

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

**FORM 10-K**

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

For the Fiscal Year Ended December 31, 2019

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 000-29961

**ALLIANCEBERNSTEIN L.P.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-4064930

(I.R.S. Employer Identification No.)

**1345 Avenue of the Americas, New York, NY 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: None

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

**Title of Class**

**Trading Symbol**

**Name of each exchange on which registered**

Units of Limited Partnership Interest

None

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

**Large accelerated filer**

☐

**Accelerated filer**

☐

**Non-accelerated filer**

☒

**Smaller reporting company**

☐

**Emerging growth company**

☐

**If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.** ☐

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

The number of units of limited partnership interest outstanding as of December 31, 2019 was 270,380,314.

DOCUMENTS INCORPORATED BY REFERENCE

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

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## 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.

“**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.

“**Equitable America**” – Equitable Financial Insurance Company of America (f/k/a MONY Life Insurance Company of America, an Arizona corporation) and a subsidiary of Equitable Holdings.

“**Equitable Holdings**” or “**EQH**” – Equitable Holdings, Inc. (Delaware corporation) and its subsidiaries other than AB and its subsidiaries.

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

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

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

“**GAAP**” – U.S. Generally Accepted Accounting Principles.

“**General Partner**” – AllianceBernstein Corporation (Delaware corporation), the general partner of AB and AB Holding and a subsidiary of Equitable Holdings, 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.

## 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, 2019: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, 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, 2019, 2018 and 2017, our AUM were approximately \$623 billion, \$516 billion and \$554 billion, respectively, and our net revenues as of December 31, 2019, 2018 and 2017 were approximately \$3.5 billion, \$3.4 billion and \$3.3 billion, respectively. EQH (our parent company), AXA and their respective subsidiaries, whose AUM consist primarily of fixed income investments, constitute our largest clients. Our EQH affiliates represented approximately 18%, 18% and 17% of our AUM as of December 31, 2019, 2018 and 2017, and we earned approximately 3% of our net revenues from services we provided to them in each of those years. AXA and its subsidiaries represented approximately 5%, 6% and 6% of our AUM as of December 31, 2019, 2018 and 2017, and we earned approximately 2% of our net revenues from services we provided to them in each of those years. 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.

### **Corporate Responsibility**

As a fiduciary, responsible investor and research firm, we believe that being a responsible company and investing responsibly are linked. The views of governments, communities, consumers and other stakeholders continue to evolve on responsible behavior, and firms are rethinking their purpose beyond maximizing shareholder value. Increasingly, investors are more closely scrutinizing companies, including investment managers (like us), to determine how committed they are to corporate responsibility.

At AB, we are working to become a better firm. To us, this means giving back to the communities in which we work through our firm-wide philanthropic initiative, AB Gives Back, and reducing our environmental footprint by increasing our use of “green buildings,” such as our new headquarters in Nashville, Tennessee. Additionally, by promoting diversity and inclusion, we are afforded different perspectives and ways of thinking, which can lead to better outcomes for our clients.

Also, striving to be more responsible gives us a richer perspective for evaluating other firms. As longtime fundamental investors with a strong research heritage, we have integrated environmental, social and governance (“**ESG**”) considerations into various processes. This helps us make fully informed risk/return assessments and draw insightful investment conclusions. Further, we

have invested in technology and innovation to enable our investment teams to formalize their ESG evaluations and share insights from our engagements with other companies.

We provide additional information in this regard in our corporate responsibility report, which can be found under “Corporate Responsibility - Overview” on our Internet site.

## Investment Services

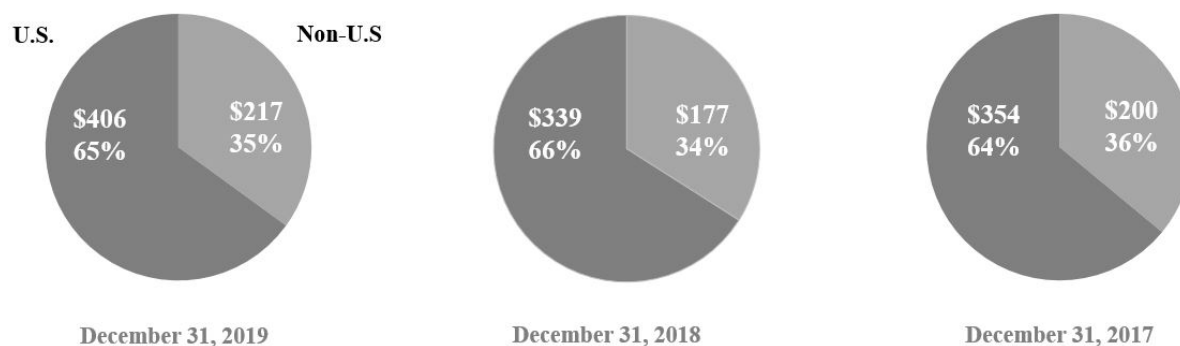
Our broad range of investment services includes:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration 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, direct lending and private equity; and
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

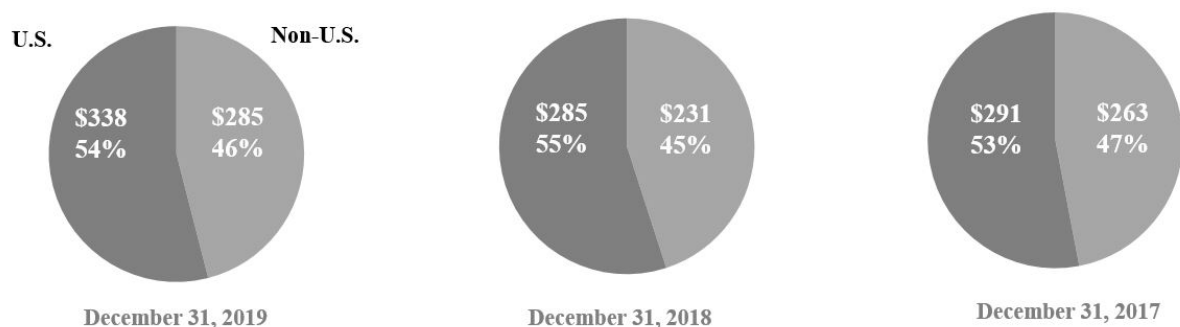
Our services span various investment disciplines, including market capitalization (*e.g.*, large-, mid- and small-cap equities), term (*e.g.*, long-, intermediate- and short-duration debt securities), and geographic location (*e.g.*, U.S., international, global, emerging markets, regional and local), in major markets around the world.

Our AUM by client domicile and investment service as of December 31, 2019, 2018 and 2017 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 affiliates such as EQH and its subsidiaries, 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*.

EQH and its subsidiaries constitute our largest institutional client. EQH and its subsidiaries combined AUM accounted for approximately 28%, 26% and 24% of our institutional AUM as of December 31, 2019, 2018 and 2017, respectively, and approximately 17%, 16% and 15% of our institutional revenues for 2019, 2018 and 2017, respectively. Also, AXA and its subsidiaries combined AUM accounted for approximately 10%, 11% and 10% of our institutional AUM as of December 31, 2019, 2018 and 2017, respectively, and approximately 11%, 11% and 10% of our institutional revenues for 2019, 2018 and 2017, respectively. No single institutional client other than EQH, AXA and their respective subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2019.

As of December 31, 2019, 2018 and 2017, Institutional Services represented approximately 45%, 48% and 48%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 14% of our net revenues for each of those years. Our AUM and revenues are as follows:

Institutional Services Assets Under Management (by Investment Service)						
	December 31,			% Change		
	2019	2018	2017	2019-18	2018-17	
	(in millions)					
Equity Actively Managed:						
U.S.	\$ 13,861	\$ 9,629	\$ 10,521	44.0 %	(8.5)%	
Global & Non-US	30,767	23,335	22,577	31.8	3.4	
Total	44,628	32,964	33,098	35.4	(0.4)	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	21,349	17,481	18,515	22.1	(5.6)	
Global & Non-US	3,951	3,174	3,521	24.5	(9.9)	
Total	25,300	20,655	22,036	22.5	(6.3)	
<b>Total Equity</b>	<b>69,928</b>	<b>53,619</b>	<b>55,134</b>	<b>30.4</b>	<b>(2.7)</b>	
Fixed Income Taxable:						
U.S.	107,436	96,913	103,073	10.9	(6.0)	
Global & Non-US	50,281	51,156	60,233	(1.7)	(15.1)	
Total	157,717	148,069	163,306	6.5	(9.3)	
Fixed Income Tax-Exempt:						
U.S.	1,209	1,046	1,051	15.6	(0.5)	
Global & Non-US	—	—	—	—	—	
Total	1,209	1,046	1,051	15.6	(0.5)	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	69	73	66	(5.5)	10.6	
Global & Non-US	20	15	20	33.3	(25.0)	
Total	89	88	86	1.1	2.3	
<b>Total Fixed Income</b>	<b>159,015</b>	<b>149,203</b>	<b>164,443</b>	<b>6.6</b>	<b>(9.3)</b>	
Other <sup>(2)</sup> :						
U.S.	5,568	5,024	5,258	10.8	(4.5)	
Global & Non-US	48,179	38,433	44,442	25.4	(13.5)	
Total	53,747	43,457	49,700	23.7	(12.6)	
Total:						
U.S.	149,492	130,166	138,484	14.8	(6.0)	
Global & Non-US	133,198	116,113	130,793	14.7	(11.2)	
<b>Total</b>	<b>\$ 282,690</b>	<b>\$ 246,279</b>	<b>\$ 269,277</b>	<b>14.8</b>	<b>(8.5)</b>	
Affiliated - EQH	\$ 78,506	\$ 64,447	\$ 65,384	21.8	(1.4)	
AXA	27,136	25,948	26,519	4.6	(2.2)	
Non-affiliated	177,048	155,884	177,374	13.6	(12.1)	
<b>Total</b>	<b>\$ 282,690</b>	<b>\$ 246,279</b>	<b>\$ 269,277</b>	<b>14.8</b>	<b>(8.5)</b>	

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.



**Revenues from Institutional Services**  
(by Investment Service)

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
Equity Actively Managed:					
U.S.	\$ 62,252	\$ 60,465	\$ 53,352	3.0 %	13.3 %
Global & Non-US	98,169	103,763	88,676	(5.4)	17.0
Total	160,421	164,228	142,028	(2.3)	15.6
Equity Passively Managed <sup>(1)</sup> :					
U.S.	3,846	3,713	3,721	3.6	(0.2)
Global & Non-US	1,992	1,880	1,882	6.0	(0.1)
Total	5,838	5,593	5,603	4.4	(0.2)
<b>Total Equity</b>	<b>166,259</b>	<b>169,821</b>	<b>147,631</b>	<b>(2.1)</b>	<b>15.0</b>
Fixed Income Taxable:					
U.S.	103,735	102,356	107,262	1.3	(4.6)
Global & Non-US	100,352	106,314	112,294	(5.6)	(5.3)
Total	204,087	208,670	219,556	(2.2)	(5.0)
Fixed Income Tax-Exempt:					
U.S.	1,309	1,217	1,989	7.6	(38.8)
Global & Non-US	—	—	—	—	—
Total	1,309	1,217	1,989	7.6	(38.8)
Fixed Income Passively Managed <sup>(1)</sup> :					
U.S.	86	49	202	75.5	(75.7)
Global & Non-US	21	28	16	(25.0)	75.0
Total	107	77	218	39.0	(64.7)
Fixed Income Servicing <sup>(2)</sup> :					
U.S.	13,215	12,708	13,597	4.0	(6.5)
Global & Non-US	—	—	(14)	n/m	100.0
Total	13,215	12,708	13,583	4.0	(6.4)
<b>Total Fixed Income</b>	<b>218,718</b>	<b>222,672</b>	<b>235,346</b>	<b>(1.8)</b>	<b>(5.4)</b>
Other <sup>(3)</sup> :					
U.S.	54,582	52,131	63,192	4.7	(17.5)
Global & Non-US	39,405	33,530	38,153	17.5	(12.1)
Total	93,987	85,661	101,345	9.7	(15.5)
Total Investment Advisory and Services Fees:					
U.S.	239,025	232,639	243,315	2.7	(4.4)
Global & Non-US	239,939	245,515	241,007	(2.3)	1.9
Consolidated company-sponsored investment funds	—	(372)	(8,717)	100.0	n/m
Total	478,964	477,782	475,605	0.2	0.5
Distribution Revenues	704	757	1,047	(7.0)	(27.7)
Shareholder Servicing Fees	476	529	488	(10.0)	8.4
<b>Total</b>	<b>\$ 480,144</b>	<b>\$ 479,068</b>	<b>\$ 477,140</b>	<b>0.2</b>	<b>0.4</b>
Affiliated - EQH	\$ 81,605	\$ 77,021	\$ 72,082	6.0	6.9
AXA	55,135	53,745	48,843	2.6	10.0
Non-affiliated	343,404	348,302	356,215	(1.4)	(2.2)
<b>Total</b>	<b>\$ 480,144</b>	<b>\$ 479,068</b>	<b>\$ 477,140</b>	<b>0.2</b>	<b>0.4</b>

(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 certain multi-asset solutions and services and certain alternative services.

