

ALLIANCEBERNSTEIN HOLDING L.P.  
Form 10-K  
February 11, 2016

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

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FORM 10-K

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

For the Fiscal Year Ended December 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-09818

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

Delaware 13-3434400  
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)  
organization)

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

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

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

Title of Class	Name of each exchange on which registered
units representing assignments of beneficial ownership of limited partnership interests	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

(Check one):

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

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

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2015 was approximately \$2.8 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2015 was 100,044,485. (This figure includes 100,000 general partnership units having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

#### DOCUMENTS INCORPORATED BY REFERENCE

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

## Table of Contents

Glossary of Certain Defined Terms	ii
Part I	
Item 1. <u>Business</u>	<u>1</u>
Item 1A. <u>Risk Factors</u>	<u>16</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>25</u>
Item 2. <u>Properties</u>	<u>25</u>
Item 3. <u>Legal Proceedings</u>	<u>26</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>26</u>
Part II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>27</u>
Item 6. <u>Selected Financial Data</u>	<u>29</u>
<u>AB Holding</u>	<u>29</u>
<u>AB</u>	<u>30</u>
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Executive Overview</u>	<u>32</u>
<u>AB Holding</u>	<u>33</u>
<u>AB</u>	<u>36</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>56</u>
<u>AB Holding</u>	<u>56</u>
<u>AB</u>	<u>56</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>57</u>
<u>AB Holding</u>	<u>58</u>
<u>AB</u>	<u>71</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>113</u>
Item 9A. <u>Controls and Procedures</u>	<u>113</u>
Item 9B. <u>Other Information</u>	<u>115</u>
Part III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>116</u>
Item 11. <u>Executive Compensation</u>	<u>125</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>142</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>147</u>
Item 14. <u>Principal Accounting Fees and Services</u>	<u>150</u>
Part IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>151</u>
<u>Signatures</u>	<u>154</u>

Table of Contents

Glossary of Certain Defined Terms

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

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

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

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

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

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

“AUM” – AB's assets under management.

“AXA” – AXA (société anonyme organized under the laws of France) is the holding company for the AXA Group, a worldwide leader in financial protection. AXA operates primarily in Europe, North America, the Asia/Pacific regions and, to a lesser extent, in other regions, including the Middle East, Africa and Latin America. AXA has five operating business segments: Life and Savings, Property and Casualty, International Insurance, Asset Management and Banking.

“AXA Equitable” – AXA Equitable Life Insurance Company (New York stock life insurance company), a subsidiary of AXA Financial, and its subsidiaries other than AB and its subsidiaries.

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

“Bernstein Transaction” – AB's acquisition of the business and assets of SCB Inc., formerly known as Sanford C. Bernstein Inc., and the related assumption of the liabilities of that business, completed on October 2, 2000.

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

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

“General Partner” – AllianceBernstein Corporation (Delaware corporation), the general partner of AB and AB Holding and a subsidiary of AXA Equitable, and, where appropriate, APMC, LLC, its predecessor.

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

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

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

“Partnerships” – AB and AB Holding together.

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

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

“WPS Acquisition” – AB's acquisition of W.P. Stewart & Co., Ltd. (“WPS”), a concentrated growth equity investment manager, completed on December 12, 2013.

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## Table of Contents

### PART I

#### Item 1. Business

The words “we” and “our” in this Form 10-K refer collectively to AB Holding and AB and its subsidiaries, or to their officers and employees. Similarly, the words “company” and “firm” refer to both AB Holding and AB. Where the context requires distinguishing between AB Holding and AB, we identify which company is being discussed.

Cross-references are in italics.

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

We use “emerging markets” in this Form 10-K to refer to countries included in the Morgan Stanley Capital International (“MSCI”) emerging markets index, which are, as of December 31, 2015, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and the United Arab Emirates.

#### Clients

We provide research, diversified investment management and related services globally to a broad range of clients through our three buy-side distribution channels: Institutions, Retail and Private Wealth Management, and our sell-side business, Bernstein Research Services. See “Distribution Channels” in this Item 1 for additional information.

As of December 31, 2015, 2014 and 2013, our AUM were \$467 billion, \$474 billion and \$450 billion, respectively, and our net revenues for the years ended December 31, 2015, 2014 and 2013 were \$3.0 billion, \$3.0 billion and \$2.9 billion, respectively. AXA, our parent company, and its subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 24%, 23% and 23% of our AUM as of December 31, 2015, 2014 and 2013, respectively, and we earned approximately 5% of our net revenues from services we provided to our affiliates in each of 2015, 2014 and 2013, respectively. See “Distribution Channels” below and “Assets Under Management” and “Net Revenues” in Item 7 for additional information regarding our AUM and net revenues.

Generally, we are compensated for our investment services on the basis of investment advisory and services fees calculated as a percentage of AUM. For additional information about our investment advisory and services fees, including performance-based fees, see “Risk Factors” in Item 1A and “Net Revenues – Investment Advisory and Services Fees” in Item 7.

#### Research

Our high-quality, in-depth research is the foundation of our business. We believe that our global team of research professionals, whose disciplines include economic, fundamental equity, fixed income and quantitative research, gives us a competitive advantage in achieving investment success for our clients. We also have experts focused on multi-asset strategies, wealth management and alternative investments.

#### Investment Services

Our broad range of investment services includes:

- Actively-managed equity strategies with global and regional portfolios across capitalization ranges and investment strategies, including value, growth and core equities;

- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;
- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct real estate investing); and
- Multi-asset services and solutions, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our services span 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, emerging markets, regional and local), in major markets around the world.

Table of Contents

Our AUM by client domicile and investment service as of December 31, 2015, 2014 and 2013 were as follows:

By Client Domicile (\$ in billions):

By Investment Service (\$ in billions):

Distribution Channels

Institutions

We offer to our institutional clients, which include private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and various of our affiliates, separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles (“Institutional Services”).

We manage the assets of our institutional clients pursuant to written investment management agreements or other arrangements, which generally are terminable at any time or upon relatively short notice by either party. In general, our written investment management agreements may not be assigned without the client's consent. For information about our institutional investment advisory and services fees, including performance-based fees, see “Risk Factors” in Item 1A and “Net Revenues – Investment Advisory and Services Fees” in Item 7.

AXA and its subsidiaries together constitute our largest institutional client. AXA's AUM accounted for approximately 33%, 32% and 31% of our institutional AUM as of December 31, 2015, 2014 and 2013, respectively, and approximately 26%, 22% and 22% of our institutional revenues for 2015, 2014 and 2013, respectively. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2015.

As of December 31, 2015, 2014 and 2013, Institutional Services represented approximately 51%, 50% and 50%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 14%, 14% and 15% of our net revenues for 2015, 2014 and 2013, respectively. Our AUM and revenues are as follows:



Table of ContentsInstitutional Services Assets Under Management  
(by Investment Service)

	December 31,			% Change			
	2015	2014	2013	2015-14	2014-13		
	(in millions)						
Equity Actively Managed:							
U.S.	\$9,156	\$9,631	\$8,438	(4.9	)	14.1	%
Global & Non-US	16,705	19,522	21,100	(14.4	)	(7.5	)
Total	25,861	29,153	29,538	(11.3	)	(1.3	)
Equity Passively Managed <sup>(1)</sup> :							
U.S.	15,573	16,196	14,111	(3.8	)	14.8	
Global & Non-US	4,250	5,818	6,555	(27.0	)	(11.2	)
Total	19,823	22,014	20,666	(10.0	)	6.5	
Total Equity	45,684	51,167	50,204	(10.7	)	1.9	
Fixed Income Taxable:							
U.S.	88,997	84,079	81,823	5.8		2.8	
Global & Non-US	54,897	64,086	58,647	(14.3	)	9.3	
Total	143,894	148,165	140,470	(2.9	)	5.5	
Fixed Income Tax-Exempt:							
U.S.	1,920	1,796	1,611	6.9		11.5	
Global & Non-US	—	—	—	—		—	
Total	1,920	1,796	1,611	6.9		11.5	
Fixed Income Passively Managed <sup>(1)</sup> :							
U.S.	64	67	63	(4.5	)	6.3	
Global & Non-US	18	185	194	(90.3	)	(4.6	)
Total	82	252	257	(67.5	)	(1.9	)
Total Fixed Income	145,896	150,213	142,338	(2.9	)	5.5	
Other <sup>(2)</sup> :							
U.S.	2,939	2,268	1,211	29.6		87.3	
Global & Non-US	41,683	33,393	32,237	24.8		3.6	
Total	44,622	35,661	33,448	25.1		6.6	
Total:							
U.S.	118,649	114,037	107,257	4.0		6.3	
Global & Non-US	117,553	123,004	118,733	(4.4	)	3.6	
Total	\$236,202	\$237,041	\$225,990	(0.4	)	4.9	
Affiliated	\$78,048	\$75,241	\$69,619	3.7		8.1	
Non-affiliated	158,154	161,800	156,371	(2.3	)	3.5	
Total	\$236,202	\$237,041	\$225,990	(0.4	)	4.9	

(1)Includes index and enhanced index services.

(2)Includes multi-asset solutions and services and certain alternative investments.

Table of ContentsRevenues from Institutional Services  
(by Investment Service)

	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands)					
Equity Actively Managed:						
U.S.	\$54,150	\$54,176	\$48,328	—	% 12.1	%
Global & Non-US	88,096	88,777	98,552	(0.8	) (9.9	)
Total	142,246	142,953	146,880	(0.5	) (2.7	)
Equity Passively Managed <sup>(1)</sup> :						
U.S.	2,824	2,841	2,720	(0.6	) 4.4	
Global & Non-US	4,295	4,333	5,359	(0.9	) (19.1	)
Total	7,119	7,174	8,079	(0.8	) (11.2	)
Total Equity	149,365	150,127	154,959	(0.5	) (3.1	)
Fixed Income Taxable:						
U.S.	94,272	92,250	96,125	2.2	(4.0	)
Global & Non-US	125,888	125,596	117,041	0.2	7.3	
Total	220,160	217,846	213,166	1.1	2.2	
Fixed Income Tax-Exempt:						
U.S.	2,361	2,250	1,993	4.9	12.9	
Global & Non-US	—	—	—	—	—	
Total	2,361	2,250	1,993	4.9	12.9	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	68	69	76	(1.4	) (9.2	)
Global & Non-US	81	142	227	(43.0	) (37.4	)
Total	149	211	303	(29.4	) (30.4	)
Fixed Income Servicing <sup>(2)</sup> :						
U.S.	13,510	11,468	14,051	17.8	(18.4	)
Global & Non-US	1,715	2,011	1,789	(14.7	) 12.4	
Total	15,225	13,479	15,840	13.0	(14.9	)
Total Fixed Income	237,895	233,786	231,302	1.8	1.1	
Other <sup>(3)</sup> :						
U.S.	23,130	18,643	11,952	24.1	56.0	
Global & Non-US	24,070	30,551	39,895	(21.2	) (23.4	)
Total	47,200	49,194	51,847	(4.1	) (5.1	)
Total Investment Advisory and Services Fees:						
U.S.	190,315	181,697	175,245	4.7	3.7	
Global & Non-US	244,145	251,410	262,863	(2.9	) (4.4	)
	434,460	433,107	438,108	0.3	(1.1	)
Distribution Revenues	248	340	305	(27.1	) 11.5	
Shareholder Servicing Fees	497	634	533	(21.6	) 18.9	
Total	\$435,205	\$434,081	\$438,946	0.3	(1.1	)
Affiliated	\$113,162	\$95,231	\$96,729	18.8	(1.5	)
Non-affiliated	322,043	338,850	342,217	(5.0	) (1.0	)
Total	\$435,205	\$434,081	\$438,946	0.3	(1.1	)

(1) Includes index and enhanced index services.

- (2) Fixed Income Servicing includes advisory-related services fees that are not based on AUM, including derivative transaction fees, capital purchase program-related advisory services and other fixed income advisory services.
- (3) Includes multi-asset solutions and services and certain alternative services.

## Table of Contents

### Retail

We provide investment management and related services to a wide variety of individual retail investors, both in the U.S. and internationally, through retail mutual funds we sponsor, mutual fund sub-advisory relationships, separately-managed account programs (see below), and other investment vehicles (“Retail Products and Services”).

We distribute our Retail Products and Services through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers and financial planners. These products and services include open-end and closed-end funds that are either (i) registered as investment companies under the Investment Company Act (“U.S. Funds”), or (ii) not registered under the Investment Company Act and generally not offered to United States persons (“Non-U.S. Funds” and, collectively with the U.S. Funds, “AB Funds”). They also include separately-managed account programs, which are sponsored by financial intermediaries and generally charge an all-inclusive fee covering investment management, trade execution, asset allocation, and custodial and administrative services. In addition, we provide distribution, shareholder servicing, transfer agency services and administrative services for our Retail Products and Services. See “Net Revenues – Investment Advisory and Services Fees” in Item 7 for information about our retail investment advisory and services fees. See Note 2 to AB’s consolidated financial statements in Item 8 for a discussion of the commissions we pay to financial intermediaries in connection with the sale of open-end AB Funds.

Fees paid by the U.S. Funds are reflected in the applicable investment management agreement, which generally must be approved annually by the boards of directors or trustees of those funds, including by a majority of the independent directors or trustees. Increases in these fees must be approved by fund shareholders; decreases need not be, including any decreases implemented by a fund’s directors or trustees. In general, each investment management agreement with the U.S. Funds provides for termination by either party at any time upon 60 days’ notice.

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

The mutual funds we sub-advise for AXA and its subsidiaries together constitute our largest retail client. They accounted for approximately 22%, 21% and 23% of our retail AUM as of December 31, 2015, 2014 and 2013, respectively, and approximately 3%, 3% and 2% of our retail net revenues as of 2015, 2014 and 2013, respectively.

Certain subsidiaries of AXA, including AXA Advisors, LLC (“AXA Advisors”), a subsidiary of AXA Financial, were responsible for approximately 4%, 3% and 2% of total sales of shares of open-end AB Funds in 2015, 2014 and 2013, respectively. UBS AG was responsible for approximately 8%, 11% and 12% of our open-end AB Fund sales in 2015, 2014 and 2013, respectively. Neither our affiliates nor UBS AG are under any obligation to sell a specific amount of AB Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations. No other entity accounted for 10% or more of our open-end AB Fund sales.

Most open-end U.S. Funds have adopted a plan under Rule 12b-1 of the Investment Company Act that allows the fund to pay, out of assets of the fund, distribution and service fees for the distribution and sale of its shares (“Rule 12b-1 Fees”). The open-end U.S. Funds have entered into such agreements with us, and we have entered into selling and distribution agreements pursuant to which we pay sales commissions to the financial intermediaries that distribute our open-end U.S. Funds. These agreements are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares.

As of December 31, 2015, retail U.S. Fund AUM were approximately \$45 billion, or 29% of retail AUM, as compared to \$49 billion, or 30%, as of December 31, 2014, and \$47 billion, or 31%, as of December 31, 2013. Non-U.S. Fund AUM, as of December 31, 2015, totaled \$52 billion, or 33% of retail AUM, as compared to \$57 billion, or 36%, as of December 31, 2014, and \$56 billion, or 36%, as of December 31, 2013.

Our Retail Services represented approximately 33%, 34% and 34% of our AUM as of December 31, 2015, 2014 and 2013, respectively, and the fees we earned from providing these services represented approximately 45%, 46% and 47% of our net revenues for the years ended December 31, 2015, 2014 and 2013, respectively. Our AUM and revenues are as follows:

Table of ContentsRetail Services Assets Under Management  
(by Investment Service)

	December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in millions)					
Equity Actively Managed:						
U.S.	\$31,481	\$29,449	\$27,656	6.9	% 6.5	%
Global & Non-US	14,810	15,920	13,997	(7.0)	) 13.7	
Total	46,291	45,369	41,653	2.0	8.9	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	19,483	21,268	21,514	(8.4)	) (1.1)	)
Global & Non-US	6,664	6,600	6,615	1.0	(0.2)	)
Total	26,147	27,868	28,129	(6.2)	) (0.9)	)
Total Equity	72,438	73,237	69,782	(1.1)	) 5.0	
Fixed Income Taxable:						
U.S.	5,905	5,934	4,597	(0.5)	) 29.1	
Global & Non-US	47,891	55,059	56,304	(13.0)	) (2.2)	)
Total	53,796	60,993	60,901	(11.8)	) 0.2	
Fixed Income Tax-Exempt:						
U.S.	11,601	10,432	8,243	11.2	26.6	
Global & Non-US	12	14	14	(14.3)	) —	
Total	11,613	10,446	8,257	11.2	26.5	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	5,010	4,917	4,531	1.9	8.5	
Global & Non-US	4,492	4,483	4,179	0.2	7.3	
Total	9,502	9,400	8,710	1.1	7.9	
Total Fixed Income	74,911	80,839	77,868	(7.3)	) 3.8	
Other <sup>(2)</sup> :						
U.S.	5,116	5,349	3,208	(4.4)	) 66.7	
Global & Non-US	1,903	2,072	2,132	(8.2)	) (2.8)	)
Total	7,019	7,421	5,340	(5.4)	) 39.0	
Total:						
U.S.	78,596	77,349	69,749	1.6	10.9	
Global & Non-US	75,772	84,148	83,241	(10.0)	) 1.1	
Total	\$154,368	\$161,497	\$152,990	(4.4)	) 5.6	
Affiliated	\$33,364	\$34,693	\$35,194	(3.8)	) (1.4)	)
Non-affiliated	121,004	126,804	117,796	(4.6)	) 7.6	
Total	\$154,368	\$161,497	\$152,990	(4.4)	) 5.6	

(1) Includes index and enhanced index services.

(2) Includes multi-asset solutions and services and certain alternative investments.

Table of ContentsRevenues from Retail Services  
(by Investment Service)

	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands)					
Equity Actively Managed:						
U.S.	\$ 184,904	\$ 182,008	\$ 134,311	1.6	% 35.5	%
Global & Non-US	105,768	94,491	96,338	11.9	(1.9	)
Total	290,672	276,499	230,649	5.1	19.9	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	8,188	10,066	10,957	(18.7	) (8.1	)
Global & Non-US	5,268	6,924	4,670	(23.9	) 48.3	
Total	13,456	16,990	15,627	(20.8	) 8.7	
Total Equity	304,128	293,489	246,276	3.6	19.2	
Fixed Income Taxable:						
U.S.	20,294	20,680	16,074	(1.9	) 28.7	
Global & Non-US	393,315	429,409	483,171	(8.4	) (11.1	)
Total	413,609	450,089	499,245	(8.1	) (9.8	)
Fixed Income Tax-Exempt:						
U.S.	44,916	38,317	35,993	17.2	6.5	
Global & Non-US	73	78	78	(6.4	) —	
Total	44,989	38,395	36,071	17.2	6.4	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	5,663	2,836	2,153	99.7	31.7	
Global & Non-US	8,201	8,438	8,605	(2.8	) (1.9	)
Total	13,864	11,274	10,758	23.0	4.8	
Total Fixed Income	472,462	499,758	546,074	(5.5	) (8.5	)
Other <sup>(2)</sup> :						
U.S.	71,129	64,452	22,819	10.4	182.4	
Global & Non-US	8,334	9,277	9,785	(10.2	) (5.2	)
Total	79,463	73,729	32,604	7.8	126.1	
Total Investment Advisory and Services Fees:						
U.S.	335,094	318,359	222,307	5.3	43.2	
Global & Non-US	520,959	548,617	602,647	(5.0	) (9.0	)
Distribution Revenues	856,053	866,976	824,954	(1.3	) 5.1	
Shareholder Servicing Fees	423,410	440,961	461,944	(4.0	) (4.5	)
Total	83,078	89,198	89,472	(6.9	) (0.3	)
Affiliated	\$ 1,362,541	\$ 1,397,135	\$ 1,376,370	(2.5	) 1.5	
Non-affiliated	\$ 47,663	\$ 47,910	\$ 43,264	(0.5	) 10.7	
Total	1,314,878	1,349,225	1,333,106	(2.5	) 1.2	
Total	\$ 1,362,541	\$ 1,397,135	\$ 1,376,370	(2.5	) 1.5	

(1) Includes index and enhanced index services.

(2) Includes multi-asset solutions and services and certain alternative investments.

Table of Contents

Private Wealth Management

We offer to our private wealth clients, which include high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, separately-managed accounts, hedge funds, mutual funds and other investment vehicles (“Private Wealth Services”).

We manage these accounts pursuant to written investment advisory agreements, which generally are terminable at any time or upon relatively short notice by any party and may not be assigned without the client's consent. For information about our investment advisory and services fees, including performance-based fees, see “Risk Factors” in Item 1A and “Net Revenues – Investment Advisory and Services Fees” in Item 7.

Our Private Wealth Services represented approximately 16% of our AUM as of each of December 31, 2015, 2014 and 2013, and the fees we earned from providing these services represented approximately 23%, 22% and 20% of our net revenues for 2015, 2014 and 2013, respectively. Our AUM and revenues are as follows:



Table of ContentsPrivate Wealth Services Assets Under Management  
(by Investment Service)

	December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in millions)					
Equity Actively Managed:						
U.S.	\$22,873	\$22,842	\$21,620	0.1	% 5.7	%
Global & Non-US	15,595	15,125	15,003	3.1	0.8	
Total	38,468	37,967	36,623	1.3	3.7	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	177	172	83	2.9	107.2	
Global & Non-US	210	402	397	(47.8	) 1.3	
Total	387	574	480	(32.6	) 19.6	
Total Equity	38,855	38,541	37,103	0.8	3.9	
Fixed Income Taxable:						
U.S.	6,742	7,396	7,468	(8.8	) (1.0	)
Global & Non-US	3,053	2,871	2,128	6.3	34.9	
Total	9,795	10,267	9,596	(4.6	) 7.0	
Fixed Income Tax-Exempt:						
U.S.	19,973	19,401	18,843	2.9	3.0	
Global & Non-US	3	3	2	—	50.0	
Total	19,976	19,404	18,845	2.9	3.0	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	4	5	11	(20.0	) (54.5	)
Global & Non-US	372	402	357	(7.5	) 12.6	
Total	376	407	368	(7.6	) 10.6	
Total Fixed Income	30,147	30,078	28,809	0.2	4.4	
Other <sup>(2)</sup> :						
U.S.	2,439	1,902	1,375	28.2	38.3	
Global & Non-US	5,429	4,968	4,144	9.3	19.9	
Total	7,868	6,870	5,519	14.5	24.5	
Total:						
U.S.	52,208	51,718	49,400	0.9	4.7	
Global & Non-US	24,662	23,771	22,031	3.7	7.9	
Total	\$76,870	\$75,489	\$71,431	1.8	5.7	

(1)Includes index and enhanced index services.

(2)Includes multi-asset solutions and services and certain alternative investments.



Table of ContentsRevenues From Private Wealth Services  
(by Investment Service)

	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands)					
Equity Actively Managed:						
U.S.	\$260,997	\$250,415	\$211,927	4.2	% 18.2	%
Global & Non-US	170,810	169,472	153,062	0.8	10.7	
Total	431,807	419,887	364,989	2.8	15.0	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	1,229	695	316	76.8	119.9	
Global & Non-US	834	1,839	1,800	(54.6	) 2.2	
Total	2,063	2,534	2,116	(18.6	) 19.8	
Total Equity	433,870	422,421	367,105	2.7	15.1	
Fixed Income Taxable:						
U.S.	36,748	39,811	44,260	(7.7	) (10.1	)
Global & Non-US	20,429	15,778	13,029	29.5	21.1	
Total	57,177	55,589	57,289	2.9	(3.0	)
Fixed Income Tax-Exempt:						
U.S.	106,161	102,509	104,867	3.6	(2.2	)
Global & Non-US	35	27	18	29.6	50.0	
Total	106,196	102,536	104,885	3.6	(2.2	)
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	11	9	88	22.2	(89.8	)
Global & Non-US	4,299	3,446	3,105	24.8	11.0	
Total	4,310	3,455	3,193	24.7	8.2	
Total Fixed Income	167,683	161,580	165,367	3.8	(2.3	)
Other <sup>(2)</sup> :						
U.S.	22,177	16,566	12,699	33.9	30.5	
Global & Non-US	59,594	57,600	40,872	3.5	40.9	
Total	81,771	74,166	53,571	10.3	38.4	
Total Investment Advisory and Services Fees:						
U.S.	427,323	410,005	374,157	4.2	9.6	
Global & Non-US	256,001	248,162	211,886	3.2	17.1	
Total	683,324	658,167	586,043	3.8	12.3	
Distribution Revenues	3,498	3,669	3,175	(4.7	) 15.6	
Shareholder Servicing Fees	3,031	2,488	2,140	21.8	16.3	
Total	\$689,853	\$664,324	\$591,358	3.8	12.3	

(1)Includes index and enhanced index services.

(2)Includes multi-asset solutions and services and certain alternative investments.

Table of Contents

## Bernstein Research Services

We offer high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options to institutional investors, such as pension fund, hedge fund and mutual fund managers, and other institutional investors (“Bernstein Research Services”). We serve our clients, which are based in the United States and in other major markets around the world, through our trading professionals, who primarily are based in New York, London and Hong Kong, and our sell-side analysts, who provide fundamental company and industry research along with quantitative research into securities valuation and factors affecting stock-price movements.

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing us to execute brokerage transactions on their behalf, for which we earn commissions. These services accounted for approximately 16%, 16% and 15% of our net revenues for the years ended December 31, 2015, 2014 and 2013, respectively.

For information regarding trends in fee rates charged for brokerage transactions, see “Risk Factors” in Item 1A.

Our Bernstein Research Services revenues are as follows:

## Revenues From Bernstein Research Services

	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands)					
Bernstein Research Services	\$493,463	\$482,538	\$445,083	2.3	% 8.4	%

## Custody

Our U.S.-based broker-dealer subsidiary acts as custodian for the majority of our Private Wealth Management AUM and some of our Institutions AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or custodians.

## Employees

As of December 31, 2015, our firm had 3,600 full-time employees, representing a 3.2% increase compared to the end of 2014. We consider our employee relations to be good.

## Service Marks

We have registered a number of service marks with the U.S. Patent and Trademark Office and various foreign trademark offices, including the mark “AllianceBernstein”. The logo set forth below and “Ahead of Tomorrow” are service marks of AB:

In January 2015, we established two new brand identities. Although the legal names of our corporate entities did not change, our company, and our Institutions and Retail businesses, now are referred to as “AB”. Private Wealth Management and Bernstein Research Services now are referred to as “AB Bernstein”. Also, we adopted the logo and “Ahead of Tomorrow” service marks described above.

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

In connection with the WPS Acquisition, we acquired all of the rights in, and title to, the WPS service marks, including the logo “WPSTEWART”. See “W.P. Stewart” in this Item 1 for information regarding the WPS Acquisition.

## Table of Contents

### Regulation

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

AB, AB Holding, the General Partner and five of our subsidiaries (Sanford C. Bernstein & Co., LLC (“SCB LLC”), AllianceBernstein Global Derivatives Corporation (“Global Derivatives”), AB Private Credit Investors LLC, WPS and W.P. Stewart Asset Management LLC) are registered with the SEC as investment advisers under the Investment Advisers Act. Additionally, AB Holding is an NYSE-listed company and, accordingly, is subject to applicable regulations promulgated by the NYSE. In addition, AB, SCB LLC and Global Derivatives are registered with the Commodity Futures Trading Commission (“CFTC”) as commodity pool operators and commodity trading advisers; SCB LLC also is registered with the CFTC as a futures commissions merchant.

Each U.S. Fund is registered with the SEC under the Investment Company Act and each Non-U.S. Fund is subject to the laws in the jurisdiction in which the fund is registered. For example, our platform of Luxembourg-based funds operates pursuant to Luxembourg laws and regulations, including Undertakings for the Collective Investment in Transferable Securities Directives, and is authorized and supervised by the Commission de Surveillance du Secteur Financier (“CSSF”), the primary regulator in Luxembourg. AllianceBernstein Investor Services, Inc., one of our subsidiaries, is registered with the SEC as a transfer and servicing agent.

SCB LLC and another of our subsidiaries, AllianceBernstein Investments, Inc., are registered with the SEC as broker-dealers, and both are members of the Financial Industry Regulatory Authority. In addition, SCB LLC is a member of the NYSE and other principal U.S. exchanges.

Many of our subsidiaries are subject to the oversight of regulatory authorities in the jurisdictions outside the United States in which they operate, including the European Securities and Markets Authority, the Financial Conduct Authority in the U.K., the CSSF in Luxembourg, the Financial Services Agency in Japan, the Securities & Futures Commission in Hong Kong, the Monetary Authority of Singapore, the Financial Services Commission in South Korea and the Financial Supervisory Commission in Taiwan. While these regulatory requirements often may be comparable to the requirements of the SEC and other U.S. regulators, they are sometimes more restrictive and may cause us to incur substantial expenditures of time and money related to our compliance efforts.

### Iran Threat Reduction and Syria Human Rights Act

AB, AB Holding and their global subsidiaries had no transactions or activities requiring disclosure under the Iran Threat Reduction and Syria Human Rights Act (“Iran Act”), nor were they involved in the AXA Group matters described immediately below.

The non-U.S. based subsidiaries of AXA operate in compliance with applicable laws and regulations of the various jurisdictions in which they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, see "Principal Security Holders" in Item 12.

AXA has informed us that AXA Konzern AG ("AXA Konzern"), an AXA insurance subsidiary organized under the laws of Germany, had a German client designated under Executive Order 13382. The client had a pension savings contract with AXA Konzern with an annual premium of approximately \$15,000. The related annual net profit associated with this contract, which is difficult to calculate with precision, was estimated to be \$1,500. This contract was terminated in March 2015.

AXA also has informed us that AXA Konzern provides car insurance to two diplomats based at the Iranian embassy in Berlin, Germany. The total annual premium of these policies is approximately \$13,000 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$1,950. These policies were underwritten by a broker who specializes in providing insurance coverage for diplomats. Provision of motor vehicle insurance is mandatory in Germany

## Table of Contents

and cannot be cancelled until the policies expire.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under three separate policies to the Iranian embassy in Dublin, Ireland. AXA has informed us that compliance with the Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the coverage. The total annual premium for these policies is approximately \$3,750 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$563.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of Turkey, provides car insurance coverage for vehicle pools of the Iranian General Consulate and the Iranian embassy in Istanbul, Turkey. Motor liability insurance coverage is mandatory in Turkey and cannot be cancelled unilaterally. The total annual premium in respect of these policies is approximately \$3,150 and the annual net profit, which is difficult to calculate with precision, is estimated to be \$473.

In addition, AXA has informed us that AXA Ukraine, an AXA insurance subsidiary, provides car insurance for the Attaché of the Embassy of Iran in Ukraine. Motor liability insurance coverage cannot be cancelled under Ukrainian law. The total annual premium in respect of this policy is approximately \$1,000 and the annual net profit, which is difficult to calculate with precision, is estimated to be \$150.

Lastly, AXA previously informed us about a pension contract that had been in place between a subsidiary in Hong Kong, AXA China Region Trustees Limited ("AXA CRT"), and an entity listed as a Specially Designated National ("SDN") with the identifier [IRAN] by the Office of Foreign Assets Control ("OFAC"). The pension contract was entered into in May 2012 and the individual enrolled in the pension contract was listed by OFAC as a designated SDN with the identifier [IRAN] in May 2013. Local authorities had informed AXA CRT that the pension contract could not be cancelled. In May 2015, however, the individual enrolled in the pension contract permanently departed Hong Kong and, as a result, claimed withdrawal of any accrued pension benefits. The annual pension contributions received under this pension contract had totaled approximately \$7,800 and the related net profit, which is difficult to calculate with precision, was estimated to be \$780.

The aggregate annual premiums for the above-referenced insurance policies and pension contracts are approximately \$43,700, representing approximately 0.00004% of AXA's 2015 consolidated revenues, which are likely to be approximately \$100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be \$5,416, representing approximately 0.0001% of AXA's 2015 aggregate net profit.

## History and Structure

We have been in the investment research and management business for nearly 50 years. Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with the investment advisory business of Moody's Investor Services, Inc. Bernstein was founded in 1967.

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

In October 1999, AB Holding reorganized by transferring its business and assets to AB, a newly-formed operating partnership, in exchange for all of the AB Units ("Reorganization"). Since the date of the Reorganization, AB has conducted the business formerly conducted by AB Holding and AB Holding's activities have consisted of owning AB Units and engaging in related activities. Unlike AB Holding Units, AB Units do not trade publicly and are subject to



significant restrictions on transfer. The General Partner is the general partner of both AB and AB Holding.

In October 2000, our two legacy firms, Alliance Capital and Bernstein, combined, bringing together Alliance Capital's expertise in growth equity and corporate fixed income investing and its family of retail mutual funds, with Bernstein's expertise in value equity investing, tax-exempt fixed income management, and its Private Wealth Management and Bernstein Research Services businesses. For additional details about this business combination, see Note 2 to AB's consolidated financial statements in Item 8.

As of December 31, 2015, the condensed ownership structure of AB is as follows (for a more complete description of our ownership structure, see "Principal Security Holders" in Item 12):

## Table of Contents

The General Partner owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including these general partnership interests, AXA, through certain of its subsidiaries (see “Principal Security Holders” in Item 12), had an approximate 62.8% economic interest in AB as of December 31, 2015.

### Competition

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

In addition, AXA and its subsidiaries provide financial services, some of which compete with those we offer. The AB Partnership Agreement specifically allows AXA and its subsidiaries (other than the General Partner) to compete with AB and to pursue opportunities that may be available to us. AXA, AXA Financial, AXA Equitable and certain of their respective subsidiaries have substantially greater financial resources than we do and are not obligated to provide resources to us.

