

ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-Q
October 24, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from _____ to _____

Commission File No. 001-09818

AllianceBernstein Holding l.p.
(Exact name of registrant as specified in its charter)

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

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

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

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

Yes No

Indicate by check mark whether the registrant 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

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

Large accelerated filer T

Accelerated filer o

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

Smaller reporting company o

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

Yes o No T

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2013 was 92,066,984.*

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

ALLIANCEBERNSTEIN HOLDING L.P.

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Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Investment in AllianceBernstein	\$1,425,344	\$1,560,536
Other assets	—	5,957
Total assets	\$1,425,344	\$1,566,493
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Due to AllianceBernstein	\$—	\$6,053
Other liabilities	5,080	358
Total liabilities	5,080	6,411
Commitments and contingencies (See Note 8)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,357	1,369
Limited partners: 91,966,984 and 105,073,342 limited partnership units issued and outstanding	1,451,591	1,723,172
Holding Units held by AllianceBernstein to fund long-term incentive compensation plans	(12,810)	(146,258)
Accumulated other comprehensive income (loss)	(19,874)	(18,201)
Total partners' capital	1,420,264	1,560,082
Total liabilities and partners' capital	\$1,425,344	\$1,566,493

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Condensed Statements of Income

(in thousands, except per unit amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Equity in net income (loss) attributable to AllianceBernstein Unitholders	\$34,504	\$(16,595)	\$122,941	\$43,915
Income taxes	4,981	6,547	14,911	19,019
Net income (loss)	\$29,523	\$(23,142)	\$108,030	\$24,896
Net income (loss) per unit:				
Basic	\$0.32	\$(0.23)	\$1.10	\$0.25
Diluted	\$0.32	\$(0.23)	\$1.10	\$0.25

See Accompanying Notes to Condensed Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss)	\$29,523	\$(23,142)	\$108,030	\$24,896
Other comprehensive income (loss):				
Foreign currency translation adjustments	3,540	2,298	(3,450)	1,569
Income tax benefit	226	—	214	296
Foreign currency translation adjustments, net of tax	3,766	2,298	(3,236)	1,865
Unrealized (losses) gains on investments:				
Unrealized (losses) gains arising during period	(86)	120	35	410
Less: reclassification adjustments for gains (losses) included in net income	(1)	(17)	2	(10)
Changes in unrealized (losses) gains on investments	(85)	137	33	420
Income tax benefit (expense)	47	(38)	(76)	(161)
Unrealized (losses) gains on investments, net of tax	(38)	99	(43)	259
Changes in employee benefit related items:				
Amortization of transition asset	—	(13)	(18)	(40)
Amortization of prior service cost	(282)	10	(263)	30
Recognized actuarial loss	1,808	79	1,944	124
Changes in employee benefit related items	1,526	76	1,663	114
Income tax (expense)	(21)	(108)	(57)	(109)
Employee benefit related items, net of tax	1,505	(32)	1,606	5
Other comprehensive income (loss)	5,233	2,365	(1,673)	2,129
Comprehensive income (loss)	\$34,756	\$(20,777)	\$106,357	\$27,025

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Condensed Statements of Cash Flows

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 108,030	\$ 24,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income attributable to AllianceBernstein Unitholders	(122,941)	(43,915)
Cash distributions received from AllianceBernstein	123,996	77,829
Changes in assets and liabilities:		
Decrease in other assets	5,957	1,072
Increase in due to AllianceBernstein	3,173	1,854
Increase in other liabilities	4,722	343
Net cash provided by operating activities	122,937	62,079
Cash flows from investing activities:		
Investments in AllianceBernstein from cash distributions paid to AllianceBernstein consolidated rabbi trust	(12,987)	(6,071)
Investments in AllianceBernstein with proceeds from exercise of compensatory options to buy Holding Units	(13,859)	—
Net cash used in investing activities	(26,846)	(6,071)
Cash flows from financing activities:		
Cash distributions to unitholders	(107,243)	(56,008)
Capital contributions to AllianceBernstein	(2,707)	—
Proceeds from exercise of compensatory options to buy Holding Units	13,859	—
Net cash used in financing activities	(96,091)	(56,008)
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	\$—	\$—

See Accompanying Notes to Condensed Financial Statements.

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ALLIANCEBERNSTEIN HOLDING L.P.

Notes to Condensed Financial Statements

September 30, 2013

(unaudited)

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

1. Business Description, Organization and Basis of Presentation

Business Description

Holding’s principal source of income and cash flow is attributable to its investment in AllianceBernstein limited partnership interests. The condensed financial statements and notes of Holding should be read in conjunction with the condensed consolidated financial statements and notes of AllianceBernstein included as an exhibit to this quarterly report on Form 10-Q and with Holding’s and AllianceBernstein’s audited financial statements included in Holding’s Form 10-K for the year ended December 31, 2012.

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

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

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

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

Bernstein Research Services – servicing institutional investors seeking high-quality research, portfolio strategy advice and brokerage-related services.

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

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

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

• Equity services, including value, growth and core equities;

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

• 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, target risk funds and other strategies tailored to help clients meet their investment goals.

In providing these services, AllianceBernstein considers various portfolio characteristics, including market capitalization (e.g., large-, mid- and small-cap equities), term (e.g., long-, intermediate- and short-duration debt securities), and geography (e.g., U.S., international, global, emerging markets, regional and local), in major markets around the world.

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Organization

As of September 30, 2013, AXA, a société anonyme organized under the laws of France and the holding company for an international group of insurance and related financial services companies, through certain of its subsidiaries (“AXA and its subsidiaries”) owned approximately 1.6% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding (“Holding Units”).