## 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 U.S. 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 board of directors or trustees of those funds, by a majority vote 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 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 EQH, AXA and their respective subsidiaries constitute our largest retail clients. EQH and its subsidiaries accounted for approximately 14%, 16% and 16% of our retail AUM as of December 31, 2019, 2018 and 2017, respectively, and approximately 2% of our retail net revenues in each of those years. AXA and its subsidiaries accounted for approximately 2%, 3% and 3% of our retail AUM as of December 31, 2019, 2018 and 2017, respectively, and approximately 1%, 2% and 2% of our retail net revenues for the years ended December 31, 2019, 2018 and 2017, respectively.

HSBC was responsible for approximately 14%, 7% and 9% of our open-end mutual fund sales in 2019, 2018 and 2017, respectively. HSBC is not under any obligation to sell a specific amount of AB Fund shares and is not our affiliate.

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, 2019, retail U.S. Fund AUM were approximately \$55 billion, or 23% of retail AUM, as compared to \$43 billion, or 24%, as of December 31, 2018, and \$47 billion, or 25%, as of December 31, 2017. Non-U.S. Fund AUM, as of December 31, 2019, totaled \$103 billion, or 43% of retail AUM, as compared to \$71 billion, or 39%, as of December 31, 2018, and \$76 billion, or 40%, as of December 31, 2017.

Our Retail Services represented approximately 39%, 35% and 35% of our AUM as of December 31, 2019, 2018 and 2017, respectively, and the fees we earned from providing these services represented approximately 46%, 44% and 43% of our net revenues for the years ended December 31, 2019, 2018 and 2017, respectively. Our AUM and revenues are as follows:

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

	December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in millions)				
Equity Actively Managed:					
U.S.	\$ 57,125	\$ 41,450	\$ 37,720	37.8 %	9.9 %
Global & Non-US	24,497	19,475	20,274	25.8	(3.9)
Total	81,622	60,925	57,994	34.0	5.1
Equity Passively Managed <sup>(1)</sup> :					
U.S.	27,153	22,658	23,294	19.8	(2.7)
Global & Non-US	7,530	6,697	8,758	12.4	(23.5)
Total	34,683	29,355	32,052	18.2	(8.4)
<b>Total Equity</b>	<b>116,305</b>	<b>90,280</b>	<b>90,046</b>	<b>28.8</b>	<b>0.3</b>
Fixed Income Taxable:					
U.S.	9,093	7,029	7,699	29.4	(8.7)
Global & Non-US	79,315	53,413	65,963	48.5	(19.0)
Total	88,408	60,442	73,662	46.3	(17.9)
Fixed Income Tax-Exempt:					
U.S.	20,706	16,403	15,654	26.2	4.8
Global & Non-US	44	42	53	4.8	(20.8)
Total	20,750	16,445	15,707	26.2	4.7
Fixed Income Passively Managed <sup>(1)</sup> :					
U.S.	5,031	4,965	5,173	1.3	(4.0)
Global & Non-US	3,794	3,964	4,250	(4.3)	(6.7)
Total	8,825	8,929	9,423	(1.2)	(5.2)
<b>Total Fixed Income</b>	<b>117,983</b>	<b>85,816</b>	<b>98,792</b>	<b>37.5</b>	<b>(13.1)</b>
Other <sup>(2)</sup> :					
U.S.	2,470	2,476	2,799	(0.2)	(11.5)
Global & Non-US	2,408	2,197	1,311	9.6	67.6
Total	4,878	4,673	4,110	4.4	13.7
Total:					
U.S.	121,578	94,981	92,339	28.0	2.9
Global & Non-US	117,588	85,788	100,609	37.1	(14.7)
<b>Total</b>	<b>\$ 239,166</b>	<b>\$ 180,769</b>	<b>\$ 192,948</b>	<b>32.3</b>	<b>(6.3)</b>
Affiliated - EQH	\$ 34,448	\$ 29,206	\$ 30,720	17.9	(4.9)
AXA	5,680	5,471	6,245	3.8	(12.4)
Non-affiliated	199,038	146,092	155,983	36.2	(6.3)
<b>Total</b>	<b>\$ 239,166</b>	<b>\$ 180,769</b>	<b>\$ 192,948</b>	<b>32.3</b>	<b>(6.3)</b>

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.

**Revenues from Retail Services**  
(by Investment Service)

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
Equity Actively Managed:					
U.S.	\$ 283,461	\$ 235,611	\$ 204,363	20.3 %	15.3 %
Global & Non-US	153,156	149,995	114,277	2.1	31.3
Total	436,617	385,606	318,640	13.2	21.0
Equity Passively Managed <sup>(1)</sup> :					
U.S.	9,179	8,901	8,508	3.1	4.6
Global & Non-US	6,994	7,861	6,636	(11.0)	18.5
Total	16,173	16,762	15,144	(3.5)	10.7
<b>Total Equity</b>	<b>452,790</b>	<b>402,368</b>	<b>333,784</b>	<b>12.5</b>	<b>20.5</b>
Fixed Income Taxable:					
U.S.	26,963	25,194	23,142	7.0	8.9
Global & Non-US	479,886	438,048	454,613	9.6	(3.6)
Total	506,849	463,242	477,755	9.4	(3.0)
Fixed Income Tax-Exempt:					
U.S.	65,375	58,824	54,106	11.1	8.7
Global & Non-US	99	132	120	(25.0)	10.0
Total	65,474	58,956	54,226	11.1	8.7
Fixed Income Passively Managed <sup>(1)</sup> :					
U.S.	5,972	6,086	6,055	(1.9)	0.5
Global & Non-US	6,133	6,809	7,567	(9.9)	(10.0)
Total	12,105	12,895	13,622	(6.1)	(5.3)
<b>Total Fixed Income</b>	<b>584,428</b>	<b>535,093</b>	<b>545,603</b>	<b>9.2</b>	<b>(1.9)</b>
Other <sup>(2)</sup> :					
U.S.	51,958	63,232	59,751	(17.8)	5.8
Global & Non-US	8,946	8,575	6,583	4.3	30.3
Total	60,904	71,807	66,334	(15.2)	8.3
Total Investment Advisory and Services Fees:					
U.S.	442,908	397,848	355,925	11.3	11.8
Global & Non-US	655,214	611,420	589,796	7.2	3.7
Consolidated company-sponsored investment funds	883	1,047	1,005	(15.7)	4.2
Total	1,099,005	1,010,315	946,726	8.8	6.7
Distribution Revenues	447,050	411,996	405,939	8.5	1.5
Shareholder Servicing Fees	73,777	72,134	71,225	2.3	1.3
<b>Total</b>	<b>\$ 1,619,832</b>	<b>\$ 1,494,445</b>	<b>\$ 1,423,890</b>	<b>8.4</b>	<b>5.0</b>
Affiliated - EQH	\$ 27,737	\$ 27,814	\$ 26,393	(0.3)	5.4
AXA	23,293	24,946	23,769	(6.6)	5.0
Non-affiliated	1,568,802	1,441,685	1,373,728	8.8	4.9
<b>Total</b>	<b>\$ 1,619,832</b>	<b>\$ 1,494,445</b>	<b>\$ 1,423,890</b>	<b>8.4</b>	<b>5.0</b>

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.

## 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%, 17% and 17% of our AUM as of December 31, 2019, 2018 and 2017, respectively. The fees we earned from providing these services represented approximately 26%, 26% and 24% of our net revenues for 2019, 2018 and 2017, respectively. Our AUM and revenues are as follows:

Private Wealth Services Assets Under Management (by Investment Service)						
	December 31,			% Change		
	2019	2018	2017	2019-18	2018-17	
	(in millions)					
Equity Actively Managed:						
U.S.	\$ 26,840	\$ 22,504	\$ 26,492	19.3 %	(15.1)%	
Global & Non-US	24,094	19,809	21,880	21.6	(9.5)	
Total	50,934	42,313	48,372	20.4	(12.5)	
Equity Passively Managed <sup>(1)</sup> :						
U.S.	142	113	130	25.7	(13.1)	
Global & Non-US	32	42	51	(23.8)	(17.6)	
Total	174	155	181	12.3	(14.4)	
<b>Total Equity</b>	<b>51,108</b>	<b>42,468</b>	<b>48,553</b>	<b>20.3</b>	<b>(12.5)</b>	
Fixed Income Taxable:						
U.S.	7,583	7,022	6,772	8.0	3.7	
Global & Non-US	4,587	4,154	4,141	10.4	0.3	
Total	12,170	11,176	10,913	8.9	2.4	
Fixed Income Tax-Exempt:						
U.S.	25,102	24,129	23,636	4.0	2.1	
Global & Non-US	15	15	18	—	(16.7)	
Total	25,117	24,144	23,654	4.0	2.1	
Fixed Income Passively Managed <sup>(1)</sup> :						
U.S.	—	11	—	(100.0)	n/m	
Global & Non-US	372	404	401	(7.9)	0.7	
Total	372	415	401	(10.4)	3.5	
<b>Total Fixed Income</b>	<b>37,659</b>	<b>35,735</b>	<b>34,968</b>	<b>5.4</b>	<b>2.2</b>	
Other <sup>(2)</sup> :						
U.S.	6,808	5,762	3,606	18.2	59.8	
Global & Non-US	5,484	5,340	5,139	2.7	3.9	
Total	12,292	11,102	8,745	10.7	27.0	
Total:						
U.S.	66,475	59,541	60,636	11.6	(1.8)	
Global & Non-US	34,584	29,764	31,630	16.2	(5.9)	
<b>Total</b>	<b>\$ 101,059</b>	<b>\$ 89,305</b>	<b>\$ 92,266</b>	<b>13.2</b>	<b>(3.2)</b>	

(1) Includes index and enhanced index services.

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

**Revenues From Private Wealth Services**  
(by Investment Service)

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
Equity Actively Managed:					
U.S.	\$ 267,671	\$ 274,320	\$ 272,577	(2.4)%	0.6 %
Global & Non-US	246,930	240,332	212,021	2.7	13.4
Total	514,601	514,652	484,598	—	6.2
Equity Passively Managed <sup>(1)</sup> :					
U.S.	144	117	206	23.1	(43.2)
Global & Non-US	190	254	510	(25.2)	(50.2)
Total	334	371	716	(10.0)	(48.2)
<b>Total Equity</b>	<b>514,935</b>	<b>515,023</b>	<b>485,314</b>	<b>—</b>	<b>6.1</b>
Fixed Income Taxable:					
U.S.	34,546	33,034	34,173	4.6	(3.3)
Global & Non-US	29,418	28,358	26,425	3.7	7.3
Total	63,964	61,392	60,598	4.2	1.3
Fixed Income Tax-Exempt:					
U.S.	122,350	118,811	114,974	3.0	3.3
Global & Non-US	97	109	88	(11.0)	23.9
Total	122,447	118,920	115,062	3.0	3.4
Fixed Income Passively Managed <sup>(1)</sup> :					
U.S.	13	156	58	(91.7)	169.0
Global & Non-US	3,663	5,312	4,059	(31.0)	30.9
Total	3,676	5,468	4,117	(32.8)	32.8
<b>Total Fixed Income</b>	<b>190,087</b>	<b>185,780</b>	<b>179,777</b>	<b>2.3</b>	<b>3.3</b>
Other <sup>(2)</sup> :					
U.S.	123,216	122,686	67,019	0.4	83.1
Global & Non-US	65,837	51,839	49,365	27.0	5.0
Total	189,053	174,525	116,384	8.3	50.0
Total Investment Advisory and Services Fees:					
U.S.	547,940	549,124	489,007	(0.2)	12.3
Global & Non-US	346,135	326,204	292,468	6.1	11.5
Consolidated company-sponsored investment funds	—	(1,214)	(2,501)	100.0	51.5
<b>Total</b>	<b>894,075</b>	<b>874,114</b>	<b>778,974</b>	<b>2.3</b>	<b>12.2</b>
Distribution Revenues	7,289	5,809	5,077	25.5	14.4
Shareholder Servicing Fees	3,141	3,311	3,311	(5.1)	—
<b>Total</b>	<b>\$ 904,505</b>	<b>\$ 883,234</b>	<b>\$ 787,362</b>	<b>2.4</b>	<b>12.2</b>

(1) Includes index and enhanced index services.

