Change |
| Growth Equity: | | | | |
| U.S. | $ 83.4 | $ 73.6 | $ 9.8 | 13.3% |
| Global & international | 76.0 | 44.5 | 31.5 | 70.7 |
| | 159.4 | 118.1 | 41.3 | 34.9 |
| Value Equity: | | | | |
| U.S. | 110.4 | 101.8 | 8.6 | 8.4 |
| Global & international | 152.6 | 93.3 | 59.3 | 63.5 |
| | 263.0 | 195.1 | 67.9 | 34.8 |
| Fixed Income: | | | | |
| U.S. | 105.5 | 141.6 | (36.1) | (25.5) |
| Global & international | 58.9 | 50.3 | 8.6 | 17.2 |
| | 164.4 | 191.9 | (27.5) | (14.3) |
| Index/Structured: | | | | |
| U.S. | 25.7 | 23.4 | 2.3 | 10.3 |
| Global & international | 5.1 | 5.4 | (0.3) | (7.0) |
| | 30.8 | 28.8 | 2.0 | 7.0 |
| Total: | | | | |
| U.S. | 325.0 | 340.4 | (15.4) | (4.5) |
| Global & international | 292.6 | 193.5 | 99.1 | 51.2 |
| **Total** | **$ 617.6** | **$ 533.9** | **$ 83.7** | **15.7%** |

Changes in assets under management for the three-month period ended March 31, 2006 were as follows (in billions):

| | Distribution Channel | | | | Investment Service | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Institutional Investment | Retail | Private Client | Total | Growth Equity | Value Equity | Fixed Income | Index/ Structured | Total |
| Balance as of January 1, 2006 | $ 358.6 | $ 145.1 | $ 74.9 | $ 578.6 | $ 146.2 | $ 238.2 | $ 164.1 | $ 30.1 | $ 578.6 |
| Long-term flows: | | | | | | | | | |
| Sales/new accounts | 11.2 | 11.2 | 3.9 | 26.3 | 10.4 | 11.0 | 4.7 | 0.2 | 26.3 |
| Redemptions/ terminations | (2.4) | (7.4) | (0.7) | (10.5) | (4.2) | (3.2) | (3.0) | (0.1) | (10.5) |
| Cash flow/ unreinvested dividends | (3.3) | – | (0.5) | (3.8) | (0.4) | (2.4) | (0.1) | (0.9) | (3.8) |
| Net long-term inflows (outflows) | 5.5 | 3.8 | 2.7 | 12.0 | 5.8 | 5.4 | 1.6 | (0.8) | 12.0 |
| Transfers | 7.9 | (9.2) | 1.3 | – | – | – | – | – | – |
| Market appreciation (depreciation) | 17.9 | 6.2 | 2.9 | 27.0 | 7.4 | 19.4 | (1.3) | 1.5 | 27.0 |
| Net change | 31.3 | 0.8 | 6.9 | 39.0 | 13.2 | 24.8 | 0.3 | 0.7 | 39.0 |
| **Balance as of March 31, 2006** | **$ 389.9** | **$ 145.9** | **$ 81.8** | **$ 617.6** | **$ 159.4** | **$ 263.0** | **$ 164.4** | **$ 30.8** | **$ 617.6** |



Changes in assets under management for the twelve-month period ended March 31, 2006 were as follows (in billions):

| | Distribution Channel | | | | Investment Service | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Institutional Investment | Retail | Private Client | Total | Growth Equity | Value Equity | Fixed Income | Index/ Structured | Total |
| Balance as of April 1, 2005 | $ 311.3 | $ 157.5 | $ 65.1 | $ 533.9 | $ 118.1 | $ 195.1 | $ 191.9 | $ 28.8 | $ 533.9 |
| Long-term flows: | | | | | | | | | |
| Sales/new accounts | 41.1 | 34.8 | 11.8 | 87.7 | 31.5 | 37.3 | 18.7 | 0.2 | 87.7 |
| Redemptions/ terminations | (17.2) | (28.5) | (2.9) | (48.6) | (16.8) | (11.8) | (17.8) | (2.2) | (48.6) |
| Cash flow/ unreinvested dividends | (2.4) | (1.1) | (1.8) | (5.3) | (2.7) | (1.2) | (1.5) | 0.1 | (5.3) |
| Net long-term inflows (outflows) | 21.5 | 5.2 | 7.1 | 33.8 | 12.0 | 24.3 | (0.6) | (1.9) | 33.8 |
| Dispositions | (1.4) | (26.6) | (0.4) | (28.4) | (1.2) | – | (27.2) | – | (28.4) |
| Transfers | 8.5 | (9.2) | 0.7 | – | – | – | – | – | – |
| Market appreciation | 50.0 | 19.0 | 9.3 | 78.3 | 30.5 | 43.6 | 0.3 | 3.9 | 78.3 |
| Net change | 78.6 | (11.6) | 16.7 | 83.7 | 41.3 | 67.9 | (27.5) | 2.0 | 83.7 |
| **Balance as of March 31, 2006** | **$ 389.9** | **$ 145.9** | **$ 81.8** | **$ 617.6** | **$ 159.4** | **$ 263.0** | **$ 164.4** | **$ 30.8** | **$ 617.6** |

Average assets under management by distribution channel and investment service were as follows (in billions):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31/06 | 3/31/05 | $ Change | % Change |
| ***Distribution Channel:*** | | | | |
| Institutional Investment | $ 379.3 | $ 311.8 | $ 67.5 | 21.6% |
| Retail | 144.4 | 161.3 | (16.9) | (10.5) |
| Private Client | 79.0 | 64.5 | 14.5 | 22.5 |
| **Total** | **$ 602.7** | **$ 537.6** | **$ 65.1** | **12.1%** |

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31/06 | 3/31/05 | $ Change | % Change |
| ***Investment Service:*** | | | | |
| Growth Equity | $ 154.7 | $ 120.4 | $ 34.3 | 28.4% |
| Value Equity | 252.4 | 194.2 | 58.2 | 29.9 |
| Fixed Income | 164.9 | 193.6 | (28.7) | (14.8) |
| Index/Structured | 30.7 | 29.4 | 1.3 | 4.6 |
| **Total** | **$ 602.7** | **$ 537.6** | **$ 65.1** | **12.1%** |



***Consolidated Results of Operations***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31/06 | 3/31/05 | $ Change | % Change |
| | (in millions, except per unit amounts) | | | |
| Net revenues | $ 899.1 | $ 750.2 | $ 148.9 | 19.8% |
| Expenses | 655.8 | 571.4 | 84.4 | 14.8 |
| Income before income taxes | 243.3 | 178.8 | 64.5 | 36.1 |
| Income taxes | 15.7 | 10.3 | 5.4 | 53.1 |
| Net income | $ 227.6 | $ 168.5 | $ 59.1 | 35.1% |
| Diluted net income per unit | $ 0.87 | $ 0.65 | $ 0.22 | 33.8% |
| Distributions per unit | $ 0.87 | $ 0.63 | $ 0.24 | 38.1% |
| Pre-tax margin [1] | 27.1% | 23.8% | | |

[1] Income before income taxes as a percentage of total revenues.

Net income for the three months ended March 31, 2006 increased 35.1% from the three months ended March 31, 2005. This increase was primarily due to higher investment advisory and services fee revenues, mark-to-market gains on investments related to deferred compensation plan obligations, and lower promotion and servicing expenses, partially offset by higher employee compensation and benefits expenses and higher general and administrative expenses.

***Net Revenues***

The following table summarizes the components of total net revenues (in millions):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31/06 | 3/31/05 | $ Change | % Change |
| Investment advisory and services fees: | | | | |
| Institutional Investment: | | | | |
| Base fees | $ 251.9 | $ 187.0 | $ 64.9 | 34.7% |
| Performance fees | 13.4 | 6.7 | 6.7 | 99.7 |
| | 265.3 | 193.7 | 71.6 | 37.0 |
| Retail: | | | | |
| Base fees | 186.6 | 182.4 | 4.2 | 2.3 |
| Performance fees | (0.1) | 0.1 | (0.2) | n/m |
| | 186.5 | 182.5 | 4.0 | 2.2 |
| Private Client: | | | | |
| Base fees | 175.4 | 140.2 | 35.2 | 25.1 |
| Performance fees | (0.5) | 1.0 | (1.5) | n/m |
| | 174.9 | 141.2 | 33.7 | 23.9 |
| Total: | | | | |
| Base fees | 613.9 | 509.6 | 104.3 | 20.5 |
| Performance fees | 12.8 | 7.8 | 5.0 | 63.1 |
| | 626.7 | 517.4 | 109.3 | 21.1 |
| Distribution revenues | 102.8 | 107.8 | (5.0) | (4.6) |
| Institutional research services | 95.8 | 94.0 | 1.8 | 1.9 |
| Investment gains (losses) | 26.2 | (5.7) | 31.9 | n/m |
| Other revenues, net | 47.6 | 36.7 | 10.9 | 29.6 |
| **Total** | **$ 899.1** | **$ 750.2** | **$ 148.9** | **19.8%** |



Investment Advisory and Services Fees

Investment advisory and services fees, the largest component of our revenues, include base fees, which are generally calculated as a percentage of the value of assets under management and vary with the type of investment strategy and discipline, the size of account, and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as average assets under management increase or decrease and is therefore affected by market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, and shifts of assets between accounts or products with different fee structures.