To grow our business, we believe we must be able to compete effectively for AUM. Key competitive factors include:

- our investment performance for clients;
- our commitment to place the interests of our clients first;
- the quality of our research;
- our ability to attract, motivate and retain highly skilled, and often highly specialized, personnel;
- the array of investment products we offer;
- the fees we charge;
- Morningstar/Lipper rankings for the AB Funds;
- our ability to sell our actively-managed investment services despite the fact that many investors favor passive services;
- our operational effectiveness;
- our ability to further develop and market our brand; and
- our global presence.

Table of Contents

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

Available Information

AB and AB Holding file or furnish annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports, and other reports (and amendments thereto) required to comply with federal securities laws, including Section 16 beneficial ownership reports on Forms 3, 4 and 5, registration statements and proxy statements. We maintain an Internet site (<http://www.abglobal.com>) where the public can view these reports, free of charge, as soon as reasonably practicable after each report is filed with, or furnished to, the SEC. In addition, the SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

W.P. Stewart

On December 12, 2013, we acquired WPS, an equity investment manager that managed, as of December 12, 2013, approximately \$2.1 billion in U.S., Global and Europe, Australasia (Australia and New Zealand) and Far East (“EAFE”) concentrated growth equity strategies for its clients, primarily in the U.S. and Europe. On the date of the WPS Acquisition, each of approximately 4.9 million outstanding shares of WPS common stock (other than certain specified shares, as previously disclosed in Amendment No. 2 to Form S-4 filed by AB on November 8, 2013) was converted into the right to receive \$12.00 per share and one transferable contingent value right (“CVRs”) entitling the holders to an additional \$4.00 per share cash payment if the Assets Under Management (as such term is defined in the Contingent Value Rights Agreement (“CVR Agreement”) dated as of December 12, 2013, a copy of which we filed as Exhibit 4.01 (“Exhibit 4.01”) to our Form 10-K for the year ended December 31, 2013) in the acquired WPS investment services exceed \$5 billion on or before December 12, 2016, subject to measurement procedures and limitations set forth in the CVR Agreement. See the definition of AUM Milestone in the CVR Agreement filed as Exhibit 4.01. The foregoing description of the CVR Agreement does not purport to be complete and is qualified in its entirety by the full text of the CVR Agreement.

As of December 31, 2015, the Assets Under Management are approximately \$4.0 billion. Accordingly, management has determined that the AUM Milestone did not occur during the fourth quarter of 2015.

## Table of Contents

### Item 1A. Risk Factors

Please consider this section along with the description of our business in Item 1, the competition section immediately above and AB's financial information contained in Items 6, 7 and 8. The majority of the risk factors discussed below directly affect AB. These risk factors also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB. See also "Cautions Regarding Forward-Looking Statements" in Item 7.

#### Business-related Risks

Our revenues and results of operations depend on the market value and composition of our AUM, which can fluctuate significantly based on various factors, including many factors outside of our control.

We derive most of our revenues from investment advisory and services fees, which typically are calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of the account and the total amount of assets we manage for a particular client. The value and composition of our AUM can be adversely affected by several factors, including:

- **Market Factors.** Declining equity markets during the second half of 2015, which resulted from, among other factors, concerns regarding growth in China and other international economies, rapidly declining commodity prices, particularly oil, fixed income market liquidity and a possible slowdown in the rate of growth of the global economy, caused our AUM and revenues to decline. This trend may continue. Additionally, increases in interest rates, particularly if rapid, likely would decrease the total return of many bond investments due to lower market valuations of existing bonds. These factors could have a significant adverse effect on our revenues and results of operations as AUM in our fixed income investments comprise a major component of our total AUM.

- **Client Preferences.** Generally, our clients may withdraw their assets at any time and on short notice. Also, changing market dynamics and investment trends, particularly with respect to sponsors of defined benefit plans choosing to invest in less risky investments and the significant shift, which continued in 2015, from active equity investments to passive equity investments, may reduce interest in some of the investment products we offer, and/or clients and prospects may seek investment products that we may not currently offer. Also, the market forces described above and the resulting increased volatility of the securities markets have caused many investors to withdraw assets from riskier asset classes, such as equities and high yield debt, which has resulted in declines in our AUM and net flows. Loss of, or decreases in, AUM reduces our investment advisory and services fees and revenues.

- **Our Investment Performance.** Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, and when a prospective client is deciding whether to invest with us. Poor investment performance, both in absolute terms and/or relative to peers and stated benchmarks, may result in clients withdrawing assets and in prospective clients choosing to invest with competitors.

- **Investing Trends.** Our fee rates vary significantly among the various investment products and services we offer to our clients. For example, we generally earn higher fees from assets invested in our actively-managed equity services than in our actively-managed fixed income services or passive services. Also, we often earn higher fees from global and international services than we do from U.S. services (see "Net Revenues" in Item 7 for additional information regarding our fee rates). If our clients choose to invest in actively-managed fixed income services and/or passive services, which generally have lower fees, instead of actively-managed equity services, which generally have higher fees, our investment advisory and services fees and revenues will decline.

Service Changes. We may be required to reduce our fee levels, restructure the fees we charge and/or adjust the services we offer to our clients because of, among other things, regulatory initiatives (whether industry-wide or specifically targeted), changing technology in the asset management business (including algorithmic strategies), court decisions and competitive considerations. A reduction in fees would reduce our revenues.

A decrease in the value of our AUM, or a decrease in the amount of AUM we manage, or an adverse mix shift in our AUM, would adversely affect our investment advisory and services fees and revenues. A reduction in revenues, without a commensurate reduction in expenses, adversely affects our results of operations.

Our reputation could suffer if we are unable to deliver consistent, competitive investment performance.

Our business is based on the trust and confidence of our clients. Damage to our reputation, resulting from poor or inconsistent investment performance, among other factors, can reduce substantially our AUM and impair our ability to maintain or grow our business.

Table of Contents

Maintaining adequate liquidity for our general business needs depends on certain factors, including operating cash flows and our access to credit on reasonable terms.

Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow AUM and other factors beyond our control. Our ability to issue public or private debt on reasonable terms may be limited by adverse market conditions, our profitability, our creditworthiness as perceived by lenders and changes in government regulations, including tax rates and interest rates. Furthermore, our access to credit on reasonable terms is partially dependent on our firm's credit ratings.

Standard & Poor's Rating Service and Moody's Investors Service, Inc. each affirmed AB's long-term and short-term credit ratings in 2015 and also affirmed its stable outlook. Future changes in our credit ratings are possible and any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets. If this occurs, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

Our business is dependent on investment advisory agreements with clients, and selling and distribution agreements with various financial intermediaries and consultants, which generally are subject to termination or non-renewal on short notice.

We derive most of our revenues pursuant to written investment management agreements (or other arrangements) with institutional investors, mutual funds and private wealth clients, and selling and distribution agreements with financial intermediaries that distribute AB Funds. Generally, the investment management agreements (and other arrangements), including our agreements with AXA and its subsidiaries (our largest client), are terminable at any time or upon relatively short notice by either party. The investment management agreements pursuant to which we manage the U.S. Funds must be renewed and approved by the Funds' boards of directors annually. A significant majority of the directors are independent. Consequently, there can be no assurance that the board of directors of each fund will approve the fund's investment management agreement each year, or will not condition its approval on revised terms that may be adverse to us. In addition, investors in AB Funds can redeem their investments without notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on our results of operations and business prospects.

Similarly, the selling and distribution agreements with securities firms, brokers, banks and other financial intermediaries (including our agreement with UBS AG, with respect to which UBS AG was responsible for approximately 8% of our open-end AB Fund sales in 2015) are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. These intermediaries generally offer their clients investment products that compete with our products. In addition, certain institutional investors rely on consultants to advise them about choosing an investment adviser and some of our services may not be considered among the best choices by these consultants. As a result, investment consultants may advise their clients to move their assets invested with us to other investment advisers, which could result in significant net outflows.

Lastly, our Private Wealth Services rely on referrals from financial planners, registered investment advisers and other professionals. We cannot be certain that we will continue to have access to, or receive referrals from, these third parties. Loss of such access or referrals could have a material adverse effect on our results of operations and business prospects.

We may be unable to continue to attract, motivate and retain key personnel, and the cost to retain key personnel could put pressure on our adjusted operating margin.

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

The market for qualified research analysts, portfolio managers, financial advisors, traders, executive officers and other professionals is extremely competitive and is characterized by frequent movement of these professionals among different firms. Portfolio managers, financial advisors and executive officers often maintain strong, personal relationships with investors in our products and other members of the business community so their departure may cause us to lose client accounts or result in fewer opportunities to win new business, either of which could have a material adverse effect on our results of operations and business prospects.

Also, a decline in revenues may limit our ability to pay our employees at competitive levels, and maintaining (or increasing) compensation without a revenue increase, in order to retain key personnel, may adversely affect our adjusted operating margin.

## Table of Contents

As a result, in response to recent declines in our AUM and revenues, we are taking steps to reduce costs and will continue to be vigilant about aligning our cost structure (including headcount) with our revenue base. For additional information regarding our compensation practices, see "Compensation Discussion and Analysis" in Item 11.

Performance-based fee arrangements with our clients cause greater fluctuations in our net revenues.

We sometimes charge our clients performance-based fees, whereby we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether in absolute terms or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve the performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired.

We are eligible to earn performance-based fees on 10.1%, 4.2% and 1.1% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 6.1% of our AUM). If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2015, 2014 and 2013 were \$23.7 million, \$53.2 million and \$53.6 million, respectively. For 2015, the decrease in performance-based fees primarily resulted from the fact that major equity markets were down slightly for the year.

An impairment of goodwill may occur.

Determining whether an impairment of the goodwill asset exists requires management to exercise a substantial amount of judgment. In addition, to the extent that securities valuations are depressed for prolonged periods of time and/or market conditions continue to experience declines commensurate with the second half of 2015 and early in 2016, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price will continue to be adversely affected. Although the price of an AB Holding Unit is just one factor in the calculation of fair value, if AB Holding Unit price levels continue to decline significantly, reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. In addition, control premiums, industry earnings multiples and discount rates are impacted by economic conditions. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of goodwill. An impairment may result in a material charge to our earnings. For additional information about our impairment testing, see Item 7.

We may engage in strategic transactions that could pose risks.

As part of our business strategy, we consider from time to time potential strategic transactions, including acquisitions, dispositions, consolidations, joint ventures and similar transactions, some of which may be material. These transactions, if undertaken, may involve a number of risks and present financial, managerial and operational challenges, including:

- adverse effects on our earnings if acquired intangible assets or goodwill become impaired;
- existence of unknown liabilities or contingencies that arise after closing; and
- potential disputes with counterparties.

Acquisitions also pose the risk that any business we acquire may lose customers or employees or could underperform relative to expectations. Additionally, the loss of investment personnel poses the risk that we may lose the AUM we



expected to manage, which could adversely affect our results of operations. Furthermore, strategic transactions may require us to increase our leverage or, if we issue AB Units or AB Holding Units to fund an acquisition, would dilute the holdings of our existing Unitholders.

Fluctuations in the exchange rates between the U.S. dollar and various other currencies can adversely affect our AUM, revenues and results of operations.

Although significant portions of our net revenues and expenses, as well as our AUM, presently are denominated in U.S. dollars, we have subsidiaries and clients outside of the United States with functional currencies other than the U.S. dollar. Weakening of these currencies relative to the U.S. dollar adversely affects the value in U.S. dollar terms of our subsidiaries' revenues and

## Table of Contents

our AUM denominated in these other currencies. Accordingly, fluctuations in U.S. dollar exchange rates may affect our AUM, revenues and reported financial results from one period to the next.

We may not be successful in our efforts to hedge our exposure to such fluctuations, which could negatively impact our revenues and reported financial results.

Our seed capital investments are subject to market risk. While we enter into various futures, forwards and swap contracts to economically hedge many of these investments, we also may be exposed to market risk and credit-related losses in the event of non-performance by counterparties to these derivative instruments.

We have a seed investment program for the purpose of building track records and assisting with the marketing initiatives pertaining to our firm's new products. As our new product launches have increased in recent years, so too has our use of seed capital for investment purposes. These seed capital investments are subject to market risk. Our risk management team oversees a seed hedging program that attempts to minimize this risk, subject to practical and cost considerations. Also, not all seed investments are deemed appropriate to hedge, and in those cases we are exposed to market risk. In addition, we may be subject to basis risk in that we cannot always hedge with precision our market exposure and, as a result, we may be subject to relative spreads between market sectors. As a result, volatility in the capital markets may cause significant changes in our period-to-period financial and operating results.

We use various derivative instruments, including futures, forwards and swap contracts, in conjunction with our seed hedging program. While in most cases broad market risks are hedged, our hedges are imperfect and some market risk remains. In addition, our use of derivatives results in counterparty risk (i.e., the risk that we may be exposed to credit-related losses in the event of non-performance by counterparties to these derivative instruments), regulatory risk (e.g., short selling restrictions) and cash/synthetic basis risk (i.e., the risk that the underlying positions do not move identically to the related derivative instruments).

The revenues generated by Bernstein Research Services may be adversely affected by circumstances beyond our control, including declines in brokerage transaction rates, declines in global market volumes and failure to settle our trades by significant counterparties.

Electronic, or "low-touch", trading approaches represent a significant percentage of buy-side trading activity and typically produce transaction fees for execution-only services that are approximately one-third the price of traditional full service fee rates. As a result, blended pricing throughout our industry is lower now than it was historically, and price declines may continue. In addition, fee rates we charge and charged by other brokers for traditional brokerage services have historically experienced price pressure, and we expect these trends to continue. Also, while increases in transaction volume and market share often can offset decreases in rates, this may not continue. For example, global market volumes have declined in recent years, and we expect this may continue, especially considering recent increases in passive investing.

In addition, the failure or inability of any of our broker-dealer's significant counterparties to perform could expose us to substantial expenditures and adversely affect our revenues. For example, SCB LLC, as a member of clearing and settlement exchanges, would be required to settle open trades of any non-performing counterparty. This exposes us to the mark-to-market adjustment on the trades between trade date and settlement date, which could be significant, especially during periods of severe market volatility. Lastly, our ability to access cash in such situations may be limited by what our liquidity relationships are able to offer us at such times.

The individuals, third-party vendors or issuers on whom we rely to perform services for us or our clients may be unable or unwilling to honor their contractual obligations to us.

We rely on various counterparties and other third-party vendors to augment our existing investment, operational, financial and technological capabilities, but the use of a third-party vendor does not diminish AB's responsibility to ensure that client and regulatory obligations are met. In addition, default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress. Disruptions in the financial markets and other economic challenges may cause our counterparties and other third-party vendors to experience significant cash flow problems or even render them insolvent, which may expose us to significant costs.

Also, weaknesses or failures within a third-party vendor's internal processes or systems can materially disrupt our business operations and third-party vendors may lack the necessary technology or resources to effectively safeguard our confidential data. If we are unable to effectively manage the risks associated with such third-party relationships, we may suffer fines, disciplinary action and harm to our reputation.

## Table of Contents

We may not accurately value the securities we hold on behalf of our clients or our company investments.

In accordance with applicable regulatory requirements, contractual obligations or client direction, we employ procedures for the pricing and valuation of securities and other positions held in client accounts or for company investments. We have established a Valuation Committee, composed of senior officers and employees, which oversees pricing controls and valuation processes. If market quotations for a security are not readily available, the Valuation Committee determines a fair value for the security.

Extraordinary volatility in financial markets, significant liquidity constraints or our failure to adequately consider one or more factors when determining the fair value of a security based on information with limited market observability could result in our failing to properly value securities we hold for our clients or investments accounted for on our balance sheet. Improper valuation likely would result in our basing fee calculations on inaccurate AUM figures, our striking incorrect net asset values for company-sponsored mutual funds or hedge funds or, in the case of company investments, our inaccurately calculating and reporting our financial condition and operating results. Although the overall percentage of our AUM that we fair value based on information with limited market observability is not significant, inaccurate fair value determinations can harm our clients, create regulatory issues and damage our reputation.

We may not have sufficient information to confirm or review the accuracy of valuations provided to us by underlying external managers for the funds in which certain of our alternative investment products invest.

Certain of our alternative investment services invest in funds managed by external managers (“External Managers”) rather than investing directly in securities and other instruments. As a result, our abilities will be limited with regard to (i) monitoring such investments, (ii) regularly obtaining complete, accurate and current information with respect to such investments and (iii) exercising control over such investments. Accordingly, we may not have sufficient information to confirm or review the accuracy of valuations provided to us by External Managers. In addition, we will be required to rely on External Managers’ compliance with any applicable investment guidelines and restrictions. Any failure of an External Manager to operate within such guidelines or to provide accurate information with respect to the investment could subject our alternative investment products to losses and cause damage to our reputation.

The quantitative models we use in certain of our investment services may contain errors, resulting in imprecise risk assessments and unintended output.

We use quantitative models in a variety of our investment services, generally in combination with fundamental research. Our quantitative models are validated by senior quantitative professionals. We have a Model Risk Working Group to formalize and oversee a quantitative model governance framework, including minimum validation standards. However, due to the complexity of such models, it is possible that errors in the models could exist and our controls could fail to detect such errors. Failure to detect errors could result in client losses and damage to our reputation.

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

Increasingly, we must manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client. Failure to adequately address potential conflicts of interest could adversely affect our reputation, results of operations and business prospects.

We have procedures and controls that are designed to identify and mitigate conflicts of interest, including those designed to prevent the improper sharing of information. However, appropriately managing conflicts of interest is complex. Our reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if we fail, or appear to fail, to deal appropriately with actual or perceived conflicts

of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

Unpredictable events, including natural disaster, dangerous weather conditions, technology failure, terrorist attack and political unrest, may adversely affect our ability to conduct business.

War, terrorist attack, political unrest, power failure, climate change, natural disaster and rapid spread of infectious diseases could interrupt our operations by:

20

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## Table of Contents

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

Despite the contingency plans and facilities we have in place, including system security measures, information back-up and disaster recovery processes, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services we may use or third parties with which we conduct business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to conduct business with and on behalf of our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel. Furthermore, unauthorized access to our systems as a result of a security breach, the failure of our systems, or the loss of data could give rise to legal proceedings or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage our reputation.

Our operations require experienced, professional staff. Loss of a substantial number of such persons or an inability to provide properly equipped places for them to work may, by disrupting our operations, adversely affect our financial condition, results of operations and business prospects. In addition, our property and business interruption insurance may not be adequate to compensate us for all losses, failures, or breaches that may occur.

Technology failures can significantly constrain our operations and result in significant time and expense to remediate, whether caused by “cyber attack”, another type of security breach or inadvertent system error.

We are highly dependent on software and related technologies throughout our business, including both proprietary systems and those provided by third-party vendors. We use our technology to, among other things, obtain securities pricing information, process client transactions, and provide reports and other services to our clients. Although we take protective measures, including measures designed to effectively secure information through system security technology and established and tested business continuity plans, we may still experience system delays and interruptions as a result of natural disasters, hardware failures, software defects, power outages, acts of war (cyber or conventional) and third-party failures. We cannot predict with certainty all of the adverse effects that could result from our failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. These adverse effects could include the inability to perform critical business functions or failure to comply with financial reporting and other regulatory requirements, which could lead to loss of client confidence, reputational damage, exposure to disciplinary action and liability to our clients. Accordingly, potential system failures and the cost necessary to correct those failures could have a material adverse effect on our results of operations and business prospects.

In addition, we could be subject to losses if we fail to properly safeguard sensitive and confidential information. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. Although we take protective measures, our systems still could be vulnerable to cyber attack or other forms of unauthorized access (including computer viruses) that have a security impact, such as an authorized employee or vendor inadvertently or intentionally causing us to release confidential or proprietary information. Such disclosure could, among other things, allow competitors access to our proprietary business information and require significant time and expense to investigate and remediate the breach. Moreover, loss of confidential client information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues.

Also, many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption. Additionally, technology rapidly evolves and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products and services, which may place us at a competitive disadvantage and adversely affect our results of operations and business prospects.

Our own operational failures or those of third parties on which we rely, including failures arising out of human error, could disrupt our business, damage our reputation and reduce our revenues.

Weaknesses or failures in our internal processes or systems could lead to disruption of our operations, liability to clients, exposure to disciplinary action or harm to our reputation. Our business is highly dependent on our ability to process, on a daily

## Table of Contents

basis, large numbers of transactions, many of which are highly complex, across numerous and diverse markets. These transactions generally must comply with client investment guidelines, as well as stringent legal and regulatory standards.

Our obligations to clients require us to exercise skill, care and prudence in performing our services. Despite our employees being highly trained and skilled, the large number of transactions we process makes it highly likely that errors will occasionally occur. If we make a mistake in performing our services that causes financial harm to a client, we have a duty to act promptly to put the client in the position the client would have been in had we not made the error. The occurrence of mistakes, particularly significant ones, can have a material adverse effect on our reputation, results of operations and business prospects.

Our insurance policies may be insufficient to protect us against large losses.

We can make no assurance that a claim or claims will be covered by our insurance policies or, if covered, will not exceed the limits of available insurance coverage, or that our insurers will remain solvent and meet their obligations.

Our business is subject to pervasive, complex and continuously evolving global regulation, compliance with which involves substantial expenditures of time and money, and violation of which may result in material adverse consequences.

Virtually all aspects of our business are subject to federal and state laws and regulations, rules of securities regulators and exchanges, and laws and regulations in the foreign jurisdictions in which our subsidiaries conduct business. If we violate these laws or regulations, we could be subject to civil liability, criminal liability or sanction, including restriction or revocation of our and our subsidiaries' professional licenses or registrations, revocation of the licenses of our employees, censures, fines, or temporary suspension or permanent bar from conducting business. Any such liability or sanction could have a material adverse effect on our financial condition, results of operations and business prospects. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanction, could require substantial expenditures of time and money and could potentially damage our reputation.

Moreover, regulators sometimes change their policies or laws in a manner that may make compliance more expensive and/or restrict or otherwise impede our ability to register, market and distribute our investment products. For example, the Financial Supervisory Commission in Taiwan ("FSC") has implemented new limits on the degree to which local investors can own an offshore investment product, which limits were effective as of January 1, 2015. While certain exemptions have been available to us, should we not continue to qualify, the FSC's new rules could force some of our local resident investors to redeem their investments in our funds sold in Taiwan (and/or prevent further sales of those funds in Taiwan), some of which funds have local ownership levels substantially above the new FSC limits. This could lead to significant declines in our investment advisory and services fees and revenues earned from these funds.

In addition, pending legislation in the U.S. and Europe could pose significant challenges to AB, including rules proposed by the U.S. Department of Labor ("DOL"), which are expected to become effective (at least in part) by the end of 2016. If enacted, the DOL's proposed rules, which impose fiduciary duties on financial advisors employed by broker-dealers, who provide investment advice pertaining to roll-overs of 401(k) balances and investments in individual retirement accounts, would change dramatically how investment advice is provided to clients industry-wide and will affect how AB compensates financial intermediaries that sell its mutual funds. The new rules also would adversely affect our ability to distribute our mutual funds to individual retirement accounts through subsidiaries of AXA, including AXA Advisors.

In Europe, the second installment of the Markets in Financial Instruments Directive II ("MiFID II"), enactment of which is expected to be delayed until January 1, 2018, would prohibit investment managers from receiving inducements,



including research, from broker-dealers, in exchange for securities transaction execution commissions. As a result, MiFID II, if enacted as currently drafted, could substantially reduce the revenues of our U.K.-based broker-dealer, which would no longer be compensated for its research through soft-dollar payments by third party buy-side firms. Furthermore, AB's European buy-side subsidiaries could be required to pay hard dollars to purchase research, which would increase our expenses.

MiFID II, as currently drafted, would permit buy-side firms to purchase research through the use of client-funded research payment accounts. Also, the language of the recently-proposed Delegated Act under MiFID II appears to permit the funding of these accounts in a manner that would permit the continued use of traditional commission sharing agreements, which would significantly reduce the financial impact on buy-side and sell-side firms of the MiFID II prohibition on inducements. However, significant operational changes would be required to implement the rule. The ultimate impact of MiFID II on payments for research currently is uncertain.

## Table of Contents

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

We may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages, and we may be involved in additional matters in the future. Litigation is subject to significant uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope.

The financial services industry is intensely competitive.

We compete on the basis of a number of factors, including our investment performance for our clients, our array of investment services, innovation, reputation and price. By having a global presence, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand. Furthermore, if we are unable to maintain and/or continue to improve our investment performance, our client flows may be adversely affected, which may make it more difficult for us to compete effectively.

Also, increased competition could reduce the demand for our products and services, which could have a material adverse effect on our financial condition, results of operations and business prospects. For additional information regarding competitive factors, see “Competition” in Item 1.

A major factor in our competitive environment is the perception that active equity managers have, on average over the past decade, underperformed passive services, which invest based on market indices rather than individual stock selection. This perception has resulted in significant outflows from actively-managed services and corresponding significant inflows into passive services. In the resulting environment, organic growth through positive net inflows is difficult to achieve for active equity managers, such as AB, and requires taking market share from other active managers.

### Structure-related Risks

The partnership structure of AB Holding and AB limits Unitholders’ abilities to influence the management and operation of AB’s business and is highly likely to prevent a change in control of AB Holding and AB.

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

AB Units are illiquid and subject to significant transfer restrictions.

There is no public trading market for AB Units and we do not anticipate that a public trading market will develop. The AB Partnership Agreement restricts our ability to participate in a public trading market or anything substantially

equivalent to one by providing that any transfer that may cause AB to be classified as a “publicly traded partnership” (“PTP”) as defined in Section 7704 of the Internal Revenue Code of 1986, as amended (“Code”), shall be deemed void and shall not be recognized by AB. In addition, AB Units are subject to significant restrictions on transfer, such as obtaining the written consent of AXA Equitable and the General Partner pursuant to the AB Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AB would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program that requires a seller to locate a purchaser and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our Corporate Secretary ([corporate\\_secretary@abglobal.com](mailto:corporate_secretary@abglobal.com)). Also, we have filed the transfer program as Exhibit 10.07 to this Form 10-K.

## Table of Contents

Changes in the partnership structure of AB Holding and AB and/or changes in the tax law governing partnerships would have significant tax ramifications.

AB Holding, having elected under Section 7704(g) of the Code to be subject to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business, is a “grandfathered” PTP for federal income tax purposes. AB Holding is also subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AB. In order to preserve AB Holding’s status as a “grandfathered” PTP for federal income tax purposes, management ensures that AB Holding does not directly or indirectly (through AB) enter into a substantial new line of business. A “new line of business” includes any business that is not closely related to AB’s historical business of providing research and diversified investment management and related services to its clients. A new line of business is “substantial” when a partnership derives more than 15% of its gross income from, or uses more than 15% of its total assets in, the new line of business.

AB is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, AB is subject to the 4.0% UBT. Domestic corporate subsidiaries of AB, which are subject to federal, state and local income taxes, generally are included in the filing of a consolidated federal income tax return with separate state and local income tax returns being filed. Foreign corporate subsidiaries generally are subject to taxes in the foreign jurisdiction where they are located. If our business increasingly operates in countries other than the U.S., AB’s effective tax rate will increase over time because our international subsidiaries are subject to corporate taxes in the jurisdictions where they are located.

In order to preserve AB’s status as a private partnership for federal income tax purposes, AB Units must not be considered publicly traded. If such units were to be considered readily tradable, AB would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, should AB enter into a substantial new line of business, AB Holding, by virtue of its ownership of AB, would lose its status as a grandfathered PTP and would become subject to corporate income tax as set forth above. For information about the significant restrictions on transfer of AB Units, see the risk factor immediately above.

In addition, recent decisions by members of Congress and their staffs regarding the need for fundamental tax reform and possible tax law changes to raise additional revenue have included suggestions that all large partnerships (which would include both AB and AB Holding) should be taxed as corporations and that a process should be implemented to address repatriating the non-U.S. earnings of U.S. companies. We cannot predict whether, or in what form, tax legislation will be proposed in the future and are unable to determine what effect any new legislation might have on us. If our subsidiaries' non-U.S. earnings are repatriated to the U.S. at unfavorable tax rates, our tax liability may increase substantially. Furthermore, if AB Holding and AB were to lose their federal tax status as partnerships, they would be subject to corporate income tax, which would reduce materially their net income and quarterly distributions to Unitholders.

If, pursuant to the Bipartisan Budget Act of 2015 (“2015 Act”), any audit by the Internal Revenue Services (“IRS”) of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us, in which case our net income and the cash available for quarterly Unitholder distributions may be substantially reduced.

Although the IRS, under current law, generally determines tax adjustments at the partnership level when it audits the income tax return of a partnership, the IRS is required to collect any additional taxes, interest and penalties from the partnership's individual partners. As discussed immediately below, the 2015 Act modifies this procedure for fiscal years beginning after December 31, 2017.

Under the 2015 Act, if any audit by the IRS of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us. Generally, we will have the ability to collect such tax liability from our Unitholders in accordance with their percentage interests during the year under audit, but there can be no assurance that we will elect to do so or be able to do so under all circumstances. If we do not collect such tax liability from our Unitholders in accordance with their percentage interests in the tax year under audit, our net income and the available cash for quarterly distributions to current Unitholders may be substantially reduced. Accordingly, our current Unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such Unitholders did not own Units during the tax year under audit.

Further guidance from the IRS is expected, which may significantly impact the application of these rules.

Table of Contents

Item 1B. Unresolved Staff Comments

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

25

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## Table of Contents

### Item 2. Properties

Our principal executive offices located at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease expiring in 2019 with options to extend to 2029. At this location, we currently lease 1,033,984 square feet of space, within which we currently occupy approximately 599,265 square feet of space and have sub-let approximately 434,719 square feet of space. We also lease space at two other locations in New York City; we acquired one of these leases in connection with the WPS Acquisition.

In addition, we lease approximately 263,083 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021 with options to extend to 2031. At this location, we currently occupy approximately 69,013 square feet of space and have sub-let (or are seeking to sub-let) approximately 194,070 square feet of space.

We also lease 92,067 square feet of space in San Antonio, Texas under a lease expiring in 2019 with options to extend to 2029. At this location, we currently occupy approximately 59,004 square feet of space and have sub-let approximately 33,063 square feet of space.

In addition, we lease space in 20 other cities in the United States.

Our subsidiaries lease space in 28 cities outside the United States, the most significant of which are in London, England, under a lease expiring in 2022, and in Tokyo, Japan, under a lease expiring in 2018. In London, we currently lease 87,250 square feet of space, within which we currently occupy approximately 54,746 square feet of space and have sub-let (or are seeking to sub-let) approximately 32,504 square feet of space. In Tokyo, we currently lease and occupy approximately 34,615 square feet of space.

### Item 3. Legal Proceedings

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

During the first quarter of 2012, we received a legal letter of claim (“Letter of Claim”) sent on behalf of Philips Pension Trustees Limited and Philips Electronics U.K. Limited (“Philips”), a former pension fund client, alleging that AllianceBernstein Limited (one of our subsidiaries organized in the U.K.) was negligent and failed to meet certain applicable standards of care with respect to the initial investment in, and management of, a £500 million portfolio of U.S. mortgage-backed securities. Philips has alleged damages ranging between \$177 million and \$234 million, plus compound interest on an alleged \$125 million of realized losses in the portfolio. On January 2, 2014, Philips filed a claim form (“Claim”) in the High Court of Justice in London, England, which formally commenced litigation with respect to the allegations in the Letter of Claim.

We believe that any losses to Philips resulted from adverse developments in the U.S. housing and mortgage market that precipitated the financial crisis in 2008 and not from any negligence or other failure or malfeasance on our part. We believe that we have strong defenses to these claims, which are set forth in our October 12, 2012 response to the Letter of Claim and our June 27, 2014 Statement of Defence in response to the Claim, and intend to defend this matter

vigorously.

In addition to the Claim discussed immediately above, we are involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages.

In management's opinion, an adequate accrual has been made as of December 31, 2015 to provide for any probable losses regarding any litigation matters for which we can reasonably estimate an amount of loss. It is reasonably possible that we could incur additional losses pertaining to these matters, but currently we cannot estimate any such additional losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operations, financial condition or liquidity in any future reporting period.

#### Item 4. Mine Safety Disclosures

Not applicable.



Table of Contents

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Market for AB Holding Units and AB Units; Cash Distributions

AB Holding Units are listed on the NYSE and trade publicly under the ticker symbol "AB". There is no established public trading market for AB Units, which are subject to significant restrictions on transfer. For information about these transfer restrictions, see "Structure-related Risks" in Item 1A.

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

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

The distributions of Available Cash Flow made by AB and AB Holding during 2015 and 2014 and the high and low sale prices of AB Holding Units reflected on the NYSE composite transaction tape during 2015 and 2014 are as follows:

	Quarters Ended 2015				Total
	December 31	September 30	June 30	March 31	
Cash distributions per AB Unit <sup>(1)</sup>	\$0.56	\$0.50	\$0.54	\$0.51	\$2.11
Cash distributions per AB Holding Unit <sup>(1)</sup>	\$0.50	\$0.43	\$0.48	\$0.45	\$1.86
AB Holding Unit prices:					
High	\$27.70	\$30.07	\$32.74	\$31.00	
Low	\$21.23	\$22.00	\$28.79	\$24.04	
	Quarters Ended 2014				Total
	December 31	September 30	June 30	March 31	
Cash distributions per AB Unit <sup>(1)</sup>	\$0.63	\$0.51	\$0.50	\$0.44	\$2.08
Cash distributions per AB Holding Unit <sup>(1)</sup>	\$0.57	\$0.45	\$0.45	\$0.39	\$1.86
AB Holding Unit prices:					
High	\$27.39	\$28.18	\$26.69	\$26.00	
Low	\$22.40	\$25.00	\$22.71	\$20.98	

(1) Declared and paid during the following quarter.