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

## 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 are primarily 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, and to a lesser but increasing extent, by paying us directly for research through commission sharing agreements or cash payments. Bernstein Research Services accounted for approximately 12%, 13% and 14% of our net revenues as of December 31, 2019, 2018 and 2017, 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	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
<b>Bernstein Research Services</b>	<b>\$ 407,911</b>	<b>\$ 439,432</b>	<b>\$ 449,919</b>	<b>(7.2)%</b>	<b>(2.3)%</b>

## Custody

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

## Employees

As of December 31, 2019, our firm had 3,811 full-time employees, representing a 4.7% increase compared to the end of 2018.

New York state law requires that private sector businesses with 50 or more full-time employees in the state give early warning of plant closings, layoffs, relocations and other covered reductions in work hours. This notification, known as the Worker Adjustment and Retraining Notification (“**WARN**”) notice, must be provided to affected employees and their representatives, the New York State Department of Labor and the Local Workforce Investment Board, for relocations that affect 25 or more employees. In connection with our establishing 1,250 roles in Nashville, Tennessee (most of which are being relocated from our White Plains and New York City locations), we are required to file a series of WARN notices throughout the process, which began in the second half of 2018. We will continue to file these notices as qualifying events occur.

## Information about our Executive Officers

Please refer to “Item 10. Directors, Executive Officers and Corporate Governance” below for information relating to our firm's executive officers.



## 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 2015, we established a new brand identity by prominently incorporating “AB” into our brand architecture, while maintaining the legal names of our corporate entities. With this and other related refinements, our company, and our Institutional and Retail businesses, are referred to as “AllianceBernstein (AB)” or simply “AB.” Private Wealth Management and Bernstein Research Services 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 an acquisition we completed in 2013, we acquired all of the rights in, and title to, the W.P. Stewart & Co. service marks, including the logo “WPSTEWART.”

## 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 four of our subsidiaries (Sanford C. Bernstein & Co., LLC (“**SCB LLC**”), AB Custom Alternative Solutions LLC, AB Private Credit Investors LLC 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. Also, AB, SCB LLC and AB Custom Alternative Solutions LLC 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 commodities introducing broker.

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 Ontario Securities Commission, the Investment Industry Regulatory Organization of Canada, 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, the Financial Supervisory Commission in Taiwan and The Securities and Exchange Board of India. 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. For additional information relating to the regulations that impact our business, *please refer to "Risk Factors" in Item 1A.*

## 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, nor were they involved in the AXA Group matters *described immediately below*. We have provided the information below as AXA and its subsidiaries remained our affiliates through early December 2019.

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.

AXA has informed us that AXA Konzern AG, an AXA insurance subsidiary organized under the laws of Germany, provides accident and health insurance to diplomats based at the Iranian Embassy in Berlin, Germany. The total annual premium of these policies is approximately \$109,150 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$18,385.

AXA also has informed us that AXA Belgium, an AXA insurance subsidiary organized under the laws of Belgium, has two policies providing for car insurance for Global Trading NV, which was designated on May 17, 2018 under (E.O.) 13224 and subsequently changed its name to Energy Engineers & Construction on August 20, 2018. The total annual premium of these policies is approximately \$6,559 before tax and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$983. These policies were cancelled during 2019.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four 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 \$7,115 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$853.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of the Republic of Turkey, provides car insurance coverage for vehicle pools and compulsory earthquake coverage of the Iranian General Consulate and the Iranian Embassy in Istanbul, Turkey. Motor liability insurance coverage is compulsory in Turkey and cannot be canceled 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.

Additionally, AXA has informed us that AXA Winterthur, an AXA insurance subsidiary organized under the laws of Switzerland, provides Naftiran Intertrade, a wholly-owned subsidiary of the Iranian state-owned National Iranian Oil Company, with life, disability and accident coverage for its employees. In addition, AXA Winterthur also provides car and property insurance coverage for the Iranian Embassy in Bern. The provision of these forms of coverage is mandatory in Switzerland. The total annual premium of these policies is approximately \$396,597 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$59,489.

Also, AXA has informed us that AXA Egypt, an AXA insurance subsidiary organized under the laws of Egypt, provides the Iranian state-owned Iran Development Bank, two life insurance contracts, covering individuals who have loans with the bank. The total annual premium of these policies is approximately \$20,650 and annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$2,000.

In addition, AXA has informed us that AXA Hong Kong, an AXA insurance subsidiary organized under the laws of Hong Kong, provided the Iranian state-owned Hong Kong Branch of Melli Bank PLC, which was re-designated on November 5, 2018 pursuant to E.O. 13224, with group health insurance for its employees. This business has now been canceled. The total annual premium of these policies is approximately \$27,122 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$4,339.

Lastly, AXA has informed us that AXA XL, which AXA acquired during the third quarter of 2018, through various non-U.S. subsidiaries, provides insurance to marine policyholders located outside of the U.S. or reinsurance coverage to non-U.S. insurers of marine risks as well as mutual associations of ship owners that provide their members with protection and liability coverage. The provision of these coverages may involve entities or activities related to Iran, including transporting crude oil, petrochemicals and refined petroleum products. AXA XL's non-U.S. subsidiaries insure or reinsure multiple voyages and fleets containing multiple ships, so they are unable to attribute gross revenues and net profits from such marine policies to activities with Iran. As the activities

of these insureds and re-insureds are permitted under applicable laws and regulations, AXA XL intends for its non-U.S. subsidiaries to continue providing such coverage to its insureds and re-insureds to the extent permitted by applicable law.

The aggregate annual premium for the above-referenced insurance policies is approximately \$570,343, representing approximately 0.0006% of AXA's 2019 consolidated revenues, which are expected to exceed \$100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be \$86,522, representing approximately 0.002% of AXA's estimated 2019 aggregate net profit.

## History and Structure

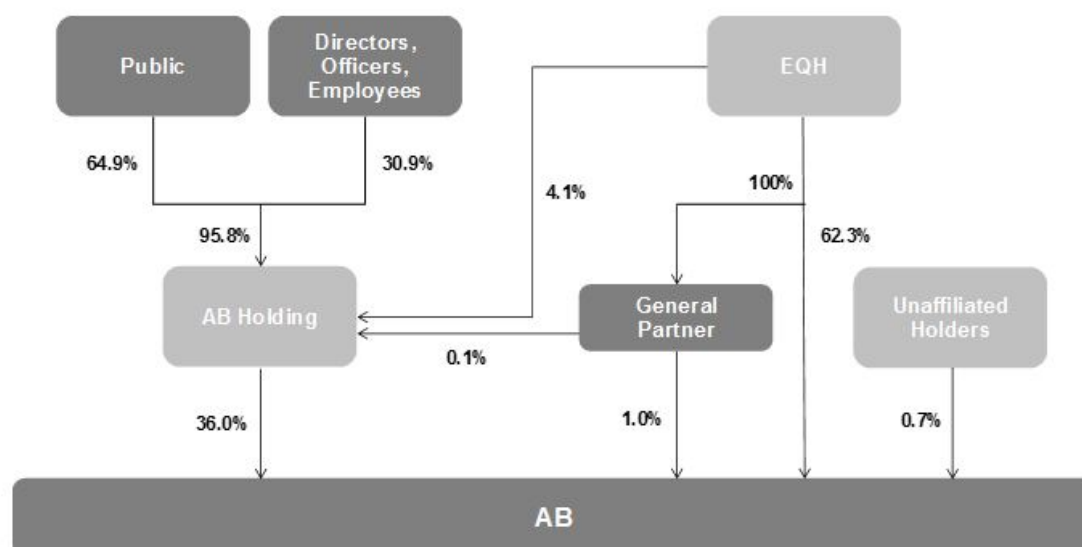
We have been in the investment research and management business for more than 50 years. Bernstein was founded in 1967. Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with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

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.

As of December 31, 2019, 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):



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, EQH, directly and through certain of its subsidiaries (see "*Principal Security Holders*" in Item 12), had an approximate 64.8% economic interest in AB as of December 31, 2019.

## 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 with 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, EQH and its subsidiaries provide financial services, some of which compete with those we offer. The AB Partnership Agreement specifically allows EQH and its subsidiaries (other than the General Partner) to compete with AB and to pursue opportunities that may be available to us. EQH and certain of its 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.

Competition is an important risk that our business faces and should be considered along with the other 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.alliancebernstein.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.

## **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.** Global financial markets performed very well in 2019, supported by three 25 basis point interest rate cuts from the U.S. Federal Reserve, which were designed to prevent negative impacts from global risks that emerged during the year. Other central banks around the world also provided additional monetary accommodation, boosting global financial markets broadly even as aggregate growth slowed in 2019 relative to 2018. Investor optimism about the eventual resolution of the trade dispute between the United States and China provided a significant boost to global equities in the fourth quarter of 2019. In addition, the Federal Reserve resumed expansion of its balance sheet late in the year, which has been viewed by many financial market participants as indicative of the central bank's willingness to keep liquidity ample. Subdued inflation kept interest rates generally low, which supported both economic growth and strong financial market performance. Some key risks to market performance in 2020 we are considering include a resumption (or heightening) of U.S./China trade tensions, geopolitical conflict and the U.S. election. These factors, and the market volatility they may cause, may adversely affect our AUM and revenues.
- **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 ongoing shift to lower-fee passive services *described below*, may continue to reduce interest in some of the investment products we offer, and/or clients and prospects may continue to seek investment products that we may not currently offer. 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 prospective clients choosing to invest with competitors.
- **Investing Trends.** Our fee rates can vary significantly among the various investment products and services we offer to our clients (see "Net Revenues" in *Item 7* for additional information regarding our fee rates); our fee realization rate fluctuates as clients shift assets between accounts or products with different fee structures.
- **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 and emerging financial technology), court decisions and competitive considerations. A reduction in fee levels would reduce our revenues.

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

*The industry-wide shift from actively-managed investment services to passive services has adversely affected our investment advisory and services fees, revenues and results of operations, and this trend may continue.*

Our competitive environment has become increasingly difficult over the past decade, as active managers, which invest based on individual security selection, have, on average, consistently underperformed passive services, which invest based on market indices. For the 12-month period ended June 30, 2019, active equity fund managers, although they improved their relative performance compared to prior periods, generally continued to lag their key benchmarks, with 48% of active managers outperforming. Results varied among growth, value and core managers. Demand for passive strategies persisted, and while active equity managers continued to struggle to attract new assets, flows to active fixed income managers turned positive. In the U.S., total industry-wide active mutual fund outflows of \$286 billion in 2018 improved to net outflows of \$34 billion in 2019. Active equity U.S. mutual fund outflows of \$289 billion in 2019 increased by 16% year-over-year as the pace of outflows steadily accelerated during the year. Active fixed income U.S. mutual funds recovered following significant outflows during the fourth quarter of 2018, as inflows during 2019 of \$272 billion, reflecting positive flows in each quarter of 2019, improved by \$258 billion compared to 2018. Meanwhile, total industry-wide passive mutual fund inflows of \$453 billion were up slightly from last year's inflows of \$450 billion. The most recent data available for U.S. institutions (through September 30, 2019) is more negative. Total industry active equity and fixed income net outflows for the nine months ended September 30, 2019 were \$481 billion, approximately 117% more than the same period a year ago. In this environment, organic growth through positive net inflows is difficult to achieve for active managers, such as AB, and requires taking market share from other active managers.