Certain investment advisory contracts provide for a performance-based fee, in addition to or in lieu of a base fee. This fee is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance-based fees are recorded as revenue at the end of the measurement period and will be higher in favorable markets and lower in unfavorable markets, which may increase the volatility of our revenues and earnings.

Brokerage transaction charges earned by SCB LLC for certain private client and institutional investment client transactions previously recorded as investment advisory and services fees are now recorded as institutional research services revenue. Prior period amounts have been reclassified to conform to current period' s presentation.

For the three months ended March 31, 2006, our investment advisory and services fees increased 21.1% from the first quarter of 2005, primarily due to a 12.1% increase in average assets under management resulting from market appreciation and net asset inflows. Performance fees aggregated $12.8 million and $7.8 million for the three months ended March 31, 2006 and 2005, respectively.

Institutional investment advisory and services fees for the three months ended March 31, 2006 increased $71.6 million, or 37.0%, from the three months ended March 31, 2005, primarily as a result of a 25.3% increase in assets under management and favorable mix, reflecting a 58.4% increase in global and international assets under management where base-fee rates are generally higher than domestic rates.

Retail investment advisory and services fees for the three months ended March 31, 2006 increased by $4.0 million, or 2.2%, from the three months ended March 31, 2005, reflecting a 29.0% increase in global and international average assets under management, partially offset by the impact of the disposition of cash management services during the second quarter of 2005.

Private client investment advisory and services fees for the three months ended March 31, 2006 increased by $33.7 million, or 23.9%, from the three months ended March 31, 2005, primarily as a result of a 17.1% increase in billable assets under management and a change in our base-fee schedule during the first half of 2005.

Distribution Revenues

AllianceBernstein Investments acts as distributor of company-sponsored mutual funds and receives distribution services fees from certain of those funds as partial reimbursement of the distribution expenses it incurs. Distribution revenues for the three months ended March 31, 2006 decreased $5.0 million, or 4.6%, compared to the three months ended March 31, 2005, principally due to the transfer of cash management services during the second quarter of 2005, partially offset by higher non-U.S. revenues.

Institutional Research Services

Institutional research services revenue consists principally of brokerage transaction charges received for providing in-depth research and other services to institutional investors. Beginning January 1, 2006, we report all revenues earned by SCB LLC from brokerage transactions executed for certain private clients and institutional investment clients of AllianceBernstein as institutional research revenues rather than as investment advisory and services fees. For the three months ended March 31, 2005, we reclassified $18.7 million to



conform with this approach ("Reclassification").

Revenues from institutional research services for the three months ended March 31, 2006 reflect, without the effect of the Reclassification, an increase of 26.4%, or $19.8 million, from the three months ended March 31, 2005. The $19.8 million increase was due primarily to an increase in U.S. and Pan-European market share partly offset by lower pricing. The $19.8 million does not reflect the impact of the Reclassification, which produced brokerage transaction charges of $0.7 million earned by SCB LLC in the first quarter of 2006, compared to brokerage transaction charges of $18.7 million earned by SCB LLC in the first quarter of 2005.

Recent declines in commission rates charged by broker-dealers are likely to continue and may accelerate. Increasing use of electronic trading systems (which permit investors to execute securities transactions at a fraction of typical full-service broker-dealer charges) and pressure exerted by funds and institutional investors are likely to result in continuing, perhaps significant, declines in commission rates, which would, in turn, reduce the revenues generated by our institutional research services unit.

Investment Gains (Losses)

Investment gains (losses), consisting of realized and unrealized gains or losses on investments related to deferred compensation plan obligations and other investments, increased $31.9 million for the three months ended March 31, 2006. The increase was due primarily to strong equity market performance in the first quarter of 2006.

Other Revenues, Net

These revenues consist of investment income, interest income earned on securities loaned to brokers and dealers, net of interest expense incurred on securities borrowed, and fees earned for transfer agency, administration and recordkeeping services provided to our mutual funds and the general accounts of AXA and its subsidiaries. Other revenues for the three months ended March 31, 2006 increased $10.9 million from the three months ended March 31, 2005, principally due to a gain on the exchange of our NYSE membership seat of $4.1 million as a result of the NYSE public offering, and contingent payments earned from the disposition of our cash management services of $3.5 million.

***Expenses***

The following table summarizes the components of expenses (in millions):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | 3/31/06 | 3/31/05 | $ Change | % Change |
| Employee compensation and benefits | $ 370.3 | $ 285.0 | $ 85.3 | 29.9% |
| Promotion and servicing | 146.3 | 175.1 | (28.8) | (16.5) |
| General and administrative | 126.6 | 99.9 | 26.7 | 26.8 |
| Interest | 7.4 | 6.2 | 1.2 | 18.5 |
| Amortization of intangible assets | 5.2 | 5.2 | – | – |
| **Total** | **$ 655.8** | **$ 571.4** | **$ 84.4** | **14.8%** |

Employee Compensation and Benefits

We had 4,410 full-time employees at March 31, 2006 compared to 4,099 at March 31, 2005. Employee compensation and benefits, which represented approximately 56.5% of total expenses in the first quarter of 2006, include base compensation, commissions, fringe benefits, cash and deferred incentive compensation, and other employment costs.

Base compensation, fringe benefits and other employment costs for the three months ended March 31, 2006 increased $17.2 million, or 15.9%, from the three months ended March 31, 2005, primarily as a result of increased headcount, annual merit increases, and higher fringe benefits reflecting increased compensation



levels. Incentive compensation increased $42.3 million, or 36.8%, primarily as a result of higher earnings. Commission expense was higher by $25.8 million, or 41.7%, due to higher sales volume across all distribution channels and Institutional Research Services.

Promotion and Servicing

Promotion and servicing expenses, which represented approximately 22.3% of total expenses in the first quarter of 2006, include distribution plan payments to financial intermediaries for distribution of company-sponsored mutual funds and cash management services products and amortization of deferred sales commissions paid to financial intermediaries for the sale of back-end load shares. **See Capital Resources and Liquidity in this Item 2 and Note 5 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q for further discussion of the disposition of our cash management services and of deferred sales commissions. Also included in this expense category are costs related to travel and entertainment, advertising, promotional materials, and investment meetings and seminars for financial intermediaries that distribute our mutual fund products.

Promotion and servicing expenses for the three months ended March 31, 2006 decreased $28.8 million, or 16.5%, from the three months ended March 31, 2005, primarily due to lower amortization of deferred sales commissions as a result of lower sales of back-end load shares and to lower distribution plan payments.

General and Administrative

General and administrative expenses, which represented approximately 19.3% of total expenses in the first quarter of 2006, are costs related to operations, including technology, professional fees, occupancy, communications, and similar expenses. General and administrative expenses for the three months ended March 31, 2006 increased $26.7 million, or 26.8%, from the three months ended March 31, 2005.

Occupancy costs were up, reflecting three new private client offices opened in the U.S. since the first quarter of 2005, as well as new office space in London, Hong Kong and Shanghai. Legal costs increased as we continued to take action to resolve outstanding litigation and made considerable progress. Other increases in general and administrative expenses include higher market data services and data processing costs.

Interest

Interest expense is incurred on AllianceBernstein' s borrowings. Interest expense for the three months ended March 31, 2006 increased $1.2 million, or 18.5%, from the three months ended March 31, 2005, as a result of higher short term borrowing levels in the first quarter of 2006 and the write-off of issuance costs as a result of our new $800 million revolving credit facility entered into in February 2006.

Taxes on Income

AllianceBernstein, a private limited partnership, is not subject to federal or state corporate income taxes. However, we are subject to the New York City unincorporated business tax. Our domestic corporate subsidiaries are subject to federal, state and local income taxes, and 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 foreign jurisdictions where they are located.

Income tax expense for the three months ended March 31, 2006 increased $5.4 million, or 53.1%, from the three months ended March 31, 2005, primarily as a result of a higher effective tax rate reflecting higher income in our foreign corporate subsidiaries.



**CAPITAL RESOURCES AND LIQUIDITY**

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

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | % Change |
| | (in millions) | | |
| Partners' capital, as of March 31 | $ 4,320.7 | $ 4,146.4 | 4.2% |
| Cash flow from operations | 404.5 | 77.2 | 424.1 |
| Purchases of investments | (32.9) | (1.4) | n/m |
| Capital expenditures | (20.9) | (23.7) | (11.9) |
| Distributions paid | (290.8) | (231.0) | 25.9 |
| Purchases of Holding Units | (16.1) | (6.4) | 152.3 |
| Issuance of Holding Units | 47.2 | – | n/m |
| Additional investments by Holding with proceeds from exercise of compensatory options for Holding Units | 39.9 | 16.7 | 139.4 |

| | | | |
|---|---|---|---|
| Issuance (repayment) of commercial paper, net | 38.1 | (0.1) | n/m |

Partners' capital increased for the three months ended March 31, 2006 primarily due to net income, the issuance of Holding Units in exchange for cash awards made under the Partners Compensation Plan, the additional investment by Holding with proceeds from exercise of compensatory options for Holding Units, and amortization of deferred compensation expense, partly offset by cash distributions to the General Partner and unitholders, and purchases of Holding Units to fund deferred compensation plans.