As of September 30, 2013, the ownership structure of AllianceBernstein, expressed as a percentage of general and limited partnership interests, was as follows:

AXA and its subsidiaries	64.0 %
Holding	34.5
Unaffiliated holders	1.5
	100.0%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both Holding and AllianceBernstein. AllianceBernstein Corporation owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including both the general partnership and limited partnership interests in Holding and AllianceBernstein, AXA and its subsidiaries had an approximate 64.6% economic interest in AllianceBernstein as of September 30, 2013.

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The December 31, 2012 condensed statement of financial condition was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

2. Cash Distributions

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

On October 24, 2013, the General Partner declared a distribution of \$0.40 per unit, representing Available Cash Flow for the three months ended September 30, 2013. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution is payable on November 21, 2013 to

holders of record at the close of business on November 4, 2013.

3. Long-term Incentive Compensation Plans

AllianceBernstein maintains several unfunded, non-qualified long-term incentive compensation plans under which awards of restricted Holding Units and options to buy Holding Units are granted to employees of AllianceBernstein and eligible members of the Board of Directors (“Eligible Directors”).

AllianceBernstein funds its restricted Holding Unit awards either by purchasing Holding Units on the open market or purchasing newly-issued Holding Units from Holding, all of which are held in a consolidated rabbi trust until they are either retired or distributed to employees upon vesting. In accordance with the Holding Partnership Agreement, when AllianceBernstein purchases newly-issued Holding Units from Holding, Holding is required to use the proceeds it receives from AllianceBernstein to purchase the equivalent number of newly-issued AllianceBernstein Units, thus increasing its percentage ownership interest in AllianceBernstein. 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 AllianceBernstein.

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During the third quarter and first nine months of 2013, AllianceBernstein purchased 0.8 million and 2.1 million Holding Units for \$16.3 million and \$43.3 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 0.8 million and 1.9 million Holding Units for \$15.3 million and \$38.5 million, respectively, with the remainder relating to purchases of Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards, offset by Holding Units purchased by employees as part of a distribution reinvestment election.

Since the third quarter of 2011, each quarter AllianceBernstein has implemented plans to repurchase 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 and because it possesses material non-public information. Each broker selected by AllianceBernstein has the authority under the terms and limitations specified in the plan to repurchase Holding Units on AllianceBernstein’s behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the third quarter of 2013 expired at the close of business on October 23, 2013. AllianceBernstein may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of Holding Units to help fund anticipated obligations under its incentive compensation award program and for other corporate purposes.

AllianceBernstein granted to employees and Eligible Directors 6.9 million restricted Holding Unit awards (including 6.5 million granted in January 2013 for 2012 year-end awards) during the first nine months of 2013. To fund these awards, AllianceBernstein allocated previously repurchased Holding Units that had been held in AllianceBernstein’s consolidated rabbi trust.

Effective July 1, 2013, management of AllianceBernstein and Holding retired all unallocated Holding Units in AllianceBernstein’s consolidated rabbi trust. To retire such units, AllianceBernstein delivered the unallocated Holding Units held in its consolidated rabbi trust to Holding in exchange for the same amount of AllianceBernstein units. Each entity then retired their respective units. As a result, on July 1, 2013, each of AllianceBernstein’s and Holding’s units outstanding decreased by approximately 13.1 million units. AllianceBernstein and Holding intend to retire additional units as AllianceBernstein purchases Holding Units on the open market. Holding will then newly issue Holding Units to fund AllianceBernstein’s restricted Holding Unit awards in exchange for newly-issued AllianceBernstein units.

Generally, when a corporate entity repurchases its shares, they no longer are deemed outstanding. Because of our two-tier partnership structure, Holding Units purchased by AllianceBernstein and held in its consolidated rabbi trust are considered outstanding (unlike repurchased shares of a single corporate entity). Accordingly, management’s decision to retire repurchased Holding Units rather than allowing them to remain outstanding in the rabbi trust more closely aligns the effect of AllianceBernstein’s Holding Unit purchases with that of corporate entities that repurchase their shares.

During the first nine months of 2013, Holding issued 812,642 Holding Units upon exercise of options to buy Holding Units. Holding used the proceeds of \$13.9 million to purchase the equivalent number of newly-issued AllianceBernstein Units.

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4. Net Income Per Unit

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

	Three Months		Nine Months Ended	
	Ended		September 30,	
	September 30,	2012	2013	2012
	(in thousands, except per unit amounts)			
Net income (loss) – basic	\$29,523	\$(23,142)	\$108,030	\$24,896
Additional allocation of equity in net income (loss) attributable to AllianceBernstein resulting from assumed dilutive effect of compensatory options	183	—	771	—
Net income (loss) – diluted	\$29,706	\$(23,142)	\$108,801	\$24,896
Weighted average units outstanding – basic	92,258	101,333	97,866	101,507
Dilutive effect of compensatory options	756	—	994	—
Weighted average units outstanding – diluted	93,014	101,333	98,860	101,507
Basic net income (loss) per unit	\$0.32	\$(0.23)	\$1.10	\$0.25
Diluted net income (loss) per unit	\$0.32	\$(0.23)	\$1.10	\$0.25

For the three months and nine months ended September 30, 2013, we excluded 3,045,173 and 2,974,935 options, respectively, from the diluted net income per unit computation due to their anti-dilutive effect. For the three months and nine months ended September 30, 2012, we excluded 9,032,095 options from the diluted net income per unit computation due to their anti-dilutive effect. Weighted average units outstanding do not include Holding’s proportional share (34.5% during the third quarter of 2013; 36.7% during the first nine months of 2013; 37.5% during the third qua