The significant shift from active services to passive services adversely affects Bernstein Research Services revenues as well. Global market volumes have declined in recent years, and we expect this to continue, fueled by persistent active equity outflows and passive equity inflows. As a result, portfolio turnover has declined and investors hold fewer shares that are actively traded by managers.

*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.

*EQH and its subsidiaries, as well as AXA and its subsidiaries, provide a significant amount of our AUM and fund a significant portion of our seed investments, and if our agreements with them terminate or they withdraw capital support, whether as a result of EQH's public offerings since 2018 or another factor, it could have a material adverse effect on our business, results of operations and/or financial condition.*

EQH (our parent company), AXA and their respective subsidiaries constitute our largest clients. Our EQH affiliates represented approximately 18%, of our AUM as of December 31, 2019, and we earned approximately 3% of our net revenues from services we provided to them in 2019. AXA and its subsidiaries represented approximately 5% of our AUM as of December 31, 2019, and we earned approximately 2% of our net revenues from services we provided to them in 2019. Our related investment management agreements are terminable at any time or on short notice by either party, and neither EQH nor AXA is under any obligation to maintain any level of AUM with us. A material adverse effect on our business, results of operations and/or financial condition could result if EQH or AXA were to terminate their investment management agreements with us.

Further, while we currently cannot predict the eventual impact on us of AXA's sale of its interest in EQH, such impact could include a reduction in the support AXA has provided to us in the past with respect to our investment management business, resulting in a decrease to our revenues and ability to initiate new investment services. Also, we rely on AXA, including its subsidiary AXA Business Services, for a number of significant services and we benefit from our affiliation with AXA in certain common vendor relationships. These arrangements may change with possible negative financial implications for us.

*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, EQH and their respective subsidiaries, 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 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.

*Performance-based fee arrangements with our clients may 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 under-performs relative to its performance target (whether in absolute terms or relative to a specified benchmark), it must gain back such under-performance 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 7.9%, 9.1% and 0.7% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 5.3% of our AUM). If the percentage of our AUM subject to performance-based fees increases, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees were \$99.6 million, \$118.1 million and \$94.8 million in 2019, 2018 and 2017, respectively.

*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, failure to settle our trades by significant counterparties and the effects of MiFID II.*

Electronic, or “low-touch,” trading represents a significant percentage of buy-side trading activity and typically produces transaction fees that are significantly lower than 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 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.

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 organizations, 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. Also, our ability to access liquidity in such situations may be limited by what our funding relationships are able to offer us at such times.

We discuss the risks associated with the second installment of the Markets in Financial Instruments Directive II (“**MiFID II**”) below in “*Legal and Regulatory-related Risks*” in this Item 1A.

*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 revenues and our AUM denominated in these other currencies. Accordingly, fluctuations in U.S. dollar exchange rates 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, swap and option 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. 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, swap and option 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).

*We may engage in strategic transactions that could pose risks.*

As part of our business strategy, we consider potential strategic transactions, including acquisitions, dispositions, mergers, consolidations, joint ventures and similar transactions, some of which may be material. These transactions, if undertaken, may involve various 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;
- potential disputes with counterparties; and
- potential dilution to our existing unitholders, if we fund the purchase price of a transaction with AB Units or AB Holding Units.

Acquisitions also pose the risk that any business we acquire may lose customers or employees or could under-perform 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.

*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, consisting 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. These models are developed by senior quantitative professionals and typically are implemented by IT professionals. Our Model Risk Oversight Committee oversees the model governance framework and associated model review activities, which are then executed by our Model Risk Team. However, due to the complexity and large data dependency 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 reputational damage.

*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 often 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.

## **Human Capital-related Risks**

*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, investment, managerial and executive personnel, and there is no assurance that we will be able to do so.

The market for these professionals is extremely competitive. They 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 factors could have a material adverse effect on our results of operations and business prospects.

Additionally, 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. As a result, we remain 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.

*Our process of relocating our headquarters may not be executed as we envision.*

We have announced that we will establish our corporate headquarters in and relocate approximately 1,250 jobs located in the New York metropolitan area to Nashville, Tennessee (for additional information, see “*Relocation Strategy*” in Item 7). Although the eventual impact on AB from this process is not yet known, the uncertainty created by these circumstances could have a significant adverse effect on AB’s ability to motivate and retain current employees. Further significant managerial and operational challenges could arise, such as ineffective transfer of institutional knowledge from current employees to newly-hired employees, if AB

experiences significantly greater attrition among current employees than the firm anticipates in connection with the relocation and/or if the firm encounters more difficulty than expected in hiring qualified employees to help staff our Nashville headquarters.

Additionally, our estimates for both the transition costs and the corresponding expense savings relating to our headquarters relocation, which we discuss in more detail in “*Relocation Strategy*” in Item 7, are based on our current assumptions of employee relocation costs, severance, and overlapping compensation and occupancy costs. If our assumptions turn out to be inaccurate, our adjusted net revenues and adjusted operating income could be adversely affected.

## **Operational, Technology and Cyber-related Risks**

*Technology failures and disruptions, including failures to properly safeguard confidential information, can significantly constrain our operations and result in significant time and expense to remediate, which could result in a material adverse effect on our results of operations and business prospects.*

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, store and maintain data, and provide reports and other services to our clients. Despite our 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 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.

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.

Also, 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.

*Any significant security breach of our information and cyber security infrastructure, as well as our failure to properly escalate and respond to such an incident, may significantly harm our operations and reputation.*

It is critical that we ensure the continuity and effectiveness of our information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that reside on or are transmitted through them and contracted third-party systems. Although we take protective measures, including measures to effectively secure information through system security technology, our technology systems may still be vulnerable to unauthorized access, computer viruses or other events that have a security impact, such as an external attack by one or more cyber criminals (including phishing attacks attempting to obtain confidential information and ransomware attacks attempting to block access to a computer system until a sum of money is paid), which could materially harm our operations and reputation. Additionally, while we take precautions to password protect and encrypt our laptops and sensitive information on our other mobile electronic devices, if such devices are stolen, misplaced or left unattended, they may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.

Furthermore, although we maintain a robust cyber security infrastructure and incident preparedness strategy, which we test periodically, we may be unable to respond, both internally and externally, to a cyber incident in a sufficiently expeditious manner. Any such failure could cause significant harm to our reputation and result in litigation, regulatory scrutiny and/or significant remediation costs.

*Unpredictable events, including climate change, 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 disease (such as the recent impact caused by the 2019 novel coronavirus) could interrupt our operations by:

- 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;
- breaching our information and cyber security infrastructure; 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, including in key business centers where we have significant operations, such as New York City, London, England, and Nashville, Tennessee, 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.

*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 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.

*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. Default rates, credit 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 and impair our ability to conduct business.

Weaknesses or failures within a third-party vendor's internal processes or systems, or inadequate business continuity plans, can materially disrupt our business operations. Also, third-party vendors may lack the necessary infrastructure 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 reputational damage.

*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.

*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.

Both Moody's Investors Service, Inc. and Standard & Poor's Rating Service affirmed AB's long-term and short-term credit ratings and indicated a stable outlook in 2019. 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.

*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 deteriorate, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price will 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 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*.

*The insurance that we maintain may not fully cover all potential exposures.*

We maintain professional liability, fidelity, cyber, property, casualty, business interruption and other types of insurance, but such insurance may not cover all risks associated with the operation of our business. Our coverage is subject to exclusions and limitations, including high self-insured retentions or deductibles and maximum limits and liabilities covered. In addition, from time to time, various types of insurance may not be available on commercially acceptable terms or, in some cases, at all. We can make no assurance that a claim or claims will be covered by our insurance policies or, if covered, will not exceed our available insurance coverage, or that our insurers will remain solvent and meet their obligations.

In the future, we may not be able to obtain coverage at current levels, if at all, and our premiums may increase significantly on coverage that we maintain. Also, we currently are party to certain joint insurance arrangements with subsidiaries of EQH. If our affiliates choose not to include us as insured parties under any such policies, we may need to obtain stand-alone insurance coverage, which could have coverage terms that are less beneficial to us and/or cost more.

## Legal and Regulatory-related Risks

*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.

In recent years, global regulators have substantially increased their oversight of financial services. Some of the newly-adopted and proposed regulations are focused on investment management services. Others, while more broadly focused, nonetheless impact our business. Moreover, the adoption of new laws, regulations or standards and changes in the interpretation or enforcement of existing laws, regulations or standards have directly affected, and will continue to affect, our business, including making our efforts to comply more expensive and time-consuming.

For example, in 2015 the Financial Supervisory Commission in Taiwan ("FSC") implemented new limits on the degree to which local investors can own an offshore investment product. While certain exemptions have been available to us, should we not continue to qualify, the FSC's 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 FSC limits. This could lead to significant declines in our investment advisory and services fees and revenues earned from these funds.

In Europe, MiFID II, which became effective in January 2018, makes significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications have reduced, and are believed to have significantly reduced, the overall research spend by European buy-side firms, which has decreased the revenues we derive from our European clients. Our European clients may continue to reduce their research budgets, which could result in a significant decline in our sell-side revenues.

Also, while MiFID II is not applicable to firms operating outside of Europe, competitive and client pressures may force buy-side firms operating outside of Europe to pay for research from their own resources instead of through bundled trading commissions. If that occurs, we would expect that research budgets from those clients will decrease further, which could result in an additional significant decline in our sell-side revenues. Additionally, these competitive and client pressures may result in our buy-side operation paying for research out of our own resources instead of through bundled trading commissions, which could increase our firm's expenses and decrease our operating income.

Additionally, in July 2017 the Chief Executive of the U.K. Financial Conduct Authority ("FCA"), which regulates the London Interbank Offered Rate, or "**LIBOR**," as a "benchmark" or "reference rate" for various interest rate calculations, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. Although financial regulators and industry working groups have suggested alternative reference rates, global consensus on alternative rates is lacking and the process for amending existing contracts or instruments to transition away from LIBOR remains unclear. The elimination of LIBOR or changes to other reference rates or any other changes or reforms to the determination or supervision of reference rates may adversely affect the amount of interest payable or interest receivable on certain of our firm's portfolio investments. These changes may also impact the market liquidity and market value of these portfolio investments. We are finalizing our global assessment of exposure in relation to funds utilizing LIBOR based instruments and benchmarks. Further, we are prioritizing the mitigation of risks associated with the forecast changes to financial instruments and performance benchmarks referencing existing LIBOR rates, and concurrently any impact on AB portfolios and investment strategies.

Lastly, it also is uncertain how regulatory trends will evolve under the current U.S. President's administration and abroad. For example, in June 2016, a narrow majority of voters in a U.K. referendum voted to exit the European Union ("**Brexit**") and, as of January 31, 2020, the U.K. did just that. However, it remains unclear exactly how the U.K.'s status in relation to the European Union ("EU") will change now that it has left. Accordingly, our U.K.-based buy-side and sell-side subsidiaries are implementing alternative arrangements in EU jurisdictions in order to ensure continued operations in the Eurozone, including our continued ability to market and sell various investment products in the Eurozone. In addition, any other changes in the composition of the EU's member states may add further complexity to our global risks and operations.

*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.

## **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 EQH and the General Partner pursuant to the AB Partnership Agreement. Generally, neither EQH 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. EQH 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@alliancebernstein.com](mailto:corporate_secretary@alliancebernstein.com)). Also, we have filed the transfer program as Exhibit 10.07 to this Form 10-K.

*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 seeks to ensure 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. Each of AB's non-U.S. corporate subsidiaries generally is subject to taxes in the foreign jurisdiction where it is located. If our business increasingly operates in countries other than the U.S., AB's effective tax rate will increase as 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*. If AB and AB Holding were to become subject to corporate income tax *as set forth above*, their net income and quarterly distributions to Unitholders would be materially reduced. For information about the significant restrictions on transfer of AB Units, *see the risk factor immediately above*.