AllianceBernstein is required to distribute all of its Available Cash Flow, as defined in the AllianceBernstein Partnership Agreement, to its unitholders. **See Note 2 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q for a description of Available Cash Flow.

Cash and cash equivalents of $776.0 million as of March 31, 2006 increased $121.8 million from $654.2 million at December 31, 2005. Cash inflows are primarily provided from operations, the additional investment by Holding with proceeds from exercise of compensatory options for Holding Units, and the issuance of commercial paper. Significant cash outflows are cash distributions to the General Partner and unitholders, purchases of investments, capital expenditures, and purchases of Holding Units to fund deferred compensation plans.

***Contingent Deferred Sales Charge***

See **Note 5 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q.



***Debt and Credit Facilities***

Total available credit, debt outstanding, and weighted average interest rates as of March 31, 2006 and 2005 were as follows:

| | March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | 2005 | | |
| | Credit Available | Debt Outstanding | Interest Rate | Credit Available | Debt Outstanding | Interest Rate |
| | (in millions) | | | | | |
| Senior Notes | $ 600.0 | $ 399.8 | 5.6% | $ 600.0 | $ 399.4 | 5.6% |
| Commercial paper[(1)] | 425.0 | 39.0 | 4.9 | 425.0 | – | – |
| Revolving credit facility[(1)] | 375.0 | – | | 375.0 | – | – |
| Extendible commercial notes | 100.0 | – | | 100.0 | – | – |
| Other | n/a | 7.5 | 4.6 | n/a | 8.1 | 4.0 |
| **Total** | **$ 1,500.0** | **$ 446.3** | **5.5%** | **$ 1,500.0** | **$ 407.5** | **5.6%** |

(1) Our revolving credit facility supports our commercial paper program. In May 2006, we increased the credit available under our commercial paper program from $425 million to $800 million, which, if fully utilized, would reduce the amount available under our revolving credit facility to zero.

In August 2001, we issued $400 million 5.625% Notes ("Senior Notes") pursuant to a shelf registration statement under which we may issue up to $600 million in senior debt securities. The Senior Notes mature in August 2006 and are redeemable at any time. The proceeds from the Senior Notes were used to reduce commercial paper and credit facility borrowings and for other general partnership purposes. We intend to use cash flow from operations to retire the Senior Notes at maturity.

In February 2006, we entered into an $800 million five-year revolving credit facility with a group of commercial banks and other lenders. The revolving credit facility is intended to provide back-up liquidity for our commercial paper program, which we increased from $425 million to $800 million in May 2006. Under this revolving credit facility, the interest rate, at our option, is a floating rate generally based upon a defined

prime rate, a rate related to the London Interbank Offered Rate (LIBOR) or the Federal Funds rate. The revolving credit facility contains covenants which, among other things, require us to meet certain financial ratios. We were in compliance with the covenants as of March 31, 2006. This arrangement replaced an $800 million five-year revolving credit facility with substantially the same terms that was due to expire in September 2007.

As of March 31, 2006, we maintained a $100 million extendible commercial notes ("ECN") program as a supplement to our commercial paper program. ECNs are short-term uncommitted debt instruments that do not require back-up liquidity support.

In March 2006, SCB LLC entered into four separate uncommitted line of credit facility agreements with various banks, each for $100 million. As of March 31, 2006, no amounts were outstanding under these credit facilities.

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

***Dispositions***

In June 2005, AllianceBernstein and Federated completed a transaction pursuant to which Federated acquired our cash management services. **See Note 8 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q for a discussion of this transaction.

In addition to the initial cash payment, the total sales price included annual contingent purchase price payments payable over the next five years, which we estimate will total $68.0 million, and a final contingent $10.0 million payment, which is based on comparing revenues generated by applicable assets during the fifth year following the closing of the transaction to the revenues generated by those assets during a specified period prior to the closing of the transaction.



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

Also, the gain we recorded in 2005 was net of a gain contingency of $7.5 million. The gain contingency is a "clawback" provision that requires us to pay Federated up to $7.5 million if average daily transferred assets for the six-month period ended June 29, 2006 fall below a certain percentage of initial assets transferred at closing. Based on information currently available, we consider it unlikely that we will be required to make a payment under the clawback provision.

**COMMITMENTS AND CONTINGENCIES**

AllianceBernstein' s capital commitments, which consist primarily of operating leases for office space, are generally funded from future operating cash flows.

**See Note 5 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q for a discussion of our mutual fund distribution system and related deferred sales commission asset and of certain legal proceedings to which we are a party.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the condensed consolidated financial statements and notes to condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could be significantly different from estimates.

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

***Deferred Sales Commission Asset***

Management tests the deferred sales commission asset for recoverability quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Significant assumptions utilized to estimate the company' s future average assets under management and undiscounted future cash flows from back-end load shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. As of March 31, 2006, management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would decrease undiscounted future cash flows. Future redemption rate assumptions ranging from 23% to 26% were determined by reference to actual redemption experience over the five-year, three-year, one-year and current periods ended March 31, 2006, calculated as a percentage of the company' s average assets under management represented by back-end load shares. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. Management considers the results of these analyses performed at various dates. As of March 31, 2006, management determined that the deferred sales commission asset was not impaired. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated



fair value. Estimated fair value is determined using management' s best estimate of future cash flows discounted to a present value amount.

***Goodwill***

As a result of the adoption of SFAS No. 142, goodwill is tested at least annually, as of September 30, for impairment. Significant assumptions are required in performing goodwill impairment tests. Such tests include determining whether the estimated fair value of AllianceBernstein, the reporting unit, exceeds its book value. There are several methods of estimating AllianceBernstein' s fair value, which includes valuation techniques such as market quotations and discounted expected cash flows. In developing estimated fair value using a discounted cash flow valuation technique, business growth rate assumptions are applied over the estimated life of the goodwill asset and the resulting expected cash flows are discounted to arrive at a present value amount that approximates fair value. These assumptions consider all material events that have impacted, or that we believe could potentially impact, future discounted expected cash flows. As of September 30, 2005, the impairment test indicated that goodwill was not impaired. Also, as of March 31, 2006, management believes that goodwill was not impaired. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Any impairment could reduce materially the recorded amount of the goodwill asset with a corresponding charge to our earnings.

***Intangible Assets***

Acquired intangibles are recognized at fair value and amortized over their estimated useful lives of twenty years. Intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. A present value technique is applied to management' s best estimate of future cash flows to estimate the fair value of intangible assets. Estimated fair value is then compared to the recorded book value to determine whether an impairment is indicated. The estimates used include estimating attrition factors of customer accounts, asset growth rates, direct expenses and fee rates. We choose assumptions based on actual historical

trends that may or may not occur in the future. As of March 31, 2006, management believes that intangible assets were not impaired. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Any impairment could reduce materially the recorded amount of intangible assets with a corresponding charge to our earnings.

***Retirement Plan***

We maintain a qualified, noncontributory, defined benefit retirement plan covering current and former employees who were employed by the company in the United States prior to October 2, 2000. The amounts recognized in the consolidated financial statements related to the retirement plan are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which liabilities could be settled, rates of annual salary increases, and mortality rates. The assumptions are reviewed annually and may be updated to reflect the current environment. A summary of the key economic assumptions are **described in Note 14 to AllianceBernstein' s consolidated financial statements in our Form 10-K for the year ended December 31, 2005**. In accordance with U.S. GAAP, actual results that differ from those assumed are accumulated and amortized over future periods and, therefore, affect expense recognized and liabilities recorded in future periods.

In developing the expected long-term rate of return on plan assets of 8.0%, we considered the historical returns and future expectations for returns for each asset category, as well as the target asset allocation of the portfolio. The expected long-term rate of return on assets is based on weighted average expected returns for each asset class. We assumed a target allocation weighting of 70% to 80% for equity securities and 20% to 30% for debt securities. The plan' s equity investment strategy seeks to outperform the Russell 1000 Growth Index by approximately 200 basis points per year before fees on a consistent basis and to outperform the S&P 500 by a similar margin over full market cycles. The plan' s fixed income investment strategy is a defensive mixture invested in both U.S. Treasury Notes and corporate bonds in an effort to reduce interest rate risk. The actual rate of return on plan assets was 13.7%, 9.0%, and 19.9% in 2005, 2004, and 2003, respectively. A 25 basis point adjustment, up or down, in the expected long-term rate of return on plan assets would have decreased or increased the 2005 net pension charge of $5.6 million by approximately $0.1 million.