On December 31, 2015, the closing price of an AB Holding Unit on the NYSE was \$23.85 per Unit and there were 915 AB Holding Unitholders of record for approximately 81,000 beneficial owners. On December 31, 2015, there were 409 AB Unitholders of record, and we do not believe there are substantial additional beneficial owners.

## Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not engage in any unregistered sales of our securities during the years ended December 31, 2015, 2014 and 2013.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Each quarter since the third quarter of 2011, AB has implemented plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Exchange Act. The plan adopted during the fourth quarter of 2015 expired at the close of business on February 10, 2016. AB may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB

27

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Table of Contents

Holding Units to help fund anticipated obligations under the firm's incentive compensation award program and for other corporate purposes. For additional information about Rule 10b5-1 plans, see "Units Outstanding" in Item 7.

AB Holding Units bought by us or one of our affiliates during the fourth quarter of 2015 are as follows:

## Issuer Purchases of Equity Securities

Period	Total Number of AB Holding Units Purchased	Average Price Paid Per AB Holding Unit, net of Commissions	Total Number of AB Holding Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Holding Units that May Yet Be Purchased Under the Plans or Programs
10/1/15-10/31/15 <sup>(1)(2)</sup>	530,341	\$26.52	—	—
11/1/15-11/30/15 <sup>(2)</sup>	201,900	25.58	—	—
12/1/15-12/31/15 <sup>(1)(2)</sup>	3,995,806	23.94	—	—
Total	4,728,047	\$24.30	—	—

During the fourth quarter of 2015, we purchased 2,697,752 AB Holding Units from employees to allow them to (1) fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) During the fourth quarter of 2015, we purchased 2,030,295 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan to help fund anticipated obligations under our incentive compensation award program.

AB Units bought by us or one of our affiliates during the fourth quarter of 2015 are as follows:

Issuer Purchases of Equity Securities<sup>(1)</sup>

Period	Total Number of AB Units Purchased	Average Price Paid Per AB Unit, net of Commissions	Total Number of AB Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Units that May Yet Be Purchased Under the Plans or Programs
10/1/15-10/31/15	—	\$—	—	—
11/1/15-11/30/15	—	—	—	—
12/1/15-12/31/15 <sup>(1)</sup>	120	24.43	—	—
Total	120	\$24.43	—	—

(1) During December 2015, we purchased 120 AB Units in private transactions.

28

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Table of Contents

## Item 6. Selected Financial Data

## AllianceBernstein Holding L.P.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per unit amounts)				
<b>INCOME STATEMENT DATA:</b>					
Equity in net income (loss) attributable to AB Unitholders	\$212,498	\$203,277	\$185,912	\$70,807	\$(65,581 )
Income taxes	24,320	22,463	20,410	19,722	27,687
Net income (loss)	\$188,178	\$180,814	\$165,502	\$51,085	\$(93,268 )
Basic net income (loss) per unit	\$1.89	\$1.87	\$1.72	\$0.51	\$(0.90 )
Diluted net income (loss) per unit	\$1.89	\$1.86	\$1.71	\$0.51	\$(0.90 )
CASH DISTRIBUTIONS PER UNIT <sup>(1)</sup>	\$1.86	\$1.86	\$1.79	\$1.23	\$1.14
<b>BALANCE SHEET DATA AT PERIOD END:</b>					
Total assets	\$1,589,965	\$1,627,892	\$1,533,654	\$1,566,493	\$1,628,984
Partners' capital	\$1,589,691	\$1,627,510	\$1,532,878	\$1,560,082	\$1,626,173

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders; 2015, 2014 and 2013 distributions reflect the impact of AB's non-GAAP (1) adjustments; 2012 distributions exclude the impact of AB's \$207.0 million non-cash real estate charges recorded in the third and fourth quarters of 2012; 2011 distributions exclude the impact of AB's \$587.1 million one-time, non-cash long-term incentive compensation charge.

Table of Contents

## AllianceBernstein L.P.

## Selected Consolidated Financial Data

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per unit amounts and unless otherwise indicated)				
<b>INCOME STATEMENT DATA:</b>					
Revenues:					
Investment advisory and services fees	\$1,973,837	\$1,958,250	\$1,849,105	\$1,764,475	\$1,907,318
Bernstein research services	493,463	482,538	445,083	413,707	437,414
Distribution revenues	427,156	444,970	465,424	409,488	360,722
Dividend and interest income	24,872	22,322	19,962	21,286	21,499
Investment gains (losses)	3,551	(9,076)	33,339	29,202	(82,081)
Other revenues	101,169	108,788	105,058	101,801	107,569
Total revenues	3,024,048	3,007,792	2,917,971	2,739,959	2,752,441
Less: interest expense	3,321	2,426	2,924	3,222	2,550
Net revenues	3,020,727	3,005,366	2,915,047	2,736,737	2,749,891
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,267,926	1,265,664	1,212,011	1,168,645	1,246,898
Long-term incentive compensation charge	—	—	—	—	587,131
Promotion and servicing:					
Distribution-related payments	393,033	413,054	426,824	370,865	306,368
Amortization of deferred sales commissions	49,145	41,508	41,279	40,262	37,675
Other promotion and servicing	223,415	224,576	204,568	198,416	215,513
General and administrative:					
General and administrative	431,635	426,960	423,043	507,682	532,896
Real estate charges	998	52	28,424	223,038	7,235
Contingent payment arrangements	(5,441)	(2,782)	(10,174)	682	682
Interest on borrowings	3,119	2,797	2,962	3,429	2,545
Amortization of intangible assets	25,798	24,916	21,859	21,353	21,417
Total expenses	2,389,628	2,396,745	2,350,796	2,534,372	2,958,360
Operating income (loss)	631,099	608,621	564,251	202,365	(208,469)
Income taxes	38,122	37,782	36,829	13,764	3,098
Net income (loss)	592,977	570,839	527,422	188,601	(211,567)
Net income (loss) of consolidated entities attributable to non-controlling interests					
Net income (loss) attributable to AB Unitholders	\$586,602	\$570,383	\$517,676	\$188,916	\$(174,768)
Basic net income (loss) per AB Unit	\$2.14	\$2.10	\$1.89	\$0.67	\$(0.62)

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Diluted net income (loss) per AB Unit	\$2.13	\$2.09	\$1.88	\$0.67	\$(0.62)
Operating margin <sup>(1)</sup>	20.7	% 20.2	% 19.0	% 7.4	% n/m

30

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Table of Contents

CASH DISTRIBUTIONS PER AB UNIT <sup>(2)</sup>	\$2.11	\$2.08	\$1.97	\$1.36	\$1.38
BALANCE SHEET DATA AT PERIOD END:					
Total assets	\$7,435,967	\$7,378,453	\$7,385,851	\$8,115,050	\$7,708,389
Debt	\$583,946	\$488,988	\$268,398	\$323,163	\$444,903
Total capital	\$4,054,917	\$4,115,861	\$4,069,726	\$3,803,268	\$4,029,487
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	\$467,440	\$474,027	\$450,411	\$430,017	\$405,897

(1) Operating income excluding net income (loss) attributable to non-controlling interests as a percentage of net revenues.

AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and the General Partner; 2015, 2014 and 2013 distributions reflect the impact of non-GAAP

(2) adjustments; 2012 distributions exclude a total of \$207.0 million of non-cash real estate charges recorded in the third and fourth quarters of 2012; 2011 distributions exclude the \$587.1 million one-time, non-cash long-term incentive compensation charge.



## Table of Contents

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Percentage change figures are calculated using assets under management rounded to the nearest million and financial statement amounts rounded to the nearest thousand.

#### Executive Overview

Our total assets under management ("AUM") as of December 31, 2015 were \$467.4 billion, down \$6.6 billion, or 1.4%, during 2015. The decrease was driven by market depreciation of \$9.8 billion, offset by net inflows of \$3.2 billion (Institutional inflows of \$6.9 billion, offset by Retail outflows of \$3.5 billion and Private Wealth Management outflows of \$0.2 billion).

Institutional AUM decreased \$0.8 billion, or 0.4%, to \$236.2 billion during 2015, primarily due to market depreciation of \$7.5 billion, offset by net inflows of \$6.9 billion. Gross sales increased \$5.9 billion, or 24.7%, from \$23.9 billion in 2014 to \$29.8 billion in 2015. Redemptions and terminations increased \$5.7 billion, or 53.0%, from \$10.7 billion in 2014 to \$16.4 billion in 2015.

Retail AUM decreased \$7.1 billion, or 4.4%, to \$154.4 billion during 2015, primarily due to net outflows of \$3.5 billion and market depreciation of \$3.2 billion. Gross sales decreased \$6.3 billion, or 14.9%, from \$42.1 billion in 2014 to \$35.8 billion in 2015. Redemptions and terminations decreased \$1.5 billion, or 3.9%, from \$37.5 billion in 2014 to \$36.0 billion in 2015.

Private Wealth Management AUM increased \$1.3 billion, or 1.8%, to \$76.8 billion during 2015, due to market appreciation of \$0.9 billion and transfers/adjustments of \$0.6 billion, offset by net outflows of \$0.2 billion. Gross sales decreased \$1.2 billion, or 19.1%, from \$6.5 billion in 2014 to \$5.3 billion in 2015. Redemptions and terminations decreased \$3.7 billion, or 68.2%, from \$5.5 billion in 2014 to \$1.8 billion in 2015.

Bernstein Research Services revenue increased \$10.9 million, or 2.3%, in 2015. The increase was the result of growth in the U.S. and Asia, partially offset by a combination of pricing pressure in Europe and weakness in European currencies compared to the U.S. dollar.

Our 2015 revenues increased \$15.4 million, or 0.5%, to \$3.0 billion primarily as a result of a \$45.1 million increase in base advisory fees, the \$12.6 million difference between 2015 investment gains of \$3.5 million and 2014 investments losses of \$9.1 million, and a \$10.9 million increase in Bernstein Research Services revenue, offset by a decrease of \$29.5 million in performance-based fees, a decrease of \$17.8 million in distribution revenues and a decrease of \$7.6 million in other revenues. Our operating expenses decreased \$7.1 million, or 0.3%, primarily due to a \$13.5 million decrease in promotion and servicing expenses, offset by a \$5.6 million increase in general and administrative expenses and a \$2.3 million increase in employee compensation benefits expenses. Our operating income increased \$22.5 million, or 3.7%, to \$631.1 million from \$608.6 million in 2014 and our operating margin increased from 20.2% (24.2% on an adjusted basis) in 2014 to 20.7% (24.5% on an adjusted basis) in 2015.

#### Market Environment

During the second half of 2015, concerns regarding growth in China and other international economies, rapidly declining commodity prices, particularly oil, fixed income market liquidity and a possible slowdown in the global economic growth rate, among other factors, contributed to global equity market declines, which negatively affected our AUM and revenue levels. These market forces have created greater volatility in the securities markets, causing many investors to withdraw money from riskier asset classes, such as equities and high yield debt, and reallocate from actively-managed services to passive services that are perceived as "safer" investments. These factors have also contributed to our AUM and revenue declines.

For additional information, please refer to "Risk Factors" in Item 1A.

#### Subsequent Event

On February 3, 2016, Cisco Systems, Inc. announced its agreement to acquire Jasper Technologies, Inc. ("Jasper"), a company in which we own a 7.6% equity interest. Jasper management has informed us that, based on this interest, we should expect to receive approximately \$85 million in cash, subject to final transaction costs and working capital adjustments. We expect to receive approximately \$77 million at the close of the transaction and the remaining \$8

million after this amount is retained in escrow for 18 months. We anticipate that this transaction, which is subject to customary closing conditions, will close during the third quarter of 2016.

As of December 31, 2015, our investment in Jasper is recorded on our consolidated statement of financial condition (under the cost basis of accounting) at \$10.2 million. We currently intend to exclude this investment gain from adjusted net income

Table of Contents

because it is not part of our core operating results. This gain will be recognized in our US GAAP net income as of the closing date of the transaction.

AB Holding

AB Holding's principal source of income and cash flow is attributable to its investment in AB Units. The AB Holding financial statements and notes and management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with those of AB.

Table of Contents

## Results of Operations

	Years Ended December 31,			% Change	
	2015	2014	2013	2015-14	2014-13
	(in thousands, except per unit amounts)				
Net income attributable to AB Unitholders	\$586,602	\$570,383	\$517,676	2.8	% 10.2
Weighted average equity ownership interest	36.2	% 35.6	% 35.9	%	
Equity in net income attributable to AB Unitholders	\$212,498	\$203,277	\$185,912	4.5	9.3
Income taxes	24,320	22,463	20,410	8.3	10.1
Net income of AB Holding	\$188,178	\$180,814	\$165,502	4.1	9.3
Diluted net income per AB Holding Unit	\$1.89	\$1.86	\$1.71	1.6	8.8
Distributions per AB Holding Unit <sup>(1)</sup>	\$1.86	\$1.86	\$1.79	—	3.9

(1) Distributions reflect the impact of AB's non-GAAP adjustments.

AB Holding had net income of \$188.2 million in 2015 as compared to \$180.8 million in 2014. The increase reflects higher net income attributable to AB Unitholders and a higher weighted average equity ownership interest. AB Holding had net income of \$180.8 million in 2014 as compared to \$165.5 million in 2013. The increase reflects higher net income attributable to AB Unitholders.

AB Holding's income taxes represent a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business. AB Holding's partnership gross income is derived from its interest in AB. AB Holding's income tax is computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding's ownership interest in AB (adjusted for AB Holding Units owned by AB's consolidated rabbi trust), multiplied by the 3.5% tax rate. AB Holding's effective tax rate was 11.4% in 2015, 11.1% in 2014 and 11.0% in 2013. See Note 6 to AB Holding's financial statements in Item 8 for a further description.

As supplemental information, AB provides the performance measures "adjusted net revenues", "adjusted operating income" and "adjusted operating margin", which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AB. Management principally uses these metrics in evaluating performance because they present a clearer picture of its operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate consolidation charges and other adjustment items. Similarly, management believes that these management operating metrics help investors better understand the underlying trends in AB's results and, accordingly, provide a valuable perspective for investors. Such measures are not based on generally accepted accounting principles ("non-GAAP measures"). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both the GAAP and non-GAAP measures in evaluating the company's financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AB's revenues and expenses. Further, adjusted diluted net income per AB Holding Unit is not a liquidity measure and should not be used in place of cash flow measures. See "Management Operating Metrics" in this Item 7.

Table of Contents

The impact of these adjustments on AB Holding's net income and diluted net income per AB Holding Unit are as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per unit amounts)		
AB non-GAAP adjustments, before taxes	\$(6,083 )	\$(665 )	\$20,552
Income tax credit (expense) on non-GAAP adjustments	367	610	(1,514 )
AB non-GAAP adjustments, after taxes	(5,716 )	(55 )	19,038
AB Holding's weighted average equity ownership interest in AB	36.2	% 35.6	% 35.9
Impact on AB Holding's net income of AB non-GAAP adjustments	\$(2,071 )	\$(20 )	\$6,837
Net income - diluted, GAAP basis	\$189,577	\$182,350	\$166,668
Impact on AB Holding's net income of AB non-GAAP adjustments	(2,071 )	(20 )	6,837
Adjusted net income - diluted	\$187,506	\$182,330	\$173,505
Diluted net income per AB Holding Unit, GAAP basis	\$1.89	\$1.86	\$1.71
Impact of AB non-GAAP adjustments	(0.02 )	—	0.07
Adjusted diluted net income per AB Holding Unit	\$1.87	\$1.86	\$1.78

The impact on AB Holding's net income of AB's non-GAAP adjustments reflects AB Holding's share (based on its ownership percentage of AB over the applicable period) of the impact of AB's non-GAAP adjustments to its net income.

#### Proposed Tax Legislation

For a discussion of proposed tax legislation, see "Risk Factors - Structure-related Risks" in Item 1A.

#### Capital Resources and Liquidity

During the year ended December 31, 2015, net cash provided by operating activities was \$192.8 million, compared to \$180.9 million during the corresponding 2014 period. The increase primarily resulted from higher cash distributions received from AB of \$13.1 million. During the year ended December 31, 2014, net cash provided by operating activities was \$180.9 million, compared to \$155.5 million during the corresponding 2013 period. The increase was primarily due to higher cash distributions received from AB of \$37.6 million, offset by a decrease in working capital of \$10.1 million.

During the years ended December 31, 2015, 2014 and 2013, net cash used in investing activities was \$9.2 million, \$19.0 million and \$29.2 million, respectively, reflecting investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units (in all years) and from cash distributions paid to the AB consolidated rabbi trust (in 2013).

During the year ended December 31, 2015, net cash used in financing activities was \$183.6 million, compared to \$162.0 million during the corresponding 2014 period. The increase was due to lower proceeds from exercises of compensatory options to buy AB Holding Units of \$9.7 million and higher cash distributions to Unitholders of \$9.6 million. During the year ended December 31, 2014, net cash used in financing activities was \$162.0 million, compared to \$126.2 million during the corresponding 2013 period. The increase was primarily due to higher cash

distributions paid to Unitholders of \$39.8 million.

Management believes that AB Holding will have the resources it needs to meet its financial obligations as a result of the cash flow AB Holding realizes from its investment in AB.

#### Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders (including the General Partner). Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. Management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines that one or more of the non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to AB Holding's financial statements in Item 8 for a description of Available Cash Flow.

#### Commitments and Contingencies

For a discussion of commitments and contingencies, see Note 7 to AB Holding's financial statements in Item 8.

Table of Contents

AB

## Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change			
	2015	2014	2013	2015-14	2014-13		
	(in billions)						
Institutions	\$236.2	\$237.0	\$226.0	(0.4	)%	4.9	%
Retail	154.4	161.5	153.0	(4.4	)	5.6	
Private Wealth Management	76.8	75.5	71.4	1.8		5.7	
Total	\$467.4	\$474.0	\$450.4	(1.4	)	5.2	

Assets under management by investment service are as follows:

	As of December 31,			% Change			
	2015	2014	2013	2015-14	2014-13		
	(in billions)						
Equity							
Actively Managed	\$110.6	\$112.5	\$107.8	(1.7	)%	4.3	%
Passively Managed <sup>(1)</sup>	46.4	50.4	49.3	(8.1	)	2.4	
Total Equity	157.0	162.9	157.1	(3.7	)	3.7	
Fixed Income							
Actively Managed							
Taxable	207.4	219.4	211.0	(5.4	)	4.0	
Tax-exempt	33.5	31.6	28.7	5.9		10.2	
	240.9	251.0	239.7	(4.0	)	4.8	
Passively Managed <sup>(1)</sup>	10.0	10.1	9.3	(1.0	)	7.7	
Total Fixed Income	250.9	261.1	249.0	(3.9	)	4.9	
Other <sup>(2)</sup>	59.5	50.0	44.3	19.1		12.7	
Total	\$467.4	\$474.0	\$450.4	(1.4	)	5.2	

(1) Includes index and enhanced index services.

(2) Includes multi-asset solutions and services and certain alternative investments.

36

Table of Contents

Changes in assets under management during 2015 and 2014 are as follows:

	Distribution Channel			Total
	Institutions	Retail	Private Wealth Management	
	(in billions)			
Balance as of December 31, 2014	\$237.0	\$161.5	\$75.5	\$474.0
Long-term flows:				
Sales/new accounts	29.8	35.8	5.3	70.9
Redemptions/terminations	(16.4	) (36.0	) (1.8	) (54.2
Cash flow/unreinvested dividends	(6.5	) (3.3	) (3.7	) (13.5
Net long-term inflows (outflows)	6.9	(3.5	) (0.2	) 3.2
Transfers	(0.3	) (0.1	) 0.4	—
AUM adjustment <sup>(3)</sup>	0.1	(0.3	) 0.2	—
Market (depreciation) appreciation	(7.5	) (3.2	) 0.9	(9.8
Net change	(0.8	) (7.1	) 1.3	(6.6
Balance as of December 31, 2015	\$236.2	\$154.4	\$76.8	\$467.4
Balance as of December 31, 2013	\$226.0	\$153.0	\$71.4	\$450.4
Long-term flows:				
Sales/new accounts	23.9	42.1	6.5	72.5
Redemptions/terminations	(10.7	) (37.5	) (5.5	) (53.7
Cash flow/unreinvested dividends	(7.7	) (5.1	) (0.9	) (13.7
Net long-term inflows (outflows)	5.5	(0.5	) 0.1	5.1
Acquisitions	0.1	2.8	—	2.9
Transfers	0.3	(0.4	) 0.1	—
AUM adjustment <sup>(3)</sup>	(1.1	) (0.5	) —	(1.6
Market appreciation	6.2	7.1	3.9	17.2
Net change	11.0	8.5	4.1	23.6
Balance as of December 31, 2014	\$237.0	\$161.5	\$75.5	\$474.0



Table of Contents

	Investment Service						
	Equity Actively Managed	Equity Passively Managed <sup>(1)</sup>	Fixed Income Actively Managed - Taxable	Fixed Income Actively Managed - Tax- Exempt	Fixed Income Passively Managed <sup>(1)</sup>	Other <sup>(2)</sup>	Total
	(in billions)						
Balance as of December 31, 2014	\$112.5	\$50.4	\$219.4	\$31.6	\$10.1	\$50.0	\$474.0
Long-term flows:							
Sales/new accounts	17.0	0.9	34.5	4.8	0.6	13.1	70.9
Redemptions/terminations	(13.8)	(1.3)	(33.0)	(2.8)	(0.5)	(2.8)	(54.2)
Cash flow/unreinvested dividends	(5.5)	(2.7)	(4.5)	(0.9)	(0.1)	0.2	(13.5)
Net long-term (outflows) inflows	(2.3)	(3.1)	(3.0)	1.1	—	10.5	3.2
AUM adjustment <sup>(3)</sup>	0.1	—	—	(0.1)	—	—	—
Market appreciation (depreciation)	0.3	(0.9)	(9.0)	0.9	(0.1)	(1.0)	(9.8)
Net change	(1.9)	(4.0)	(12.0)	1.9	(0.1)	9.5	(6.6)
Balance as of December 31, 2015	\$110.6	\$46.4	\$207.4	\$33.5	\$10.0	\$59.5	\$467.4
Balance as of December 31, 2013	\$107.8	\$49.3	\$211.0	\$28.7	\$9.3	\$44.3	\$450.4
Long-term flows:							
Sales/new accounts	15.2	1.7	43.3	4.6	0.6	7.1	72.5
Redemptions/terminations	(14.9)	(1.0)	(29.4)	(3.4)	(0.7)	(4.3)	(53.7)
Cash flow/unreinvested dividends	(5.0)	(3.4)	(7.4)	0.1	0.6	1.4	(13.7)
Net long-term (outflows) inflows	(4.7)	(2.7)	6.5	1.3	0.5	4.2	5.1
Acquisitions	2.9	—	—	—	—	—	2.9
AUM adjustment <sup>(3)</sup>	(0.1)	—	(1.4)	—	—	(0.1)	(1.6)
Market appreciation	6.6	3.8	3.3	1.6	0.3	1.6	17.2
Net change	4.7	1.1	8.4	2.9	0.8	5.7	23.6
Balance as of December 31, 2014	\$112.5	\$50.4	\$219.4	\$31.6	\$10.1	\$50.0	\$474.0

(1) Includes index and enhanced index services.

(2) Includes multi-asset solutions and services and certain alternative investments.

(3) Represents adjustments to reported AUM for reporting methodology changes that do not represent inflows or outflows.

Table of Contents

Average assets under management by distribution channel and investment service are as follows:

	Years Ended December 31,			% Change		
	2015 (in billions)	2014	2013	2015-14	2014-13	
<b>Distribution Channel:</b>						
Institutions	\$242.9	\$234.3	\$225.4	3.6	% 4.0	%
Retail	160.6	159.6	149.4	0.6	6.8	
Private Wealth Management	77.2	73.6	67.9	4.9	8.4	
Total	\$480.7	\$467.5	\$442.7	2.8	5.6	
<b>Investment Service:</b>						
Equity Actively Managed	\$113.2	\$111.2	\$100.0	1.7	11.2	
Equity Passively Managed <sup>(1)</sup>	49.3	49.6	45.1	(0.6)	) 9.9	
Fixed Income Actively Managed – Taxable	217.7	219.5	221.4	(0.8)	) (0.9)	)
Fixed Income Actively Managed – Tax-exempt	32.6	30.4	30.1	7.2	1.3	
Fixed Income Passively Managed <sup>(1)</sup>	10.1	9.7	8.6	4.1	12.6	
Other <sup>(2)</sup>	57.8	47.1	37.5	22.7	25.5	
Total	\$480.7	\$467.5	\$442.7	2.8	5.6	

(1) Includes index and enhanced index services.

(2) Includes multi-asset solutions and services and certain alternative investments.

During 2015, our Institutional channel average AUM of \$242.9 billion increased \$8.6 billion, or 3.6%, compared to 2014; however, our Institutional AUM decreased \$0.8 billion, or 0.4%, to \$236.2 billion over the last twelve months. The \$0.8 billion decrease in AUM for 2015 primarily resulted from market depreciation of \$7.5 billion, which was concentrated in the third quarter of 2015, offset by net inflows of \$6.9 billion, consisting of inflows of \$9.7 billion in other and \$1.7 billion in fixed income, offset by outflows of \$4.5 billion in equity services. During 2014, our Institutions channel average AUM of \$234.3 billion increased by \$8.9 billion, or 4.0%, compared to 2013, primarily due to our Institutional AUM increasing \$11.0 billion, or 4.9%, during 2014 to \$237.0 billion at December 31, 2014. The \$11.0 billion increase in AUM during 2014 primarily was due to market appreciation of \$6.2 billion and \$5.5 billion of net inflows (consisting of inflows of \$6.4 billion in fixed income services and \$1.4 billion in other services, offset by outflows of \$2.3 billion in equity services), offset by the \$1.1 billion AUM adjustment we made in the third quarter of 2014.

During 2015, our Retail channel average AUM of \$160.6 billion increased \$1.0 billion, or 0.6%, compared to 2014; however, our Retail channel AUM decreased \$7.1 billion, or 4.4%, to \$154.4 billion over the last twelve months. The \$7.1 billion decrease in AUM for 2015 primarily resulted from net outflows of \$3.5 billion (primarily fixed income) and market depreciation of \$3.2 billion (market depreciation during the third quarter of 2015 was \$8.6 billion). During 2014, our Retail channel average AUM of \$159.6 billion increased by \$10.2 billion, or 6.8%, compared to 2013, primarily due to our Retail AUM increasing \$8.5 billion, or 5.6%, during 2014 to \$161.5 billion at December 31, 2014. The \$8.5 billion increase in AUM during 2014 primarily was due to market appreciation of \$7.1 billion and \$2.8 billion of new assets from acquisitions, offset by net outflows of \$0.5 billion (consisting of outflows of \$4.0 billion in equity services, offset by inflows of \$1.9 billion in fixed income services and \$1.6 billion in other services) and the \$0.5 billion AUM adjustment we made in the fourth quarter of 2014.

During 2015, our Private Wealth Management channel average AUM of \$77.2 billion increased \$3.6 billion, or 4.9%, compared to 2014. In addition, our Private Wealth Management channel AUM increased \$1.3 billion, or 1.8%, to \$76.8 billion over the last twelve months. The \$1.3 billion increase in AUM for 2015 primarily resulted from \$0.9

billion in market appreciation (although \$3.2 billion of market depreciation occurred in the third quarter of 2015), offset by net outflows of \$0.2 billion. During 2014, our Private Wealth Management channel average AUM of \$73.6 billion increased by \$5.7 billion, or 8.4%, compared to 2013, primarily due to our Private Wealth Management AUM increasing \$4.1 billion, or 5.7%, during 2014 to \$75.5 billion at December 31, 2014. The \$4.1 billion increase in AUM during 2014 was primarily due to \$3.9 billion of market

Table of Contents

appreciation and net inflows of \$0.1 billion (consisting of inflows of \$1.2 billion in other services, offset by outflows of \$1.1 billion in equity services).

Absolute investment composite returns, gross of fees, and relative performance as of December 31, 2015 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	1-Year		3-Year		5-Year	
Global High Income - Hedged (fixed income)						
Absolute return	(3.5	)%	2.3	%	5.4	%
Relative return (vs. Barclays Global High Yield Index - Hedged)	(2.8	)	(0.4	)	(0.6	)
Global Fixed Income (fixed income)						
Absolute return	(3.3	)	(2.8	)	1.4	
Relative return (vs. CITI WLD GV BD-USD/JPM GLBL BD)	0.3		(0.1	)	1.5	
Intermediate Municipal Bonds (fixed income)						
Absolute return	2.7		2.2		3.5	
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	1.1		0.8		0.7	
U.S. Strategic Core Plus (fixed income)						
Absolute return	0.9		2.0		3.9	
Relative return (vs. Barclays U.S. Aggregate Index)	0.3		0.6		0.6	
Emerging Market Debt (fixed income)						
Absolute return	(2.4	)	(1.1	)	4.5	
Relative return (vs. JPM EMBI Global/JPM EMBI)	(3.6	)	(1.1	)	(0.6	)
Global Plus (fixed income)						
Absolute return	(3.5	)	(1.9	)	1.2	
Relative return (vs. Barclays Global Aggregate Index)	(0.3	)	(0.2	)	0.3	
Emerging Markets Value						
Absolute return	(16.5	)	(7.4	)	(6.5	)
Relative return (vs. MSCI EM Index)	(1.6	)	(0.6	)	(1.7	)
Global Strategic Value						
Absolute return	(3.1	)	12.1		6.2	
Relative return (vs. MSCI ACWI Index)	(0.8	)	4.4		0.1	
U.S. Small & Mid Cap Value						
Absolute return	(4.7	)	13.4		10.1	
Relative return (vs. Russell 2500 Value Index)	0.8		2.9		0.9	
U.S. Strategic Value						
Absolute return	(7.1	)	14.1		9.6	
Relative return (vs. Russell 1000 Value Index)	(3.3	)	1.0		(1.6	)
U.S. Small Cap Growth						
Absolute return	0.1		13.5		12.3	
Relative return (vs. Russell 2000 Growth Index)	1.5		(0.8	)	1.6	
U.S. Large Cap Growth						
Absolute return	11.9		21.3		15.5	
Relative return (vs. Russell 1000 Growth Index)	6.2		4.5		2.0	
U.S. Small & Mid Cap Growth						
Absolute return	0.1		13.4		12.1	
Relative return (vs. Russell 2500 Growth Index)	0.3		(1.2	)	0.6	



Table of Contents

			1-Year	3-Year	5-Year	
Concentrated U.S. Growth						
Absolute return			1.9	17.8	14.7	
Relative return (vs. S&P 500 Index)			0.5	2.6	2.1	
Select U.S. Equity						
Absolute return			2.1	15.5	13.8	
Relative return (vs. S&P 500 Index)			0.7	0.4	1.2	
Strategic Equities (inception June 30, 2012)						
Absolute return			3.7	16.2	N/A	
Relative return (vs. All Cap Index)			2.7	1.3	N/A	
Global Core Equity (inception June 30, 2011)						
Absolute return			(1.7	) 9.3	N/A	
Relative return (vs. MSCI ACWI Index)			0.7	1.6	N/A	
Consolidated Results of Operations						
	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands, except per unit amounts)					
Net revenues	\$3,020,727	\$3,005,366	\$2,915,047	0.5	% 3.1	%
Expenses	2,389,628	2,396,745	2,350,796	(0.3	) 2.0	
Operating income	631,099	608,621	564,251	3.7	7.9	
Income taxes	38,122	37,782	36,829	0.9	2.6	
Net income	592,977	570,839	527,422	3.9	8.2	
Net income of consolidated entities attributable to non-controlling interests	6,375	456	9,746	1,298.0	(95.3	)
Net income attributable to AB Unitholders	\$586,602	\$570,383	\$517,676	2.8	10.2	
Diluted net income per AB Unit	\$2.13	\$2.09	\$1.88	1.9	11.2	
Distributions per AB Unit	\$2.11	\$2.08	\$1.97	1.4	5.6	
Operating margin <sup>(1)</sup>	20.7	% 20.2	% 19.0	%		

(1) Operating income excluding net income (loss) attributable to non-controlling interests as a percentage of net revenues.

Net income attributable to AB Unitholders for the year ended December 31, 2015 increased \$16.2 million from the year ended December 31, 2014. The increase is primarily due to (in millions):

Higher base advisory fees	\$45.1
2015 investment gains compared to 2014 investment losses	12.6
Higher Bernstein Research Services revenues	10.9
Lower performance-based fees	(29.5
Lower other revenues	(7.6
Higher net income of consolidated entities attributable to non-controlling interests	(5.9
Higher general and administrative expenses	(5.6
Other	(3.8
	\$16.2

Table of Contents

Net income attributable to AB Unitholders for the year ended December 31, 2014 increased \$52.7 million from the year ended December 31, 2013. The increase is primarily due to (in millions):

Higher base advisory fees	\$109.5	
Higher Bernstein Research Services revenues	37.4	
Lower real estate charges	28.3	
Higher employee compensation and benefits	(53.7	)
2014 investment losses compared to 2013 investment gains	(42.3	)
Higher other promotion and servicing	(20.0	)
Other	(6.5	)
	\$52.7	

**Real Estate Charges**

During 2010, we performed a comprehensive review of our real estate requirements in New York in connection with our workforce reductions, which commenced in 2008. As a result, during 2010 we decided to sub-lease over 380,000 square feet in New York (all of this space has been sublet) and consolidate our New York-based employees into two office locations from three. During the third quarter of 2012, in an effort to further reduce our global real estate footprint, we completed a comprehensive review of our worldwide office locations and began implementing a global space consolidation plan. As a result, our intention is to sub-lease approximately 510,000 square feet of office space (in excess of 90% of this space has been sublet), more than 70% of which is New York office space (in addition to the 380,000 square feet space reduction in 2010), with the remainder consisting of office space in England, Australia and various U.S. locations.