*If, pursuant to the Bipartisan Budget Act of 2015 ("2015 Act"), any audit by the Internal Revenue Service ("IRS") of our income tax returns for any of our taxable years 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, with respect to taxable years beginning on or before December 31, 2017, is required to collect any additional taxes, interest and penalties from the partnership's individual partners. The 2015 Act modifies this procedure for audits of a partnership's taxable years beginning after December 31, 2017 and, if a partnership meets certain requirements and makes a proper election, for audits of a partnership's taxable years beginning before January 1, 2018. We may choose to make such an election if we receive a written notice of selection for examination for an eligible taxable year or if we file, on or after January 1, 2018, an administrative adjustment request for an eligible taxable year and otherwise qualify to make such an election.

Generally, we will have the ability to collect 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. In particular, as a publicly traded partnership, our Partnership Representative (as defined below) may, in certain instances, request that any "imputed underpayment" resulting from an audit be adjusted by amounts of certain of our passive losses. If we successfully make such a request, we would have to reduce suspended passive loss carryovers in a manner which is binding on the partners.

In August and December, 2018, the IRS issued final regulations providing rules relating to the operation of the partnership audit rules (the "**Final Regulations**"). Pursuant to the 2015 Act and the Final Regulations, for taxable years beginning after December 31, 2017, we will be required to designate a partner, or other person, with a substantial presence in the United States as the partnership representative ("**Partnership Representative**") and we will no longer have a "tax matters partner." The Partnership Representative will have the sole authority to act on our behalf for purposes of, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS. If we do not make such a designation, the IRS can select any person as the Partnership Representative. Any actions taken by us or by the Partnership Representative on our behalf with respect to, among other things, U.S. federal income tax audits and judicial review of administrative adjustments by the IRS, will be binding on us and our unitholders.

In addition, the Final Regulations clarified the procedure under which a partnership may elect to require its unitholders to take into account on their income tax returns an audit adjustment made to the partnership's income tax items. We may, but are not required to, make such a "push-out" election. In addition, a partnership that is a partner of another partnership may elect to have its unitholders take an audit adjustment of the lower-tier partnership into account (i.e., the upper-tier partnership may push adjustments received from the lower-tier partnership through to the partners of the upper-tier partnership). The upper-tier partnership must timely complete the "push-out" of the adjustment in order for it to be effective. Under the Final Regulations, such election must be made by the extended due date for the return for the adjustment year of the audited partnership, regardless of whether the audited partnership is required to file a return for the adjustment year or timely files a request for an extension for its return. The Final Regulations set forth a number of requirements to make a "push-out" election and we may be unable or unwilling to comply with such requirements. If we do not make a "push-out" election, we would be required to pay any tax resulting from the adjustments to our income tax items, and the cash available for distribution to unitholders would be substantially reduced.

*Non-U.S. unitholders may be subject to a 10% withholding tax on the sale of their AB Units or AB Holding Units, which could reduce the value of such Units.*

Gain or loss from the sale or exchange of partnership units after November 27, 2017 by a non-U.S. unitholder are treated as effectively connected with a U.S. trade or business to the extent that the non-U.S. unitholder would have had effectively connected gain or loss on a hypothetical sale by the partnership of all of its assets at fair market value as of the date of the sale or exchange of the partnership units. The Tax Cuts and Jobs Act also imposed certain withholding requirements for the sale of partnership units by a non-U.S. unitholder and authorized the IRS to issue regulations to carry out the withholding rules in the case of publicly traded partnerships. In December 2017, the IRS issued a notice suspending the application of these new withholding rules to the

disposition of publicly traded partnership units until the IRS issued related guidance. In May 2019, the IRS issued proposed regulations ("**Proposed Regulations**") that would, if enacted, end the suspension of withholding rules with respect to the disposition of units in publicly traded partnerships by non-U.S. unitholders. Taxpayers are permitted to rely on the suspension provided by the earlier notice until finalized regulations are enacted, which the IRS intends to be 60 days after the date that any such regulations are finalized. We cannot predict when or if the IRS will finalize the Proposed Regulations or release other guidance or what the finalized regulations or other guidance will indicate. If the Proposed Regulations are finalized and enacted in their current form, they generally would subject publicly traded partnerships to the same rules as other partnerships, in which case we would be subject to two different withholding regimes. Under the first regime, the recipient of the units being transferred, or the broker through which such transfer is effected, generally will be required to withhold 10% of the amount realized by the transferring unitholder, unless the transferring unitholder provides the recipient unitholder (or the broker, as applicable) with either proper documentation proving that the transferring unitholder is not a nonresident alien individual or foreign corporation, or with certain other statements or certifications described in the Proposed Regulations that limit or relieve the recipient unitholder's (or the broker's, as applicable) withholding obligation. Under the second regime, if the recipient unitholder (or the broker, as applicable) fails to properly withhold, then we generally would be obligated to deduct and withhold from distributions to the recipient unitholder a tax in an amount equal to the amount the transferring unitholder (or the broker, as applicable) failed to withhold (plus interest). Whether or not these withholding rules apply does not affect the characterization of gain or loss from the sale or exchange of partnership units by a non-U.S. unitholder as effectively connected with a U.S. trade or business.

#### **Item 1B. Unresolved Staff Comments**

We have no unresolved comments from the staff of the SEC to report.



## **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 2024. At this location, we currently lease 999,963 square feet of space, within which we currently occupy approximately 523,373 square feet of space and have sub-let (or are seeking to sub-let) approximately 476,590 square feet of space. We also leased space at one other location in New York City, which expired on December 31, 2019.

In addition, we lease approximately 229,147 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021. At this location, we currently occupy approximately 55,921 square feet of space and have sub-let (or are seeking to sub-let) approximately 173,226 square feet of space.

We entered into a 20-year lease agreement in New York, New York, at 66 Hudson Boulevard, for 190,000 square feet that is expected to commence in 2024.

We entered into short-term leases for office space in Nashville, Tennessee during the construction of our new corporate headquarters at 501 Commerce Street, which we will vacate upon completion of 501 Commerce Street.

We entered into a 15-year lease agreement in Nashville, Tennessee, at 501 Commerce Street, for 218,976 square feet that is expected to commence in July 2020.

We also lease 50,792 square feet of space in San Antonio, Texas under a lease expiring April 30, 2029 with options to extend through 2039.

In addition, we lease less significant amounts of space in 23 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 Hong Kong, China, under a lease expiring in 2027. In London, we currently lease 65,488 square feet of space, within which we currently occupy approximately 54,746 square feet of space and have sub-let approximately 10,742 square feet of space. In Hong Kong, we currently lease and occupy 35,878 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.

AB may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that we could incur losses pertaining to these matters, but we cannot currently estimate any such 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.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## 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*.

On December 31, 2019, the last trading day during 2019, the closing price of an AB Holding Unit on the NYSE was \$30.26 per Unit. On December 31, 2019, there were (i) 941 AB Holding Unitholders of record for approximately 82,000 beneficial owners, and (ii) 375 AB Unitholders of record (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, 2019, 2018 and 2017.

#### **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 Rules 10b5-1 and 10b-18 under the Exchange Act. The plan adopted during the fourth quarter of 2019 expired at the close of business on February 11, 2020. AB may adopt additional plans in the future to engage in open-market purchases of AB 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 2019 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
10/1/19-10/31/19 <sup>(1)(2)</sup>	264,663	\$ 28.34	—	—
11/1/19-11/30/19 <sup>(1)(2)</sup>	42,800	29.00	—	—
12/1/19-12/31/19 <sup>(1)(2)</sup>	2,821,051	28.98	—	—
<b>Total</b>	<b>3,128,514</b>	<b>\$ 28.93</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> During the fourth quarter of 2019, we purchased 2,648,758 AB Holding Units from employees to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

- (2) During the fourth quarter of 2019, we purchased 479,756 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 2019 are as follows:

Issuer Purchases of Equity Securities

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
10/1/19-10/31/19	—	\$ —	—	—
11/1/19-11/30/19	—	—	—	—
12/1/19-12/31/19 <sup>(1)</sup>	2,800	28.85	—	—
<b>Total</b>	<b>2,800</b>	<b>\$ 28.85</b>	<b>—</b>	<b>—</b>

- (1) During December 2019, we purchased 2,800 AB Units in a private transaction.

**Item 6. Selected Financial Data**

## Selected Consolidated Financial Data

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	\$ 2,472,044	\$ 2,362,211	\$ 2,201,305	\$ 1,933,471	\$ 1,973,837
Bernstein research services	407,911	439,432	449,919	479,875	493,463
Distribution revenues	455,043	418,562	412,063	384,405	427,156
Dividend and interest income	104,421	98,226	71,162	46,939	24,872
Investment gains (losses)	38,659	2,653	92,102	93,353	3,551
Other revenues	97,559	98,676	97,135	99,859	101,169
Total revenues	3,575,637	3,419,760	3,323,686	3,037,902	3,024,048
Less: interest expense	57,205	52,399	25,165	9,123	3,321
Net revenues	3,518,432	3,367,361	3,298,521	3,028,779	3,020,727
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,442,783	1,378,811	1,313,469	1,229,721	1,267,926
Promotion and servicing:					
Distribution-related payments	487,965	427,186	411,467	363,603	384,425
Amortization of deferred sales commissions	15,029	21,343	31,886	41,066	49,145
Trade execution, marketing, T&E and other	219,860	222,630	213,275	216,542	232,023
General and administrative:					
General and administrative	484,750	448,996	481,488	426,147	431,635
Real estate charges	3,324	7,160	36,669	17,704	998
Contingent payment arrangements	(510)	(2,219)	267	(20,245)	(5,441)
Interest on borrowings	13,035	10,359	8,194	4,765	3,119
Amortization of intangible assets	28,759	27,781	27,896	26,311	25,798
Total expenses	2,694,995	2,542,047	2,524,611	2,305,614	2,389,628
Operating income	823,437	825,314	773,910	723,165	631,099
Income taxes	41,754	45,816	53,110	28,319	44,797
Net income	781,683	779,498	720,800	694,846	586,302
Net income of consolidated entities attributable to non-controlling interests					
	29,641	21,910	58,397	21,488	6,375
Net income attributable to AB Unitholders	\$ 752,042	\$ 757,588	\$ 662,403	\$ 673,358	\$ 579,927
Basic net income per AB Unit	\$ 2.78	\$ 2.79	\$ 2.46	\$ 2.48	\$ 2.11
Diluted net income per AB Unit	\$ 2.78	\$ 2.78	\$ 2.45	\$ 2.47	\$ 2.10
Operating margin <sup>(1)</sup>	22.6%	23.9%	21.7%	23.2%	20.7%
CASH DISTRIBUTIONS PER AB UNIT <sup>(2)</sup>	\$ 2.82	\$ 2.96	\$ 2.57	\$ 2.15	\$ 2.11
BALANCE SHEET DATA AT PERIOD END:					
Total assets	\$ 8,706,092	\$ 8,789,098	\$ 9,282,734	\$ 8,741,158	\$ 7,433,721
Debt	\$ 560,000	\$ 546,267	\$ 565,745	\$ 512,970	\$ 581,700
Total capital	\$ 4,017,101	\$ 3,916,209	\$ 4,063,304	\$ 4,068,189	\$ 4,017,221
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	\$ 622,915	\$ 516,353	\$ 554,491	\$ 480,201	\$ 467,440

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

<sup>(2)</sup> Cash distributions per AB Unit reflect the impact of AB's non-GAAP adjustments. Refer to *Item 7* for additional information concerning our non-GAAP adjustments.

## **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, 2019 were \$622.9 billion, up \$106.5 billion, or 20.6%, during 2019. The increase was driven primarily by market appreciation of \$82.2 billion and net inflows of \$25.2 billion (mainly due to Retail net inflows of \$23.8 billion).

Institutional AUM increased \$36.4 billion, or 14.8%, to \$282.7 billion during 2019, due to market appreciation of \$34.0 billion and net inflows of \$2.4 billion. Gross sales decreased \$9.0 billion from \$26.1 billion in 2018 to \$17.1 billion in 2019. Redemptions and terminations decreased \$18.1 billion from \$30.1 billion in 2018 to \$12.0 billion in 2019. The declines in both sales and redemptions in 2019 were primarily driven by significant one-time fundings and terminations related to low-fee Customized Retirement Strategies, which occurred in 2018.