The objective of our discount rate assumption was to reflect the rate at which the pension benefits could be effectively settled. In making this determination, we took into account the timing and amount of benefits that would be available under the plan' s lump sum option. To that effect, our methodology for selecting the discount rate as of December 31, 2005 was to match the plan' s cash flows to that of a yield curve that provides the equivalent yields on zero-coupon corporate bonds for each maturity. Benefit cash flows due in a particular year can be "settled" theoretically by "investing" them in the zero-coupon bond that matures in the same year. The discount rate is the single rate that produces the same present value of cash flows. The selection of the 5.65% discount rate as of December 31, 2005 represents the approximate mid-point (to the nearest five basis points) of the single rate under two independently constructed yield curves - one prepared by Mercer Human Resource Consulting which produced a rate of 5.73%; and one prepared by Citigroup which produced a rate of 5.54%. The discount rate as of December 31, 2004 was 5.75%. This rate was used in developing the 2005 net pension charge. A lower discount rate increases pension expense and the present value of benefit obligations. A 25 basis point adjustment, up or down, in the discount rate (along with a corresponding adjustment in the assumed lump sum interest rate) would have decreased or increased the 2005 net pension charge of $5.6 million by approximately $0.6 million.

***Loss Contingencies***

Management continuously reviews with legal counsel the status of regulatory matters and pending or threatened litigation. We evaluate the likelihood that a loss contingency exists in accordance with Statement of Financial Accounting Standards No. 5 ("SFAS No. 5"), *"Accounting for Contingencies*". SFAS No. 5 requires a loss contingency to be recorded if it is probable and reasonably estimable as of the date of the financial statements.

**ACCOUNTING PRONOUNCEMENTS**

We adopted SFAS No. 123-R effective January 1, 2006 (**see Note 2 of AllianceBernstein' s condensed consolidated financial statements contained in Item 1** of this Form 10-Q). There were no other recently issued accounting pronouncements that would have a material impact on our financial condition or results of operations.

**FORWARD-LOOKING STATEMENTS**

Certain statements provided by management in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions and government regulations, including changes in tax regulations and rates. We caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, **see "Risk Factors" in Part I, Item 1A of our Form 10-K for the year ended December 31, 2005 and Part II, Item 1A** in this Form 10-Q. Any or all of the forward-looking statements that we make in this Form 10-Q or any other public statements we issue may turn out to be wrong. It is important to remember that other factors besides those listed in "Risk Factors" could also adversely affect our revenues, financial condition, results of operations, and business prospects.

The forward-looking statements referred to in the preceding paragraph include statements regarding the outcome of litigation and the effect on future earnings of the sale of our cash management services to Federated Investors, Inc. ("Sale"). Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect certain legal proceedings to have a material adverse effect on results of operations or financial condition, any settlement or judgment on the merits of



a legal proceeding could be significant, and could have a material adverse effect on our results of operations or financial condition. The effect of the Sale on future earnings, resulting from contingent payments to be received in future periods, will depend on the amount of net revenue earned by Federated Investors, Inc. ("Federated") during these periods on assets under management maintained in Federated' s funds by our former cash management clients. The amount of gain ultimately realized from the Sale depends on whether and to what extent we are required under the transaction clawback arrangement to return all or a portion of the initial payment received.

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

There have been no material changes to AllianceBernstein' s market risk for the quarterly period ended March 31, 2006.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures***

AllianceBernstein maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, in a timely manner.

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

***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting occurred during the first quarter of 2006 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## Part II

## OTHER INFORMATION

**Item 1. Legal Proceedings**

**See Note 5 of the condensed consolidated financial statements contained in Part I, Item 1** of this Form 10-Q.

**Item 1A. Risk Factors**

In addition to the information set forth in this report, please consider carefully "**Risk Factors**" **in Part I, Item 1A of our Form 10-K for the year ended December 31, 2005**. Such factors could materially affect our revenues, financial condition, results of operations, and business prospects. **See also our discussion of risks associated with forward-looking statements in Part I, Item 2** of this Form 10-Q.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

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

None.

**Item 5. Other Information**

None.



**Item 6. Exhibits**

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| 10.1 | Amended and Restated Commercial Paper Dealer Agreement dated as of May 3, 2006 among Banc of America Securities LLC**,** Merrill Lynch Money Markets Inc., and AllianceBernstein L.P. |
| 10.2 | Amended and Restated Issuing and Paying Agency Agreement dated as of May 3, 2006 between Deutsche Bank National Trust Company and AllianceBernstein L.P. |
| 15.1 | Letter from PricewaterhouseCoopers LLP, our Independent Registered Public Accounting Firm, re: unaudited interim financial information. |
| 15.2 | Letter from KPMG LLP re: unaudited interim financial information. |

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

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

32.1 Certification of Mr. Sanders furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Mr. Joseph furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



## SIGNATURE

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

Dated: May 8, 2006

ALLIANCEBERNSTEIN L.P.

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

# AMENDED AND RESTATED COMMERCIAL PAPER DEALER AGREEMENT

**[4(2) Commercial Paper Program]**

This Amended and Restated Commercial Paper Dealer Agreement, dated as of May 3, 2006, confirms the agreement among Banc of America Securities LLC ("BancAmerica"), Merrill Lynch Money Markets Inc. ("Merrill") and AllianceBernstein L.P., formerly known as Alliance Capital Management L.P. (the "Partnership"), whereby each of BancAmerica and Merrill, severally and not jointly, will act as a dealer with respect to the promissory notes to be issued by the Partnership, which will be issued either in physical bearer form or book-entry form, and amends and restates the Commercial Paper Dealer Agreement, dated as of December 14, 1999 (the "1999 Dealer Agreement") among Goldman, Sachs & Co. ("Goldman"), BancAmerica and the Partnership. Each of BancAmerica and Merrill is also sometimes referred to herein as a "Dealer" and collectively as the "Dealers." Notes in book-entry form will be represented by master notes registered in the name of a nominee of The Depository Trust Company ("DTC") and recorded in the book-entry system maintained by DTC. The promissory notes shall (a) be issued in denominations of not less than $250,000; (b) have maturities not exceeding 270 days from the date of issue; and (c) not contain any condition of redemption or right to prepay. Such notes, including the master notes, shall hereinafter be referred to as "Commercial Paper" or "Notes." Certain terms used in this Agreement are defined in paragraph 11 below. Any Exhibits described in this Agreement are hereby incorporated by reference into this Agreement and made fully a part hereof.

1. (a) The Partnership represents and warrants to the Dealers that: (i) the Partnership has been duly organized and is validly existing as a limited partnership in good standing under the laws of the State of Delaware; (ii) this Agreement and the amended and restated issuing and paying agency agreement dated as of May 3, 2006 with Deutsche Bank National Trust Company (the "Issuing and Paying Agent", which term shall include any successor issuing and paying agent under such agreement), a copy of which has been provided to each of the Dealers (as such agreement may be amended or supplemented from time to time, the "Issuing Agreement"), have been duly authorized, executed and delivered by the Partnership and each constitutes the valid and legally binding obligation of the Partnership enforceable in accordance with its respective terms subject to any applicable law relating to or affecting indemnification for liability under the securities laws, and except to the extent such enforceability may be limited by bankruptcy, insolvency or other

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similar laws affecting creditors' rights generally and the applicability of equitable principles thereto whether in a proceeding of law or in equity; (iii) the Notes have been duly authorized and, when issued and duly delivered in accordance with the Issuing Agreement, will constitute the valid and legally binding obligations of the Partnership, enforceable in accordance with their terms, except to the extent such enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and the applicability of equitable principles thereto whether in a proceeding of law or in equity; (iv) the private placement memorandum approved by the Partnership for distribution pursuant to Section 7 hereof (the "Private Placement Memorandum") and the Annual Report on Form 10-K of the Partnership, for the fiscal year ended December 31, 2005 and other documents subsequently filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by the Partnership (together, the "Offering Materials"), taken as a whole, except insofar as any information therein relates to BancAmerica or Merrill (or their respective affiliates), each in its respective capacity as dealer hereunder, do not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (v) the offer and sale of the Notes in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) thereof, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended; (vi) the Partnership is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended; (vii) the Notes will rank at least pari passu with all other unsecured and unsubordinated indebtedness of the Partnership; (viii) no consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required for the Partnership to authorize, or is otherwise required in connection with the execution, delivery or performance by the Partnership of, this Agreement, the Notes or the Issuing Agreement, except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes; (ix) neither the

execution and delivery of this Agreement and the Issuing Agreement, nor the issuance of the Notes in accordance with the Issuing Agreement, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Partnership, will (A) result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Partnership, which mortgage, lien, charge or encumbrance would have a material adverse effect on the financial condition or operations of the Partnership and its subsidiaries considered as one enterprise, or (B) violate or result in a breach or a default under any of the terms of the Partnership' s limited partnership certificate or agreement, any contract or instrument to which the Partnership is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or government instrumentality, to which the Partnership is subject or by which it or its property is bound, which violation, breach or default would have a material adverse effect on the financial condition or operations of the Partnership and its subsidiaries considered as one enterprise or the ability of the Partnership to perform its obligations under this Agreement, the Notes or the Issuing Agreement; and (x) except as may be disclosed in the Offering Materials, there is no litigation or governmental proceeding pending, or to the knowledge of the Partnership threatened, against or affecting the Partnership or any of its subsidiaries which would have a material adverse effect on the financial condition or operations of the Partnership and its subsidiaries considered as one enterprise or the ability of the Partnership to perform its obligations under this Agreement, the Notes or the Issuing Agreement.