During 2013, we recorded pre-tax real estate charges of \$28.4 million, comprising \$17.4 million from a change in estimates related to previously recorded real estate charges, new real estate charges of \$6.6 million and \$4.4 million for the write-off of leasehold improvements, furniture and equipment.

During 2014, we recorded pre-tax real estate charges of \$0.1 million, comprising \$5.5 million for the write-off of leasehold improvements, furniture and equipment, offset by \$4.7 million from a change in estimates related to previously recorded real estate charges and \$0.7 million in credits related to other items.

During 2015, we recorded pre-tax real estate charges of \$1.0 million, resulting from a change in estimates related to previously recorded real estate charges.

During the first quarter of 2016, we will vacate and market for sublease two floors in New York. We currently expect to record real estate charges of approximately \$29 million, which we anticipate will generate approximately \$3.5 million of annualized savings assuming we can successfully sublease the office space based upon our current assumptions.

**Units Outstanding**

Each quarter, we implement plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (“Exchange Act”). A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2015 expired at the close of business on February 10, 2016. We may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

**Cash Distributions**

We are required to distribute all of our Available Cash Flow, as defined in the AB Partnership Agreement, to our Unitholders and the General Partner. Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines that one or more non-GAAP adjustments that are made for adjusted net

income should not be made with respect to the Available Cash Flow calculation. See Note 2 to our consolidated financial statements contained in Item 8 for a description of Available Cash Flow.



Table of Contents

## Management Operating Metrics

We are providing the non-GAAP measures “adjusted net revenues”, “adjusted operating income” and “adjusted operating margin” because they are the principal operating metrics management uses in evaluating and comparing period-to-period operating performance. Management principally uses these metrics in evaluating performance because they present a clearer picture of our operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate consolidation charges and other adjustment items. Similarly, we believe that these management operating metrics help investors better understand the underlying trends in our results and, accordingly, provide a valuable perspective for investors.

These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies.

Management uses both accounting principles generally accepted in the United States of America (“US GAAP”) and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of our revenues and expenses.

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net revenues, US GAAP basis	\$3,020,727	\$3,005,366	\$2,915,047
Exclude:			
Long-term incentive compensation-related investment losses (gains)	1,903	(2,184)	(16,842)
Long-term incentive compensation-related dividends and interest	(1,938)	(3,083)	(2,557)
90% of consolidated venture capital fund investment (gains)	(7,117)	(1,165)	(10,609)
Distribution-related payments	(393,033)	(413,054)	(426,824)
Amortization of deferred sales commissions	(49,145)	(41,508)	(41,279)
Pass-through fees and expenses	(47,479)	(38,852)	(32,879)
Adjusted net revenues	\$2,523,918	\$2,505,520	\$2,384,057
Operating income, US GAAP basis	\$631,099	\$608,621	\$564,251
Exclude:			
Long-term incentive compensation-related items	131	210	(405)
Real estate charges	998	52	28,424
Acquisition-related expenses	—	3,448	3,373
Contingent payment arrangements	(7,212)	(4,375)	(10,840)
Sub-total of non-GAAP adjustments	(6,083)	(665)	20,552
Less: Net income of consolidated entities attributable to non-controlling interests	6,375	456	9,746
Adjusted operating income	\$618,641	\$607,500	\$575,057
Adjusted operating margin	24.5	% 24.2	% 24.1

Adjusted operating income for the year ended December 31, 2015 increased \$11.1 million, or 1.8%, from the year ended December 31, 2014, primarily due to higher investment advisory base fees of \$36.5 million, higher Bernstein Research Services revenue of \$10.9 million and lower investment losses of \$10.8 million, offset by lower performance-based fees of \$29.5 million, higher employee compensation expense (excluding the impact of long-term incentive compensation-related items) of \$10.3 million and lower other revenues of \$7.6 million. Adjusted operating income for the year ended December 31, 2014 increased \$32.4 million, or 5.6%, from the year ended December 31, 2013, primarily as a result of higher investment advisory base fees of \$107.0 million and higher Bernstein Research Services revenue of \$37.4 million, offset by higher employee compensation expense (excluding the impact of long-term incentive compensation-related items) of \$65.8 million, higher other promotion and servicing expenses of

\$16.5 million, investment losses in 2014 compared to investment gains in 2013 of \$18.3 million and lower net distribution revenues of \$6.9 million.

## Table of Contents

### Adjusted Net Revenues

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments, and the 90% of the investment gains and losses of our consolidated venture capital fund attributable to non-controlling interests. In addition, adjusted net revenues offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. We believe offsetting net revenues by distribution-related payments is useful for our investors and other users of our financial statements because such presentation appropriately reflects the nature of these costs as pass-through payments to third parties who perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. We offset amortization of deferred sales commissions against net revenues because such costs, over time, essentially offset our distribution revenues. We also exclude additional pass-through expenses we incur (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. These fees have no impact on operating income, but they do have an impact on our operating margin. As such, we exclude these fees from adjusted net revenues.

### Adjusted Operating Income

Adjusted operating income represents operating income on a US GAAP basis excluding (1) the impact on net revenues and compensation expense of the investment gains and losses (as well as the dividends and interest) associated with employee long-term incentive compensation-related investments, (2) real estate charges, (3) acquisition-related expenses, (4) adjustments to contingent payment arrangements and (5) the net income or loss of consolidated entities attributable to non-controlling interests.

Prior to 2009, a significant portion of employee compensation was in the form of employee long-term incentive compensation awards that were notionally invested in AB investment services and generally vested over a period of four years. AB economically hedged the exposure to market movements by purchasing and holding these investments on its balance sheet. All such investments had vested as of year-end 2012 and the investments have been distributed to the participants, except for those investments with respect to which the participant elected a long-term deferral. Fluctuation in the value of these investments is recorded within investment gains and losses on the income statement and also impacts compensation expense. Management believes it is useful to reflect the offset achieved from economically hedging the market exposure of these investments in the calculation of adjusted operating income and adjusted operating margin. The non-GAAP measures exclude gains and losses and dividends and interest on employee long-term incentive compensation-related investments included in revenues and compensation expense. Real estate charges have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers.

Acquisition-related expenses, primarily severance and professional fees incurred as a result of our acquisitions in the fourth quarter of 2013 and the second quarter of 2014, have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers.

The recording of changes in estimates of the contingent consideration payable with respect to contingent payment arrangements associated with our 2014 and 2010 acquisitions are not considered part of our core operating results and, accordingly, have been excluded.

Most of the net income or loss of consolidated entities attributable to non-controlling interests relates to the 90% limited partner interests held by third parties in our consolidated venture capital fund. We own a 10% limited partner interest in the fund. Because we are the general partner of the venture capital fund and are deemed to have a controlling interest, US GAAP requires that we consolidate the financial results of the fund. However, recognizing 100% of the gains or losses in operating income while only retaining 10% is not reflective of our underlying financial results at the operating income level. As a result, we exclude the 90% limited partner interests we do not own from our adjusted operating income. Similarly, net income of joint ventures attributable to non-controlling interests, although not significant, is excluded because it does not reflect the economic interest attributable to AB.

### Adjusted Operating Margin

Adjusted operating margin allows us to monitor our financial performance and efficiency from period to period without the volatility noted above in our discussion of adjusted operating income and to compare our performance to industry peers on a basis that better reflects our performance in our core business. Adjusted operating margin is

derived by dividing adjusted operating income by adjusted net revenues.

44

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Table of Contents

## Net Revenues

The components of net revenues are as follows:

	Years Ended December 31,			% Change		
	2015 (in thousands)	2014	2013	2015-14	2014-13	
Investment advisory and services fees:						
Institutions:						
Base fees	\$421,964	\$410,139	\$401,979	2.9	% 2.0	%
Performance-based fees	12,496	22,967	36,129	(45.6	) (36.4	)
	434,460	433,106	438,108	0.3	(1.1	)
Retail:						
Base fees	847,246	846,418	817,595	0.1	3.5	
Performance-based fees	8,807	20,559	7,359	(57.2	) 179.4	
	856,053	866,977	824,954	(1.3	) 5.1	
Private Wealth Management:						
Base fees	680,881	648,457	575,956	5.0	12.6	
Performance-based fees	2,443	9,710	10,087	(74.8	) (3.7	)
	683,324	658,167	586,043	3.8	12.3	
Total:						
Base fees	1,950,091	1,905,014	1,795,530	2.4	6.1	
Performance-based fees	23,746	53,236	53,575	(55.4	) (0.6	)
	1,973,837	1,958,250	1,849,105	0.8	5.9	
Bernstein Research Services	493,463	482,538	445,083	2.3	8.4	
Distribution revenues	427,156	444,970	465,424	(4.0	) (4.4	)
Dividend and interest income	24,872	22,322	19,962	11.4	11.8	
Investment gains (losses)	3,551	(9,076	) 33,339	n/m	n/m	
Other revenues	101,169	108,788	105,058	(7.0	) 3.6	
Total revenues	3,024,048	3,007,792	2,917,971	0.5	3.1	
Less: Interest expense	3,321	2,426	2,924	36.9	(17.0	)
Net revenues	\$3,020,727	\$3,005,366	\$2,915,047	0.5	3.1	

## Investment Advisory and Services Fees

Investment advisory and services fees are the largest component of our revenues. These fees generally are calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease and is 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, shifts of assets between accounts or products with different fee structures, and acquisitions. Our average basis points realized (investment advisory and services fees divided by average AUM) generally approximate 50 to 70 basis points for actively-managed equity services, 15 to 50 basis points for actively-managed fixed income services and 5 to 20 basis points for passively-managed services. Average basis points realized for other services range from 5 basis points for certain Institutional asset allocation services to over 100 basis points for certain Retail and Private Wealth Management alternative services.

We calculate AUM using established market-based valuation methods and fair valuation (non-observable market) methods. Market-based valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures; evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include: discounted cash flow models, evaluation of assets versus liabilities or any other methodology that is validated and

approved by our Valuation Committee (see paragraph immediately below for more information regarding our Valuation Committee). Fair valuation methods are used only where

45

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Table of Contents

AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities. Investments utilizing fair valuation methods comprise an insignificant amount of our total AUM.

The Valuation Committee, which is composed of senior officers and employees, is responsible for overseeing the pricing and valuation of all investments held in client and AB portfolios. The Valuation Committee has adopted a Statement of Pricing Policies describing principles and policies that apply to pricing and valuing investments held in these portfolios. We also have a Pricing Group, which reports to the Valuation Committee, and is responsible for overseeing the pricing process for all investments.

We sometimes charge our clients performance-based fees. In these situations, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees.

Therefore, if we fail to achieve our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired. We are eligible to earn performance-based fees on 10.1%, 4.2% and 1.1% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 6.1% of our AUM).

Our investment advisory and services fees increased \$15.6 million, or 0.8%, in 2015, primarily due to a \$45.1 million, or 2.4%, increase in base fees, which primarily resulted from a 2.8% increase in average AUM. The increase in base fees was partially offset by a \$29.5 million, or 55.4%, decrease in performance-based fees. The decrease in performance-based fees primarily resulted from major equity market declines during the year. Our investment advisory and services fees increased \$109.1 million, or 5.9%, in 2014, primarily due to a \$109.5 million, or 6.1%, increase in base fees, which primarily resulted from a 5.6% increase in average AUM.

Institutional investment advisory and services fees increased \$1.4 million, or 0.3%, in 2015, primarily due to an \$11.8 million, or 2.9%, increase in base fees, which primarily resulted from a 3.6% increase in average AUM. The increase in base fees was partially offset by a \$10.4 million, or 45.6%, decrease in performance-based fees. Institutional investment advisory and services fees decreased \$5.0 million, or 1.2%, in 2014, due to a \$13.1 million decrease in performance-based fees, offset by an \$8.1 million, or 2.0%, increase in base fees. The base fee increase primarily resulted from a 4.0% increase in average AUM.

Retail investment advisory and services fees decreased \$10.9 million, or 1.3%, in 2015, primarily due to an \$11.7 million, or 57.2%, decrease in performance based fees, offset by a \$0.8 million, or 0.1%, increase in base fees. Retail average AUM increased 0.6% in 2015. Retail investment advisory and services fees increased \$42.0 million, or 5.1%, in 2014, due to a \$28.9 million, or 3.5%, increase in base fees and a \$13.1 million increase in performance-based fees. The base fee increase primarily was the result of a 6.8% increase in average AUM. The increase in base fees as compared to the increase in average AUM primarily is due to a shift in product mix from long-term non-U.S. global fixed income mutual funds to long-term U.S. mutual funds and other Retail products and services, which generally have lower fees as compared to long-term non-U.S. global fixed income mutual funds.

Private Wealth Management investment advisory and services fees increased \$25.2 million, or 3.8%, in 2015, primarily due to a \$32.4 million, or 5.0%, increase in base fees, which primarily resulted from an increase in average billable AUM of 4.7%. The increase in base fees was partially offset by a \$7.2 million decrease in performance-based fees. Private Wealth Management investment advisory and services fees increased \$72.1 million, or 12.3%, in 2014, due to a \$72.5 million, or 12.6%, increase in base fees, which primarily resulted from an 8.7% increase in average billable AUM. Base fees were favorably impacted by a shift in product mix toward actively-managed equity and other services.

#### Bernstein Research Services

Bernstein Research Services revenue consists principally of equity commissions received for providing equity research and brokerage-related services to institutional investors.

Revenue from Bernstein Research Services increased \$10.9 million, or 2.3%, in 2015. The increase was the result of growth in the U.S. and Asia, partially offset by a combination of pricing pressure in Europe and weakness in European

currencies compared to the U.S. dollar. Revenues from Bernstein Research Services increased \$37.4 million, or 8.4%, in 2014 as a result of strong growth across all regions and trading services.



Table of Contents**Distribution Revenues**

Two of our subsidiaries act as distributors and/or placement agents of company-sponsored mutual funds and receive distribution services fees from certain of those funds as partial reimbursement of the distribution expenses they incur. Period-over-period fluctuations of distribution revenues typically are in line with fluctuations of the corresponding average AUM of these mutual funds.

Distribution revenues decreased \$17.8 million, or 4.0%, in 2015, while the corresponding average AUM of these mutual funds decreased 2.8%. Distribution revenues decreased \$20.4 million, or 4.4%, in 2014, while the corresponding average AUM of these mutual funds decreased 3.0%. Average AUM of non B-share and non C-share mutual funds (which have lower distribution fee rates than B-share and C-share mutual funds) decreased 2.5%, while average AUM of B-share and C-share mutual funds decreased by 5.8%.

**Dividend and Interest Income and Interest Expense**

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills. Interest expense principally reflects interest accrued on cash balances in customers' brokerage accounts. Dividend and interest income, net of interest expense, increased \$1.7 million and \$2.8 million, respectively, in 2015 and 2014.

**Investment Gains (Losses)**

Investment gains (losses) consist primarily of realized and unrealized investment gains or losses on: (i) employee long-term incentive compensation-related investments, (ii) investments owned by our consolidated venture capital fund, (iii) U.S. Treasury Bills, (iv) market-making in exchange-traded options and equities, (v) seed capital investments and (vi) derivatives. Investment gains (losses) also include realized gains or losses on the sale of seed capital investments classified as available-for-sale securities and equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment gains (losses) are as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Long-term incentive compensation-related investments			
Realized gains (losses)	\$3,687	\$3,089	\$1,857
Unrealized gains (losses)	(5,589	) (905	) 14,985
Consolidated private equity fund investments			
Realized gains (losses)			
Non-public investments	1,983	—	(6,578
Public securities	(5,500	) 7,052	(3,781
	(3,517	) 7,052	(10,359
Unrealized gains (losses)			
Non-public investments	1,396	5,065	11,368
Public securities	10,028	(10,822	) 10,780
	11,424	(5,757	) 22,148
Seed capital investments			
Realized gains (losses)			
Seed capital	23,007	22,336	21,289
Derivatives	11,448	(18,662	) (20,665
	34,455	3,674	624
Unrealized gains (losses)			
Seed capital	(34,830	) (7,421	) 9,938
Derivatives	3,724	(615	) 1,557
	(31,106	) (8,036	) 11,495

## Brokerage-related investments

Realized gains (losses)	(5,653	)	(9,728	)	(7,605	)
Unrealized gains (losses)	(150	)	1,535		194	
	\$3,551		\$(9,076	)	\$33,339	

## Other Revenues

Other revenues consist of fees earned for transfer agency services provided to company-sponsored mutual funds, fees earned for administration and recordkeeping services provided to company-sponsored mutual funds and the general accounts of AXA and its subsidiaries, and other miscellaneous revenues. Other revenues decreased \$7.6 million, or 7.0%, in 2015 primarily due to lower shareholder servicing fees and mutual fund reimbursements. Other revenues increased \$3.8 million, or 3.6%, in 2014 primarily due to higher brokerage income and mutual fund reimbursements.

Table of Contents

## Expenses

The components of expenses are as follows:

	Years Ended December 31,			% Change		
	2015	2014	2013	2015-14	2014-13	
	(in thousands)					
Employee compensation and benefits	\$1,267,926	\$1,265,664	\$1,212,011	0.2	% 4.4	%
Promotion and servicing:						
Distribution-related payments	393,033	413,054	426,824	(4.8	) (3.2	)
Amortization of deferred sales commissions	49,145	41,508	41,279	18.4	0.6	
Other promotion and servicing	223,415	224,576	204,568	(0.5	) 9.8	
	665,593	679,138	672,671	(2.0	) 1.0	
General and administrative:						
General and administrative	431,635	426,960	423,043	1.1	0.9	
Real estate charges	998	52	28,424	1,819.2	(99.8	)
	432,633	427,012	451,467	1.3	(5.4	)
Contingent payment arrangements	(5,441	) (2,782	) (10,174	) 95.6	(72.7	)
Interest	3,119	2,797	2,962	11.5	(5.6	)
Amortization of intangible assets	25,798	24,916	21,859	3.5	14.0	
Total	\$2,389,628	\$2,396,745	\$2,350,796	(0.3	) 2.0	

## Employee Compensation and Benefits

Employee compensation and benefits consist of base compensation (including salaries and severance), annual short-term incentive compensation awards (cash bonuses), annual long-term incentive compensation awards, commissions, fringe benefits and other employment costs (including recruitment, training, temporary help and meals). Compensation expense as a percentage of net revenues was 42.0%, 42.1% and 41.6% for the years ended December 31, 2015, 2014 and 2013, respectively. Compensation expense generally is determined on a discretionary basis and is primarily a function of our firm's current-year financial performance. The amounts of incentive compensation we award are designed to motivate, reward and retain top talent while aligning our executives' interests with the interests of our Unitholders. Senior management, with the approval of the Compensation Committee of the Board of Directors of AllianceBernstein Corporation ("Compensation Committee"), periodically confirms that the appropriate metric to consider in determining the amount of incentive compensation is the ratio of adjusted employee compensation and benefits expense to adjusted net revenues. Adjusted net revenues used in the adjusted compensation ratio are the same as the adjusted net revenues presented as a non-GAAP measure (discussed earlier in this Item 7). Adjusted employee compensation and benefits expense is total employee compensation and benefits expense minus other employment costs such as recruitment, training, temporary help and meals (which were 1.3%, 1.2% and 1.1% of adjusted net revenues for 2015, 2014 and 2013, respectively), and excludes the impact of mark-to-market vesting expense, as well as dividends and interest expense, associated with employee long-term incentive compensation-related investments. Senior management, with the approval of the Compensation Committee, has established as an objective that adjusted employee compensation and benefits expense generally should not exceed 50% of our adjusted net revenues, except in unexpected or unusual circumstances. Our ratios of adjusted compensation expense as a percentage of adjusted net revenues were 48.9%, 49.1% and 48.7%, respectively, for the years ended December 31, 2015, 2014 and 2013. In 2015, employee compensation and benefits expense increased \$2.3 million, or 0.2%, primarily due to higher base compensation (\$16.3 million) and fringes/other (\$6.0 million), offset by lower commissions (\$14.0 million) and incentive compensation (\$6.0 million). In 2014, employee compensation and benefits expense increased \$53.7 million, or 4.4%, primarily due to higher incentive compensation (\$33.3 million) and base compensation (\$30.8 million), offset by lower commissions (\$13.8 million).

## Promotion and Servicing

Promotion and servicing expenses include distribution-related payments to financial intermediaries for distribution of AB mutual funds and amortization of deferred sales commissions paid to financial intermediaries for the sale of back-end load

48

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Table of Contents

shares of AB mutual funds. Also included in this expense category are costs related to travel and entertainment, advertising and promotional materials.

Promotion and servicing expenses decreased \$13.5 million, or 2.0%, in 2015. The decrease primarily was the result of lower distribution-related payments of \$20.0 million, lower marketing of \$3.2 million and lower travel and entertainment of \$1.6 million, offset by higher amortization of deferred sales commissions of \$7.6 million and higher trade execution and clearing costs of \$3.7 million. Promotion and servicing expenses increased \$6.4 million, or 1.0%, in 2014. The increase primarily was the result of higher trade execution and clearing costs of \$8.7 million, higher marketing and communications costs of \$7.2 million, higher transfer fees of \$2.2 million and higher travel and entertainment of \$1.9 million, offset by lower distribution-related payments of \$13.8 million.

**General and Administrative**

General and administrative expenses include portfolio services expenses, technology expenses, professional fees and office-related expenses (occupancy, communications and similar expenses). General and administrative expenses as a percentage of net revenues were 14.3%, 14.2% and 15.5% (14.5% excluding real estate charges) for the years ended December 31, 2015, 2014 and 2013, respectively. General and administrative expenses increased \$5.6 million, or 1.3%, in 2015, primarily due to higher portfolio services expenses of \$8.5 million and higher technology expenses of \$3.6 million, offset by lower office-related expenses of \$3.1 million and lower impact of foreign exchange rates of \$2.7 million (the result of current year gains compared to prior year losses). General and administrative expenses decreased \$24.4 million, or 5.4%, in 2014, primarily due to lower real estate charges of \$28.3 million, offset by higher portfolio services expenses of \$5.0 million.

**Contingent Payment Arrangements**

Contingent payment arrangements reflect changes in estimates of contingent payment liabilities associated with acquisitions in previous periods, as well as accretion expense of these liabilities. The credit to operating expenses of \$5.4 million in 2015 reflects changes in estimate of the contingent consideration payable relating to our 2014 and 2010 acquisitions of \$7.2 million recorded in the fourth quarter of 2015, offset by the accretion expense of \$1.8 million. The credit to operating expenses of \$2.8 million in 2014 reflects the change in estimate of the contingent consideration payable relating to a 2010 acquisition of \$4.4 million recorded in the fourth quarter of 2014, offset by the accretion expense of \$1.6 million. The credit to operating expenses of \$10.2 million in 2013 reflects the change in estimate of the contingent consideration payable relating to a 2010 acquisition of \$10.8 million recorded in the fourth quarter of 2013, offset by accretion expense of \$0.6 million.

**Income Taxes**

AB, a private limited partnership, is not subject to federal or state corporate income taxes, but is subject to a 4.0% New York City unincorporated business tax ("UBT"). Our domestic corporate subsidiaries are subject to federal, state and local income taxes and generally are included in the filing of a consolidated federal income tax return. Separate state and local income tax returns also are filed. Foreign corporate subsidiaries generally are subject to taxes in the jurisdictions where they are located.

Income tax expense increased \$0.3 million, or 0.9%, in 2015 compared to 2014 primarily due to higher pre-tax income, partially offset by a lower effective tax rate in the current year of 6.0% compared to 6.2% in 2014. The tax rate declined primarily because we generated a greater portion of our income in jurisdictions with lower tax rates. Income tax expense increased \$1.0 million, or 2.6%, in 2014 compared to 2013 primarily due to higher pre-tax income in 2014, partially offset by a lower effective tax rate in 2014 of 6.2% compared to 6.5% in 2013. The lower effective tax rate in 2014 primarily is due to a valuation allowance release of \$10.7 million in one of our foreign subsidiaries, partially offset by an increase in tax reserves for uncertain tax positions of \$7.4 million.

**Net Income (Loss) of Consolidated Entities Attributable to Non-Controlling Interests**

Net income (loss) of consolidated entities attributable to non-controlling interests primarily consists of limited partner interests owned by other investors representing 90% of the total limited partner interests in our consolidated venture capital fund. In 2015, we had \$6.4 million of net income of consolidated entities attributable to non-controlling interests, primarily due to a \$7.9 million net investment gain attributable to our consolidated venture capital fund (of which 90% belongs to non-controlling interests) and management fees of \$1.2 million. In 2014, we had \$0.5 million

of net income of consolidated entities attributable to non-controlling interests, primarily due to a \$1.3 million net investment gain attributable to our consolidated venture capital fund and management fees of \$0.7 million.

Table of Contents**Capital Resources and Liquidity**

During 2015, net cash provided by operating activities was \$667.2 million, compared to \$630.1 million during 2014. The change primarily was due to lower deferred sales commissions paid of \$59.3 million, lower seed capital purchases, offset by lower net broker-dealer redemptions of \$54.5 million, a decrease in fees receivable of \$40.7 million and higher cash provided by net income of \$37.7 million, partially offset by a larger increase in broker-dealer related receivables (net of payables and segregated U.S. Treasury Bills activity) of \$160.9 million. During 2014, net cash provided by operating activities was \$630.1 million, compared to \$505.6 million during 2013. The change primarily was due to a smaller decrease in broker-dealer related payables (net of receivables and segregated U.S. Treasury Bills activity) of \$129.8 million and higher cash provided by net income of \$114.0 million, partially offset by higher deferred sales commissions paid of \$72.8 million and a decrease in accrued compensation and benefits of \$42.2 million.

During 2015, net cash used in investing activities was \$26.1 million, compared to \$86.2 million during 2014. The decrease primarily resulted from the purchase of a business, net of cash acquired, during 2014 of \$60.6 million. During 2014, net cash used in investing activities was \$86.2 million, compared to \$57.1 million during 2013, reflecting higher acquisition costs (cash paid, net of cash acquired) of \$22.0 million.

During 2015, net cash used in financing activities was \$644.7 million, compared to \$478.2 million during 2014. The change reflects lower net issuances of commercial paper of \$126.0 million, higher repurchases of AB Holding Units of \$123.3 million, higher distributions to the General Partner and Unitholders of \$25.5 million as a result of higher earnings (distributions on earnings are paid one quarter in arrears) and lower proceeds from the exercise of options to buy AB Holding Units of \$9.7 million, offset by an increase in overdrafts payable of \$118.5 million. During 2014, net cash used in financing activities was \$478.2 million, compared to \$562.4 million during 2013. The change reflects the issuance of commercial paper in 2014 as compared to repayments in 2013 (impact of \$275.6 million) and lower purchases of AB Holding Units to fund deferred compensation plans of \$21.5 million, partially offset by higher distributions to the General Partner and Unitholders of \$111.1 million as a result of higher earnings (distributions on earnings are paid one quarter in arrears) and a decrease in overdrafts payable of \$91.2 million.

As of December 31, 2015, AB had \$541.5 million of cash and cash equivalents, all of which are available for liquidity, but consist primarily of cash on deposit for our broker-dealers to comply with various customer clearing activities and cash held by foreign subsidiaries for which a permanent investment election for U.S. tax purposes is taken. If the cash held at our foreign subsidiaries of \$392.1 million, which includes cash on deposit for our foreign broker-dealers, is repatriated to the U.S., we would be required to accrue and pay U.S. income taxes on these funds, based on the unremitted amount. We currently intend to permanently reinvest these earnings outside the U.S.

**Debt and Credit Facilities**

As of December 31, 2015 and 2014, AB had \$583.9 million and \$489.0 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 0.5% and 0.3%, respectively. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings of commercial paper during 2015 and 2014 were \$387.9 million and \$335.0 million, respectively, with weighted average interest rates of approximately 0.3% and 0.2%, respectively.

AB has a \$1.0 billion committed, unsecured senior revolving credit facility (the "Credit Facility") with a group of commercial banks and other lenders. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of \$250 million; any such increase is subject to the consent of the affected lenders. The Credit Facility is available for AB and Sanford C. Bernstein & Co., LLC ("SCB LLC") business purposes, including the support of AB's \$1.0 billion commercial paper program. Both AB and SCB LLC can draw directly under the Credit Facility and management may draw on the Credit Facility from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Credit Facility.

The Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. As of December 31, 2015, we were in compliance with these covenants. The Credit Facility

also includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender's commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the Credit Facility would automatically become immediately due and payable, and the lender's commitments automatically would terminate.



Table of Contents

Amounts under the Credit Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by us are permitted at any time without fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the Credit Facility bear interest at a rate per annum, which will be, at our option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indexes: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

On October 22, 2014, as part of an amendment and restatement, the maturity date of the Credit Facility was extended from January 17, 2017 to October 22, 2019. There were no other significant changes included in the amendment. As of December 31, 2015 and 2014, we had no amounts outstanding under the Credit Facility. During 2015 and 2014, we did not draw upon the Credit Facility.

In addition, SCB LLC has three uncommitted lines of credit with three financial institutions. Two of these lines of credit permit us to borrow up to an aggregate of approximately \$200 million, with AB named as an additional borrower, while one line has no stated limit. As of December 31, 2015 and 2014, SCB LLC had no bank loans outstanding. Average daily borrowings of bank loans during 2015 and 2014 were \$3.9 million and \$5.5 million, respectively, with weighted average interest rates of approximately 1.2% and 1.1%, respectively.

Our financial condition and access to public and private debt markets should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AB Units or AB Holding Units will provide us with the resources we need to meet our financial obligations. See “Risk Factors” in Item 1A and “Cautions Regarding Forward-Looking Statements” in this Item 7 for a discussion of credit markets and our ability to renew our credit facilities at expiration.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Guarantees

Under various circumstances, AB guarantees the obligations of its consolidated subsidiaries.

AB maintains a guarantee in connection with the Credit Facility. If SCB LLC is unable to meet its obligations, AB will pay the obligations when due or on demand. In addition, AB maintains guarantees totaling \$400 million for SCB LLC’s three uncommitted lines of credit.

AB maintains a guarantee with a commercial bank, under which we guarantee the obligations in the ordinary course of business of each of SCB LLC, our U.K.-based broker-dealer and our Cayman subsidiary. We also maintain three additional guarantees with other commercial banks under which we guarantee approximately \$361 million of obligations for our U.K.-based broker-dealer. In the event that any of these three entities is unable to meet its obligations, AB will pay the obligations when due or on demand.

We also have three smaller guarantees with a commercial bank totaling approximately \$3 million, under which we guarantee certain obligations in the ordinary course of business of two foreign subsidiaries.

We have not been required to perform under any of the above agreements and currently have no liability in connection with these agreements.

In December 2015, we provided a 60-day guarantee to a commercial bank for borrowings by a company-sponsored fund up to a maximum of \$50.0 million. The bank provided the fund with a limited partner subscription line for the unfunded commitments of the fund's limited partners. The fund is expected to repay the bank by calling capital from the limited partners. To the extent the fund is not able to repay the loan to the bank, we will repay the loan under the guarantee, up to \$50.0 million. The fund will repay us for all amounts paid by us under the guaranty. We have not been required to perform under this guarantee and currently have no liability in connection with this guarantee.

Table of Contents

## Aggregate Contractual Obligations

Our contractual obligations as of December 31, 2015 are as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in millions)				
Commercial paper	\$583.9	\$583.9	\$—	\$—	\$—
Operating leases, net of sublease commitments	1,078.0	94.2	184.7	160.7	638.4
Funding commitments	36.8	7.1	17.1	12.6	—
Accrued compensation and benefits	232.0	135.1	54.4	13.6	28.9
Unrecognized tax benefits	12.0	—	9.2	2.8	—
Total	\$1,942.7	\$820.3	\$265.4	\$189.7	\$667.3

During 2009, we entered into a subscription agreement, under which we committed to invest up to \$35.0 million, as amended in 2011, in a venture capital fund over a six-year period. As of December 31, 2015, we had funded \$32.1 million of this commitment.

During 2010, as general partner of AllianceBernstein U.S. Real Estate L.P. (“Real Estate Fund”), we committed to invest \$25.0 million in the Real Estate Fund. As of December 31, 2015, we had funded \$19.6 million of this commitment. During 2014, as general partner of AllianceBernstein U.S. Real Estate II L.P. (“Real Estate Fund II”), we committed to invest \$28.0 million, as amended in 2015, in the Real Estate Fund II. As of December 31, 2015, we had funded \$1.4 million of this commitment.

During 2012, we entered into an investment agreement under which we committed to invest up to \$8.0 million in an oil and gas fund over a three-year period. As of December 31, 2015, we had funded \$6.1 million of this commitment. Accrued compensation and benefits amounts in the table above exclude our accrued pension obligation. Offsetting our accrued compensation obligations are long-term incentive compensation-related investments and money market investments we funded totaling \$83.5 million, which are included in our consolidated statement of financial condition. Any amounts reflected on the consolidated statement of financial condition as payables (to broker-dealers, brokerage clients and company-sponsored mutual funds) and accounts payable and accrued expenses are excluded from the table above.

We expect to make contributions to our qualified profit sharing plan of approximately \$14.0 million in each of the next four years. We currently do not plan to make a contribution to our qualified, defined benefit retirement plan during 2016.