Retail AUM increased \$58.4 billion, or 32.3%, to \$239.2 billion during 2019, primarily due to market appreciation of \$34.5 billion and net inflows of \$23.8 billion. Gross sales increased \$21.1 billion from \$54.2 billion in 2018 to \$75.3 billion in 2019. Redemptions and terminations decreased \$2.5 billion from \$46.5 billion in 2018 to \$44.0 billion in 2019.

Private Wealth Management AUM increased \$11.7 billion, or 13.2%, to \$101.0 billion during 2019, primarily due to market appreciation of \$13.7 billion, offset by net outflows of \$1.0 billion. Gross sales decreased \$2.2 billion from \$13.5 billion in 2018 to \$11.3 billion in 2019. Redemptions and terminations increased \$1.4 billion from \$11.0 billion in 2018 to \$12.4 billion in 2019.

Bernstein Research Services revenue decreased \$31.5 million, or 7.2%, in 2019. The decrease was due to lower global customer activity and trading commissions, partially offset by the inclusion of revenues from our acquisition of Autonomous Research LLP ("**Autonomous**"). Our acquisition of Autonomous closed on April 1, 2019.

Our 2019 net revenues of \$3.5 billion increased \$151.1 million, or 4.5%, compared to the prior year's net revenues. The most significant contributors to the increase were higher base advisory fees of \$128.4 million, higher distribution revenues of \$36.5 million and higher investment gains revenue of \$36.0 million, offset by lower Bernstein Research Services revenue of \$31.5 million and lower performance-based fees of \$18.5 million. Our operating expenses of \$2.7 billion increased \$152.9 million, or 6.0%, compared to the prior year's expenses. The increase primarily was due to higher employee compensation and benefits of \$64.0 million, higher promotion and servicing expenses of \$51.7 million and higher general and administrative expenses (including real estate charges) of \$31.9 million. Our operating income decreased \$1.9 million, or 0.2%, to \$823.4 million from \$825.3 million in 2018 and our operating margin decreased from 23.9% in 2018 to 22.6% in 2019.

### **Market Environment**

Equity markets finished positive in 2019, keyed by reduction of trade tensions between the U.S. and China, ongoing stimulus from Central Bank fiscal policies and the resilient U.S. economy. Specifically, the S&P 500, the Dow Jones Industrial Average and the Nasdaq each rallied to finish the year with record high point gains. Despite a downturn in manufacturing and businesses generally being reluctant to invest, consumer spending has remained at a healthy level and the labor market has remained strong, with the unemployment rate at a 50-year low. Three rate cuts by the Federal Reserve during the year and new repurchase programs helped reduce stresses in short term funding markets and unwind the inverted yield curve. Inflation continues to approximate the Federal Reserve's target and, barring a material deterioration in the U.S. economy, the Federal Reserve has indicated a pause in rate cuts.

Also, the improved global economic data and alleviated trade tensions sparked a rally in international equities and a weakening of the U.S. dollar. In the U.K., while the economic consequences of Brexit are still to be determined, the results of the special election held in December 2019 boosted the U.K. pound and the U.K. equity market. The era of negative rates in some European jurisdictions may be ending, and different approaches to improving liquidity, which may inure to the benefit of the banking system, are being considered. In Asia, markets remained relatively weak, and uncertainty surrounds the continued demonstrations in Hong Kong. China is balancing the short-term need for economic stimulus against the medium-term need to reduce debt levels in the Chinese economy. This analysis by the Chinese will likely result in modest stimulus to boost the Chinese economy.

### **MiFID II**

In Europe, MiFID II, which became effective on January 3, 2018, has made significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications are believed to have significantly reduced the

overall research spend by European buy-side firms, which has decreased the revenues we derive from our European clients. Our European clients may continue to reduce their research budgets, which could result in a significant decline in our sell-side revenues.

Also, while MiFID II is not applicable to firms operating outside of Europe, competitive and client pressures may force buy-side firms operating outside of Europe to pay for research from their own resources instead of through bundled trading commissions. If that occurs, we would expect that research budgets from those clients will decrease further, which could result in an additional significant decline in our sell-side revenues. Additionally, these competitive and client pressures may result in our buy-side operation paying for research out of our own resources instead of through bundled trading commissions, which could increase our firm's expenses and decrease our operating income.

The ultimate impact of MiFID II on payments for research globally remains uncertain.

### ***Equitable Holdings IPO***

During the second quarter of 2018, AXA S.A. ("**AXA**") completed the sale of a minority stake in Equitable Holdings, Inc. ("**EQH**") through an initial public offering ("**IPO**"). Since then, AXA has completed additional offerings and taken other steps, most recently during the fourth quarter of 2019. As a result, AXA owned less than 10% of the outstanding common stock of EQH as of December 31, 2019.

While we cannot at this time predict the eventual impact on AB of this transaction, such impact could include a reduction in the support AXA has provided to AB in the past with respect to AB's investment management business, resulting in a decrease in our revenues and ability to initiate new investment services. Also, AB relies on AXA, including its subsidiary, AXA Business Services, for a number of significant services and AB has benefited from its affiliation with AXA in certain common vendor relationships. Some of these arrangements are expected to change with possible negative financial implications for AB.

AXA has notified us of their intent to terminate approximately \$14 billion of fixed income investment mandates during the first half of 2020. The revenue we earn from the management of these assets is not significant.

### ***Relocation Strategy***

On May 2, 2018, we announced that we would establish our corporate headquarters in, and relocate approximately 1,050 jobs located in the New York metro area to, Nashville, TN. Subsequently, on January 14, 2020, we announced our plans to relocate an additional 200 jobs to Nashville thereby increasing the total relocated jobs to 1,250. The decision to add the additional jobs was the result of the growth in our business, select investments we are making, and the insourcing of roles typically performed by consultants. Our Nashville headquarters will house Finance, IT, Operations, Legal, Compliance, Internal Audit, Human Capital, and Sales and Marketing. We have been actively relocating jobs and expect this transition to take several years. We will continue to maintain a principal location in New York City, which will house our Portfolio Management, Sell-Side Research and Trading, and New York-based Private Wealth Management businesses.

We believe relocating our corporate headquarters to Nashville will afford us the opportunity to provide an improved quality of life alternative for our employees and enable us to attract and recruit new talented employees to a highly desirable location while improving the long-term cost structure of the firm.

During the transition period, which began in 2018 and is expected to continue through 2024, we currently estimate that we will incur transition costs of approximately \$155 million to \$165 million. These costs include employee relocation, severance, recruitment, and overlapping compensation and occupancy costs. Over this same period, we expect to realize total expense savings of approximately \$180 million to \$190 million, an amount greater than the total transition costs. However, we will incur some transition costs before we begin to realize expense savings. We incurred \$10 million of transition costs in 2018 and approximately \$33 million in 2019. With regard to 2019, this compares to estimated expense savings of approximately \$16 million, resulting in a \$0.06 reduction in net income per unit ("**EPU**") in 2019. We currently anticipate a similar EPU reduction in 2020 of approximately \$0.06. We also expect to achieve breakeven or a slight accretion in EPU in 2021 and then achieve EPU accretion in each year thereafter. Beginning in 2025, once the transition period has been completed, we estimate ongoing annual expense savings of approximately \$75 million to \$80 million, which will result from a combination of occupancy and compensation-related savings. Our estimates for both the transition costs and the corresponding expense savings are based on our current assumptions of employee relocation costs, severance and overlapping compensation, and occupancy costs. In addition, our estimates for both the timing of when we incur transition costs and realize the related expense savings are based on our current relocation implementation plan and the timing for execution of each phase. The actual total charges we eventually record, the related expense savings we realize, and timing and magnitude of EPU impact are expected to differ from our current estimates as we implement each phase of our headquarters relocation.

During October 2018, we signed a lease, which commences in mid-2020, relating to 218,976 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15 year initial lease term is \$134 million.

Although we have presented our transition costs and annual expense savings with numerical specificity, and we believe these targets to be reasonable as of the date of this report, the uncertainties surrounding the assumptions we *discuss above* create a significant risk that these targets may not be achieved. Accordingly, the expenses we actually incur and the savings we actually realize may differ from our targets, particularly if actual events adversely differ from one or more of our key assumptions. The transition costs and expense savings, together with their underlying assumptions, are Forward-Looking Statements and can be affected by any of the factors discussed in “Risk Factors” and “Cautions Regarding Forward-Looking Statements” in this 10-K. We strongly caution investors not to place undue reliance on any of these assumptions or our cost and expense targets. Except as may be required by applicable securities laws, we are not under any obligation, and we expressly disclaim any obligation, to update or alter any assumptions, estimates, financial goals, targets, projections or other related statements that we may make.

#### ***Adjusted Operating Margin Target***

We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020 (the “**2020 Margin Target**”), subject to the assumptions, factors and contingencies described as part of the initial disclosure of this target. Our adjusted operating margin for 2019 was 27.5%.

Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent on the level and volatility of the financial markets. Based upon our current revenue and expense projections, we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with our expected revenues. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.

## Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in billions)				
Institutions	\$ 282.7	\$ 246.3	\$ 269.3	14.8%	(8.5)%
Retail	239.2	180.8	192.9	32.3	(6.3)
Private Wealth Management	101.0	89.3	92.3	13.2	(3.2)
<b>Total</b>	<b>\$ 622.9</b>	<b>\$ 516.4</b>	<b>\$ 554.5</b>	<b>20.6</b>	<b>(6.9)</b>

Assets under management by investment service are as follows:

	As of December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in billions)				
Equity					
Actively Managed	\$ 177.2	\$ 136.2	\$ 139.4	30.1 %	(2.3)%
Passively Managed <sup>(1)</sup>	60.1	50.2	54.3	19.9	(7.6)
Total Equity	237.3	186.4	193.7	27.4	(3.8)
Fixed Income					
Actively Managed					
Taxable	258.3	219.7	247.9	17.6	(11.4)
Tax-exempt	47.1	41.7	40.4	13.1	3.0
	305.4	261.4	288.3	16.9	(9.4)
Passively Managed <sup>(1)</sup>	9.3	9.4	9.9	(1.5)	(4.8)
Total Fixed Income	314.7	270.8	298.2	16.2	(9.2)
Other <sup>(2)</sup>					
Actively Managed	69.3	58.3	61.9	18.8	(5.8)
Passively Managed <sup>(1)</sup>	1.6	0.9	0.7	76.8	39.7
Total Other	70.9	59.2	62.6	19.7	(5.3)
Total	\$ 622.9	\$ 516.4	\$ 554.5	20.6	(6.9)

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.