(b) Each sale of a Note by the Partnership under this Agreement shall constitute an affirmation that the foregoing representations and warranties remain true and correct at the time of sale, and will remain true and correct at the time of delivery, of such Note, and since the date of the most recent Private Placement Memorandum, there has been no material adverse change in the financial condition or operations of the Partnership and its subsidiaries considered as one enterprise which has not been disclosed to the Dealers in writing.

2. Each of the Dealers may, from time to time, but shall not be obligated to, purchase Commercial Paper from the Partnership.

3. Prior to the initial issuance of Commercial Paper, the Partnership shall have delivered to each of the Dealers an incumbency certificate identifying persons authorized to sign Commercial Paper on the Partnership' s behalf and containing the true signatures of each of such persons.

4. Prior to the initial issuance of Commercial Paper, the Partnership shall have supplied each of the Dealers with an opinion or opinions of counsel addressing the matters set forth in paragraph 1(a)(i)-(iii), (v) – (vi) and (viii) above and such other matters as the Dealers shall reasonably request, such opinion or opinions to be in form and substance satisfactory to the Dealers.

5. All transactions in Commercial Paper between each of the Dealers and the Partnership shall be in accordance with the custom and practice in the commercial paper market. In accordance with such custom and practice, the purchase of Commercial Paper by the applicable Dealer shall be negotiated verbally between the applicable Dealer' s personnel and the authorized representative of the Partnership. Such negotiation shall determine the principal amount of Commercial Paper to be sold, the discount rate or interest rate applicable thereto, and the maturity thereof. The applicable Dealer' s fee for such sales shall be included in the discount rate with respect to Commercial Paper issued at a discount, or stated separately as a fee, in the case of Commercial Paper bearing interest. The applicable Dealer shall confirm each transaction made with the Partnership in writing in such Dealer' s customary form. Delivery and payment of Commercial Paper shall be effected in accordance with the Issuing Agreement.

6. The applicable Dealer shall pay for the Notes purchased by such Dealer in immediately available funds on the business day such Notes, executed in a manner satisfactory to such Dealer, are delivered to such Dealer in the case of physical bearer Notes, or in the case of book-entry Notes, on the business day such Notes are credited to such Dealer' s Participant Account at DTC. Payment shall be made in any manner permitted in the Issuing Agreement. The amount payable by the applicable Dealer to the Partnership shall be (i) in the case of discount Notes, the face value thereof less the original issue discount and less the compensation payable to such Dealer and (ii) in the case of interest to follow Notes, the face value thereof less the compensation payable to such Dealer.

7. From and after the date of this Agreement, the Partnership will supply to each of the Dealers on a continuing basis three copies of all annual and quarterly and other reports filed by the Partnership pursuant to Section 13 of the Exchange Act, and reports mailed by the Partnership to its unitholders (in their capacity as unitholders), plus such other information as the



Dealers may reasonably request; provided, however, that so long as such reports or other information is available on the Partnership' s website, delivery to each of the Dealers shall be deemed to have occurred when such information first becomes available on the Partnership' s website. The Partnership understands, however, that the Dealers shall distribute or otherwise use any informational documents concerning the Partnership, including the Private Placement Memorandum, only with the prior review and approval of the Partnership. The Partnership further undertakes to supply copies of such reports when requested by any Commercial Paper customer of the Dealers, as set forth in the Private Placement Memorandum. The Partnership further agrees to notify the Dealers promptly upon the occurrence of any event or other development, the result of which causes the informational documents and the Partnership' s annual or quarterly and other reports filed pursuant to Section 13 of the Exchange Act, taken as a whole, to include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. The Partnership agrees promptly to supplement or amend the Private Placement Memorandum so that the Private Placement Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and the Partnership shall make such supplement or amendment available to the Dealers.

8. (a) Partnership agrees to indemnify and hold harmless each Dealer and each person, if any, who controls such Dealer within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act (collectively, the "Indemnitee"), against any and all losses, claims, damages, liabilities or expenses, joint or several, to which any Indemnitee may become subject, under the Act, the Exchange Act, or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of material fact contained in the Offering Materials, taken as a whole, or the omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances in which they are made, not misleading, and (ii) the breach by the Partnership of any agreement, covenant or representation made in or pursuant to this Agreement, and the Partnership further agrees to reimburse each Indemnitee for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability, expense or action; provided, however, that the Partnership will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon such untrue statement or omission contained in the Offering Materials which relates to a Dealer (or its affiliates) in its capacity as dealer hereunder provided by such Dealer in writing expressly for inclusion in the Private Placement Memorandum. At the date hereof, the only such material is such Dealer' s contact information included in the Private Placement Memorandum.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph 8(a) is for any reason held unavailable (otherwise than in accordance with the provision stated therein), the Partnership shall contribute to the aggregate costs of satisfying any loss, damage, liability or expense sought to be charged against or incurred by any Indemnitee in such proportion as is appropriate to reflect the relative benefits received by the



Partnership on the one hand and the Dealers on the other from the offering of the Notes. For purposes of this paragraph 8(b), the "relative benefits" received by the Partnership shall be equal to the aggregate net proceeds received by the Partnership from Notes sold pursuant to this Agreement and the "relative benefits" received by each Dealer shall be equal to the aggregate commissions and fees earned by such Dealer hereunder.

9. The Dealers and the Partnership hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:

(a) Offers and sales of the Notes by or through the Dealers shall be made only to: (i) investors reasonably believed by the applicable Dealer to be Qualified Institutional Buyers or Institutional Accredited Investors and (ii) non-bank fiduciaries or agents that will be purchasing Notes for one or more accounts, each of which is reasonably believed by the Dealer to be an Institutional Accredited Investor.

(b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legend described in clause (e) below.

(c) No "general solicitation or general advertising" within the meaning of Regulation D shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the other parties hereto, no party hereto shall issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes.

(d) No sale of Notes to any one purchaser shall be for less than $250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom such purchaser is acting must purchase at least $250,000 principal or face amount of Notes.

(e) Offers and sales of the Notes by the Partnership through a Dealer acting as agent for the Partnership shall be made in accordance with Rule 506 under the Securities Act, and shall be subject to the restrictions described in the legend appearing on Exhibit A hereto. A legend substantially to the effect of such Exhibit A shall appear as part of the Private Placement Memorandum used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each master note representing book-entry Notes offered and sold pursuant to this Agreement.

(f) Each Dealer shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the then-current Private Placement Memorandum unless such purchaser has previously received a copy of the Private Placement Memorandum as then in effect. The Private Placement Memorandum shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Partnership and the applicable Dealer and shall provide the names, addresses and telephone numbers of the persons from whom information regarding the Partnership may be obtained.

(g) The Partnership agrees, for the benefit of the Dealers and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the



Partnership shall not be subject to Section 13 or 15(d) of the Exchange Act, the Partnership will furnish, upon request and at its expense, to the Dealers and to holders and prospective purchasers of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).

(h) In the event that any Note offered or to be offered by the Dealers would be ineligible for resale under Rule 144A, the Partnership shall immediately notify the Dealers (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Dealers an amendment or supplement to the Private Placement Memorandum describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(i) The Partnership will give the Dealers prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes or the Issuing Agreement, including a complete copy of any such amendment, modification or waiver.

(j) The Partnership shall, whenever there shall occur any adverse change in the financial condition or operations of the Partnership and its subsidiaries considered as one enterprise or any other adverse development or occurrence in relation to the Partnership that, in either case, would be material to holders of the Notes or potential holders of the Notes (including any

downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded any of the Partnership' s securities by any nationally recognized statistical rating organization which has published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the Dealers (by telephone, confirmed in writing) of such change, development or occurrence.

(k) The Partnership will take all such action as the Dealers may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws; provided, however, that the Partnership shall not be obligated to file any general consent to service of process or to qualify as a foreign partnership in any jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

10. The Partnership hereby represents and warrants to each Dealer, in connection with offers, sales and resales of Notes, as follows:

(a) The Partnership hereby confirms to each Dealer that within the preceding six months neither the Partnership nor any person other than the Dealers acting on behalf of the Partnership has offered or sold any Notes, or any substantially similar security of the Partnership to, or solicited offers to buy any such security from, any person other than the Dealers; provided, that the parties hereto acknowledge that, within the preceding six months, BancAmerica and Goldman have offered and sold commercial paper notes and extendible commercial notes on behalf of the Partnership as pursuant to the 1999 Dealer Agreement and extendible commercial notes dealer agreement, respectively, each dated as of December 14, 1999, among BancAmerica, Goldman and the Partnership. The Partnership also agrees that as long as the Notes are being



offered for sale by the Dealers as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Partnership nor any person other than the Dealers will offer the Notes or any substantially similar security of the Partnership for sale to, or solicit offers to buy any such security from, any person other than the Dealers if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer or sale would render invalid the exemption from the registration requirements of the Security Act provided by Section 4(2) thereof for the offer and sale of the Notes, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and shall survive any termination of this Agreement. The Partnership hereby represents and warrants that it has not taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Partnership or some other party or parties.