## Contingencies

See Note 13 to our consolidated financial statements in Item 8 for a discussion of our commitments and contingencies.

## Critical Accounting Estimates

The preparation of the consolidated financial statements and notes to consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

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

## Variable Interest Entities

In accordance with ASU 2009-17, Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, the determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design, a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance, and whether a company is obligated to absorb losses or receive benefits that could potentially be significant to the entity. The standard also requires ongoing assessments of whether a company is the primary beneficiary of a variable interest entity (“VIE”).



## Table of Contents

Significant judgment is required in the determination of whether we are the primary beneficiary of a VIE. If we, together with our related party relationships, are determined to be the primary beneficiary of a VIE, the entity will be consolidated within our consolidated financial statements. In order to determine whether we are the primary beneficiary of a VIE, management must make significant estimates and assumptions of probable future cash flows and assign probabilities to different cash flow scenarios. Assumptions made in such analyses include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, gain realization, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

We provide seed capital to our investment teams to develop new products and services for our clients. Initially, we may be the sole investor in our new products as a result of our seed investments and, from one reporting period to the next, our ownership fluctuates as our clients invest and withdraw assets. Our seed investment portfolio has a weighted average age of approximately 17 months and we turn over approximately 50% of the seed investments annually. These investments are temporary in nature. Our larger seed capital investments range from \$1 million to \$35 million, with an average size of \$10 million. The Audit Committee of the Board has established a ceiling of \$650 million for the seed investment program. We evaluate our seed investments on a quarterly basis and consolidate such investments as required pursuant to US GAAP.

### Goodwill

As of December 31, 2015, we had goodwill of \$3.0 billion on the consolidated statement of financial condition. We have determined that AB has only one reporting segment and reporting unit. We test our goodwill annually, as of September 30, for impairment. As of September 30, 2015, the impairment test indicated that goodwill was not impaired. The carrying value of goodwill is also reviewed if facts and circumstances occur that suggest possible impairment, such as significant declines in AUM, revenues, earnings or the price of an AB Holding Unit.

On an annual basis, or when circumstances warrant, we perform step one of our two-step goodwill impairment test. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of AB, the reporting unit, with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered to be impaired and the second step of the impairment test is not performed. However, if the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit to the aggregated fair values of its individual assets and liabilities to determine the amount of impairment, if any.

AB estimates its fair value under both the market approach and income approach. Under the market approach, the fair value of the reporting unit is based on its unadjusted market valuation (AB Units outstanding multiplied by the price of an AB Holding Unit) and adjusted market valuations assuming a control premium and earnings multiples. The price of a publicly-traded AB Holding Unit serves as a reasonable starting point for valuing an AB Unit because each represents the same fractional interest in our underlying business. Our market approach analysis also includes control premiums, which are based on an analysis of control premiums for relevant recent acquisitions, and comparable industry earnings multiples applied to our earnings forecast. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. Determining estimated fair value using a discounted cash flow valuation technique consists of applying business growth rate assumptions over the estimated life of the goodwill asset and then discounting the resulting expected cash flows using an estimated weighted average cost of capital of market participants to arrive at a present value amount that approximates fair value.

### Real Estate Charges

During 2010 and 2012, we performed comprehensive reviews of our office real estate requirements and determined to consolidate office space and sublease the excess office space. As a result, we recorded real estate charges that reflect the net present value of the difference between the amount of our on-going contractual lease obligations for the vacated floors and our estimate of current market rental rates for such floors. The charges we recorded were based on current assumptions at the time of the charges regarding sublease marketing periods, costs to prepare the properties to market, market rental rates, broker commissions and subtenant allowances/incentives, all of which are factors largely beyond our control. If our assumptions prove to be incorrect, we may need to record additional charges or reduce

previously recorded charges. We review the assumptions and estimates we used in recording these charges on a quarterly basis.

#### 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 and record a loss contingency if it is both probable and reasonably estimable as of the date of the financial statements. See Note 13 to our consolidated financial statements in Item 8.

## Table of Contents

### Accounting Pronouncements

See Note 2 to our consolidated financial statements in Item 8.

### Cautions Regarding 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, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these 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 Item 1A. Any or all of the forward-looking statements that we make in this Form 10-K, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in “Risk Factors” and those listed below could also adversely impact our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph, most of which directly affect AB but also affect AB Holding because AB Holding’s principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding’s cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding’s ability to meet its financial obligations is dependent on AB’s cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm’s credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.

The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect certain pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a pending or future legal proceeding could be significant, and could have such an effect.

The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.

Our determination that adjusted employee compensation expense generally should not exceed 50% of our adjusted net revenues: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.



Table of Contents

Our expectation that, as a result of vacating and marketing for sublease two floors in New York during the first quarter of 2016, we will record real estate charges totaling approximately \$29 million, which we believe will generate approximately \$3.5 million of annualized savings: Any charges we record are based on our current assumptions regarding sublease marketing periods, costs to prepare the properties to market, market rental rates, broker commissions and subtenant allowances/incentives, all of which are factors largely beyond our control. If our assumptions prove to be incorrect, we may be forced to record additional charges, which may result in annual savings different from our current expectation.

55

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Table of Contents

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

## AB Holding

## Market Risk, Risk Management and Derivative Financial Instruments

AB Holding's sole investment is AB Units. AB Holding did not own, nor was it a party to, any derivative financial instruments during the years ended December 31, 2015, 2014 and 2013.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

## Market Risk, Risk Management and Derivative Financial Instruments

Our investments consist of trading, available-for-sale investments and other investments. Trading and available-for-sale investments include U.S. Treasury Bills, mutual funds, exchange-traded options and various separately-managed portfolios consisting of equity and fixed income securities. Trading investments are purchased for short-term investment, principally to fund liabilities related to long-term incentive compensation plans and to seed new investment services. Although available-for-sale investments are purchased for long-term investment, the portfolio strategy considers them available-for-sale from time to time due to changes in market interest rates, equity prices and other relevant factors. Other investments include investments in hedge funds we sponsor, our consolidated venture capital fund and other private equity investment vehicles.

We enter into various futures, forwards and swaps primarily to economically hedge our seed capital investments. We do not hold any derivatives designated in a formal hedge relationship under ASC 815-10, Derivatives and Hedging. See Note 7 to our consolidated financial statements in Item 8.

## Trading and Non-Trading Market Risk Sensitive Instruments

## Investments with Interest Rate Risk—Fair Value

The table below provides our potential exposure with respect to our fixed income investments, measured in terms of fair value, to an immediate 100 basis point increase in interest rates at all maturities from the levels prevailing as of December 31, 2015 and 2014. Such a fluctuation in interest rates is a hypothetical rate scenario used to calibrate potential risk and does not represent our view of future market movements. While these fair value measurements provide a representation of interest rate sensitivity of our investments in fixed income mutual funds and fixed income hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing changes in investments in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2015		2014	
	Fair Value	Effect of +100 Basis Point Change	Fair Value	Effect of +100 Basis Point Change
	(in thousands)			
Fixed Income Investments:				
Trading	\$207,730	\$(11,446 )	\$196,041	\$(10,684 )
Available-for-sale	183	(10 )	221	(12 )

## Investments with Equity Price Risk—Fair Value

Our investments also include investments in equity securities, mutual funds and hedge funds. The following table provides our potential exposure with respect to our equity investments, measured in terms of fair value, to an immediate 10% drop in equity prices from those prevailing as of December 31, 2015 and 2014. A 10% decrease in

equity prices is a hypothetical scenario used to calibrate potential risk and does not represent our view of future market movements. While these fair value measurements provide a representation of equity price sensitivity of our investments in equity securities, mutual funds and hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2015		2014	
	Fair Value	Effect of -10% Equity Price Change	Fair Value	Effect of -10% Equity Price Change
	(in thousands)			
Equity Investments:				
Trading	\$332,178	\$(33,218 )	\$409,792	\$(40,979 )
Available-for-sale and other investments	129,709	(12,971 )	157,421	(15,742 )

Table of Contents

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statements of financial condition and the related statements of income, comprehensive income, changes in partners' capital and cash flows present fairly, in all material respects, the financial position of AllianceBernstein Holding L.P. ("AB Holding") at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AB Holding maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AB Holding's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on AB Holding's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
New York, New York

February 11, 2016

57

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Table of Contents

AllianceBernstein Holding L.P.

Statements of Financial Condition

	December 31, 2015                      2014 (in thousands, except unit amounts)	
<b>ASSETS</b>		
Investment in AB	\$1,589,965	\$1,627,740
Other assets	—	152
Total assets	\$1,589,965	\$1,627,892
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Liabilities:		
Other liabilities	\$274	\$382
Total liabilities	274	382
Commitments and contingencies (See Note 7)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,370	1,374
Limited partners: 99,944,485 and 100,656,999 limited partnership units issued and outstanding	1,633,673	1,668,585
AB Holding Units held by AB to fund long-term incentive compensation plans	(10,669	) (13,280
Accumulated other comprehensive loss	(34,683	) (29,169
Total partners' capital	1,589,691	1,627,510
Total liabilities and partners' capital	\$1,589,965	\$1,627,892

See Accompanying Notes to Financial Statements.

Table of Contents

## AllianceBernstein Holding L.P.

## Statements of Income

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per unit amounts)		
Equity in net income attributable to AB Unitholders	\$212,498	\$203,277	\$185,912
Income taxes	24,320	22,463	20,410
Net income	\$188,178	\$180,814	\$165,502
Net income per unit:			
Basic	\$1.89	\$1.87	\$1.72
Diluted	\$1.89	\$1.86	\$1.71

See Accompanying Notes to Financial Statements.

Table of Contents

## AllianceBernstein Holding L.P.

## Statements of Comprehensive Income

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income	\$188,178	\$180,814	\$165,502
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before reclassification and tax	(5,508	) (7,655	) (4,479
Less: reclassification adjustment for gains included in net income upon liquidation	561	—	—
Foreign currency translation adjustments, before tax	(6,069	) (7,655	) (4,479
Income tax benefit (expense)	11	(78	) 146
Foreign currency translation adjustments, net of tax	(6,058	) (7,733	) (4,333
Unrealized (losses) gains on investments:			
Unrealized (losses) gains arising during period	(132	) 602	210
Less: reclassification adjustments for gains included in net income	457	7	1,670
Changes in unrealized (losses) gains on investments	(589	) 595	(1,460
Income tax benefit (expense)	256	(283	) 430
Unrealized (losses) gains on investments, net of tax	(333	) 312	(1,030
Changes in employee benefit related items:			
Amortization of transition asset	—	—	(18
Amortization of prior service cost	(326	) (1,841	) 2,077
Recognized actuarial gain (loss)	1,264	(7,486	) 9,144
Changes in employee benefit related items	938	(9,327	) 11,203
Income tax (expense) benefit	(61	) 113	(173
Employee benefit related items, net of tax	877	(9,214	) 11,030
Other comprehensive (loss) income	(5,514	) (16,635	) 5,667
Comprehensive income	\$182,664	\$164,179	\$171,169

See Accompanying Notes to Financial Statements.

Table of Contents

## AllianceBernstein Holding L.P.

## Statements of Changes in Partners' Capital

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
<b>General Partner's Capital</b>			
Balance, beginning of year	\$1,374	\$1,377	\$1,369
Net income	189	186	167
Cash distributions to Unitholders	(193)	) (189	) (159
Balance, end of year	1,370	1,374	1,377
<b>Limited Partners' Capital</b>			
Balance, beginning of year	1,668,585	1,558,080	1,723,172
Net income	187,989	180,628	165,335
Cash distributions to Unitholders	(192,106	) (182,535	) (142,793
Retirement of AB Holding Units	(155,073	) (14,577	) (287,303
Issuance of AB Holding Units to fund long-term incentive compensation plan awards	115,045	108,034	84,531
Exercise of compensatory options to buy AB Holding Units	9,233	18,955	15,138
Balance, end of year	1,633,673	1,668,585	1,558,080
<b>AB Holding Units held by AB to fund long-term incentive compensation plans</b>			
Balance, beginning of year	(13,280	) (14,045	) (146,258
AB Holding Units held by AB to fund long-term incentive compensation plans	2,611	765	132,213
Balance, end of year	(10,669	) (13,280	) (14,045
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Balance, beginning of year	(29,169	) (12,534	) (18,201
Unrealized (loss) gain on investments, net of tax	(333	) 312	(1,030
Foreign currency translation adjustment, net of tax	(6,058	) (7,733	) (4,333
Changes in employee benefit related items, net of tax	877	(9,214	) 11,030
Balance, end of year	(34,683	) (29,169	) (12,534
<b>Total Partners' Capital</b>	<b>\$1,589,691</b>	<b>\$1,627,510</b>	<b>\$1,532,878</b>

See Accompanying Notes to Financial Statements.



Table of Contents

## AllianceBernstein Holding L.P.

## Statements of Cash Flows

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities:			
Net income	\$188,178	\$180,814	\$165,502
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net income attributable to AB Unitholders	(212,498	) (203,277	) (185,912
Cash distributions received from AB	217,065	203,919	166,324
Changes in assets and liabilities:			
Decrease (increase) in other assets	152	(152	) 5,957
Increase in due to AB	—	—	3,173
(Decrease) increase in other liabilities	(108	) (394	) 418
Net cash provided by operating activities	192,789	180,910	155,462
Cash flows from investing activities:			
Investments in AB from cash distributions paid to AB consolidated rabbi trust	—	—	(14,076
Investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units	(9,233	) (18,955	) (15,138
Net cash used in investing activities	(9,233	) (18,955	) (29,214
Cash flows from financing activities:			
Cash distributions to Unitholders	(192,299	) (182,724	) (142,952
Capital contributions (to) from AB	(490	) 1,814	1,566
Proceeds from exercise of compensatory options to buy AB Holding Units	9,233	18,955	15,138
Net cash used in financing activities	(183,556	) (161,955	) (126,248
Change in cash and cash equivalents	—	—	—
Cash and cash equivalents as of beginning of the year	—	—	—
Cash and cash equivalents as of end of the year	\$—	\$—	\$—
Cash paid:			
Income taxes	\$24,276	\$23,009	\$19,981
Non-cash investing activities:			
Issuance of AB Holding Units to fund long-term incentive compensation plan awards	115,045	108,034	84,531
Retirement of AB Holding Units	(155,073	) (14,577	) (287,303

See Accompanying Notes to Financial Statements.

## Table of Contents

AllianceBernstein Holding L.P.

Notes to Financial Statements

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

### 1. Business Description and Organization

AB Holding’s principal source of income and cash flow is attributable to its investment in AB limited partnership interests.

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

**Institutional Services**—servicing its institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA and its subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

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

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

**Bernstein Research Services**—servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

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

AB’s high-quality, in-depth research is the foundation of its business. AB’s research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, AB has experts focused on multi-asset strategies, wealth management and alternative investments.

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

• Actively-managed equity strategies, with global and regional portfolios across capitalization ranges and investment strategies, including value, growth and core equities;

• Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;

• Passive management, including index and enhanced index strategies;

• Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct real estate investing);  
• and

• Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

AB's services span 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, emerging markets, regional and local), in major markets around the world.

Table of Contents

As of December 31, 2015, AXA, a société anonyme organized under the laws of France and the holding company for the AXA Group, a worldwide leader in financial protection, through certain of its subsidiaries (“AXA and its subsidiaries”) owns approximately 1.4% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AB Holding (“AB Holding Units”).

As of December 31, 2015, the ownership structure of AB, expressed as a percentage of general and limited partnership interests, is as follows:

AXA and its subsidiaries	62.3	%
AB Holding	36.4	
Unaffiliated holders	1.3	
	100.0	%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both AB Holding and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including both the general partnership and limited partnership interests in AB Holding and AB, AXA and its subsidiaries have an approximate 62.8% economic interest in AB as of December 31, 2015.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

AB Holding’s financial statements and notes should be read in conjunction with the consolidated financial statements and notes of AB, which are included in this Form 10-K.

### Investment in AB

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

### Cash Distributions

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

On February 11, 2016, the General Partner declared a distribution of \$0.50 per unit, representing a distribution of Available Cash Flow for the three months ended December 31, 2015. Each general partnership unit in AB Holding is

entitled to receive distributions equal to those received by each AB Holding Unit. The distribution is payable on March 10, 2016 to holders of record at the close of business on February 22, 2016.

Total cash distributions per Unit paid to Unitholders during 2015, 2014 and 2013 were \$1.93, \$1.89 and \$1.59, respectively.

## Table of Contents

### Long-term Incentive Compensation Plans

AB maintains several unfunded, non-qualified long-term incentive compensation plans, under which the company grants awards of restricted AB Holding Units and options to buy AB Holding Units to its employees and members of the Board of Directors, who are not employed by AB or by any of AB's affiliates ("Eligible Directors").

AB funds its restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping all of these AB Holding Units in a consolidated rabbi trust until distributing them to employees or retiring them. In accordance with the AB Holding Partnership Agreement, when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

During 2015 and 2014, AB purchased 8.5 million and 3.6 million AB Holding Units for \$218.3 million and \$92.8 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 5.8 million and 0.3 million AB Holding Units for \$151.1 million and \$7.2 million, respectively, with the remainder relating to purchases of AB Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards.

Each quarter, AB implements plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker selected by AB has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on AB's behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the U.S. Securities and Exchange Commission ("SEC") as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2015 expired at the close of business on February 10, 2016. AB may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under its incentive compensation award program and for other corporate purposes.

During 2015, AB granted to employees and Eligible Directors 7.4 million restricted AB Holding Unit awards (including 7.0 million granted in December for 2015 year-end awards). During 2014, AB granted to employees and Eligible Directors 7.6 million restricted AB Holding Unit awards (including 6.6 million granted in December for 2014 year-end awards).

During 2015 and 2014, AB Holding issued 0.5 million and 1.1 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of \$9.2 million and \$19.0 million, respectively, received from employees as payment in cash for the exercise price to purchase the equivalent number of newly-issued AB Units.

### 3. Net Income Per Unit

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



Table of Contents

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per unit amounts)		
Net income - basic	\$ 188,178	\$ 180,814	\$ 165,502
Additional allocation of equity in net income attributable to AB resulting from assumed dilutive effect of compensatory options	1,399	1,536	1,166
Net income - diluted	\$ 189,577	\$ 182,350	\$ 166,668
Weighted average units outstanding - basic	99,475	96,802	96,461
Dilutive effect of compensatory options	1,037	1,148	961
Weighted average units outstanding - diluted	100,512	97,950	97,422
Basic net income per unit	\$ 1.89	\$ 1.87	\$ 1.72
Diluted net income per unit	\$ 1.89	\$ 1.86	\$ 1.71

For the years ended December 31, 2015, 2014 and 2013, we excluded 2,409,499, 2,806,033 and 2,923,035 options, respectively, from the diluted net income per unit computation due to their anti-dilutive effect. Weighted average units outstanding do not include AB Holding's proportional share (35.9% in 2013) of the unallocated AB Holding Units then held by AB in its consolidated rabbi trust.

## 4. Investment in AB

Changes in AB Holding's investment in AB for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(in thousands)	
Investment in AB as of January 1,	\$ 1,627,740	\$ 1,533,654
Equity in net income attributable to AB Unitholders	212,498	203,277
Changes in accumulated other comprehensive income (loss)	(5,514 )	(16,635 )
Cash distributions received from AB	(217,065 )	(203,919 )
Additional investments with proceeds from exercises of compensatory options to buy AB Holding Units, net	9,233	18,955
Capital contributions to (from) AB	490	(1,814 )
AB Holding Units retired	(155,073 )	(14,577 )
AB Holding Units issued to fund long-term incentive compensation plans	115,045	108,034
Change in AB Holding Units held by AB for long-term incentive compensation plans	2,611	765
Investment in AB as of December 31,	\$ 1,589,965	\$ 1,627,740

## 5. Units Outstanding

Changes in AB Holding Units outstanding for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Outstanding as of January 1,	100,756,999	96,028,494
Options exercised	541,073	1,110,070
Units issued	4,600,583	4,193,445
Units retired	(5,854,170 )	(575,010 )
Outstanding as of December 31,	100,044,485	100,756,999





Table of Contents

## 6. Income Taxes

AB Holding is a “grandfathered” publicly-traded partnership (“PTP”) for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holding is subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AB, and to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. AB Holding’s partnership gross income is derived from its interest in AB.

The principal reasons for the difference between AB Holding’s effective tax rates and the UBT statutory tax rate of 4.0% are as follows:

	Years Ended December 31,								
	2015 (in thousands)		2014		2013				
UBT statutory rate	\$8,500	4.0	%	\$8,131	4.0	%	\$7,490	4.0	%
Federal tax on partnership gross business income	23,845	11.2		22,131	10.9		19,944	10.7	
State income taxes	475	0.2		332	0.2		466	0.3	
Credit for UBT paid by AB	(8,500	) (4.0	)	(8,131	) (4.0	)	(7,490	) (4.0	)
Income tax expense and effective tax rate	\$24,320	11.4		\$22,463	11.1		\$20,410	11.0	

AB Holding’s income tax is computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding’s ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding Units in AB’s consolidated rabbi trust are not treated as outstanding for purposes of calculating AB Holding’s ownership interest in AB.

	Years Ended December 31,			% Change		
	2015 (in thousands)	2014	2013	2015-14	2014-13	
Net income attributable to AB Unitholders	\$586,602	\$570,383	\$517,676	2.8	% 10.2	%
Multiplied by: weighted average equity ownership interest	36.2	% 35.6	% 35.9	%		
Equity in net income attributable to AB Unitholders	\$212,498	\$203,277	\$185,912	4.5	9.3	
AB qualifying revenues	\$2,214,077	\$2,153,317	\$2,041,642	2.8	5.5	
Multiplied by: weighted average equity ownership interest for calculating tax	30.8	% 29.4	% 27.9	%		
Multiplied by: federal tax	3.5	% 3.5	% 3.5	%		
Federal income taxes	23,845	22,131	19,944			
State income taxes	475	332	466			
Total income taxes	\$24,320	\$22,463	\$20,410	8.3	10.1	

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

The effect of a tax position is recognized in the financial statements only if, as of the reporting date, it is “more likely than not” to be sustained based solely on its technical merits. In making this assessment, a company must assume that the taxing authority will examine the tax position and have full knowledge of all relevant information. We have no liability for unrecognized tax benefits as of December 31, 2015 and 2014. A liability for unrecognized tax benefits, if required, would be recorded in income tax expense and affect the company’s effective tax rate.

## Table of Contents

We are no longer subject to federal, state and local income tax examinations by tax authorities for all years prior to 2012. Currently, there are no examinations in progress and to date we have not been notified of any future examinations by applicable taxing authorities.

### 7. Commitments and Contingencies

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

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

During the first quarter of 2012, AB received a legal letter of claim (the "Letter of Claim") sent on behalf of Philips Pension Trustees Limited and Philips Electronic U.K. Limited ("Philips"), a former pension fund client, alleging that AllianceBernstein Limited (one of AB's subsidiaries organized in the U.K.) was negligent and failed to meet certain applicable standards of care with respect to the initial investment in, and management of, a £500 million portfolio of U.S. mortgage-backed securities. Philips has alleged damages ranging between \$177 million and \$234 million, plus compound interest on an alleged \$125 million of realized losses in the portfolio. On January 2, 2014, Philips filed a claim form ("Claim") in the High Court of Justice in London, England, which formally commenced litigation with respect to the allegations in the Letter of Claim.

We believe that any losses to Philips resulted from adverse developments in the U.S. housing and mortgage market that precipitated the financial crisis in 2008 and not from any negligence or other failure or malfeasance on our part. We believe that we have strong defenses to these claims, which were set forth in our October 12, 2012 response to the Letter of Claim and our June 27, 2014 Statement of Defence in response to the Claim, and intend to defend this matter vigorously.

In addition to the Claim discussed immediately above, AB is involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages.

In the opinion of AB's management, an adequate accrual has been made as of December 31, 2015 to provide for any probable losses regarding any litigation matters for which management can reasonably estimate an amount of loss. It is reasonably possible that AB could incur additional losses pertaining to these matters, but currently management cannot estimate any such additional losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has the element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operations, financial condition or liquidity in any future reporting period.



Table of Contents

## 8. Quarterly Financial Data (Unaudited)

	Quarters Ended			
	December 31	September 30	June 30	March 31
	(in thousands, except per unit amounts)			
2015:				
Equity in net income attributable to AB Unitholders	\$57,485	\$48,988	\$54,409	\$51,616
Net income	\$51,682	\$42,687	\$48,224	\$45,585
Basic net income per unit <sup>(1)</sup>	\$0.53	\$0.43	\$0.48	\$0.45
Diluted net income per unit <sup>(1)</sup>	\$0.53	\$0.43	\$0.48	\$0.45
Cash distributions per unit <sup>(2)(3)</sup>	\$0.50	\$0.43	\$0.48	\$0.45
2014:				
Equity in net income attributable to AB Unitholders	\$63,563	\$49,876	\$48,467	\$41,371
Net income	\$57,667	\$44,134	\$42,854	\$36,159
Basic net income per unit <sup>(1)</sup>	\$0.59	\$0.45	\$0.44	\$0.38
Diluted net income per unit <sup>(1)</sup>	\$0.59	\$0.45	\$0.44	\$0.38
Cash distributions per unit <sup>(2)(3)</sup>	\$0.57	\$0.45	\$0.45	\$0.39

(1) Basic and diluted net income per unit are computed independently for each of the periods presented. Accordingly, the sum of the quarterly net income per unit amounts may not agree to the total for the year.

(2) Declared and paid during the following quarter.

(3) Cash distributions reflect the impact of AB's non-GAAP adjustments.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the General Partner and Unitholders of  
AllianceBernstein L.P.:

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of income, comprehensive income, changes in partners' capital and cash flows present fairly, in all material respects, the financial position of AllianceBernstein L.P. and its subsidiaries ("AB") at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 15(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, AB maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AB's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on AB's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP  
New York, New York

February 11, 2016

70

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Table of Contents

## AllianceBernstein L.P. and Subsidiaries

## Consolidated Statements of Financial Condition

	December 31,	
	2015	2014
	(in thousands, except unit amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$541,483	\$555,503
Cash and securities segregated, at fair value (cost \$565,264 and \$476,275)	565,274	476,277
Receivables, net:		
Brokers and dealers	411,174	378,467
Brokerage clients	1,328,406	1,243,667
Fees	257,091	292,901
Investments:		
Long-term incentive compensation-related	78,154	98,779
Other	591,646	664,696
Furniture, equipment and leasehold improvements, net	160,360	160,956
Goodwill	3,044,807	3,044,807
Intangible assets, net	145,710	171,407
Deferred sales commissions, net	99,070	118,290
Other assets	212,792	172,703
Total assets	\$7,435,967	\$7,378,453
<b>LIABILITIES AND CAPITAL</b>		
Liabilities:		
Payables:		
Brokers and dealers	\$191,990	\$302,484
Securities sold not yet purchased	16,097	88,902
Brokerage clients	1,715,096	1,501,227
AB mutual funds	137,886	141,132
Accounts payable and accrued expenses	469,753	432,355
Accrued compensation and benefits	253,079	291,000
Debt	583,946	488,988
Total liabilities	3,367,847	3,246,088
Commitments and contingencies (See Note 13)		
Redeemable non-controlling interest	13,203	16,504
Capital:		
General Partner	40,875	41,381
Limited partners: 272,301,827 and 273,040,452 units issued and outstanding	4,128,752	4,176,637
Receivables from affiliates	(14,498	) (16,359
AB Holding Units held for long-term incentive compensation plans	(29,332	) (36,351
Accumulated other comprehensive loss	(95,353	) (79,843
Partners' capital attributable to AB Unitholders	4,030,444	4,085,465
Non-controlling interests in consolidated entities	24,473	30,396
Total capital	4,054,917	4,115,861
Total liabilities and capital	\$7,435,967	\$7,378,453
See Accompanying Notes to Consolidated Financial Statements.		



Table of ContentsAllianceBernstein L.P. and Subsidiaries  
Consolidated Statements of Income

	Years Ended December 31,		
	2015	2014	2013
	(in thousands, except per unit amounts)		
<b>Revenues:</b>			
Investment advisory and services fees	\$1,973,837	\$1,958,250	\$1,849,105
Bernstein research services	493,463	482,538	445,083
Distribution revenues	427,156	444,970	465,424
Dividend and interest income	24,872	22,322	19,962
Investment gains (losses)	3,551	(9,076	) 33,339
Other revenues	101,169	108,788	105,058
Total revenues	3,024,048	3,007,792	2,917,971
Less: Interest expense	3,321	2,426	2,924
Net revenues	3,020,727	3,005,366	2,915,047
<b>Expenses:</b>			
Employee compensation and benefits	1,267,926	1,265,664	1,212,011
<b>Promotion and servicing:</b>			
Distribution-related payments	393,033	413,054	426,824
Amortization of deferred sales commissions	49,145	41,508	41,279
Other promotion and servicing	223,415	224,576	204,568
<b>General and administrative:</b>			
General and administrative	431,635	426,960	423,043
Real estate charges	998	52	28,424
Contingent payment arrangements	(5,441	) (2,782	) (10,174
Interest on borrowings	3,119	2,797	2,962
Amortization of intangible assets	25,798	24,916	21,859
Total expenses	2,389,628	2,396,745	2,350,796
Operating income	631,099	608,621	564,251
Income tax	38,122	37,782	36,829
Net income	592,977	570,839	527,422
Net income of consolidated entities attributable to non-controlling interests	6,375	456	9,746
Net income attributable to AB Unitholders	\$586,602	\$570,383	\$517,676
<b>Net income per AB Unit:</b>			
Basic	\$2.14	\$2.10	\$1.89
Diluted	\$2.13	\$2.09	\$1.88
See Accompanying Notes to Consolidated Financial Statements.			

Table of Contents

## AllianceBernstein L.P. and Subsidiaries

## Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net income	\$592,977	\$570,839	\$527,422
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before reclassification and tax:	(15,396	) (20,872	) (12,422
Less: reclassification adjustment for gains included in net income upon liquidation	1,542	—	—
Foreign currency translation adjustments, before tax	(16,938	) (20,872	) (12,422
Income tax benefit	—	—	—
Foreign currency translation adjustments, net of tax	(16,938	) (20,872	) (12,422
Unrealized (losses) gains on investments:			
Unrealized (losses) gains arising during period	(357	) 1,649	819
Less: reclassification adjustment for gains included in net income	1,256	19	4,715
Changes in unrealized (losses) gains on investments	(1,613	) 1,630	(3,896
Income tax benefit (expense)	701	(766	) 1,130
Unrealized (losses) gains on investments, net of tax	(912	) 864	(2,766
Changes in employee benefit related items:			
Amortization of transition asset	—	—	(47
Amortization of prior service cost	(895	) (5,197	) 5,828
Recognized actuarial gain (loss)	3,267	(19,656	) 22,853
Changes in employee benefit related items	2,372	(24,853	) 28,634
Income tax (expense) benefit	(165	) 298	(444
Employee benefit related items, net of tax	2,207	(24,555	) 28,190
Other comprehensive (loss) income	(15,643	) (44,563	) 13,002
Less: Comprehensive income in consolidated entities attributable to non-controlling interests	6,242	355	9,603
Comprehensive income attributable to AB Unitholders	\$571,092	\$525,921	\$530,821

See Accompanying Notes to Consolidated Financial Statements.



Table of ContentsAllianceBernstein L.P. and Subsidiaries  
Consolidated Statements of Changes in Partners' Capital

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
<b>General Partner's Capital</b>			
Balance, beginning of year	\$41,381	\$40,382	\$41,213
Net income	5,866	5,704	5,178
Cash distributions to General Partner	(5,986	) (5,732	) (4,623
Long-term incentive compensation plans activity	14	92	642
(Retirement) issuance of AB Units, net	(400	) 935	(2,028
Balance, end of year	40,875	41,381	40,382
<b>Limited Partners' Capital</b>			
Balance, beginning of year	4,176,637	4,078,676	4,165,461
Net income	580,736	564,679	512,498
Cash distributions to Unitholders	(591,886	) (566,616	) (456,659
Long-term incentive compensation plans activity	1,598	8,929	59,924
(Retirement) issuance of AB Units, net	(40,433	) 90,969	(202,548
Other	2,100	—	—
Balance, end of year	4,128,752	4,176,637	4,078,676
<b>Receivables from Affiliates</b>			
Balance, beginning of year	(16,359	) (16,542	) (8,441
Capital contributions from General Partner	1,551	2,325	3,386
Compensation plan accrual	(187	) (323	) (695
Reclassification of receivable from AB Holding	—	—	(9,226
Capital contributions to AB Holding	497	(1,819	) (1,566
Balance, end of year	(14,498	) (16,359	) (16,542
<b>AB Holding Units held for Long-term Incentive Compensation Plans</b>			
Balance, beginning of year	(36,351	) (39,649	) (389,941
Purchases of AB Holding Units to fund long-term compensation plans, net	(216,970	) (90,143	) (111,619
Reclassification from liability-based awards	—	—	130,777
(Issuance) retirement of AB Units, net	40,028	(93,457	) 202,772
Long-term incentive compensation awards expense	176,040	176,916	162,771
Re-valuation of AB Holding Units held in rabbi trust	7,921	9,982	(34,409
Balance, end of year	(29,332	) (36,351	) (39,649
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Balance, beginning of year	(79,843	) (35,381	) (48,526
Unrealized gain (loss) on investments, net of tax	(912	) 864	(2,766
Foreign currency translation adjustment, net of tax	(16,805	) (20,771	) (12,279
Changes in employee benefit related items, net of tax	2,207	(24,555	) 28,190
Balance, end of year	(95,353	) (79,843	) (35,381
<b>Total Partners' Capital attributable to AB Unitholders</b>	<b>4,030,444</b>	<b>4,085,465</b>	<b>4,027,486</b>
<b>Non-controlling Interests in Consolidated Entities</b>			
Balance, beginning of year	30,396	42,240	43,502
Net income (loss)	6,375	456	9,746
Foreign currency translation adjustment	(133	) (101	) (143
Distributions to non-controlling interests of our consolidated venture capital fund activities	(12,165	) (12,199	) (10,865

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Balance, end of year	24,473	30,396	42,240
Total Capital	\$4,054,917	\$4,115,861	\$4,069,726

See Accompanying Notes to Consolidated Financial Statements.