Changes in assets under management during 2019 and 2018 are as follows:

	Distribution Channel			
			Private Wealth Management	
	Institutions	Retail		Total
	(in billions)			
Balance as of December 31, 2018	\$ 246.3	\$ 180.8	\$ 89.3	\$ 516.4
Long-term flows:				
Sales/new accounts	17.1	75.3	11.3	103.7
Redemptions/terminations	(12.0)	(44.0)	(12.4)	(68.4)
Cash flow/unreinvested dividends	(2.7)	(7.5)	0.1	(10.1)
Net long-term inflows (outflows)	2.4	23.8	(1.0)	25.2
Adjustments <sup>(3)</sup>	—	—	(0.9)	(0.9)
Transfers	—	0.1	(0.1)	—
Market appreciation	34.0	34.5	13.7	82.2
Net change	36.4	58.4	11.7	106.5
Balance as of December 31, 2019	\$ 282.7	\$ 239.2	\$ 101.0	\$ 622.9
Balance as of December 31, 2017	\$ 269.3	\$ 192.9	\$ 92.3	\$ 554.5
Long-term flows:				
Sales/new accounts	26.1	54.2	13.5	93.8
Redemptions/terminations	(30.1)	(46.5)	(11.0)	(87.6)
Cash flow/unreinvested dividends	(6.0)	(7.7)	(0.6)	(14.3)
Net long-term (outflows) inflows	(10.0)	—	1.9	(8.1)
Transfers	0.2	0.2	(0.4)	—
Market depreciation	(13.2)	(12.3)	(4.5)	(30.0)
Net change	(23.0)	(12.1)	(3.0)	(38.1)
Balance as of December 31, 2018	\$ 246.3	\$ 180.8	\$ 89.3	\$ 516.4

	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, 2018	\$ 136.2	\$ 50.2	\$ 219.7	\$ 41.7	\$ 9.4	\$ 59.2	\$ 516.4	
Long-term flows:								
Sales/new accounts	34.7	0.5	53.0	10.0	0.1	5.4	103.7	
Redemptions/terminations	(26.4)	(0.8)	(31.5)	(6.8)	(0.4)	(2.5)	(68.4)	
Cash flow/unreinvested dividends	(4.3)	(3.8)	(2.8)	(0.2)	(0.6)	1.6	(10.1)	
Net long-term inflows (outflows)	4.0	(4.1)	18.7	3.0	(0.9)	4.5	25.2	
Adjustments <sup>(3)</sup>	—	—	(0.4)	(0.5)	—	—	(0.9)	
Market appreciation	37.0	14.0	20.3	2.9	0.8	7.2	82.2	
Net change	41.0	9.9	38.6	5.4	(0.1)	11.7	106.5	
Balance as of December 31, 2019	\$ 177.2	\$ 60.1	\$ 258.3	\$ 47.1	\$ 9.3	\$ 70.9	\$ 622.9	
Balance as of December 31, 2017	\$ 139.4	\$ 54.3	\$ 247.9	\$ 40.4	\$ 9.9	\$ 62.6	\$ 554.5	
Long-term flows:								
Sales/new accounts	36.7	4.0	27.6	7.9	0.1	17.5	93.8	
Redemptions/terminations	(22.2)	(0.6)	(40.8)	(6.7)	(0.6)	(16.7)	(87.6)	
Cash flow/unreinvested dividends	(3.7)	(3.6)	(6.2)	(0.4)	0.2	(0.6)	(14.3)	
Net long-term inflows (outflows)	10.8	(0.2)	(19.4)	0.8	(0.3)	0.2	(8.1)	
Market (depreciation) appreciation	(14.0)	(3.9)	(8.8)	0.5	(0.2)	(3.6)	(30.0)	
Net change	(3.2)	(4.1)	(28.2)	1.3	(0.5)	(3.4)	(38.1)	
Balance as of December 31, 2018	\$ 136.2	\$ 50.2	\$ 219.7	\$ 41.7	\$ 9.4	\$ 59.2	\$ 516.4	

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.

<sup>(3)</sup> Approximately \$900 million of non-investment management fee earning taxable and tax-exempt money market assets were removed from assets under management during the second quarter of 2019.

Net long-term inflows (outflows) for actively managed investment services as compared to passively managed investment services during 2019 and 2018 are as follows:

	Years Ended December 31,	
	2019	2018
	(in billions)	
Actively Managed		
Equity	\$ 4.0	\$ 10.8
Fixed Income	21.7	(18.6)
Other	4.0	(0.1)
	29.7	(7.9)
Passively Managed		
Equity	(4.1)	(0.2)
Fixed Income	(0.9)	(0.3)
Other	0.5	0.3
	(4.5)	(0.2)
Total net long-term inflows (outflows)	\$ 25.2	\$ (8.1)

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

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in billions)				
<b>Distribution Channel:</b>					
Institutions	\$ 265.4	\$ 258.1	\$ 253.8	2.8 %	1.7 %
Retail	212.3	191.8	177.5	10.7	8.1
Private Wealth Management	96.5	94.3	86.7	2.3	8.8
<b>Total</b>	<b>\$ 574.2</b>	<b>\$ 544.2</b>	<b>\$ 518.0</b>	<b>5.5</b>	<b>5.1</b>
<b>Investment Service:</b>					
Equity Actively Managed	\$ 158.4	\$ 146.4	\$ 125.6	8.2	16.6
Equity Passively Managed <sup>(1)</sup>	56.4	53.8	50.8	4.8	5.9
Fixed Income Actively Managed – Taxable	239.7	230.3	236.3	4.1	(2.5)
Fixed Income Actively Managed – Tax-exempt	44.6	41.3	38.8	8.0	6.4
Fixed Income Passively Managed <sup>(1)</sup>	9.4	9.8	10.3	(4.4)	(4.3)
Other <sup>(2)</sup>	65.7	62.6	56.2	5.1	11.3
<b>Total</b>	<b>\$ 574.2</b>	<b>\$ 544.2</b>	<b>\$ 518.0</b>	<b>5.5</b>	<b>5.1</b>

<sup>(1)</sup> Includes index and enhanced index services.

<sup>(2)</sup> Includes certain multi-asset solutions and services and certain alternative investments.

During 2019, our Institutional channel average AUM of \$265.4 billion increased \$7.3 billion, or 2.8%, compared to 2018, primarily due to this AUM increasing \$36.4 billion, or 14.8%, to \$282.7 billion over the last twelve months. The \$36.4 billion increase in AUM resulted from market appreciation of \$34.0 billion and net inflows of \$2.4 billion. During 2018, our Institutional channel average AUM of \$258.1 billion increased \$4.3 billion, or 1.7%, compared to 2017; however, this AUM decreased \$23.0 billion, or 8.5%, to \$246.3 billion during 2018. The \$23.0 billion decrease in AUM resulted from market depreciation of \$13.2 billion (with \$11.6 billion of market deprecation occurring in the fourth quarter of 2018) and net outflows of \$10.0 billion.

During 2019, our Retail channel average AUM of \$212.3 billion increased \$20.5 billion, or 10.7%, compared to 2018, primarily due to this AUM increasing \$58.4 billion, or 32.3%, to \$239.2 billion over the last twelve months. The \$58.4 billion increase in AUM resulted primarily from market appreciation of \$34.5 billion and net inflows of \$23.8 billion. During 2018, our Retail channel average AUM of \$191.8 billion increased \$14.3 billion, or 8.1%, compared to 2017; however, this AUM decreased \$12.1 billion, or 6.3%, to \$180.8 billion during 2018. The \$12.1 billion decrease in AUM resulted primarily from market depreciation of \$12.3 billion (with \$16.4 billion of market depreciation occurring in the fourth quarter of 2018).

During 2019, our Private Wealth Management channel average AUM of \$96.5 billion increased \$2.2 billion, or 2.3%, compared to 2018, primarily due to this AUM increasing \$11.7 billion, or 13.2%, to \$101.0 billion over the last twelve months. The \$11.7 billion increase in AUM resulted primarily from market appreciation of \$13.7 billion, partially offset by net outflows of \$1.0 billion and an adjustment of \$0.9 billion in the second quarter of 2019 relating to the removal of non-investment management fee earning assets. During 2018, our Private Wealth Management channel average AUM of \$94.3 billion increased \$7.6 billion, or 8.8%, compared to 2017; however, this AUM decreased \$3.0 billion, or 3.2%, to \$89.3 billion during 2018. The \$3.0 billion decrease in AUM resulted from market depreciation of \$4.5 billion (with \$6.8 billion of market depreciation occurring in the fourth quarter of 2018), offset by net inflows of \$1.9 billion.

As a result of the significant market declines in the fourth quarter of 2018, AUM as of December 31, 2018 was lower than AUM as of December 31, 2017 in all three distribution channels; however, average AUM during 2018 was higher than average AUM during 2017 in all three distribution channels, reflecting our strong performance through the first nine months of 2018. Conversely, the dynamic experienced in the fourth quarter of 2018 combined with positive market performance in 2019 resulted in the increases in our year-end AUM as of December 31, 2019 for all three distribution channels significantly outpacing the respective increases in average AUM during 2019.

Absolute investment composite returns, gross of fees, and relative performance as of December 31, 2019 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	15.3 %	6.5 %	6.3 %
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	1.9	0.4	(0.3)
Global Fixed Income - Unhedged (fixed income)			
Absolute return	5.3	4.1	2.1
Relative return (vs. Bloomberg Barclays Global Treasury Index)	(0.2)	—	—
Global Plus - Hedged (fixed income)			
Absolute return	8.7	4.5	4.1
Relative return (vs. Bloomberg Barclays Global Aggregate Index - Hedged)	0.5	0.2	0.5
Intermediate Municipal Bonds (fixed income)			
Absolute return	6.1	3.7	2.8
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	1.2	0.7	0.7
U.S. Strategic Core Plus (fixed income)			
Absolute return	9.2	4.6	3.8
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	0.5	0.5	0.8
Emerging Market Debt (fixed income)			
Absolute return	14.7	6.1	5.9
Relative return (vs. JPM EMBI Global/JPM EMBI)	0.3	0.1	—
U.S. Relative Value			
Absolute return	24.5	12.3	10.2
Relative return (vs. Russell 1000 Value Index)	(2.0)	2.6	1.9

	1-Year	3-Year	5-Year
International Strategic Core Equity			
Absolute return	19.4	11.4	8.1
Relative return (vs. MSCI EAFE Index)	(2.6)	1.8	2.5
U.S. Small & Mid Cap Value			
Absolute return	21.2	5.8	7.3
Relative return (vs. Russell 2500 Value Index)	(2.4)	(0.3)	0.1
U.S. Strategic Value			
Absolute return	21.0	6.2	4.5
Relative return (vs. Russell 1000 Value Index)	(5.5)	(3.5)	(3.8)
U.S. Small Cap Growth			
Absolute return	37.3	23.2	15.0
Relative return (vs. Russell 2000 Growth Index)	8.8	10.7	5.7
U.S. Large Cap Growth			
Absolute return	35.1	22.7	16.5
Relative return (vs. Russell 1000 Growth Index)	(1.3)	2.2	1.8
U.S. Small & Mid Cap Growth			
Absolute return	31.7	19.3	12.4
Relative return (vs. Russell 2500 Growth Index)	(0.9)	4.1	1.5
Concentrated U.S. Growth			
Absolute return	40.6	21.4	14.3
Relative return (vs. S&P 500 Index)	9.1	6.2	2.6
Select U.S. Equity			
Absolute return	30.5	15.6	11.7
Relative return (vs. S&P 500 Index)	(1.0)	0.3	—
Strategic Equities			
Absolute return	29.6	14.3	11.2
Relative return (vs. Russell 3000 Index)	(1.4)	(0.3)	—
Global Core Equity			
Absolute return	28.8	15.9	10.7
Relative return (vs. MSCI ACWI Index)	2.2	3.4	2.3
U.S. Strategic Core Equity			
Absolute return	32.1	15.1	12.7
Relative return (vs. S&P 500 Index)	0.6	(0.2)	1.0
Select U.S. Equity Long/Short			
Absolute return	18.9	10.6	7.8
Relative return (vs. S&P 500 Index)	(12.6)	(4.7)	(3.9)

# Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
(in thousands, except per unit amounts)					
Net revenues	\$ 3,518,432	\$ 3,367,361	\$ 3,298,521	4.5 %	2.1 %
Expenses	2,694,995	2,542,047	2,524,611	6.0	0.7
Operating income	823,437	825,314	773,910	(0.2)	6.6
Income taxes	41,754	45,816	53,110	(8.9)	(13.7)
Net income	781,683	779,498	720,800	0.3	8.1
Net income of consolidated entities attributable to non-controlling interests	29,641	21,910	58,397	35.3	(62.5)
Net income attributable to AB Unitholders	\$ 752,042	\$ 757,588	\$ 662,403	(0.7)	14.4
Diluted net income per AB Unit	\$ 2.78	\$ 2.78	\$ 2.45	—	13.5
Distributions per AB Unit	\$ 2.82	\$ 2.96	\$ 2.57	(4.7)	15.2
Operating margin <sup>(1)</sup>	22.6%	23.9%	21.7%		

<sup>(1)</sup> 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, 2019 decreased \$5.5 million from the year ended December 31, 2018. The decrease primarily is due to (in millions):

Higher employee compensation and benefits	\$ (64.0)
Higher promotion and servicing expenses	(51.7)
Higher general and administrative expenses (including real estate charges)	(31.9)
Lower Bernstein Research Services revenue	(31.5)
Lower performance-based fees	(18.5)
Higher net income of consolidated entities attributable to non-controlling interest	(7.7)
Higher base advisory fees	128.4
Higher distribution revenues	36.5
Higher investment gains	36.0
Other	(1.1)
	<u>\$ (5.5)</u>

Net income attributable to AB Unitholders for the year ended December 31, 2018 increased \$95.2 million from the year ended December 31, 2017. The increase primarily was due to (in millions):

Higher base advisory fees	\$	137.5
Lower general and administrative expenses (including real estate charges)		62.0
Lower net income of consolidated entities attributable to non-controlling interest		36.5
Higher performance-based fees		23.4
Lower income tax expenses		7.3
Higher distribution revenues		6.5
Changes in contingent payment arrangements		2.5
Lower investment gains		(89.4)
Higher employee compensation and benefits		(65.3)
Higher promotion and servicing expenses		(14.5)
Lower Bernstein Research Services revenue		(10.5)
Other		(0.8)
	\$	<u>95.2</u>

#### *Units Outstanding*

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”). A plan of this type 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 to repurchase AB Holding Units on our behalf in accordance with the terms and limitations specified in 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 2019 expired at the close of business on February 11, 2020. We may adopt additional 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, with concurrence of the Board of Directors, that one or more 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.