(b) The Partnership represents and agrees that the proceeds of the sale of the Notes are not currently contemplated to be used for the purpose of buying, carrying or trading securities within the meaning of Regulation T and the interpretations thereunder by the Board of Governors of the Federal Reserve System. In the event that the Partnership determines to use such proceeds for the purpose of buying, carrying or trading securities, whether in connection with an acquisition of another company or otherwise, the Partnership shall give the Dealers at least five business days' prior written notice to that effect. The Partnership shall also give the Dealers prompt notice of the actual date that it commences to purchase securities with the proceeds of the Notes. Thereafter, in the event that a Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, such Dealer will sell such Notes either (i) only to offerees it reasonably believes to be Qualified Institutional Buyers or to Qualified Institutional Buyers it reasonably believes are acting for other Qualified Institutional Buyers, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.

11. The following are definitions for certain terms used in this Agreement:

(a) "Institutional Accredited Investor" shall mean an institutional investor that is an accredited investor within the meaning of Rule 501 under the Securities Act and that has such knowledge and experience in financial and business matters that it is capable of evaluating and bearing the economic risk of an investment in the Notes, including, but not limited to, a bank, as defined in Section 3(a)(2) of

the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity.

(b) "Non-bank fiduciary or agent" shall mean a fiduciary or agent other than (a) a bank, as defined in Section 3(a)(2) of the Securities Act, or (b) a savings and loan association, as defined in Section 3(a)(5)(A) of the Securities Act.

(c) "Qualified Institutional Buyer" shall have the meaning assigned to that term in Rule 144A under the Securities Act.



(d) "Regulation D" shall mean Regulation D (Rules 501 et seq.) under the Securities Act.

(e) "Rule 144A" shall mean Rule 144A under the Securities Act.

12. This Agreement may be terminated by the Partnership or either Dealer, with respect to such Dealer, upon thirty days' written notice to the Dealers or the Partnership, as the case may be. Any such termination, however, shall not affect the obligations of the Partnership under Sections 8 and Section 14 hereof. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

13. This Agreement shall inure to the benefit of and be binding upon the undersigned parties and their respective successors and assigns, but no other person, partnership, association, company or corporation.

14. The Partnership and each Dealer agree that any suit, action or proceeding brought by the Partnership against a Dealer, or by a Dealer against the Partnership, in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought solely in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. EACH DEALER AND THE PARTNERSHIP WAIVE ITS RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

15. This Agreement is not assignable by the Partnership without the written consent of the Dealers or by a Dealer without the consent of the Partnership; provided, however, that, upon prior written notice, a Dealer may assign its rights and obligations under this Agreement to any affiliate of such Dealer.

16. The Partnership acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Agreement, including the determination of the offering price of the Notes and any related discounts and commissions, is an arm' s-length commercial transaction between the Partnership, on the one hand, and the applicable Dealer, on the other hand, (ii) in connection with the offering contemplated hereby and the process leading to such transaction each Dealer is and has been acting solely as a dealer and is not the fiduciary, or, except to the extent expressly set forth herein, the agent, of the Partnership or its unitholders, creditors, employees or any other party, (iii) each Dealer has not assumed nor will it assume an advisory or fiduciary responsibility in favor of the Partnership with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Dealer has advised or is currently advising the Partnership on other matters) and the Dealers have no obligation to the Partnership with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (iv) each Dealer and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Partnership, and (v) the Dealers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Partnership has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.



17. Unless otherwise expressly provided herein, all notices under this Agreement to parties hereto shall be in writing and shall be effective when received at the address of the respective party set forth as follows:

For the Partnership:

| | |
|---|---|
| Address: | 1345 Avenue of the Americas<br>New York, New York 10105 |
| Attention: | Treasury |
| Telephone number: | 212-823-3232 |
| Fax number: | 212-823-3250 |

For Banc of America Securities LLC:

| | |
|---|---|
| Address: | 600 Montgomery Street<br>CA5-801-15-31<br>San Francisco, California 94111 |
| Attention: | Short-Term Fixed Income |
| Telephone number: | 415-913-3689 |
| Fax number: | 415-913-6288 |

For Merrill Lynch Money Markets Inc.:

| | |
|---|---|
| Address: | World Financial Center, 11th Floor<br>New York, New York 10080 |
| Attention: | Money Markets Origination |
| Telephone number: | 212-449-3264 |
| Fax number: | 212-449-8939 |



If the foregoing accurately reflects our agreement, please sign the enclosed copy in the space provided below and return it to the undersigned.

The parties hereto have caused the execution of this Agreement on the date first provided above.

AllianceBernstein L.P.

By: /s/ John J. Onofrio, Jr.
Name: John J. Onofrio, Jr.
Title: Vice President and Treasurer

Banc of America Securities LLC

By: /s/ Robert J. Porter
Name: Robert J. Porter
Title: Managing Director

Merrill Lynch Money Markets Inc.

By: /s/ Robert J. Little

Name: Robert J. Little

Title: Managing Director

EXHIBIT A

FORM OF LEGEND FOR
PRIVATE PLACEMENT MEMORANDUM AND NOTES

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTE WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS (A) AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a) UNDER THE ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") AND THAT EITHER IS PURCHASING NOTES FOR ITS OWN ACCOUNT, IS A U.S. BANK (AS DEFINED IN SECTION 3(a)(2) OF THE ACT) OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION (AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT) ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY OR IS A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION) PURCHASING NOTES FOR ONE OR MORE ACCOUNTS EACH OF WHICH IS SUCH AN INSTITUTIONAL ACCREDITED INVESTOR OR (B) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT THAT IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE OTHER ACCOUNTS, EACH OF WHICH IS A QIB AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, EITHER (1) TO THE ISSUER OR TO BANC OF AMERICA SECURITIES LLC, MERRILL LYNCH MONEY MARKETS INC. OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT

AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL ACCREDITED INVESTOR OR A QIB, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND (B) IN MINIMUM AMOUNTS OF $250,000.

**EXHIBIT 10.2**

AMENDED AND RESTATED ISSUING AND PAYING AGENCY AGREEMENT

**[4(2) Commercial Paper Program]**

Dated as of May 3, 2006

Deutsche Bank National Trust Company
Global Transaction Banking
Trust & Securities Services
25 DeForest Ave, 2nd Floor
Mail Stop: SUM01-0105
Summit, NJ 07901

ATTN: Corporate Trust and Agency Services
Re: AllianceBernstein L.P. Commercial Paper Program

Ladies and Gentlemen:

This letter (herein after referred to as the "Agreement") sets forth the understanding between you and AllianceBernstein L.P., formerly known as Alliance Capital Management L.P. (the "Partnership"), whereby you have agreed to act as depositary for the safekeeping of certain notes of the Partnership which may be offered and sold in transactions exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, in the United States commercial paper market (the "Commercial Paper Notes"), as issuing agent on behalf of the Partnership in connection with the issuance of the Commercial Paper Notes and as paying agent to undertake certain obligations to make payments in respect of the Commercial Paper Notes, and amends and restates the Issuing and Paying Agency Agreement, dated as of March 12, 2001, between Bankers Trust Company and the Partnership. You have executed or will promptly hereafter execute a Letter of Representations (the "Letter of Representations", which term shall include the

Procedures referred to therein) with the Partnership and The Depository Trust Company ("DTC") and a Certificate Agreement (the "Certificate Agreement") with DTC which establish or will establish, among other things, the procedures to be followed by you in connection with the issuance and custody of Commercial Paper Notes in book-entry form.

1. Appointment of Agent. The Partnership hereby appoints you and you hereby agree to act, on the terms and conditions specified herein and in the Letter of Representations and Certificate Agreement, as custodian and issuing and paying agent for the Commercial Paper Notes. The Commercial Paper Notes will, in the case of Commercial Paper Notes issued in certificated form ("Certificated Notes"), be substantially in the form attached hereto as Exhibit A and, in the case of Commercial Paper Notes issued in book-entry form ("Book-Entry Notes"), be substantially in the forms attached to the Letter of Representations. The Commercial Paper Notes will be sold through such commercial paper dealers as the Partnership shall have notified you from time to time (collectively, the "Dealer" or "Dealers"). The Dealers currently are Banc of America Securities LLC and Merrill Lynch Money Markets Inc.