74

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Table of ContentsAllianceBernstein L.P. and Subsidiaries  
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities:			
Net income	\$592,977	\$570,839	\$527,422
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred sales commissions	49,145	41,508	41,279
Non-cash long-term incentive compensation expense	176,160	176,636	159,020
Depreciation and other amortization	56,426	62,515	60,009
Unrealized losses (gains) on investments	29,281	13,343	(42,080)
Losses on real estate asset write-offs	—	429	3,837
Other, net	(2,888)	) (1,819)	) (70)
Changes in assets and liabilities:			
(Increase) decrease in segregated cash and securities	(88,997)	) 504,307	570,742
(Increase) decrease in receivables	(121,985)	) (444,536)	) 140,254
Decrease (increase) in investments	58,053	3,563	(10,781)
(Increase) in deferred sales commissions	(29,925)	) (89,224)	) (16,423)
(Increase) decrease in other assets	(42,690)	) (6,375)	) 755
Increase (decrease) in payables	65,309	(85,226)	) (867,447)
(Decrease) in accounts payable and accrued expenses	(39,047)	) (64,588)	) (51,880)
(Decrease) in accrued compensation and benefits	(34,645)	) (51,283)	) (9,076)
Net cash provided by operating activities	667,174	630,089	505,561
Cash flows from investing activities:			
Purchases of investments	(168)	) (492)	) (7,702)
Proceeds from sales of investments	4,240	140	10,884
Purchases of furniture, equipment and leasehold improvements	(30,217)	) (25,433)	) (21,615)
Proceeds from sales of furniture, equipment and leasehold improvements	2	176	12
Purchase of businesses, net of cash acquired	—	(60,610)	) (38,636)
Net cash used in investing activities	(26,143)	) (86,219)	) (57,057)
Cash flows from financing activities:			
Issuance (repayment) of commercial paper, net	93,867	219,818	(55,754)
Increase (decrease) in overdrafts payable	79,540	(38,967)	) 52,277
Distributions to General Partner and Unitholders	(597,872)	) (572,348)	) (461,282)
Distributions to non-controlling interests in consolidated entities	(12,165)	) (12,199)	) (10,865)
Capital contributions from affiliates	2,041	511	1,820
Payments of contingent payment arrangements/purchase of shares	(5,027)	) (759)	) (4,426)
Additional investments by AB Holding with proceeds from exercise of compensatory options to buy AB Holding Units	9,233	18,955	15,138
Additional investments by AB Holding from distributions paid to AB consolidated rabbi trust	—	—	14,076
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(213,484)	) (90,143)	) (111,619)





Table of Contents

Purchases of AB Units	(805	) (1,553	) (1,805	)
Other	(26	) (1,546	) 62	)
Net cash used in financing activities	(644,698	) (478,231	) (562,378	)
Effect of exchange rate changes on cash and cash equivalents	(10,353	) (20,027	) (3,417	)
Net (decrease) increase in cash and cash equivalents	(14,020	) 45,612	(117,291	)
Cash and cash equivalents as of beginning of the period	555,503	509,891	627,182	
Cash and cash equivalents as of end of the period	\$541,483	\$555,503	\$509,891	
Cash paid:				
Interest paid	\$3,984	\$3,148	\$3,692	
Income taxes paid	25,999	42,028	13,423	
Non-cash investing activities:				
Fair value of assets acquired	—	87,821	81,929	
Fair value of liabilities assumed	—	1,342	26,193	
Fair value of redeemable non-controlling interest recorded	—	16,504	—	
Non-cash financing activities:				
Payables recorded under contingent payment arrangements	—	9,365	17,100	
See Accompanying Notes to Consolidated Financial Statements.				

Table of Contents

AllianceBernstein L.P. and Subsidiaries

Notes to Consolidated Financial Statements

The words “we” and “our” refer collectively to AllianceBernstein L.P. and its subsidiaries (“AB”), or to their officers and employees. Similarly, the word “company” refers to AB. Cross-references are in italics.

1. Business Description and Organization

We provide research, diversified investment management and related services globally to a broad range of clients. Our principal services include:

**Institutional Services**—servicing our institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA and its subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

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

**Private Wealth Management Services**—servicing our private clients, including high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.

**Bernstein Research Services**—servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

We also provide distribution, shareholder servicing, transfer agency services and administrative services to the mutual funds we sponsor.

Our high-quality, in-depth research is the foundation of our business. Our research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, we have experts focused on multi-asset strategies, wealth management and alternative investments.

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

• Actively-managed equity strategies, with global and regional portfolios across capitalization ranges and investment strategies, including value, growth and core equities;

• Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;

• Passive management, including index and enhanced index strategies;

• Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct real estate investing); and

• Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our services span 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, emerging markets, regional and local), in major markets around the world.

As of December 31, 2015, AXA, a société anonyme organized under the laws of France and the holding company for the AXA Group, a worldwide leader in financial protection, through certain of its subsidiaries (“AXA and its subsidiaries”) owns approximately 1.4% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AllianceBernstein Holding L.P. (“AB Holding Units”).

Table of Contents

As of December 31, 2015, the ownership structure of AB, expressed as a percentage of general and limited partnership interests, is as follows:

AXA and its subsidiaries	62.3	%
AB Holding	36.4	
Unaffiliated holders	1.3	
	100.0	%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both AllianceBernstein Holding L.P. (“AB Holding”) and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including both the general partnership and limited partnership interests in AB Holding and AB, AXA and its subsidiaries had an approximate 62.8% economic interest in AB as of December 31, 2015.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The preparation of the 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Principles of Consolidation

The consolidated financial statements include AB and its majority-owned and/or controlled subsidiaries. All significant inter-company transactions and balances among the consolidated entities have been eliminated.

### Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers. The amendment is effective retrospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2017. Management currently is evaluating the impact that the adoption of this standard will have on our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. The amendment is effective prospectively or retrospectively for fiscal years (and interim periods within those years) beginning after December 15, 2015 and is not expected to have a material impact on our financial condition or results of operations.

In February 2015, the FASB issued ASU 2015-02, Consolidation – Amendments to the Consolidation Analysis. The amendment is effective retrospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2015 and is not expected to have a material impact on our financial condition or results of operations.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The amendment is effective retrospectively for fiscal years (and interim periods within those years) beginning after December 15, 2015 and is not expected to have a material impact on our financial condition or results of operations.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Under the new guidance, investments measured at net asset value (“NAV”), as a practical expedient for fair value, are excluded from the fair value hierarchy. Removing investments measured using the practical expedient from the fair value hierarchy is intended to eliminate the diversity in practice that currently exists with respect to the categorization of these investments. The only criterion for categorizing investments in the fair value hierarchy will be the observability of the inputs. The amendment is effective retrospectively for fiscal years (and interim periods within those years) beginning after December 15, 2015 and is not expected to have a material impact on our financial condition or results of operations.



## Table of Contents

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The amendment is effective prospectively for fiscal years (and interim periods within those years) beginning after December 15, 2015 and is not expected to have a material impact on our financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendment addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendment is effective for fiscal years (and interim periods within those years) beginning after December 15, 2017 and will result in a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, except for one provision relating to equity securities without readily determinable fair values, which provision will be applied prospectively. The amendment is not expected to have a material impact on our financial condition or results of operations.

## Variable Interest Entities

In accordance with ASU 2009-17, Consolidation (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, the determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design, a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance, and whether a company is obligated to absorb losses or receive benefits that could potentially be significant to the entity. The standard also requires ongoing assessments of whether a company is the primary beneficiary of a variable interest entity (“VIE”). In January 2010, the FASB deferred portions of ASU 2009-17 that relate to asset managers. We determined that all entities for which we are a sponsor and/or investment manager, other than collateralized debt obligations and collateralized loan obligations (collectively, “CDOs”), qualify for the scope deferral and will continue to be assessed for consolidation under prior accounting guidance for consolidation of VIEs.

For all new investment products and entities developed by the company (other than CDOs), we first determine whether the entity is a VIE, which involves determining an entity’s variability and variable interests, identifying the holders of the equity investment at risk and assessing the five characteristics of a VIE. Once an entity has been determined to be a VIE, we then identify the primary beneficiary of the VIE. If we are deemed to be the primary beneficiary of the VIE, we consolidate the entity.

We provide seed capital to our investment teams to develop new products and services for our clients. Initially, we may be the sole investor in our new products as a result of our seed investments and, from one reporting period to the next, our ownership fluctuates as our clients invest and withdraw assets. Our seed investment portfolio has a weighted average age of approximately 17 months and we turn over approximately 50% of the seed investments annually. These investments are temporary in nature. Our larger seed capital investments range from \$1 million to \$35 million, with an average size of \$10 million. The Audit Committee of the Board of Directors has established a ceiling of \$650 million for the seed investment program. We evaluate our seed investments on a quarterly basis and consolidate such investments as required pursuant to US GAAP.

As of December 31, 2015, we were the investment manager for one CDO that meets the definition of a VIE primarily due to the lack of unilateral decision-making authority of the equity holders. The CDO is an alternative investment vehicle created for the sole purpose of issuing collateralized debt instruments that offer investors the opportunity for returns that vary with the risk level of their investment. Our management fee structure for this CDO includes a senior management fee and subordinated incentive management fee. We hold no equity interest in this CDO. We evaluated the management fee structure, the current and expected economic performance of the entity and other provisions included in the governing documents of the CDO that might restrict or guarantee an expected loss or residual return. In accordance with ASC 810, Consolidation, we concluded that our collateral management agreement represented a

variable interest primarily due to the level of subordinated fees. We evaluated whether we possessed both of the following characteristics of a controlling financial interest: (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. We determined that we possessed the decision-making power noted in criterion (1).

In evaluating criteria (2), we considered all facts regarding the design, terms and characteristics of the CDO and concluded that we do not meet the criterion. Our conclusion was based on the following quantitative and qualitative factors: (a) we have no involvement with the CDO beyond providing investment management services, (b) we hold no equity or debt interests in the CDO, (c) we are not a transferor of any of the assets of the CDO, (d) our expected aggregate fees in future periods are insignificant relative to the expected cash flows of the CDO, (e) the variability of our expected fees in relation to the expected cash flows of the CDO is insignificant, (f) our maximum exposure to loss for the CDO is our investment management fee,

Table of Contents

which is based upon the fair value of the CDO's assets, (g) the CDO has no recourse against us for any losses sustained in the CDO structure, (h) we have not provided, nor do we expect to provide, any financial or other support to the CDO, and (i) there are no liquidity arrangements, guarantees and/or other commitments by third parties that would impact our variable interest in the CDO. As such, we do not have a controlling financial interest in the CDO and we do not consolidate the CDO into our consolidated financial statements. The cash, collateral investments (at fair value) and notes payable (at amortized cost) as of December 31, 2015 of this CDO are \$9.4 million, \$52.3 million and \$53.4 million, respectively.

For the entities that meet the scope deferral, management reviews its agreements quarterly and its investments in, and other financial arrangements with, certain entities that hold client assets under management ("AUM") to determine the VIEs that we are required to consolidate. These entities include certain mutual fund products, hedge funds, structured products, group trusts, collective investment trusts and limited partnerships. We earn investment management fees on AUM of these entities, but we derive no other benefit from the AUM and cannot use the AUM in our operations.

As of December 31, 2015, we have significant variable interests in certain structured products and hedge funds with approximately \$28.3 million in AUM. However, these VIEs do not require consolidation because management has determined that we are not the primary beneficiary of the expected residual returns or expected losses of these entities. Our maximum exposure to loss is limited to our investment of \$0.2 million in these entities.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, money market accounts, overnight commercial paper and highly liquid investments with original maturities of three months or less. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

**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 collectability based on historical trends and other qualitative and quantitative factors, including our relationship with the client, the financial health (or ability to pay) of the client, current economic conditions and whether the account is active or closed. The allowance for doubtful accounts is not material to fees receivable.

**Collateralized Securities Transactions**

Customers' securities transactions are recorded on a settlement date basis, with related commission income and expenses reported on a trade date basis. Receivables from and payables to clients include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables; such collateral is not reflected in the consolidated financial statements. We have the ability by contract or custom to sell or re-pledge this collateral, and have done so at various times. As of December 31, 2015, the fair value of these securities re-pledged was \$0.5 million. Principal securities transactions and related expenses are recorded on a trade date basis.

Securities borrowed and securities loaned by our broker-dealer subsidiaries are recorded at the amount of cash collateral advanced or received in connection with the transaction and are included in receivables from and payables to brokers and dealers in the consolidated statements of financial condition. Securities borrowed transactions require us to deposit cash collateral with the lender. With respect to securities loaned, we receive cash collateral from the borrower. See Note 8 for securities borrowed and loaned amounts recorded in our consolidated statements of financial condition as of December 31, 2015 and 2014. The initial collateral advanced or received approximates or is greater than the fair value of securities borrowed or loaned. We monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate. As of December 31, 2015 and 2014, there is no allowance provision required for the collateral advanced. Income or expense is recognized over the life of the transactions.

As of December 31, 2015 and 2014, we had \$81.4 million and \$26.3 million, respectively, of cash on deposit with clearing organizations for trade facilitation purposes. In addition, as of December 31, 2015 and 2014, we held U.S. Treasury Bills with values totaling \$24.9 million and \$29.0 million, respectively, in our investment account that are pledged as collateral with clearing organizations. These clearing organizations have the ability by contract or custom to sell or re-pledge this collateral.

**Investments**



Investments include U.S. Treasury Bills, unconsolidated mutual funds and limited partnership hedge funds we sponsor and manage, various separately-managed portfolios comprised of equity and fixed income securities, exchange-traded options and investments owned by a consolidated venture capital fund in which we own a controlling interest as the general partner and a 10% limited partnership interest.

80

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## Table of Contents

Investments in U.S. Treasury Bills, mutual funds, and equity and fixed income securities are classified as either trading or available-for-sale securities. Trading investments are stated at fair value with unrealized gains and losses reported in investment gains and losses on the consolidated statements of income. Available-for-sale investments are stated at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in partners' capital. Realized gains and losses on the sale of investments are reported in investment gains and losses on the consolidated statements of income. Average cost is used to determine realized gain or loss on investments sold.

We use the equity method of accounting for investments in limited partnership hedge funds. The equity in earnings of our limited partnership hedge fund investments is reported in investment gains and losses on the consolidated statements of income.

The investments owned by our consolidated venture capital fund generally are illiquid and initially are valued at cost. These investments are adjusted to fair value to reflect the occurrence of "significant developments" (i.e., capital transactions or business, economic or market events). Adjustments to fair value are reported in investment gains and losses on the consolidated statements of income. There are three private equity investments that we own directly outside of our consolidated venture capital fund. One of the investments is accounted for using the cost method and the other two are accounted for at fair value.

See Note 9 for a description of how we measure the fair value of our investments.

### Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line basis over the estimated useful lives of eight years for furniture and three to six years for equipment and software. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the terms of the related leases.

### Goodwill

In 2000, AB acquired SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. ("Bernstein"). The Bernstein acquisition was accounted for under the purchase method and the cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The excess of the purchase price over the fair value of identifiable assets acquired, net of liabilities assumed, resulted in the recognition of goodwill of approximately \$3.0 billion.

As of December 31, 2015, goodwill of \$3.0 billion on the consolidated statement of financial condition included \$2.8 billion as a result of the Bernstein acquisition and \$244 million in regard to various smaller acquisitions. We have determined that AB has only one reporting segment and reporting unit.

We test our goodwill annually, as of September 30, for impairment. As of September 30, 2015, the impairment test indicated that goodwill was not impaired. We also review the carrying value of goodwill if facts and circumstances occur that suggest possible impairment, such as significant declines in AUM, revenues, earnings or the price of an AB Holding Unit. There were no facts or circumstances occurring in the fourth quarter of 2015 suggesting possible impairment.

### Intangible Assets, Net

Intangible assets consist primarily of costs assigned to acquired investment management contracts of Bernstein based on their estimated fair value at the time of acquisition, less accumulated amortization. Intangible assets are recognized at fair value and generally are amortized on a straight-line basis over their estimated useful life ranging from six years to 20 years.

As of December 31, 2015, intangible assets, net of accumulated amortization, of \$145.7 million on the consolidated statement of financial condition consisted of \$132.2 million of definite-lived intangible assets subject to amortization, of which \$98.3 million relates to the Bernstein acquisition, and \$13.5 million of indefinite-lived intangible assets not subject to amortization in regard to other acquisitions. As of December 31, 2014, intangible assets, net of accumulated amortization, of \$171.4 million on the consolidated statement of financial condition consisted of \$157.9 million of definite-lived intangible assets subject to amortization, of which \$119.0 million related to the Bernstein acquisition, and \$13.5 million of indefinite-lived intangible assets not subject to amortization in regard to other acquisitions. The gross carrying amount of definite-lived intangible assets totaled \$460.8 million as of December 31, 2015 and \$460.7

million as of December 31, 2014, and accumulated amortization was \$328.6 million as of December 31, 2015 and \$302.8 million as of December 31, 2014. Amortization expense was \$25.8 million for 2015, \$24.9 million for 2014 and \$21.9 million for 2013. Estimated annual amortization expense for each of the next five years is approximately \$26 million.

## Table of Contents

We periodically review intangible assets for impairment as events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds fair value, we perform additional impairment tests to measure the amount of the impairment loss, if any.

### Deferred Sales Commissions, Net

We pay commissions to financial intermediaries in connection with the sale of shares of open-end company-sponsored mutual funds sold without a front-end sales charge (“back-end load shares”). These commissions are capitalized as deferred sales commissions and amortized over periods not exceeding five and one-half years for U.S. fund shares and four years for Non-U.S. Fund shares, the periods of time during which deferred sales commissions generally are recovered. We recover these commissions from distribution services fees received from those funds and from contingent deferred sales commissions (“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. Since January 31, 2009, our U.S. mutual funds have not offered back-end load shares to new investors. However, our Non-U.S. Funds continue to offer back-end load shares.

We periodically review the deferred sales commission asset for impairment as events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds fair value, we perform additional impairment tests to measure the amount of the impairment loss, if any.

### Loss Contingencies

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

### Revenue Recognition

We record as revenue investment advisory and services fees, which we generally calculate as a percentage of AUM, as we perform the related services. Certain investment advisory contracts, including those associated with hedge funds or other alternative investments, provide for a performance-based fee, in addition to a base advisory fee, which 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. We record performance-based fees as a component of revenue at the end of each contract’s measurement period.

We calculate AUM using established market-based valuation methods and fair valuation (non-observable market) methods. Market-based valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures; evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include: discounted cash flow models, evaluation of assets versus liabilities or any other methodology that is validated and approved by our Valuation Committee (see paragraph immediately below for additional information about our Valuation Committee). Fair valuation methods are used only where AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities. Investments utilizing fair valuation methods typically make up an insignificant amount of our total AUM.

The Valuation Committee, which consists of senior officers and employees, is responsible for overseeing the pricing and valuation of all investments held in client and AB portfolios. The Valuation Committee has adopted a Statement of Pricing Policies describing principles and policies that apply to pricing and valuing investments held in these portfolios. We also have a Pricing Group, which reports to the Valuation Committee, and is responsible for overseeing the pricing process for all investments.

Bernstein Research Services revenues consist primarily of brokerage commissions for research and brokerage-related services provided to institutional investors. Brokerage commissions earned and related expenses are recorded on a trade-date basis.

Distribution revenues, shareholder servicing fees (included in other revenues), and dividend and interest income are accrued as earned.

## Table of Contents

### Contingent Payment Arrangements

We periodically enter into contingent payment arrangements in connection with our business combinations. In these arrangements, we agree to pay additional consideration to the sellers to the extent that certain performance targets are achieved. We estimate the fair value of these potential future obligations at the time a business combination is consummated and record a liability on our consolidated statements of financial condition. We then accrete the obligation to its expected payment amount over the measurement period. If our expected payment amount subsequently changes, the obligation is modified in the current period resulting in a gain or loss. Both gains and losses resulting from changes to expected payments and the accretion of these obligations to their expected payment amounts are reflected within contingent payment arrangements in our consolidated statements of income.

### Mutual Fund Underwriting Activities

Purchases and sales of shares of company-sponsored mutual funds in connection with the underwriting activities of our subsidiaries, including related commission income, are recorded on trade date. Receivables from brokers and dealers for sale of shares of company-sponsored mutual funds generally are realized within three business days from trade date, in conjunction with the settlement of the related payables to company-sponsored mutual funds for share purchases. Distribution plan and other promotion and servicing payments are recognized as expense when incurred.

### Long-term Incentive Compensation Plans

We maintain several unfunded, non-qualified long-term incentive compensation plans, under which we grant annual awards to employees, generally in the fourth quarter.

Awards granted in December 2015, 2014 and 2013 allowed participants to allocate their awards between restricted AB Holding Units and deferred cash. Participants (except certain members of senior management) generally could allocate up to 50% of their awards to deferred cash, not to exceed a total of \$250,000 per award. Each of our employees based outside of the United States (other than expatriates), who received an award of \$100,000 or less, could have allocated up to 100% of his or her award to deferred cash. Participants allocated their awards prior to the date on which the Compensation Committee granted awards in December 2015, 2014 and 2013. For these awards, the number of AB Holding Units awarded was based on the closing price of an AB Holding Unit on the grant date. For awards granted in 2015, 2014 and 2013:

• We engaged in open-market purchases of AB Holding Units or purchased newly-issued AB Holding Units from AB Holding that were awarded to participants and keep them in a consolidated rabbi trust.

• Quarterly distributions on vested and unvested AB Holding Units are paid currently to participants, regardless of whether or not a long-term deferral election has been made.

• Interest on deferred cash is accrued monthly based on our monthly weighted average cost of funds.

We recognize compensation expense related to equity compensation grants in the financial statements using the fair value method. Fair value of restricted AB Holding Unit awards is the closing price of an AB Holding Unit on the grant date; fair value of options is determined using the Black-Scholes option valuation model. Under the fair value method, compensatory expense is measured at the grant date based on the estimated fair value of the award and is recognized over the required service period. For year-end long-term incentive compensation awards, employees who resign or are terminated without cause may retain their awards, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition and employee and client solicitation, and a claw-back for failing to follow existing risk management policies. Because there is no service requirement, we fully expense these awards on grant date. Most equity replacement, sign-on or similar deferred compensation awards included in separate employment agreements or arrangements include a required service period. Regardless of whether or not the award agreement includes employee service requirements, AB Holding Units typically are distributed to employees ratably over four years, unless the employee has made a long-term deferral election.

Grants of restricted AB Holding Units and options to buy AB Holding Units typically are awarded during the second quarter to members of the Board of Directors of the General Partner, who are not employed by our company or by any of our affiliates (“Eligible Directors”). Restricted AB Holding Units are distributed on the third anniversary of the grant date and the options become exercisable ratably over three years. These restricted AB Holding Units and options are

not forfeitable (except if the Eligible Director is terminated for “Cause”, as that term is defined in the applicable award agreement). Because there is no service requirement, we fully expense these awards on grant date.

## Table of Contents

We fund our restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping all of these AB Holding Units in a consolidated rabbi trust until distributing them to employees or retiring them. In accordance with the Amended and Restated Agreement of Limited Partnership of AB (“AB Partnership Agreement”), when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

During 2015 and 2014, we purchased 8.5 million and 3.6 million AB Holding Units for \$218.3 million and \$92.8 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 5.8 million and 0.3 million AB Holding Units for \$151.1 million and \$7.2 million, respectively, with the remainder relating to purchases of AB Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards. Purchases of AB Holding Units reflected on the consolidated statements of cash flows are net of AB Holding Units purchased by employees as part of a distribution reinvestment election.

Each quarter, we implement plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (“Exchange Act”). A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2015 expired at the close of business on February 10, 2016. We may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

During 2015, we granted to employees and Eligible Directors 7.4 million restricted AB Holding Unit awards (including 7.0 million granted in December for 2015 year-end awards to employees). During 2014, we granted to employees and Eligible Directors 7.6 million restricted AB Holding Unit awards (including 6.6 million granted in December for 2014 year-end awards to employees).

During 2015 and 2014, AB Holding issued 0.5 million and 1.1 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of \$9.2 million and \$19.0 million, respectively, received from employees as payment in cash for the exercise price to purchase the equivalent number of newly-issued AB Units.

### Foreign Currency Translation and Transactions

Assets and liabilities of foreign subsidiaries are translated from the functional currencies into United States dollars (“US\$”) at exchange rates in effect at the balance sheet dates, and related revenues and expenses are translated into US\$ at average exchange rates in effect during each period. Net foreign currency gains and losses resulting from the translation of assets and liabilities of foreign operations into US\$ are reported as a separate component of other comprehensive income in the consolidated statements of comprehensive income. Net foreign currency transaction gains (losses) were \$1.0 million, \$(1.6) million, and \$(3.1) million for 2015, 2014 and 2013, respectively, and are reported in general and administrative expenses on the consolidated statements of income.

### Cash Distributions

AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and to the General Partner. Available Cash Flow can be summarized as the cash flow received by AB from operations minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB for use in its business, or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow.

Typically, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates



that Available Cash Flow will be based on adjusted diluted net income per unit, unless management determines that one or more non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

On February 11, 2016, the General Partner declared a distribution of \$0.56 per AB Unit, representing a distribution of Available Cash Flow for the three months ended December 31, 2015. The General Partner, as a result of its 1% general partnership interest, is entitled to receive 1% of each distribution. The distribution is payable on March 10, 2016 to holders of record on February 22, 2016.

Table of Contents

Total cash distributions per Unit paid to the General Partner and Unitholders during 2015, 2014 and 2013 were \$2.18, \$2.11 and \$1.69, respectively.

**Comprehensive Income**

We report all changes in comprehensive income in the consolidated statements of comprehensive income.

Comprehensive income includes net income, as well as unrealized gains and losses on investments classified as available-for-sale, foreign currency translation adjustments, and unrecognized actuarial net losses and transition assets. Deferred taxes are not recognized on foreign currency translation adjustments for foreign subsidiaries whose earnings are considered permanently invested outside the United States.

**3. Real Estate Charges**

During 2010, we performed a comprehensive review of our real estate requirements in New York in connection with our workforce reductions, which commenced in 2008. As a result, during 2010 we decided to sub-lease over 380,000 square feet in New York (all of this space has been sublet) and consolidate our New York-based employees into two office locations from three. During the third quarter of 2012, in an effort to further reduce our global real estate footprint, we completed a comprehensive review of our worldwide office locations and began implementing a global space consolidation plan. As a result, our intention is to sub-lease approximately 510,000 square feet of office space (in excess of 90% of this space has been sublet), more than 70% of which is New York office space (in addition to the 380,000 square feet space reduction in 2010), with the remainder consisting of office space in England, Australia and various U.S. locations.

During 2013, we recorded pre-tax real estate charges of \$28.4 million, comprising \$17.4 million from a change in estimates related to previously recorded real estate charges (\$17.0 million related to the 2010 and 2012 plans and \$0.4 million related to other real estate charges), new real estate charges of \$6.6 million (\$1.3 million related to the 2012 plan and \$5.3 million related to other real estate charges) and \$4.4 million for the write-off of leasehold improvements, furniture and equipment.

During 2014, we recorded pre-tax real estate charges of \$0.1 million, comprising \$5.5 million for the write-off of leasehold improvements, furniture and equipment (\$5.0 million related to the 2012 plan and \$0.5 million related to other real estate charges), offset by \$4.7 million from a change in estimates related to previously recorded real estate charges (primarily relating to the 2010 and 2012 plans) and \$0.7 million in credits related to other items.

During 2015, we recorded pre-tax real estate charges of \$1.0 million, resulting from a change in estimates related to previously recorded real estate charges.

The activity in the liability account relating to our 2010 and 2012 office space consolidation initiatives for the following periods is as follows:

	Year Ended December 31,	
	2015	2014
	(in thousands)	
Balance as of January 1,	\$148,429	\$199,527
Expense (credit) incurred	2,258	(4,755 )
Payments made	(38,920 )	(50,893 )
Interest accretion	4,297	4,550
Balance as of end of period	\$116,064	\$148,429

**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 year. 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 diluted weighted average number of units outstanding for each year.

Table of Contents

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except per unit amounts)		
Net income attributable to AB Unitholders	\$586,602	\$570,383	\$517,676
Weighted average units outstanding—basic	271,745	269,118	271,258
Dilutive effect of compensatory options to buy AB Holding Units	1,037	1,148	961
Weighted average units outstanding—diluted	272,782	270,266	272,219
Basic net income per AB Unit	\$2.14	\$2.10	\$1.89
Diluted net income per AB Unit	\$2.13	\$2.09	\$1.88

For the years ended December 31, 2015, 2014 and 2013, we excluded 2,409,499, 2,806,033 and 2,923,035 options, respectively, from the diluted net income per unit computation due to their anti-dilutive effect.

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

As of December 31, 2015 and 2014, \$0.5 billion and \$0.4 billion, respectively, of U.S. Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of our brokerage customers under Rule 15c3-3 of the Exchange Act.

One of our subsidiaries, which serves as the distributor of our U.S. mutual funds, maintains several special bank accounts for the exclusive benefit of customers. As of December 31, 2015 and 2014, \$55.4 million and \$61.3 million, respectively, of cash was segregated in these bank accounts.

#### 6. Investments

Investments consist of:

	December 31,	
	2015	2014
	(in thousands)	
Available-for-sale (primarily seed capital)	\$364	\$6,172
Trading:		
Long-term incentive compensation-related	59,150	74,095
U.S. Treasury Bills	24,942	28,982
Seed capital	406,322	400,746
Equities	43,584	79,720
Exchange-traded options	5,910	22,290
Investments in limited partnership hedge funds:		
Long-term incentive compensation-related	19,004	24,684
Seed capital	20,082	33,951
Consolidated private equity fund (10% seed capital)	23,897	32,604
Private equity (seed capital)	48,761	48,734
Other	17,784	11,497
Total investments	\$669,800	\$763,475

Total investments related to long-term incentive compensation obligations of \$78.2 million and \$98.8 million as of December 31, 2015 and 2014, respectively, consist of company-sponsored mutual funds and hedge funds. For long-term incentive compensation awards granted before 2009, we typically made investments in our services that were notionally elected by plan participants and maintained them (and continue to maintain them) in a consolidated rabbi trust or separate custodial account. The rabbi trust and custodial account enable us to hold such investments separate from our other assets for the purpose

Table of Contents

of settling our obligations to participants. The investments held in the rabbi trust and custodial account remain available to the general creditors of AB.

The underlying investments of hedge funds in which we invest include long and short positions in equity securities, fixed income securities (including various agency and non-agency asset-based securities), currencies, commodities and derivatives (including various swaps and forward contracts). These investments are valued at quoted market prices or, where quoted market prices are not available, are fair valued based on the pricing policies and procedures of the underlying funds.

U.S. Treasury Bills, the majority of which are pledged as collateral with clearing organizations, are held in our investment account. These clearing organizations have the ability by contract or custom to sell or re-pledge this collateral.

We allocate seed capital to our investment teams to help develop new products and services for our clients. The seed capital trading investments are equity and fixed income products, primarily in the form of separately-managed account portfolios, U.S. mutual funds, Luxembourg funds, Japanese investment trust management funds or Delaware business trusts. We also may allocate seed capital to investments in private equity funds, such as our consolidated venture capital fund, which holds technology, media, telecommunications, healthcare and clean-tech investments, and a third-party venture capital fund that invests in communications, consumer, digital media, healthcare and information technology markets.

Trading securities also include long positions in corporate equities, an exchange-traded fund and long exchange-traded options traded through our options desk.

The cost and fair value of available-for-sale and trading investments held as of December 31, 2015 and 2014 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
December 31, 2015:				
Available-for-sale:				
Equity investments	\$1,778	\$9	\$(1,606)	) \$181
Fixed income investments	197	3	(17)	) 183
	\$1,975	\$12	\$(1,623)	) \$364
Trading:				
Equity investments	\$357,844	\$2,230	\$(27,896)	) \$332,178
Fixed income investments	215,122	391	(7,783)	) 207,730
	\$572,966	\$2,621	\$(35,679)	) \$539,908
December 31, 2014:				
Available-for-sale:				
Equity investments	\$4,339	\$1,625	\$(13)	) \$5,951
Fixed income investments	202	19	—	) 221
	\$4,541	\$1,644	\$(13)	) \$6,172
Trading:				
Equity investments	\$411,898	\$18,370	\$(20,476)	) \$409,792
Fixed income investments	199,645	2,646	(6,250)	) 196,041
	\$611,543	\$21,016	\$(26,726)	) \$605,833

Proceeds from sales of available-for-sale investments were approximately \$4.2 million, \$0.1 million and \$10.9 million in 2015, 2014 and 2013, respectively. Realized gains from our sales of available-for-sale investments were \$1.3 million in 2015, zero in 2014 and \$4.7 million in 2013. Realized losses from our sales of available-for-sale investments were zero in 2015, 2014 and 2013, respectively. We assess valuation declines to determine the extent to which such declines are fundamental to the underlying investment or attributable to temporary market-related factors.