2. Supply of Commercial Paper Notes. The Partnership will from time to time furnish you with an adequate supply of Commercial Paper Notes, which shall be Book-Entry Notes and/or Certificated Notes, as the Partnership in its sole and absolute discretion considers appropriate. Certificated Notes shall be serially numbered and shall have been executed by manual or facsimile signature of an Authorized Representative (as hereafter defined), with the principal amount, payee, date of issue, maturity date, amount of interest (if an interest-bearing Commercial Paper Note) and maturity value left blank. Book-Entry Notes shall be represented by one or more master notes which shall be executed by manual or facsimile signature by an Authorized Representative in accordance with the Letter of Representations. Pending receipt of

instructions pursuant to this Agreement, you will hold the Commercial Paper Notes in safekeeping for the account of the Partnership or DTC, as the case may be, in accordance with your customary practice and the requirements of the Certificate Agreement. The Certificated Notes shall be printed on a manifold that will produce one original and three non-negotiable copies.

3. Authorized Representatives. From time to time the Partnership will furnish you with a certificate, substantially in the form attached hereto as Exhibit B, certifying the incumbency and specimen signatures of officers or agents of the Partnership authorized to execute Commercial Paper Notes on behalf of the Partnership by manual or facsimile signature and/or to take other action hereunder on behalf of the Partnership (each an "Authorized Representative"). Until you receive a subsequent incumbency certificate of the Partnership, you are entitled to rely on the last such certificate delivered to you for purposes of determining the Authorized Representatives. You shall not have any responsibility to the Partnership to determine by whom or by what means a facsimile signature may have been affixed on the Commercial Paper Notes, or to determine whether any facsimile or manual signature is genuine, if such facsimile or manual signature resembles the specimen signature(s) filed with you by a duly authorized officer of the Partnership. Any Commercial Paper Note bearing the manual or facsimile signature of a person who is an Authorized Representative on the date such signature is affixed shall be binding on the Partnership after the authentication thereof by you notwithstanding that such person shall have died or shall have otherwise ceased to hold his office on the date such Commercial Paper Note is countersigned or delivered to you.

4. Completion, Authentication and Delivery of Commercial Paper Notes. (a) Instructions for the issuance of Commercial Paper Notes will be given via a transmission through



an instruction and reporting communication service ("Noteline Direct"), if available, or by telephone, confirmed in writing (which may be by facsimile) within twenty-four hours either by an Authorized Representative, or by any officer or employee of a Dealer who has been designated by an Authorized Representative in writing to you as a person authorized to give such instructions hereunder (each an "Authorized Dealer Representative"), provided that instructions may be given in writing if the Noteline Direct system is unavailable or is inoperative. Upon receipt of instructions as described in the preceding sentence, you will withdraw the necessary Commercial Paper Note(s) from safekeeping and, in accordance with such instructions, shall, (i) in the case of Book-Entry Notes, cause the issuance of such Book-Entry Notes in the manner set forth in, and take such other actions as are required by, the Letter of Representations and the Certificate Agreement, or (ii) in the case of Certificated Notes:

(1) complete each Certificated Note as to principal amount (which shall not be less than $250,000), payee, date of issue, maturity date (which shall not be more than 270 days from the date of issue), amount of interest (if any) and maturity value; and

(2) manually countersign each Certificated Note by any one of your officers or employees duly authorized and designated for this purpose; and

(3) deliver the Certificated Note(s) to the appropriate Dealer or its agent within the Borough of Manhattan, City and State of New York, which delivery shall be against receipt for payment as herein provided or as otherwise provided in such instructions. If such instructions do not provide for such receipt, such Dealer shall nevertheless pay the purchase price for the Certificated Note in accordance with Paragraph 5 hereof. Of the three non-negotiable copies of each Commercial Paper Note, two shall be retained by you and one shall be sent promptly to the Partnership.



(b) Instructions given via the system must be entered by 12:00 p.m. for physical issuance and 1:00 p.m. for book-entry issuance, New York time, and instructions delivered by telephone or in writing must be received by you by 1:00 p.m., New York time, if the Commercial Paper Note(s) are to be delivered the same day. Telephone instructions shall be confirmed in writing the same day.

(c) The Partnership understands that although you have been instructed to deliver Commercial Paper Notes against payment, delivery of Certificated Notes will, in accordance with the custom prevailing in the commercial paper market, be made before receipt of payment in immediately available funds. Therefore, once you have delivered a Certificated Note to a Dealer or its agent as provided in Paragraph 4(a)(3) hereof, the Partnership shall bear the risk that a Dealer or its agent fails to remit payment for the Certificated Note to you. It is understood that each delivery of Commercial Paper Notes hereunder shall be subject to the rules of the New York Clearing House in effect at the time of such delivery.

(d) Except as may otherwise be provided in the Letter of Representations, if at any time the Partnership instructs you to cease issuing Certificated Notes and to issue only Book-Entry Notes, you agree that all Commercial Paper Notes will be issued as Book-Entry Notes and that no Certificated Notes shall be exchanged for Book-Entry Notes unless and until you have received written instructions from an Authorized Representative (any such instructions from an Authorized Dealer Representative shall not be sufficient for this purpose) to the contrary.

(e) Notwithstanding any contrary instructions received from the Partnership or an Authorized Representative, you shall cease completing, authenticating, issuing and delivering Commercial Paper Notes, if, following the issuance of any Commercial Paper Notes, the aggregate principal amount of outstanding Commercial Paper Notes would exceed the authorized



amount of $800,000,000, or such other amount as may be authorized by the Partnership from time to time and confirmed to you in writing.

5. Noteline Direct

The Partnership acknowledges that it is granted a personal, non-transferable and non-exclusive right to use the instruction and reporting communication service Noteline Direct to transmit through the Noteline Direct system instructions made pursuant to Section 4 hereof. The Partnership may, by separate agreement between itself and one or more of its Dealers, authorize the Dealer to directly access Noteline Direct for the purposes of transmitting instructions to you or obtaining reports with respect to the Commercial Paper Notes.

The Partnership acknowledges that (a) some or all of the services utilized in connection with Noteline Direct are furnished by Digital Transactions Inc. (“DTI”), Dynamic Microprocessor Associates Inc. (“DMA”) and Deutsche Bank National Trust Company, (b) Noteline Direct is provided to the Partnership “AS IS” without warranties or representations of any kind whatsoever by DTI, DMA or you, and (c) Noteline Direct is proprietary and confidential property disclosed to the Partnership in confidence and only on the terms and conditions and for purposes set forth in this Agreement.

By this Agreement, the Partnership acquires no title, ownership or sublicensing rights whatsoever in Noteline Direct or in any trade secret, trademark, copyright or patent of yours, DTI, or DMA now or to become applicable to Noteline Direct. The Partnership may not transfer, sublicense, assign, rent, lease, convey, modify, translate, convert to a programming language, decompile, disassemble, recirculate, republish or redistribute Noteline Direct for any purpose without the prior written consent of you and, where necessary, DTI and DMA.



In the event (a) any action is taken or threatened which may result in a disclosure or transfer of Noteline Direct or any part thereof, other than as authorized by this Agreement, or (b) the use of any trademark, trade name, service mark, service name, copyright or patent of yours, DTI or DMA by the Partnership amounts to unfair competition, or otherwise constitutes a possible violation of any kind, then you and/or DTI and/or DMA shall have the right to take any and all action deemed necessary to protect your rights in Noteline Direct, and to avoid the substantial and irreparable damage which would result from such disclosure, transfer or use, including the immediate termination of the Partnership’ s right to use Noteline Direct.

To permit the use of Noteline Direct to issue instructions and/or obtain reports with respect to the Commercial Paper Notes, you will supply the Partnership with an identification number and initial passwords. From time to time thereafter, the Partnership may change its passwords directly through Noteline Direct. The Partnership will keep all information relating to its identification number and passwords strictly confidential and will be responsible for the maintenance of adequate security over its customer identification number and passwords. For security purposes, the Partnership should change its passwords frequently (at least once a year).

Instructions transmitted over Noteline Direct and received by you pursuant to Section 4 hereof accompanied by the Partnership' s identification number and the passwords, shall be deemed conclusive evidence that such instructions are correct and complete and that the issuance or redemption of the Commercial Paper Note(s) directed thereby has been duly authorized by the Partnership.

6. Proceeds of Sale of the Commercial Paper Notes. Prior to the execution and delivery of this Agreement, you have established an account designated in the Partnership' s name (the "Note Account"). On each day on which a Dealer or its agent receives Commercial Paper Notes



(whether through the facilities of DTC in the manner set forth in the Letter of Representations or by delivery in accordance with Paragraph 4(a)(3) hereof), it shall pay the purchase price for such Commercial Paper Notes in immediately available funds for credit to the Note Account. From time to time upon telephonic or written instructions received by you from an Authorized Representative, you agree to transfer immediately available funds from the Note Account to any bank or trust company for the Partnership' s account.

7. Payment of Matured Commercial Paper Notes. By 1:00 p.m., New York time, on the date that any Commercial Paper Notes are scheduled to mature, there shall have been transferred to you for deposit in the Note Account immediately available funds at least equal to the amount of Commercial Paper Notes maturing on such date. When any matured Commercial Paper Note is presented to you for payment by the holder thereof (which may, in the case of Book-Entry Notes held by you in custody pursuant to the Certificate Agreement, be DTC or a nominee of DTC), payment shall be made from and charged to the Note Account to the extent funds sufficient to effect such payment are available in said account.

8. Reliance on Instructions. Except as otherwise set forth herein, you shall incur no liability to the Partnership in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof reasonably believed in good faith to have been given by an Authorized Representative or an Authorized Dealer Representative, as the case may be. In the event a discrepancy exists with respect to such instructions, the telephonic instructions as recorded by you will be deemed the controlling and proper instructions, unless such instructions are required by this Agreement to be in writing or have not been recorded by you as contemplated by the next sentence. It is understood that all telephonic instructions will be recorded by you and the Partnership hereby consents to such recording.



9. Cancellation of Commercial Paper Notes. You will in due course cancel Certificated Note(s) presented for payment and return them to the Partnership. After payment of any matured Book-Entry Note, you shall annotate your records to reflect the face amount of Book-Entry Notes outstanding in accordance with the Letter of Representations. Promptly upon the written request of the Partnership, you agree to cancel and return to the Partnership all unissued Commercial Paper Notes in your possession at the time of such request.

10. Notices; Addresses. (a) All communications by or on behalf of the Partnership or a Dealer, by telephone, Noteline Direct or otherwise, relating to the completion, delivery or payment of the Commercial Paper Note(s) are to be directed to your Commercial Paper Issuance Unit of the Corporate Trust and Agency Services (or such other department or division which you shall specify in writing to the Partnership and the Dealers). The Partnership will send all Commercial Paper Notes to be completed and delivered by you to your Commercial Paper Issuance Unit of the Corporate Trust and Agency Services (or such other department or division as you shall specify in writing to the Partnership). You will advise the Partnership and the Dealers from time to time in writing of the individuals generally responsible for the administration of this Agreement and will from time to time certify incumbency and specimen signatures of officers or employees authorized to countersign Commercial Paper Notes.

(b) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing (which may be by facsimile) and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice: if to the Partnership, at:



(a) concerning daily issuance of Commercial Paper Notes:

AllianceBernstein L.P.
1345 Avenue of the Americas
New York, New York 10105

Attention: Paul Anzalone, Corporate Finance/Treasury
Telecopy No.: (212) 823-3250

Attention: Lillian Mondo, Corporate Finance/Treasury
Telecopy No.: (212) 823-3250

(b) concerning all other matters:

AllianceBernstein L.P.
1345 Avenue of the Americas
New York, New York 10105

Attention: Robert H. Joseph, Jr.
Telecopy No.: (212) 969-2386

Attention: John J. Onofrio, Jr.
Telecopy No.: (212) 823-3250

Attention: Laurence E. Cranch, Esq.
Telecopy No.: (212) 969-1334

if to you, at:

Deutsche Bank National Trust Company
Global Transaction Banking
Trust & Securities Services
25 DeForest Avenue
Mail Stop: SUM01-0105
Summit, New Jersey 07901
Attention: David Contino, Assistant Vice President
Telecopy No.: (732) 578-4635

Notices shall be deemed delivered when received at the address specified above. For purposes of this paragraph, “when received” shall mean actual receipt (i) of an electronic communication by a telex machine, telecopier or Noteline Direct specified in or pursuant to this Agreement; (ii) or

an oral communication by any person answering the telephone at your office specified in subparagraph 10(a) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (iii) of a written communication hand-delivered at the office specified in or pursuant to this Agreement.

11. Additional Information. Upon the request of the Partnership given at any time and from time to time, you shall promptly provide the Partnership with information with respect to the Commercial Paper Note(s) issued and paid hereunder. Such request shall be in written form and, to the extent known by the Partnership, shall include the serial number, principal amount, date of issue, maturity date and amount of interest, if any, of each Commercial Paper Note which has been issued or paid by you and for which the request is being made.

12. Representations.

(a) This Agreement and the Commercial Paper Notes have been duly authorized and this Agreement when executed and the Commercial Paper Notes when issued in accordance with instructions, will be valid and binding obligations of the Partnership, enforceable in accordance with their terms, subject to any applicable law relating to or affecting indemnification for liability under the securities laws and except to the extent such enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors rights generally and the applicability of equitable principles thereto whether in a proceeding of law or in equity.

(b) The offer and sale of each Commercial Paper Note issued under this Agreement will be exempt from registration under Section 4(2) of the Securities Act of 1933, as amended.

13. Liability. Neither you nor your officers, employees or agents shall be liable for any act or omission hereunder, except in the case of negligence or willful misconduct. Your duties and obligations and those of your officers and employees shall be determined by the express



provisions of this Agreement, the Letter of Representations and the Certificate Agreement (including the documents referred to therein), and they shall not be liable except for the performance of such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against them. Neither you nor your officers or employees shall be required to ascertain whether any issuance or sale of Commercial Paper Note(s) (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement to which the Partnership is a party (whether or not you are a party to such other agreement).

14. Indemnification. The Partnership agrees to indemnify and hold you and your officers, employees and agents harmless from and against all liabilities, claims, damages, costs and expenses (including reasonable legal fees and expenses) relating to or arising out of their actions or inactions in connection with this Agreement, except to the extent they are caused by your or their negligence or willful misconduct. This indemnity shall survive termination of this Agreement.

15. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

16. Termination. (a) This Agreement may be terminated at any time by either you or the Partnership by 15 days prior written notice to the other, provided that you agree to continue acting as Issuing and Paying Agent hereunder until such time as your successor has been selected and has entered into an agreement with the Partnership to that effect. Such termination shall not affect the respective liabilities of the parties hereunder arising prior to such termination.



(b) If no successor has been appointed within 15 days, then you have the right to petition a court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent. You shall incur no expense or liability in connection with any such appointment.

17. Governing Law. (a) This Agreement is to be delivered and performed in, and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of New York.

(b) Each party irrevocably and unconditionally submits to the exclusive jurisdiction of the United States Federal courts located in the Borough of Manhattan and the courts of the State of New York located in the Borough of Manhattan.

18. Fees. You shall receive fees from the Partnership for acting as Issuing and Paying Agent hereunder in such amounts as you and the Partnership shall agree from time to time in writing.



Please indicate your agreement with and acceptance of the foregoing terms and provisions by signing the counterpart of this letter enclosed herewith and returning it to the Partnership.

ALLIANCEBERNSTEIN L.P.

By: /s/ John J. Onofrio, Jr.
Name: John J. Onofrio, Jr.
Title: Vice President and Treasurer

Agreed to and accepted
this 3rd day of May, 2006

DEUTSCHE BANK NATIONAL TRUST COMPANY
as Issuing and Paying Agent

By: /s/ David Contino
Name: David Contino
Title: Assistant Vice President

By: /s/ Rodney Gaughan
Name: Rodney Gaughan
Title: Assistant Vice President

**EXHIBIT 15.1**

Letter Re: Unaudited Interim Financial Information

May 8, 2006

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Registration Statements on Form S-3 (No. 333-64886) and on Form S-8 (No. 333-47192)

Commissioners:

We are aware that our report dated May 8, 2006 on our review of the condensed interim financial information of AllianceBernstein L.P. for the three-month period ended March 31, 2006, included in the Company' s quarterly report on Form 10-Q for the quarter ended March 31, 2006, is incorporated by reference in the Registration Statements referred to above.

Very truly yours,

/s/ PricewaterhouseCoopers LLP
New York, New York

**EXHIBIT 15.2**

Letter Re: Unaudited Interim Financial Information

May 8, 2006

AllianceBernstein L.P.
1345 Avenue of the Americas
New York, NY 10104

Re: Registration Statement No. 333-64886 on Form S-3 and No. 333-47192 on Form S-8

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 5, 2005 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
New York, New York

**EXHIBIT 31.1**

I, Lewis A. Sanders, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AllianceBernstein L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 5, 2006

/s/ Lewis A. Sanders

Lewis A. Sanders
Chief Executive Officer
AllianceBernstein L.P.

**EXHIBIT 31.2**

I, Robert H. Joseph, Jr., Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AllianceBernstein L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Date: May 5, 2006

/s/ Robert H. Joseph, Jr.
Robert H. Joseph, Jr.
Chief Financial Officer
AllianceBernstein L.P.

**EXHIBIT 32.1**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AllianceBernstein L.P. (the "Company") on Form 10-Q for the period ending March 31, 2006 to be filed with the Securities and Exchange Commission on or about May 10, 2006 (the "Report"), I, Lewis A. Sanders, Chief Executive Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2006

/s/ Lewis A. Sanders
Lewis A. Sanders
Chief Executive Officer
AllianceBernstein L.P.

**EXHIBIT 32.2**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AllianceBernstein L.P. (the "Company") on Form 10-Q for the period ending March 31, 2006 to be filed with the Securities and Exchange Commission on or about May 10, 2006 (the "Report"), I, Robert H. Joseph, Jr., Chief Financial Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:May 5, 2006

/s/ Robert H. Joseph, Jr.
Robert H. Joseph, Jr.
Chief Financial Officer
AllianceBernstein L.P.