Based on our assessment as of December 31, 2015, we do not believe the declines are other than temporary.

87

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Table of Contents

The portion of trading gains (losses) related to trading securities held as of December 31, 2015 and 2014 were as follows:

	December 31,	
	2015	2014
	(in thousands)	
Net (losses) gains recognized during the period	\$(27,246	) \$12,461
Less: net gains recognized during the period on trading securities sold during the period	5,812	18,171
Unrealized (losses) recognized during the period on trading securities held	\$(33,058	) \$(5,710 )

### 7. Derivative Instruments

We enter into various futures, forwards and swaps to economically hedge certain seed capital investments. Also, we have currency forwards that economically hedge certain cash accounts and exchange-traded futures to economically hedge a foreign investment. In addition, our options desk trades long and short exchange-traded equity options. We do not hold any derivatives designated in a formal hedge relationship under Accounting Standards Codification (“ASC”) 815-10, Derivatives and Hedging.

The notional value, fair value and gains and losses recognized in investment gains (losses) as of December 31, 2015 and 2014 for derivative instruments (excluding our options desk trading activities discussed below) not designated as hedging instruments were as follows:

	Notional Value (in thousands)	Derivative Assets	Derivative Liabilities	Gains (Losses)
December 31, 2015				
Exchange-traded futures	\$160,755	\$1,539	\$2,651	\$8,572
Currency forwards	262,873	4,604	4,077	7,445
Interest rate swaps	65,484	2,945	3,745	(443 )
Credit default swaps	29,421	2,089	774	(253 )
Option swaps	24	9	2	11
Total return swaps	146,001	1,402	972	(160 )
Total derivatives	\$664,558	\$12,588	\$12,221	\$15,172
December 31, 2014				
Exchange-traded futures	\$149,863	\$571	\$2,438	\$(3,766 )
Currency forwards	149,282	1,782	333	3,160
Interest rate swaps	50,591	1,507	2,679	(2,941 )
Credit default swaps	32,745	1,432	110	(826 )
Option swaps	11	107	88	(338 )
Total return swaps	125,913	1,388	3,744	(14,566 )
Total derivatives	\$508,405	\$6,787	\$9,392	\$(19,277 )

As of December 31, 2015 and 2014, the derivative assets and liabilities are included in both receivables and payables to brokers and dealers on our consolidated statements of financial condition. Gains and losses on derivative instruments are reported in investment gains and losses on the consolidated statements of income.

We may be exposed to credit-related losses in the event of nonperformance by counterparties to derivative financial instruments. We minimize our counterparty exposure through a credit review and approval process. In addition, we executed various collateral arrangements with counterparties to the over-the-counter derivative transactions that require both pledging and accepting collateral in the form of cash. As of December 31, 2015 and 2014, we held \$1.5 million and \$1.0 million,



Table of Contents

respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in payables to brokers and dealers in our consolidated statements of financial condition.

Although notional amount is the most commonly used measure of volume in the derivatives market, it is not used as a measure of credit risk. Generally, the current credit exposure of our derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received. A derivative with positive value (a derivative asset) indicates existence of credit risk because the counterparty would owe us if the contract were closed. Alternatively, a derivative contract with negative value (a derivative liability) indicates we would owe money to the counterparty if the contract were closed. Generally, if there is more than one derivative transaction with a single counterparty, a master netting arrangement exists with respect to derivative transactions with that counterparty to provide for aggregate net settlement.

Certain of our standardized contracts for over-the-counter derivative transactions (“ISDA Master Agreements”) contain credit risk related contingent provisions pertaining to each counterparty's credit rating. In some ISDA Master Agreements, if the counterparty's credit rating, or in some agreements, our AUM, falls below a specified threshold, either a default or a termination event permitting the counterparty to terminate the ISDA Master Agreement would be triggered. In all agreements that provide for collateralization, various levels of collateralization of net liability positions are applicable, depending on the credit rating of the counterparty. As of December 31, 2015 and 2014, we delivered \$12.8 million and \$13.2 million, respectively, of cash collateral into brokerage accounts. We report this cash collateral in cash and cash equivalents in our consolidated statements of financial condition.

As of December 31, 2015 and 2014, we held \$5.9 million and \$22.3 million, respectively, of long exchange-traded equity options, which are classified as trading investments and included in our other investments on our consolidated statements of financial condition. In addition, as of December 31, 2015 and 2014, we had \$0.8 million and \$7.1 million, respectively, of short exchange-traded equity options, which are included in securities sold not yet purchased on our consolidated statements of financial condition. Our options desk provides our clients with equity derivative strategies and execution for exchange-traded options on single stocks, exchange-traded funds and indices. While predominately agency-based, the options desk may commit capital to facilitate a client's transaction. Our options desk hedges the risk associated with this activity by taking offsetting positions in equities. For the years ended December 31, 2015 and 2014, respectively, we recognized \$65.0 million and \$140.0 million, respectively, of losses on equity options activity. These losses are recognized in investment gains (losses) in the consolidated statements of income.

## 8. Offsetting Assets and Liabilities

Offsetting of assets as of December 31, 2015 and 2014 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
(in thousands)						
December 31, 2015						
Securities borrowed	\$75,274	\$—	\$75,274	\$—	\$(75,274)	) \$—
Derivatives	\$12,588	\$—	\$12,588	\$—	\$(1,518)	) \$11,070
Long exchange-traded options	\$5,910	\$—	\$5,910	\$—	\$—	\$5,910
December 31, 2014						
Securities borrowed	\$158,147	\$—	\$158,147	\$—	\$(158,147)	) \$—
Derivatives	\$6,787	\$—	\$6,787	\$—	\$(990)	) \$5,797



Long exchange-traded options	\$22,290	\$—	\$22,290	\$—	\$—	\$22,290
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89

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Table of Contents

Offsetting of liabilities as of December 31, 2015 and 2014 was as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Pledged	Net Amount
(in thousands)						
December 31, 2015						
Securities loaned	\$9,518	\$—	\$9,518	\$—	\$(9,518)	) \$—
Derivatives	\$12,221	\$—	\$12,221	\$—	\$(12,221)	) \$—
Short exchange-traded options	\$843	\$—	\$843	\$—	\$—	\$843
December 31, 2014						
Securities loaned	\$33,645	\$—	\$33,645	\$—	\$(33,645)	) \$—
Derivatives	\$9,392	\$—	\$9,392	\$—	\$(9,392)	) \$—
Short exchange-traded options	\$7,118	\$—	\$7,118	\$—	\$—	\$7,118

Cash collateral, whether pledged or received on derivative instruments, is not considered material and, accordingly, is not disclosed by counterparty.

### 9. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. The three broad levels of fair value hierarchy are as follows:

Level 1—Quoted prices in active markets are available for identical assets or liabilities as of the reported date.

Level 2—Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reported date.

Level 3—Prices or valuation techniques that are both significant to the fair value measurement and unobservable as of the reported date. These financial instruments do not have two-way markets and are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Table of Contents

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

Valuation of our financial instruments by pricing observability levels as of December 31, 2015 and 2014 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2015:				
Money markets	\$116,445	\$—	\$—	\$116,445
U.S. Treasury Bills	—	485,121	—	485,121
Available-for-sale				
Equity securities	181	—	—	181
Fixed income securities	183	—	—	183
Trading				
Equity securities	304,083	22,070	116	326,269
Fixed income securities	180,194	2,594	—	182,788
Long exchange-traded options	5,910	—	—	5,910
Derivatives	1,539	11,049	—	12,588
Private equity	14,305	—	48,102	62,407
Total assets measured at fair value	\$622,840	\$520,834	\$48,218	\$1,191,892
Securities sold not yet purchased				
Short equities – corporate	\$15,254	\$—	\$—	\$15,254
Short exchange-traded options	843	—	—	843
Derivatives	2,651	9,570	—	12,221
Contingent payment arrangements	—	—	31,399	31,399
Total liabilities measured at fair value	\$18,748	\$9,570	\$31,399	\$59,717
December 31, 2014:				
Money markets	\$89,566	\$—	\$—	\$89,566
U.S. Treasury Bills	—	444,152	—	444,152
Available-for-sale				
Equity securities	5,951	—	—	5,951
Fixed income securities	221	—	—	221
Trading				
Equity securities	387,495	7	—	387,502
Fixed income securities	164,317	2,742	—	167,059
Long exchange-traded options	22,290	—	—	22,290
Derivatives	571	6,216	—	6,787
Private equity	12,162	—	58,926	71,088
Total assets measured at fair value	\$682,573	\$453,117	\$58,926	\$1,194,616
Securities sold not yet purchased				
Short equities – corporate	\$81,784	\$—	\$—	\$81,784
Short exchange-traded options	7,118	—	—	7,118
Derivatives	2,438	6,954	—	9,392
Contingent payment arrangements	—	—	42,436	42,436
Total liabilities measured at fair value	\$91,340	\$6,954	\$42,436	\$140,730

Table of Contents

Included in Note 6, Investments, but excluded in the above fair value table, are the following investments:

- Limited partnership hedge funds, which are recorded using the equity method of accounting;
- One private equity investment, which is recorded using the cost method of accounting; and
- Other investments, which primarily include miscellaneous investments recorded using the cost or equity method of accounting and long-term deposits.

We provide below a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

**Money markets:** We invest excess cash in various money market funds that are valued based on quoted prices in active markets; these are included in Level 1 of the valuation hierarchy.

**Treasury Bills:** We hold U.S. Treasury Bills, which are primarily segregated in a special reserve bank custody account as required by Rule 15c3-3 of the Exchange Act. These securities are valued based on quoted yields in secondary markets and are included in Level 2 of the valuation hierarchy.

**Equity and fixed income securities:** Our equity and fixed income securities consist principally of company-sponsored mutual funds with net asset values and various separately-managed portfolios consisting primarily of equity and fixed income securities with quoted prices in active markets, which are included in Level 1 of the valuation hierarchy. In addition, some securities are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.

**Derivatives:** We hold exchange-traded futures with counterparties that are included in Level 1 of the valuation hierarchy. In addition, we hold currency forward contracts, interest rate swaps, credit default swaps, option swaps and total return swaps with counterparties that are included in Level 2 of the valuation hierarchy.

**Options:** We hold long exchange-traded options that are included in Level 1 of the valuation hierarchy.

**Private equity:** Generally, the valuation of private equity investments owned by our consolidated venture capital fund or by us directly (regarding an investment in a private equity fund focused exclusively on the energy sector) requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such investments. Private equity investments are valued initially at cost. The carrying values of private equity investments are adjusted either up or down from cost to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through ongoing review in accordance with our valuation policies and procedures. A variety of factors are reviewed and monitored to assess positive and negative changes in valuation, including current operating performance and future expectations of investee companies, industry valuations of comparable public companies, changes in market outlooks, and the third party financing environment over time. In determining valuation adjustments resulting from the investment review process, particular emphasis is placed on current company performance and market conditions. For these reasons, which make the fair value of private equity investments unobservable, equity investments are included in Level 3 of the valuation hierarchy. We also invest in a third-party venture capital fund in which fair value is based on our capital account balance provided by the partnership and is included in Level 3 of the valuation hierarchy. If private equity investments owned by our consolidated venture capital fund become publicly-traded, they are included in Level 1 of the valuation hierarchy. Also, if they contain trading restrictions, publicly-traded equity investments are included in Level 2 of the valuation hierarchy until the trading restrictions expire. During the first quarter of 2014, the trading restriction period for one of our public securities lapsed and, as a result, \$3.0 million was transferred from a Level 2 classification to a Level 1 classification. During the second quarter of 2014, the trading restriction period for one of our public securities lapsed and, as a result, \$4.0 million was transferred from a Level 2 classification to a Level 1 classification. During the third quarter of 2014, one of our investments began actively trading and, as a result, \$1.6 million was transferred from a Level 3 classification to a Level 1 classification. During the first quarter of 2015, \$26,000 was transferred from a Level 3 classification to a Level 1 classification.

Securities sold not yet purchased: Securities sold not yet purchased, primarily reflecting short positions in equities and exchange-traded options, are included in Level 1 of the valuation hierarchy.

Contingent payment arrangements: Contingent payment arrangements relate to contingent payment liabilities associated with acquisitions in 2010, 2013 and 2014. At each reporting date, we estimate the fair values of the

Table of Contents

contingent consideration expected to be paid upon probability-weighted AUM and revenue projections, using observable market data inputs, which are included in Level 3 of the valuation hierarchy.

The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as private equity investments and trading equity securities, is as follows:

	December 31, 2015	December 31, 2014
	(in thousands)	
Balance as of beginning of period	\$58,926	\$52,081
Transfers out	(26	) (1,594
Purchases	198	7,976
Sales	(18,069	) (1,121
Realized gains (losses), net	4,921	721
Unrealized gains (losses), net	2,268	863
Balance as of end of period	\$48,218	\$58,926

Transfers into and out of all levels of the fair value hierarchy are reflected at end-of-period fair values. Realized and unrealized gains and losses on Level 3 financial instruments are recorded in investment gains and losses in the consolidated statements of income. Approximately 20% of the Level 3 investments are private equity investments owned by our consolidated venture capital fund, of which we own 10% and non-controlling interests own 90%. Quantitative information about private equity Level 3 fair value measurements as of December 31, 2015 and 2014 is as follows:

	Fair Value as of December 31, 2015 (in thousands)	Valuation Technique	Unobservable Input	Range
Technology, Media and Telecommunications	\$9,527	Market comparable companies	Revenue multiple  Marketability discount	2.5 – 4.8  30 %

Also, as of December 31, 2015, we have an investment in a private equity fund focused exclusively on the energy sector (fair value of \$6.5 million) that is classified as Level 3. This investment's valuation is based on a market approach, considering recent transactions of the fund and the industry.

One of our private equity investments is a venture capital fund (fair value of \$32.0 million and unfunded commitment of \$2.9 million as of December 31, 2015) that invests in communications, consumer, digital media, healthcare and information technology markets. In addition, one of the investments included in our consolidated private equity fund (fair value of \$0.1 million and no unfunded commitment as of December 31, 2015) is a venture capital fund investing in clean energy, resource and energy efficiency and other sustainable industries. The fair value of each of these investments has been estimated using the capital account balances provided by the partnerships. The interests in these partnerships cannot be redeemed.

Table of Contents

	Fair Value as of December 31, 2014 (in thousands)	Valuation Technique	Unobservable Input	Range
Technology, Media and Telecommunications	\$20,112	Market comparable companies	Revenue multiple Discount rate Discount years	2.0 – 3.5 18 % 2.0

In addition, as of December 31, 2014, there were two private equity investments (with a combined fair value of \$0.2 million) in the Healthcare and Clean-tech category that are classified as Level 3. The first investment is valued based on liquidation value and the second investment is a warrant valued using the Black-Scholes option valuation model. Also, we have an investment in a private equity fund focused exclusively on the energy sector (fair value of \$7.5 million) that is classified as Level 3. This investment's valuation is based on a market approach, considering recent transactions of the fund and the industry.

One of our private equity investments was a venture capital fund (fair value of \$31.0 million and unfunded commitment of \$2.9 million as of December 31, 2014) that invests in communications, consumer, digital media, healthcare and information technology markets. In addition, one of the investments included in our consolidated private equity fund (fair value of \$0.1 million and no unfunded commitment as of December 31, 2014) is a venture capital fund investing in clean energy, resource and energy efficiency and other sustainable industries. The fair value of each of these investments has been estimated using the capital account balances provided by the partnerships. The interests in these partnerships cannot be redeemed.

The significant unobservable inputs used in the fair value measurement of the reporting entities' venture capital securities in the Technology, Media and Telecommunications areas are enterprise value to revenue multiples and a discount rate to account for liquidity and various risk factors. Significant increases (decreases) in the enterprise value to revenue multiple inputs in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the discount rate would result in a significantly lower (higher) fair value measurement.

The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as contingent payment arrangements, is as follows:

	December 31, 2015 (in thousands)	December 31, 2014
Balance as of beginning of period	\$42,436	\$38,205
Addition	—	9,365
Accretion	1,770	1,593
Changes in estimates	(7,211)	(4,375)
Payments	(5,596)	(2,352)
Balance as of end of period	\$31,399	\$42,436

Our three acquisition-related contingent consideration liabilities (with a combined fair value of \$31.4 million and \$42.4 million as of December 31, 2015 and 2014, respectively) currently are valued using a projected AUM weighted average growth rate of 46%, a revenue growth rate of 43%, and a discount rate of 3% (using a cost of debt assumption). During the fourth quarters of 2015 and 2014, we recorded changes in estimates of the contingent consideration payable relating to recent acquisitions of \$7.2 million and \$4.4 million, respectively.

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We did not have any material assets or liabilities that were measured at fair value for impairment on a nonrecurring basis during the years ended December 31, 2015 or 2014.





Table of Contents

## 10. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net consist of:

	December 31,	
	2015	2014
	(in thousands)	
Furniture and equipment	\$529,488	\$532,512
Leasehold improvements	258,280	259,588
	787,768	792,100
Less: Accumulated depreciation and amortization	(627,408 )	(631,144 )
Furniture, equipment and leasehold improvements, net	\$160,360	\$160,956

Depreciation and amortization expense on furniture, equipment and leasehold improvements were \$29.0 million, \$36.2 million and \$36.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

During 2015, 2014 and 2013, we recorded \$1.0 million, \$0.1 million and \$28.4 million, respectively, in pre-tax real estate charges. Included in these charges during 2014 and 2013 were \$5.5 million and \$4.4 million, respectively, worth of leasehold improvements, furniture and equipment we wrote off related to the respective spaces. See Note 3 for further discussion of the real estate charges.

## 11. Deferred Sales Commissions, Net

The components of deferred sales commissions, net for the years ended December 31, 2015 and 2014 were as follows (excluding amounts related to fully amortized deferred sales commissions):

	December 31,	
	2015	2014
	(in thousands)	
Carrying amount of deferred sales commissions	\$970,671	\$918,270
Less: Accumulated amortization	(606,963 )	(557,818 )
Cumulative CDSC received	(264,638 )	(242,162 )
Deferred sales commissions, net	\$99,070	\$118,290

Amortization expense was \$49.1 million, \$41.5 million and \$41.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. Estimated future amortization expense related to the December 31, 2015 net asset balance, assuming no additional CDSC is received in future periods, is as follows (in thousands):

2016	\$41,359
2017	31,647
2018	21,021
2019	4,646
2020	344
2021	53
	\$99,070

## 12. Debt

As of December 31, 2015 and 2014, AB had \$583.9 million and \$489.0 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 0.5% and 0.3%, respectively. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings of commercial paper during 2015 and 2014 were \$387.9 million and \$335.0 million, respectively, with weighted average interest rates of approximately 0.3% and 0.2%, respectively.



Table of Contents

AB has a \$1.0 billion committed, unsecured senior revolving credit facility ("Credit Facility") with a group of commercial banks and other lenders. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of \$250 million; any such increase is subject to the consent of the affected lenders. The Credit Facility is available for AB's and Sanford C. Bernstein & Co., LLC's ("SCB LLC") business purposes, including the support of AB's \$1.0 billion commercial paper program. Both AB and SCB LLC can draw directly under the Credit Facility and management may draw on the Credit Facility from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Credit Facility.

The Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including, restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. As of December 31, 2015, we were in compliance with these covenants. The Credit Facility also includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender's commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the Credit Facility would automatically become immediately due and payable, and the lender's commitments automatically would terminate.

Amounts under the Credit Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by us are permitted at any time without fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the Credit Facility bear interest at a rate per annum, which will be, at our option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indices: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

On October 22, 2014, as part of an amendment and restatement, the maturity date of the Credit Facility was extended from January 17, 2017 to October 22, 2019. There were no other significant changes included in the amendment. As of December 31, 2015 and 2014, we had no amounts outstanding under the Credit Facility. During 2015 and 2014, we did not draw upon the Credit Facility.

In addition, SCB LLC has three uncommitted lines of credit with three financial institutions. Two of these lines of credit permit us to borrow up to an aggregate of approximately \$200 million, with AB named as an additional borrower, while one line has no stated limit. As of December 31, 2015 and 2014, SCB LLC had no bank loans outstanding. Average daily borrowings of bank loans during 2015 and 2014 were \$3.9 million and \$5.5 million, respectively, with weighted average interest rates of approximately 1.2% and 1.1%, respectively.

### 13. Commitments and Contingencies

#### Operating Leases

We lease office space, furniture and office equipment under various operating leases. The future minimum payments under non-cancelable leases, sublease commitments and related payments we are obligated to make, net of sublease commitments of third party lessees to make payments to us, as of December 31, 2015, are as follows:

	Payments	Sublease Receipts	Net Payments
	(in millions)		
2016	\$137.9	\$43.7	\$94.2
2017	139.0	42.5	96.5
2018	130.0	41.8	88.2
2019	124.1	41.2	82.9
2020	102.5	24.7	77.8
2021 and thereafter	740.5	102.1	638.4
Total future minimum payments	\$1,374.0	\$296.0	\$1,078.0

Office leases contain escalation clauses that provide for the pass through of increases in operating expenses and real estate taxes. Rent expense, which is amortized on a straight-line basis over the life of the lease, was \$70.7 million, \$73.0 million and \$74.7 million, respectively, for the years ended December 31, 2015, 2014 and 2013, net of sublease

income of \$2.9 million,

96

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## Table of Contents

\$3.3 million and \$3.4 million, respectively, for the years ended December 31, 2015, 2014 and 2013. During 2015 and 2013, we accelerated rent of \$1.0 million and \$24.0 million, respectively, relating to our real estate consolidation plans. In addition, we had rent credits of \$5.4 million during 2014. See Note 3 for further discussion of the real estate charges.

### Legal Proceedings

During the first quarter of 2012, we received a legal letter of claim (“Letter of Claim”) sent on behalf of Philips Pension Trustees Limited and Philips Electronics U.K. Limited (“Philips”), a former pension fund client, alleging that AllianceBernstein Limited (one of our subsidiaries organized in the U.K.) was negligent and failed to meet certain applicable standards of care with respect to the initial investment in, and management of, a £500 million portfolio of U.S. mortgage-backed securities. Philips has alleged damages ranging between \$177 million and \$234 million, plus compound interest on an alleged \$125 million of realized losses in the portfolio. On January 2, 2014, Philips filed a claim form (“Claim”) in the High Court of Justice in London, England, which formally commenced litigation with respect to the allegations in the Letter of Claim.

We believe that any losses to Philips resulted from adverse developments in the U.S. housing and mortgage market that precipitated the financial crisis in 2008 and not from any negligence or other failure or malfeasance on our part. We believe that we have strong defenses to these claims, which are set forth in our October 12, 2012 response to the Letter of Claim and our June 27, 2014 Statement of Defence in response to the Claim, and intend to defend this matter vigorously.

In addition to the Claim discussed immediately above, we are involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages.

In management’s opinion, an adequate accrual has been made as of December 31, 2015 to provide for any probable losses regarding any litigation matters for which we can reasonably estimate an amount of loss. It is reasonably possible that we could incur additional losses pertaining to these matters, but currently we cannot estimate any such additional losses.

Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operation, financial condition or liquidity in any future reporting period.

### Other

During 2009, we entered into a subscription agreement, under which we committed to invest up to \$35.0 million, as amended in 2011, in a venture capital fund over a six-year period. As of December 31, 2015, we had funded \$32.1 million of this commitment.

During 2010, as general partner of AllianceBernstein U.S. Real Estate L.P. (“Real Estate Fund”), we committed to invest \$25.0 million in the Real Estate Fund. As of December 31, 2015, we had funded \$19.6 million of this commitment. During 2014, as general partner of AllianceBernstein U.S. Real Estate II L.P. (“Real Estate Fund II”), we committed to invest \$28.0 million, as amended in 2015, in the Real Estate Fund II. As of December 31, 2015, we had funded \$1.4 million of this commitment.

During 2012, we entered into an investment agreement under which we committed to invest up to \$8.0 million in an oil and gas fund over a three-year period, as amended. As of December 31, 2015, we had funded \$6.1 million of this commitment.

In December 2015, we provided a 60-day guarantee to a commercial bank for borrowings by a company-sponsored fund up to a maximum of \$50.0 million. The bank provided the fund with a limited partner subscription line for the unfunded commitments of the fund's limited partners. The fund is expected to repay the bank by calling capital from the limited partners. To the extent the fund is not able to repay the loan to the bank, we will repay the loan under the guarantee, up to \$50.0 million. The fund will repay us for all amounts paid by us under the guaranty. We have not been required to perform under this guarantee and currently have no liability in connection with this guarantee.

### 14. Net Capital

SCB LLC is registered as a broker-dealer under the Exchange Act and is subject to minimum net capital requirements imposed by the U.S. Securities and Exchange Commission ("SEC"). SCB LLC computes its net capital under the alternative method permitted by the applicable rule, which requires that minimum net capital, as defined, equals the greater of \$1 million or two percent of aggregate debit items arising from customer transactions, as defined. As of December 31, 2015, SCB LLC had net capital of \$199.6 million, which was \$171.8 million in excess of the minimum net capital requirement of \$27.8 million.

## Table of Contents

Advances, dividend payments and other equity withdrawals by SCB LLC are restricted by regulations imposed by the SEC, the Financial Industry Regulatory Authority, Inc., and other securities agencies.

Our U.K.-based broker-dealer is a member of the London Stock Exchange. As of December 31, 2015, it was subject to financial resources requirements of \$24.1 million imposed by the Financial Conduct Authority of the United Kingdom and had aggregate regulatory financial resources of \$45.1 million, an excess of \$21.0 million.

AllianceBernstein Investments, Inc., another one of our subsidiaries and the distributor and/or underwriter for certain company-sponsored mutual funds, is registered as a broker-dealer under the Exchange Act and is subject to the minimum net capital requirements imposed by the SEC. As of December 31, 2015, it had net capital of \$49.0 million, which was \$48.7 million in excess of its required net capital of \$0.3 million.

Many of our subsidiaries around the world are subject to minimum net capital requirements by the local laws and regulations to which they are subject. As of December 31, 2015, each of our subsidiaries subject to a minimum net capital requirement satisfied the applicable requirement.

### 15. Counterparty Risk

#### Customer Activities

In the normal course of business, brokerage activities involve the execution, settlement and financing of various customer securities trades, which may expose our broker-dealer operations to off-balance sheet risk by requiring us to purchase or sell securities at prevailing market prices in the event the customer is unable to fulfill its contractual obligations.

Our customer securities activities are transacted on either a cash or margin basis. In margin transactions, we extend credit to the customer, subject to various regulatory and internal margin requirements. These transactions are collateralized by cash or securities in the customer's account. In connection with these activities, we may execute and clear customer transactions involving the sale of securities not yet purchased. We seek to control the risks associated with margin transactions by requiring customers to maintain collateral in compliance with the aforementioned regulatory and internal guidelines. We monitor required margin levels daily and, pursuant to such guidelines, require customers to deposit additional collateral, or reduce positions, when necessary. A majority of our customer margin accounts are managed on a discretionary basis whereby we maintain control over the investment activity in the accounts. For these discretionary accounts, our margin deficiency exposure is minimized through maintaining a diversified portfolio of securities in the accounts and by virtue of our discretionary authority and our U.S.-based broker-dealer's role as custodian.

In accordance with industry practice, we record customer transactions on a settlement date basis, which, during 2015, generally was three business days after trade date for our U.S. operations and two business days after trade date for our U.K. operations. We are exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case we may have to purchase or sell financial instruments at prevailing market prices. The risks we assume in connection with these transactions are not expected to have a material adverse effect on our financial condition or results of operations.

#### Other Counterparties

We are engaged in various brokerage activities on behalf of clients, in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event these counterparties do not fulfill their obligations, we may be exposed to loss. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is our policy to review, as necessary, each counterparty's creditworthiness.

In connection with security borrowing and lending arrangements, we enter into collateralized agreements, which may result in potential loss in the event the counterparty to a transaction is unable to fulfill its contractual obligations. Security borrowing arrangements require us to deposit cash collateral with the lender. With respect to security lending arrangements, we receive collateral in the form of cash in amounts generally in excess of the market value of the securities loaned. We attempt to mitigate credit risk associated with these activities by establishing credit limits for each broker and monitoring these limits on a daily basis. Additionally, security borrowing and lending collateral is marked to market on a daily basis, and additional collateral is deposited by or returned to us as necessary.

We enter into various futures, forwards and swaps primarily to economically hedge certain of our seed money investments. We may be exposed to credit losses in the event of nonperformance by counterparties to these derivative

financial instruments. See Note 7, Derivative Instruments for further discussion.

98

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Table of Contents

## 16. Qualified Employee Benefit Plans

We maintain a qualified profit sharing plan covering U.S. employees and certain foreign employees. Employer contributions are discretionary and generally limited to the maximum amount deductible for federal income tax purposes. Aggregate contributions for 2015, 2014 and 2013 were \$14.2 million, \$13.5 million and \$12.8 million, respectively.

We maintain several defined contribution plans for foreign employees working for our subsidiaries in the United Kingdom, Australia, Japan and other locations outside the United States. Employer contributions generally are consistent with regulatory requirements and tax limits. Defined contribution expense for foreign entities was \$7.9 million, \$7.3 million and \$6.0 million in 2015, 2014 and 2013, respectively.

We maintain a qualified, noncontributory, defined benefit retirement plan (“Retirement Plan”) covering current and former employees who were employed by AB in the United States prior to October 2, 2000. Benefits are based on years of credited service, average final base salary (as defined in the Retirement Plan) and primary Social Security benefits. Service and compensation after December 31, 2008 are not taken into account in determining participants’ retirement benefits.

Our policy is to satisfy our funding obligation for each year in an amount not less than the minimum required by the Employee Retirement Income Security Act of 1974, as amended, and not greater than the maximum amount we can deduct for federal income tax purposes. We did not make a contribution to the Retirement Plan during 2015. We currently do not plan to make a contribution to the Retirement Plan during 2016. 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, has not determined the amount, if any, of additional future contributions that may be required.

The Retirement Plan’s projected benefit obligation, fair value of plan assets, and funded status (amounts recognized in the consolidated statements of financial condition) were as follows:

	Years Ended December 31,	
	2015	2014
	(in thousands)	
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 113,733	\$93,548
Interest cost	4,816	4,895
Plan amendments	827	—
Actuarial (gain) loss	(6,698	) 19,909
Benefits paid	(4,894	) (4,619
Projected benefit obligation at end of year	107,784	113,733
Change in plan assets:		
Plan assets at fair value at beginning of year	90,320	83,831
Actual return on plan assets	866	5,108
Employer contribution	—	6,000
Benefits paid	(4,894	) (4,619
Plan assets at fair value at end of year	86,292	90,320
Funded status	\$(21,492	) \$(23,413

Effective December 31, 2015, the Retirement Plan was amended to change the actuarial basis used for converting a life annuity benefit to optional forms of payment and converting benefits payable at age 65 to earlier commencement dates. This prior service cost will be amortized over future years.

Table of Contents

The amounts recognized in other comprehensive income (loss) for the Retirement Plan for 2015, 2014 and 2013 were as follows:

	2015 (in thousands)	2014	2013
Unrecognized net gain (loss) from experience different from that assumed and effects of changes and assumptions	\$2,882	\$(20,803 )	\$22,871
Prior service cost	(895 )	—	—
Unrecognized net plan assets as of January 1, 1987 being recognized over 26.3 years	—	—	(47 )
	1,987	(20,803 )	22,824
Income tax (expense) benefit	(99 )	232	(388 )
Other comprehensive income (loss)	\$1,888	\$(20,571 )	\$22,436

The gain of \$1.9 million recognized in 2015 primarily was due to changes in the discount rate and lump sum interest rates (\$5.6 million) and changes in the mortality assumption (\$1.4 million), offset by expected earnings on plan assets exceeding actual earnings (\$5.3 million). The loss of \$20.6 million recognized in 2014 primarily was due to changes in the discount rate (\$12.0 million) and changes in the mortality assumption (\$7.5 million). The gain of \$22.4 million recognized in 2013 primarily was due to changes in the discount rate (\$16.1 million) and earnings of plan assets exceeding expectations (\$6.2 million).

Foreign retirement plans and an individual's retirement plan maintained by AB are not material to AB's consolidated financial statements. As such, disclosure for these plans are not necessary. The reconciliation of the 2015 amounts recognized in other comprehensive income for the Retirement Plan as compared to the consolidated statement of comprehensive income ("OCI Statement") is as follows:

	Retirement Plan (in thousands)	Retired Individual Plan	Foreign Retirement Plans	OCI Statement
Recognized actuarial (loss) gain	\$2,882	\$96	\$289	\$3,267
Amortization of prior service cost	(895 )	—	—	(895 )
Changes in employee benefit related items	1,987	96	289	2,372
Income tax (expense) benefit	(99 )	(2 )	(64 )	(165 )
Employee benefit related items, net of tax	\$1,888	\$94	\$225	\$2,207

The amounts included in accumulated other comprehensive income (loss) for the Retirement Plan as of December 31, 2015 and 2014 were as follows:

	2015 (in thousands)	2014
Unrecognized net loss from experience different from that assumed and effects of changes and assumptions	\$(43,314 )	\$(46,196 )
Prior service cost	(895 )	—
	(44,209 )	(46,196 )
Income tax benefit	468	567
Accumulated other comprehensive loss	\$(43,741 )	\$(45,629 )

The amortization period over which we are amortizing the loss for the Retirement Plan from accumulated other comprehensive income is 36 years. The estimated prior service cost and amortization of loss for the Retirement Plan that will be amortized from accumulated other comprehensive income over the next year are \$23,416 and \$936,295, respectively.

Table of Contents

The accumulated benefit obligation for the plan was \$107.8 million and \$113.7 million, respectively, as of December 31, 2015 and 2014.

The discount rates used to determine benefit obligations as of December 31, 2015 and 2014 (measurement dates) were 4.75% and 4.3%, respectively.

Benefit payments are expected to be paid as follows (in thousands):

2016	\$5,599
2017	4,400
2018	5,195
2019	5,920
2020	4,889
2021-2025	35,655

Net (benefit) expense under the Retirement Plan consisted of:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Interest cost on projected benefit obligations	\$4,816	\$4,895	\$4,640
Expected return on plan assets	(6,176	) (6,493	) (5,347
Amortization of transition asset	—	—	(47
Recognized actuarial loss	979	490	1,109
Net pension (benefit) expense	\$(381	) \$(1,108	) \$355

Actuarial computations used to determine net periodic costs were made utilizing the following weighted-average assumptions:

	Years Ended December 31,		
	2015	2014	2013
Discount rate on benefit obligations	4.3	% 5.3	% 4.4
Expected long-term rate of return on plan assets	7.0	7.5	7.5

In developing the expected long-term rate of return on plan assets of 7.0%, management 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. As of December 31, 2015, the mortality assumption has been updated to the published Society of Actuaries (“SOA”) Study RP-2014 table adjusted to 2006 and projected with MP-2015 improvement scale. Previously, mortality had been assumed using the RP-2014 table and mortality improvement scale.

It is expected that the Internal Revenue Service (“IRS”) will update the mortality tables used to calculate lump sums to reflect the final tables published by the SOA. Since the current mortality tables have been published for plan years through 2016, updated tables will not be effective before 2017. For results for fiscal year-end 2015, we reflected the current IRS tables through 2016 and the new SOA tables with generational improvements for lump sum payments projected to begin in 2017 and later.

Table of Contents

The Retirement Plan's asset allocation percentages consisted of:

	December 31,		
	2015	2014	
Equity	56	% 62	%
Debt securities	24	18	
Other	20	20	
	100	% 100	%

The guidelines regarding allocation of assets are formalized in the Investment Policy Statement adopted by the Investment Committee for the Retirement Plan. The objective of the investment program is to enhance the portfolio of the Retirement Plan through total return (capital appreciation and income), thereby promoting the ongoing ability of the plan to meet future liabilities and obligations, while minimizing the need for additional contributions. The guidelines specify an allocation weighting of 30% to 60% for return seeking investments (target of 40%), 10% to 30% for risk mitigating investments (target of 15%), 0% to 25% for diversifying investments (target of 17%) and 18% to 38% for dynamic asset allocation (target of 28%). Investments in mutual funds, hedge funds (and other alternative investments), and other commingled investment vehicles are permitted under the guidelines. Investments are permitted in overlay portfolios (regulated mutual funds) to complement the long-term strategic asset allocation. This portfolio overlay strategy is designed to manage short-term portfolio risk and mitigate the effect of extreme outcomes by varying the asset allocation of a portfolio through investment in the overlay portfolios.

See Note 9, Fair Value for a description of how we measure the fair value of our plan assets.

The valuation of our Retirement Plan assets by pricing observability levels as of December 31, 2015 and 2014 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2015:				
Cash	\$445	\$—	\$—	\$445
Hedge fund	—	9,129	—	9,129
Fixed income mutual funds	21,555	—	—	21,555
Equity mutual fund	21,660	—	—	21,660
Equity securities	23,529	—	—	23,529
Equity private investment trusts	—	9,974	—	9,974
Total assets measured at fair value	\$67,189	\$19,103	\$—	\$86,292
December 31, 2014:				
Cash	\$715	\$—	\$—	\$715
Hedge fund	—	9,249	—	9,249
Fixed income mutual funds	22,040	—	—	22,040
Equity mutual fund	23,220	—	—	23,220
Equity securities	25,163	—	—	25,163
Equity private investment trusts	—	9,933	—	9,933
Total assets measured at fair value	\$71,138	\$19,182	\$—	\$90,320

The Retirement Plan's investments include the following:

two fixed income mutual funds, each of which seeks to generate income consistent with preservation of capital. One mutual fund invests in a portfolio of fixed income securities of U.S. and non-U.S. companies and U.S. and non-U.S. government securities and supranational entities, including lower-rated securities, while the second fund invests in a broad range of fixed income securities in both developed and emerging markets with a range of maturities from short- to long-duration;

Table of Contents

separate equity and fixed income mutual funds, which seek to moderate the volatility of equity and fixed income oriented asset allocation over the long term, as part of an investor’s overall asset allocation managed by AB; a multi-style, multi-cap integrated portfolio adding incremental U.S. equity diversification to its value and growth equity selections, designed to deliver a long-term premium to the S&P 500 with greater consistency across a range of market environments;

two equity private investment trusts, one of which invests primarily in equity securities of non-U.S. companies located in emerging market countries, and the other of which invests in equity securities of established non-U.S. companies located in the countries comprising the MSCI EAFE Index, plus Canada; and a hedge fund that seeks to provide attractive risk-adjusted returns over full market cycles with less volatility than the broad equity markets by allocating all or substantially all of its assets among portfolio managers through portfolio funds that employ a broad range of investment strategies.

17. Long-term Incentive Compensation Plans

We maintain an unfunded, non-qualified incentive compensation program known as the AllianceBernstein Incentive Compensation Award Program (“Incentive Compensation Program”), under which annual awards may be granted to eligible employees. See Note 2, "Summary of Significant Accounting Policies – Long-Term Incentive Compensation Plans" for a discussion of the award provisions.

Under the Incentive Compensation Program, we made awards in 2015, 2014 and 2013 aggregating \$178.8 million, \$176.5 million and \$157.7 million, respectively. The amounts charged to employee compensation and benefits for the years ended December 31, 2015, 2014 and 2013 were \$171.7 million, \$173.2 million and \$162.3 million, respectively. Effective as of July 1, 2010, we established the AllianceBernstein 2010 Long Term Incentive Plan, as amended (“2010 Plan”), which was adopted by AB Holding Unitholders at a special meeting of AB Holding Unitholders held on June 30, 2010. Since the 2010 Plan was adopted, the following forms of awards have been available for grant to employees and Eligible Directors: (i) restricted AB Holding Units or phantom restricted AB Holding Units (a “phantom” award is a contractual right to receive AB Holding Units at a later date or upon a specified event); (ii) options to buy AB Holding Units; and (iii) other AB Holding Unit-based awards (including, without limitation, AB Holding Unit appreciation rights and performance awards). The purpose of the 2010 Plan is to promote the interest of AB by: (i) attracting and retaining talented officers, employees and directors, (ii) motivating such officers, employees and directors by means of performance-related incentives to achieve longer-range business and operational goals, (iii) enabling such officers, employees and directors to participate in the long-term growth and financial success of AB, and (iv) aligning the interests of such officers, employees and directors with those of AB Holding Unitholders. The 2010 Plan will expire on June 30, 2020, and no awards under the 2010 Plan will be made after that date. Under the 2010 Plan, the aggregate number of AB Holding Units with respect to which awards may be granted is 60 million, including no more than 30 million newly-issued AB Holding Units.

The 2010 Plan was amended by the Board in May 2011, expanding the universe of persons eligible to receive awards under the 2010 Plan to include any member of the Board who is a former executive or former employee of an affiliate of AB Holding. For purposes of this amendment, “affiliate” includes any company or other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, AB.

The 2010 Plan was further amended by the Compensation Committee of the Board (“Compensation Committee”) in December 2011, clarifying that, where duly authorized by the Compensation Committee or the Board, continued vesting of awards after a Termination (as those terms are defined in the 2010 Plan or the applicable award agreement) in circumstances where such continued vesting is conditioned on compliance with (A) one or more restrictive covenants, and/or (B) a standard of conduct regarding appropriate consideration of risk set forth in the applicable award agreement, shall count towards satisfying the minimum vesting requirement set forth in Section 6(b)(i) of the 2010 Plan.

The 2010 Plan was further amended by the Board in May 2012, when the Board authorized management to reacquire on the open market or otherwise all 60 million AB Holding Units available for awards under the 2010 Plan (less one AB Holding Unit for every newly-issued AB Holding Unit already awarded under the 2010 Plan), while maintaining the 30 million AB Holding Unit limitation on newly-issued AB Holding Units available for awards under the 2010 Plan.

As of December 31, 2015, 302,443 options to buy AB Holding Units had been granted and 47,158,745 AB Holding Units, net of forfeitures, were subject to other AB Holding Unit awards made under the 2010 Plan or an equity compensation plan with similar terms that expired in 2010. AB Holding Unit-based awards (including options) in respect of 12,538,812 AB Holding Units were available for grant as of December 31, 2015.

103

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Table of Contents

Options granted to employees generally are exercisable at a rate of 20% of the AB Holding Units subject to such options on each of the first five anniversary dates of the date of grant; options granted to Eligible Directors generally are exercisable at a rate of 33.3% of the AB Holding Units subject to such options on each of the first three anniversary dates of the date of grant. Restricted AB Holding Units awarded to our CEO pursuant to his employment agreements (as described below under “Restricted AB Holding Unit Awards”) vest ratably over his employment terms. Restricted AB Holding Units awarded under the Incentive Compensation Program vest 25% on December 1<sup>st</sup> of the subsequent four years.

## Option Awards

Options to buy AB Holding Units (including grants to Eligible Directors) were granted as follows: 29,056 options were granted during 2015, 25,106 options were granted during 2014 and 37,690 options were granted during 2013. The weighted average fair value of options to buy AB Holding Units granted during 2015, 2014 and 2013 was \$4.13, \$4.78 and \$5.44, respectively, on the date of grant, determined using the Black-Scholes option valuation model with the following assumptions:

	2015	2014	2013
Risk-free interest rate	1.5	% 1.5	% 0.8-1.7%
Expected cash distribution yield	7.1	% 8.4	% 8.0 - 8.3%
Historical volatility factor	32.1	% 48.9	% 49.7 - 49.8%
Expected term	6.0 years	6.0 years	6.0 years

Due to a lack of sufficient historical data, we have chosen to use the simplified method to calculate the expected term of options.

The activity in our option plan during 2015 is as follows:

	Options to Buy AB Holding Units	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	5,942,411	\$45.03	3.9	
Granted	29,056	31.74		
Exercised	(541,073 )	17.06		
Forfeited	(23,121 )	83.95		
Expired	(8,802 )	45.45		
Outstanding as of December 31, 2015	5,398,471	47.59	2.9	\$—
Exercisable as of December 31, 2015	4,736,653	43.04	2.9	—
Vested or expected to vest as of December 31, 2015	5,398,471	47.59	2.9	—

The aggregate intrinsic value as of December 31, 2015 of options outstanding, exercisable and expected to vest is negative, and is therefore presented as zero in the table above. The total intrinsic value of options exercised during 2015, 2014 and 2013 was \$7.0 million, \$9.1 million and \$5.0 million, respectively.

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 required service period. We recorded compensation expense (credit) relating to option grants of \$0.1 million, \$(0.3) million and \$(3.8) million, respectively, for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, there was no compensation cost related to unvested option grants not yet recognized in the consolidated statement of income.





Table of Contents

## Restricted AB Holding Unit Awards

In 2015, 2014 and 2013, the Board granted restricted AB Holding Unit awards to Eligible Directors. These AB Holding Units give the Eligible Directors, in most instances, all the rights of other AB Holding Unit holders subject to such restrictions on transfer as the Board may impose. We awarded 26,468, 31,320 and 28,693 restricted AB Holding Units, respectively, in 2015, 2014 and 2013 with grant date fair values per restricted AB Holding Unit of \$31.74 in 2015, \$22.99 in 2014 and \$26.44 and \$20.12 in 2013 (representing annual awards in May 2013 and special awards in September 2013 to two Eligible Directors who joined the Board in July 2013). All of the restricted AB Holding Units vest on the third anniversary of grant date or immediately if a director leaves the Board for any reason other than “cause”, as defined in the applicable award agreement. We fully expensed these awards on each grant date. We recorded compensation expense relating to these awards of \$0.8 million, \$0.7 million and \$0.7 million, respectively, for the years ended December 31, 2015, 2014 and 2013.

In connection with the commencement of Mr. Kraus’s employment as our Chief Executive Officer (“CEO”) on December 19, 2008, he was granted 2.7 million restricted AB Holding Units with a grant date fair value per Unit of \$19.20. Mr. Kraus’s restricted AB Holding Units vested ratably on each of the first five anniversaries of December 19, 2008, commencing December 19, 2009, subject to his continued employment by AB on the vesting dates. During June 2012, Mr. Kraus entered into an agreement (“Kraus Employment Agreement”) pursuant to which Mr. Kraus continues to serve as our CEO. The Kraus Employment Agreement commenced on January 3, 2014 and terminates on January 2, 2019 (“Employment Term”), unless it is terminated earlier in accordance with its terms. In connection with the signing of the Kraus Employment Agreement, Mr. Kraus was granted 2.7 million restricted AB Holding Units, vesting ratably over the Employment Term. Under US GAAP, the compensation expense for the AB Holding Unit award under the Kraus Employment Agreement of \$33.1 million (based on the \$12.17 grant date AB Holding Unit price) must be amortized on a straight-line basis over 6.5 years, beginning on the grant date. As a result, although Mr. Kraus did not receive any incremental cash compensation or cash distributions related to the restricted AB Holding Unit award pursuant to the Kraus Employment Agreement prior to the commencement of the Employment Term, we incurred \$2.5 million of incremental compensation expense during the second half of 2012 and \$5.1 million of such expense during 2013. We recorded compensation expense relating to the CEO restricted AB Holding Unit grants of \$5.1 million, \$5.1 million and \$15.5 million, respectively, for the years ended December 31, 2015, 2014 and 2013.

In 1993, we established the Century Club Plan, under which employees of AB 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 restricted AB Holding Units. Awards granted prior to December 2010 vested ratably over three years and subsequent awards vest ratably over four years. The service requirement for Century Club participants was affected in the same manner as other long-term incentive compensation awards by the amendment to the employee long-term incentive compensation award program in December 2011. The 2014 awards were deferred until 2015. We awarded 38,000 AB Holding Units in 2015 and 55,000 AB Holding Units in 2013. The grant date fair values per AB Holding Unit of these awards were \$23.02 in 2015 and \$21.67 in 2013. We recorded compensation expense (credit) relating to the Century Club Plan grants of \$0.8 million, \$(0.1) million and \$1.1 million, respectively, for the years ended December 31, 2015, 2014 and 2013. Management has decided not to grant new awards under the Century Club Plan after December 2015.

Since 2009, we have awarded restricted AB Holding Units under the Incentive Compensation Program. We awarded 7.2 million restricted AB Holding Units in 2015 (which included 7.0 million restricted AB Holding Units in December for the 2015 year-end awards and 0.2 million additional restricted AB Holding Units granted during the year relating to the 2014 year-end awards), 6.8 million restricted AB Holding Units in 2014 (which included 6.6 million restricted AB Holding Units in December for the 2014 year-end awards and 0.2 million additional restricted AB Holding Units granted during the year relating to the 2013 year-end awards) and 13.2 million restricted AB Holding Units in 2013 (which included 6.5 million restricted AB Holding Units granted in January 2013 for 2012 year-end awards, 0.2 million additional restricted AB Holding Units granted in the second quarter of 2013 relating to the 2012 year-end awards and 6.5 million restricted AB Holding Units in December 2013 for the 2013 year-end awards) with grant date fair values per restricted AB Holding Unit of \$23.02 and \$24.24 in 2015, \$21.67 and \$24.24 in 2014 and ranging between \$19.80 and \$25.30 in 2013.

We also award restricted AB Holding Units in connection with certain employment and separation agreements with vesting schedules ranging between two and five years. The fair value of the restricted AB Holding Units is amortized over the required service period as employee compensation expense. We awarded 0.2 million, 0.7 million and 0.6 million restricted AB Holding Units in 2015, 2014 and 2013, respectively, with grant date fair values per restricted AB Holding Unit ranging between \$25.36 and \$32.71 in 2015, \$21.07 and \$27.40 in 2014 and \$12.13 and \$24.15 in 2013. We recorded compensation expense relating to restricted AB Holding Unit grants in connection with certain employment and separation agreements of \$9.9 million, \$13.2 million and \$19.0 million, respectively, for the years ended December 31, 2015, 2014 and 2013.

Table of Contents

Changes in unvested restricted AB Holding Units during 2015 are as follows:

	AB Holding Units	Weighted Average Grant Date Fair Value per AB Holding Unit
Unvested as of December 31, 2014	20,661,359	\$20.63
Granted	7,428,103	23.26
Vested	(8,010,453	) 19.52
Forfeited	(299,195	) 21.48
Unvested as of December 31, 2015	19,779,814	22.05

The total grant date fair value of restricted AB Holding Units that vested during 2015, 2014 and 2013 was \$156.4 million, \$170.9 million and \$197.3 million, respectively. As of December 31, 2015, the 19,779,814 unvested restricted AB Holding Units consist of 16,976,688 restricted AB Holding Units that do not have a service requirement and have been fully expensed on the grant date and 2,803,126 restricted AB Holding Units that have a service requirement and will be expensed over the required service period. As of December 31, 2015, there was \$35.6 million of compensation expense related to unvested restricted AB Holding Unit awards granted and not yet recognized in the consolidated statement of income. We expect to recognize the expense over a weighted average period of 3.2 years.

## 18. Units Outstanding

Changes in AB Units outstanding for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Outstanding as of January 1,	273,040,452	268,373,419
Options exercised	541,073	1,110,070
Units issued	4,600,583	4,193,445
Units retired	(5,880,281	) (636,482
Outstanding as of December 31,	272,301,827	273,040,452

During 2015 and 2014, we purchased 26,111 and 61,472 AB Units, respectively, in private transactions and retired them.

## 19. Income Taxes

AB is a private partnership for federal income tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB is subject to a 4.0% New York City unincorporated business tax ("UBT"). Domestic corporate subsidiaries of AB, which are subject to federal, state and local income taxes, generally are included in the filing of a consolidated federal income tax return with separate state and local income tax returns being filed. Foreign corporate subsidiaries are generally subject to taxes in the jurisdictions where they are located. In order to preserve AB's status as a private partnership for federal income tax purposes, AB Units must not be considered publicly traded. The AB Partnership Agreement provides that all transfers of AB Units must be approved by AXA Equitable Life Insurance Company (a subsidiary of AXA, "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 AB Units were considered readily tradable, AB's net income would be subject to federal and state corporate income tax, significantly reducing its quarterly distribution to AB Holding. Furthermore, should AB enter into a substantial new line of business, AB Holding, by virtue of its ownership of AB, would lose its status as a "grandfathered" publicly-traded partnership and would become subject to corporate income tax, which would reduce materially AB Holding's net income and its quarterly distributions to AB Holding Unitholders.

Table of Contents

Earnings before income taxes and income tax expense consist of:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Earnings before income taxes:			
United States	\$520,282	\$493,311	\$471,813
Foreign	110,817	115,310	92,438
Total	\$631,099	\$608,621	\$564,251
Income tax expense:			
Partnership UBT	\$6,855	\$9,356	\$4,403
Corporate subsidiaries:			
Federal	2,576	6,321	7,032
State and local	539	1,326	2,318
Foreign	26,822	31,625	26,139
Current tax expense	36,792	48,628	39,892
Deferred tax (benefit)	1,330	(10,846)	(3,063)
Income tax expense	\$38,122	\$37,782	\$36,829

The principal reasons for the difference between the effective tax rates and the UBT statutory tax rate of 4.0% are as follows:

	Years Ended December 31,			2015			2014			2013		
	(in thousands)											
UBT statutory rate	\$25,244	4.0	%	\$24,345	4.0	%	\$22,570	4.0	%			
Corporate subsidiaries' federal, state, local and foreign income taxes	25,720	4.1		24,516	4.0		27,766	4.9				
Effect of ASC 740 adjustments, miscellaneous taxes, and other	2,643	0.4		2,586	0.4		(687)	(0.1)				
Income not taxable resulting from use of UBT business apportionment factors	(15,485)	(2.5)		(13,665)	(2.2)		(12,820)	(2.3)				
Income tax expense and effective tax rate	\$38,122	6.0		\$37,782	6.2		\$36,829	6.5				

We recognize the effects of a tax position in the financial statements only if, as of the reporting date, it is "more likely than not" to be sustained based solely on its technical merits. In making this assessment, we assume that the taxing authority will examine the tax position and have full knowledge of all relevant information.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Balance as of beginning of period	\$11,311	\$2,975	\$3,672
Additions for prior year tax positions	—	2,838	—
Reductions for prior year tax positions	—	—	(580)
Additions for current year tax positions	693	5,498	706
Reductions for current year tax positions	—	—	—
Reductions related to closed years/settlements with tax authorities	—	—	(823)
Balance as of end of period	\$12,004	\$11,311	\$2,975

The amount of unrecognized tax benefits as of December 31, 2015, 2014 and 2013, when recognized, is recorded as a reduction to income tax expense and reduces the company's effective tax rate.



Table of Contents

Interest and penalties, if any, relating to tax positions are recorded in income tax expense on the consolidated statements of income. The total amount of interest expense (credit) recorded in income tax expense during 2015, 2014 and 2013 was \$0.4 million, \$0.4 million and \$0.1 million, respectively. The total amount of accrued interest payable recorded on the consolidated statements of financial condition as of December 31, 2015, 2014 and 2013 were \$1.0 million, \$0.6 million and \$0.2 million, respectively. There were no accrued penalties as of December 31, 2015, 2014 or 2013.

Generally, the company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for any year prior to 2012, except as set forth below.

During the third quarter of 2014, the City of New York notified us of an examination of AB's UBT returns for the years 2010 and 2011. The examination is ongoing.

Currently, there are no income tax examinations at our significant non-U.S. subsidiaries. Years that remain open and may be subject to examination vary under local law, and range from one to seven years.

At December 31, 2015, it is reasonably possible that \$5.5 million of our unrecognized tax benefits will change within the next twelve months due to completion of tax authority exams.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effect of significant items comprising the net deferred tax asset (liability) is as follows:

	December 31,	
	2015	2014
	(in thousands)	
Deferred tax asset:		
Differences between book and tax basis:		
Benefits from net operating loss carryforwards	\$18,887	\$23,539
Long-term incentive compensation plans	17,092	18,694
Other, primarily accrued expenses deductible when paid	18,490	19,737
	54,469	61,970
Less: valuation allowance	(13,709)	(13,927)
Deferred tax asset	40,760	48,043
Deferred tax liability:		
Differences between book and tax basis:		
Intangible assets	6,520	6,874
Investment in foreign subsidiaries	8,220	8,725
Other	766	1,900
Deferred tax liability	15,506	17,499
Net deferred tax asset	\$25,254	\$30,544

Valuation allowances of \$13.7 million and \$13.9 million were established as of December 31, 2015 and 2014, respectively, primarily due to the uncertainty of realizing certain net operating loss ("NOL") carryforwards given the future losses expected to be incurred by the applicable subsidiaries. We had NOL carryforwards at December 31, 2015 of approximately \$80.9 million in certain foreign locations with an indefinite expiration period and \$135.7 million in certain domestic locations with expiration periods between 15 and 20 years. As of December 31, 2014, we had NOL carryforwards of approximately \$86.9 million in certain foreign locations with an indefinite expiration period and \$135.7 million in certain domestic locations with expiration periods between 15 and 20 years.

The deferred tax asset is included in other assets. Management has determined that realization of the net deferred tax asset is more likely than not based on anticipated future taxable income.

We provide income taxes on the undistributed earnings of non-U.S. corporate subsidiaries except to the extent that such earnings are permanently invested outside the United States. As of December 31, 2015, \$892.0 million of accumulated undistributed earnings of non-U.S. corporate subsidiaries were permanently invested outside the U.S. At existing applicable income tax rates, additional taxes of approximately \$74.8 million, net of foreign tax credits, would need to be provided if such earnings were remitted.



Table of Contents

## 20. Business Segment Information

Management has assessed the requirements of ASC 280, Segment Reporting, and determined that, because we utilize a consolidated approach to assess performance and allocate resources, we have only one operating segment.

Enterprise-wide disclosures as of and for the years ended December 31, 2015, 2014 and 2013, were as follows:

## Services

Net revenues derived from our investment management, research and related services were as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Institutions	\$435,205	\$434,081	\$438,946
Retail	1,362,541	1,397,135	1,376,370
Private Wealth Management	689,853	664,324	591,358
Bernstein Research Services	493,463	482,538	445,083
Other	42,986	29,714	66,214
Total revenues	3,024,048	3,007,792	2,917,971
Less: Interest expense	3,321	2,426	2,924
Net revenues	\$3,020,727	\$3,005,366	\$2,915,047

Our AllianceBernstein Global High Yield Portfolio, an open-end fund incorporated in Luxembourg (ACATEUH: LX), generated approximately 11%, 12% and 14% of our investment advisory and service fees and 12%, 13% and 14% of our net revenues during 2015, 2014 and 2013, respectively.

## Geographic Information

Net revenues and long-lived assets, related to our U.S. and international operations, as of and for the years ended December 31, were as follows:

	2015	2014	2013
	(in thousands)		
Net revenues:			
United States	\$1,829,518	\$1,779,422	\$1,722,640
International	1,191,209	1,225,944	1,192,407
Total	\$3,020,727	\$3,005,366	\$2,915,047
Long-lived assets:			
United States	\$3,410,491	\$3,454,301	
International	39,456	41,159	
Total	\$3,449,947	\$3,495,460	

## Major Customers

Company-sponsored mutual funds are distributed to individual investors through broker-dealers, insurance sales representatives, banks, registered investment advisers, financial planners and other financial intermediaries. Certain subsidiaries of AXA, including AXA Advisors, LLC, have entered into selected dealer agreements with AllianceBernstein Investments and have been responsible for 4%, 3% and 2% of our open-end mutual fund sales in 2015, 2014 and 2013, respectively. UBS AG was responsible for approximately 8%, 11% and 12% of our open-end mutual fund sales in 2015, 2014 and 2013, respectively. Neither AXA nor UBS AG is under any obligation to sell a specific amount of AB Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations.

AXA and the general and separate accounts of AXA Equitable (including investments by the separate accounts of AXA Equitable in the funding vehicle EQ Advisors Trust) accounted for approximately 5% of our total revenues for each of the years ended December 31, 2015, 2014 and 2013. No single institutional client other than AXA and its subsidiaries accounted for more than 1% of our total revenues for the years ended December 31, 2015, 2014 and 2013.



Table of Contents

## 21. Related Party Transactions

## Mutual Funds

We provide investment management, distribution, shareholder, administrative and brokerage services to individual investors by means of retail mutual funds sponsored by our company, our subsidiaries and our affiliated joint venture companies. We provide substantially all of these services under contracts that specify the services to be provided and the fees to be charged. The contracts are subject to annual review and approval by each mutual fund's board of directors or trustees and, in certain circumstances, by the mutual fund's shareholders. Revenues for services provided or related to the mutual funds are as follows:

	Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Investment advisory and services fees	\$1,056,227	\$1,061,677	\$1,009,901
Distribution revenues	415,380	433,063	455,327
Shareholder servicing fees	85,207	91,020	90,718
Other revenues	4,939	6,694	5,682
Bernstein Research Services	4	13	113

Also, we have receivables from AB mutual funds recorded in our consolidated statements of financial condition of \$160.7 million and \$174.1 million as of December 31, 2015 and 2014, respectively.

## AXA and its Subsidiaries

We provide investment management and certain administration services to AXA and its subsidiaries. In addition, AXA and its subsidiaries distribute company-sponsored mutual funds, for which they receive commissions and distribution payments. Sales of company-sponsored mutual funds through AXA and its subsidiaries aggregated approximately \$1.1 billion, \$1.1 billion and \$0.7 billion for the years ended December 31, 2015, 2014 and 2013, respectively. Also, we are covered by various insurance policies maintained by AXA and its subsidiaries and we pay fees for technology and other services provided by AXA and its subsidiaries. Aggregate amounts included in the consolidated financial statements for transactions with AXA and its subsidiaries, as of and for the years ended December 31, are as follows:

	2015	2014	2013
	(in thousands)		
Revenues:			
Investment advisory and services fees	\$149,035	\$131,317	\$129,937
Bernstein Research Services	694	958	1,152
Distribution revenues	11,541	11,590	9,823
Other revenues	887	1,041	815
	\$162,157	\$144,906	\$141,727
Expenses:			
Commissions and distribution payments to financial intermediaries	\$16,140	\$16,255	\$13,338
General and administrative	17,680	20,176	18,311
Other	1,483	1,457	1,425
	\$35,303	\$37,888	\$33,074
Balance Sheet:			
Institutional investment advisory and services fees receivable	\$12,622	\$9,681	
Prepaid expenses	1,431	1,483	
Other due to AXA and its subsidiaries	(6,231)	(5,510)	
	\$7,822	\$5,654	

AllianceBernstein Venture Fund I, L.P. was launched during 2006. It seeks to achieve its investment objective, which is long-term capital appreciation through equity and equity-related investments, by acquiring early-stage growth companies in private



Table of Contents

transactions. One of our subsidiaries is the general partner of the fund and, as a result, the fund is included in our consolidated financial statements, with approximately \$23.9 million and \$32.6 million of investments in the consolidated statements of financial condition as of December 31, 2015 and 2014, respectively. AXA Equitable holds a 10% limited partnership interest in this fund.

We maintain an unfunded, non-qualified long-term incentive compensation plan known as the Capital Accumulation Plan and also have assumed obligations under contractual unfunded long-term incentive compensation arrangements covering certain former executives (“Contractual Arrangements”). The Capital Accumulation Plan was frozen on December 31, 1987, since which date no additional awards have been made. The Board may terminate the Capital Accumulation Plan at any time without cause, in which case our liability would be limited to benefits that have vested. Payment of vested benefits under both the Capital Accumulation Plan and the Contractual Arrangements generally will be made over a ten-year period commencing at retirement age. The General Partner is obligated to make capital contributions to AB in amounts equal to benefits paid under the Capital Accumulation Plan and the Contractual Arrangements. Amounts paid by the General Partner to AB for the Capital Accumulation Plan and the Contractual Arrangements for the years ended December 31, 2015, 2014 and 2013 were \$1.6 million, \$2.3 million and \$3.4 million, respectively.

**Other Related Parties**

The consolidated statements of financial condition include a net receivable from AB Holding as a result of cash transactions for fees and expense reimbursements. The net receivable balance included in the consolidated statements of financial condition as of December 31, 2015 and 2014 was \$12.1 million and \$12.6 million, respectively.

**22. Acquisitions**

Acquisitions are accounted for under ASC 805, Business Combinations.

On June 20, 2014, we acquired an 81.7% ownership interest in CPH Capital Fondsmaglerselskab A/S (“CPH”), a Danish asset management firm that managed approximately \$3 billion in global core equity assets for institutional investors, for a cash payment of \$64.4 million and a contingent consideration payable of \$9.4 million. The excess of the purchase price over the fair value of identifiable assets acquired resulted in the recognition of \$58.1 million of goodwill. We recorded \$24.1 million of definite-lived intangible assets relating to separately-managed account relationships and \$3.5 million of indefinite-lived intangible assets relating to an acquired fund’s investment contract. We also recorded redeemable non-controlling interests of \$16.5 million relating to the fair value of the portion of CPH we do not own. During 2015, we purchased additional shares of CPH, bringing our ownership interest to 85.4% as of December 31, 2015.

On December 12, 2013, we acquired W.P. Stewart & Co., Ltd. (“WPS”), an equity investment manager that managed approximately \$2.1 billion in U.S., Global and EAFE concentrated growth equity strategies for its clients, primarily in the U.S. and Europe. On the acquisition date, we made a cash payment of \$12 per share for the approximate 4.9 million WPS shares outstanding and issued to WPS shareholders transferable contingent value rights (“CVRs”), entitling the holders to an additional \$4 per share if the assets under management in the acquired WPS investment services exceed \$5 billion on or before the third anniversary of the acquisition date. The excess of the purchase price over the fair value of identifiable assets acquired resulted in the recognition of \$32.4 million of goodwill. We also recorded \$7.5 million of indefinite-lived intangible assets relating to the acquired fund’s investment contracts and \$14.0 million of definite-lived intangible assets relating to separately-managed account relationships. As of the acquisition date, we recorded a contingent consideration payable of \$17.1 million in regard to the CVRs.

The 2014 and 2013 acquisitions have not had a significant impact on 2015 or 2014 revenues and earnings. As a result, we have not provided supplemental pro forma information.

**23. Subsequent Event**

On February 3, 2016, Cisco Systems, Inc. announced its agreement to acquire Jasper Technologies, Inc. (“Jasper”), a company in which we own a 7.6% equity interest. Jasper management has informed us that, based on this interest, we should expect to receive approximately \$85 million in cash, subject to final transaction costs and working capital adjustments. We expect to receive approximately \$77 million at the close of the transaction and the remaining \$8 million after this amount is retained in escrow for 18 months. We anticipate that this transaction, which is subject to customary closing conditions, will close during the third quarter of 2016. As of December 31, 2015, our investment in

Jasper is recorded on our consolidated statement of financial condition (under the cost basis of accounting) at \$10.2 million.

Table of Contents

## 24. Quarterly Financial Data (Unaudited)

	Quarters Ended 2015			
	December 31	September 30	June 30	March 31
	(in thousands, except per unit amounts)			
Net revenues	\$726,726	\$738,693	\$792,737	\$762,571
Net income attributable to AB Unitholders	\$161,063	\$134,976	\$149,094	\$141,469
Basic net income per AB Unit <sup>(1)</sup>				