#### *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 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,		
	2019	2018	2017
	(in thousands)		
<b>Net revenues, US GAAP basis</b>	<b>\$ 3,518,432</b>	<b>\$ 3,367,361</b>	<b>\$ 3,298,521</b>
Adjustments:			
Impact of adoption of revenue recognition standard ASC 606	—	77,844	—
Distribution-related payments	(487,965)	(427,186)	(411,467)
Amortization of deferred sales commissions	(15,029)	(21,343)	(31,886)
Pass-through fees and expenses	(56,840)	(40,219)	(40,531)
Impact of consolidated company-sponsored funds	(33,044)	(38,142)	(87,255)
Long-term incentive compensation-related investment gains and dividend and interest	(8,939)	3,509	(9,891)
Loss (gain) on sale of software technology investment	—	3,733	(4,592)
Other	—	47	—
<b>Adjusted net revenues</b>	<b>\$ 2,916,615</b>	<b>\$ 2,925,604</b>	<b>\$ 2,712,899</b>
<b>Operating income, US GAAP basis</b>	<b>\$ 823,437</b>	<b>\$ 825,314</b>	<b>\$ 773,910</b>
Adjustments:			
Impact of adoption of revenue recognition standard ASC 606	—	35,156	—
Real estate charges	2,623	7,160	36,669
Acquisition-related expenses	6,734	1,924	2,012
Long-term incentive compensation-related items	1,217	3,064	709
CEO's EQH award compensation	1,125	—	—
Loss (gain) on sale of software technology investment	—	3,733	(4,592)
Contingent payment arrangements	(3,051)	(2,429)	(193)
Other	—	47	—
Sub-total of non-GAAP adjustments	8,648	48,655	34,605
Less: Net income of consolidated entities attributable to non-controlling interests	29,641	21,910	58,397
<b>Adjusted operating income</b>	<b>802,444</b>	<b>852,059</b>	<b>750,118</b>
Adjusted income taxes	40,684	47,289	56,709
<b>Adjusted net income</b>	<b>\$ 761,760</b>	<b>\$ 804,770</b>	<b>\$ 693,409</b>
<b>Diluted net income per AB Unit, GAAP basis</b>	<b>\$ 2.78</b>	<b>\$ 2.78</b>	<b>\$ 2.45</b>
Impact of non-GAAP adjustments	0.03	0.18	0.12
<b>Adjusted diluted net income per AB Unit</b>	<b>\$ 2.81</b>	<b>\$ 2.96</b>	<b>\$ 2.57</b>
<b>Adjusted operating margin</b>	<b>27.5%</b>	<b>29.1%</b>	<b>27.7%</b>

Adjusted operating income for the year ended December 31, 2019 decreased \$49.6 million, or 5.8%, from the year ended December 31, 2018, primarily due to lower performance-based fees of \$99.3 million, lower Bernstein Research Services revenue of \$31.5 million, higher general and administrative expenses of \$29.3 million, higher net distribution expenses of \$17.8 million and higher employee compensation expenses (excluding the impact of long-term incentive compensation-related items) of \$8.3 million, offset by higher investment advisory base fees of \$113.3 million and higher investments gains and losses revenue of \$22.4 million. Adjusted operating income for the year ended December 31, 2018 increased \$101.9 million, or 13.6%, from the year ended December 31, 2017, primarily due to higher investment advisory base fees of \$139.3 million, higher performance-based fees of \$90.7 million and lower general and administrative expenses of \$19.1 million, offset by higher employee compensation expenses (excluding the impact of long-term incentive compensation-related items) of \$119.6 million, lower Bernstein Research Services revenue of \$10.5 million, lower investments gains and losses revenue of \$9.5 million and higher promotion and servicing expenses of \$8.6 million.

On January 1, 2018, as a result of our adoption of ASC 606, we recorded a cumulative effect adjustment, net of tax, of \$35.0 million to partners' capital in the consolidated statement of financial condition. This amount represented carried interest distributions



of \$77.9 million previously received, net of revenue sharing payments to investment team members, of \$42.7 million, with respect to which it was probable that significant reversal would not occur. These amounts were included in adjusted net revenues and adjusted operating income in the first quarter of 2018.

### **Adjusted Net Revenues**

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 do not affect operating income, but they do affect our operating margin. As such, we exclude these fees from adjusted net revenues.

We adjust for the revenue impact of consolidating company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds' revenues and including AB's fees from such consolidated company-sponsored investment funds and AB's investment gains and losses on its investments in such consolidated company-sponsored investment funds that were eliminated in consolidation.

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments.

Adjusted net revenues include the impact of our adoption of revenue recognition standard ASC 606 during the first quarter of 2018, *as discussed above*.

During 2017, we excluded a realized gain of \$4.6 million on the exchange of software technology for an ownership stake in a third party provider of financial market data and trading tools. During 2018, we decreased our valuation of this investment by \$3.7 million.

### **Adjusted Operating Income**

Adjusted operating income represents operating income on a US GAAP basis excluding (1) real estate charges (credits), (2) acquisition-related expenses, (3) 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, (4) our CEO's EQH award compensation, *as discussed below*, (5) loss (gain) on the sale of a software technology investment, (6) adjustments to contingent payment arrangements, and (7) the impact of consolidated company-sponsored investment funds; provided, however, that adjusted operating income includes the revenues and expenses associated with our implementation of ASC 606 during the first quarter of 2018 *discussed above*.

Real estate charges (credits) 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. However, beginning in the fourth quarter of 2019, real estate charges (credits), while excluded in the period in which the charges (credits) are recorded, are included ratably over the remaining applicable lease term.

Acquisition-related expenses 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. During 2019, these expenses included an intangible asset impairment charge of \$3.1 million relating to our 2016 acquisition.

Prior to 2009, a significant portion of employee compensation was in the form of 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 delivered 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.

The board of directors of EQH granted to Seth P. Bernstein (“**CEO**”) equity awards in connection with EQH's IPO and Mr. Bernstein's membership on the EQH Management Committee. Mr. Bernstein may receive additional equity or cash compensation from EQH in the future related to his service on the Management Committee. Any awards granted to Mr. Bernstein by EQH are

recorded as compensation expense in AB's consolidated statement of income. The compensation expense associated with these awards has been excluded from our non-GAAP measures because they are non-cash and are based upon EQH's, and not AB's, financial performance.

The loss (gain) on the sale of a software technology investment has been excluded due to its non-recurring nature and because it is not part of our core operating results.

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

We adjusted for the operating income impact of consolidating certain company-sponsored investment funds by eliminating the consolidated company-sponsored funds' revenues and expenses and including AB's revenues and expenses that were eliminated in consolidation. We also excluded the limited partner interests we do not own.

#### ***Adjusted Net Income and Adjusted Diluted Net Income per AB Unit***

As previously discussed, our quarterly distribution is typically our adjusted diluted net income per unit (which is derived from adjusted net income) for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. Adjusted income taxes, used in calculating adjusted net income, are calculated using the GAAP effective tax rate adjusted for non-GAAP income tax adjustments.

#### ***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.

## Net Revenues

The components of net revenues are as follows:

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
Investment advisory and services fees:					
Institutions:					
Base fees	\$ 451,125	\$ 444,884	\$ 430,446	1.4 %	3.4 %
Performance-based fees	27,839	32,898	45,159	(15.4)	(27.2)
	478,964	477,782	475,605	0.2	0.5
Retail:					
Base fees	1,076,495	992,037	922,510	8.5	7.5
Performance-based fees	22,510	18,278	24,216	23.2	(24.5)
	1,099,005	1,010,315	946,726	8.8	6.7
Private Wealth Management:					
Base fees	844,809	807,147	753,569	4.7	7.1
Performance-based fees	49,266	66,967	25,405	(26.4)	163.6
	894,075	874,114	778,974	2.3	12.2
Total:					
Base fees	2,372,429	2,244,068	2,106,525	5.7	6.5
Performance-based fees	99,615	118,143	94,780	(15.7)	24.6
	2,472,044	2,362,211	2,201,305	4.6	7.3
Bernstein Research Services	407,911	439,432	449,919	(7.2)	(2.3)
Distribution revenues	455,043	418,562	412,063	8.7	1.6
Dividend and interest income	104,421	98,226	71,162	6.3	38.0
Investment gains	38,659	2,653	92,102	n/m	(97.1)
Other revenues	97,559	98,676	97,135	(1.1)	1.6
Total revenues	3,575,637	3,419,760	3,323,686	4.6	2.9
Less: Interest expense	57,205	52,399	25,165	9.2	108.2
<b>Net revenues</b>	<b>\$ 3,518,432</b>	<b>\$ 3,367,361</b>	<b>\$ 3,298,521</b>	<b>4.5</b>	<b>2.1</b>

### 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 35 to 110 basis points for actively-managed equity services, 10 to 70 basis points for actively-managed fixed income services and 2 to 20 basis points for passively-managed services. Average basis points realized for other services could range from 4 basis points for certain Institutional third party managed services to over 100 basis points for certain Retail and Private Wealth Management alternative services. These ranges include all-inclusive fee arrangements (covering investment management, trade execution and other services) for our Private Wealth Management clients.

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 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 AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities.

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.

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 7.9%, 9.1% and 0.7% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 5.3% of our AUM).

Our investment advisory and services fees increased by \$109.8 million, or 4.6%, in 2019, primarily due to a \$128.4 million, or 5.7%, increase in base fees, which primarily resulted from a 5.5% increase in average AUM and the impact of a slight shift in product mix from fixed income to equities, which generally have higher fees. This increase was partially offset by an \$18.5 million decrease in performance-based fees. Our investment advisory and services fees increased by \$160.9 million, or 7.3%, in 2018, primarily due to a \$137.5 million, or 6.5%, increase in base fees, which primarily resulted from a 5.1% increase in average AUM and the impact of a shift in distribution channel mix from Institutions to Retail and Private Wealth Management. Also, performance-based fees increased \$23.4 million.

Institutional investment advisory and services fees increased \$1.2 million, or 0.2%, in 2019, primarily due to an increase in base fees of \$6.2 million, or 1.4%, primarily resulting from a 2.8% increase in average AUM, partially offset by a decrease in performance-based fees of \$5.1 million and the impact of lower fee realization from active equities. Institutional investment advisory and services fees increased \$2.2 million, or 0.5%, in 2018, primarily due to an increase in base fees of \$14.4 million, or 3.4%, primarily resulting from a 1.7% increase in average AUM and the impact of higher fees from alternatives and a shift in product mix to active equities, which generally have higher fees. The increase was partially offset by a decrease in performance-based fees of \$12.3 million.

Retail investment advisory and services fees increased \$88.7 million, or 8.8%, in 2019, primarily due to an increase in base fees of \$84.5 million, or 8.5%, primarily resulting from a 10.7% increase in average AUM, partially offset by the impact of lower fee realization from active equities. Also, performance-based fees increased \$4.2 million. Retail investment advisory and services fees increased \$63.6 million, or 6.7%, in 2018, primarily due to an increase in base fees of \$69.5 million, or 7.5%, primarily resulting from an 8.1% increase in average AUM. The increase was partially offset by a decrease in performance-based fees of \$5.9 million.

Private Wealth Management investment advisory and services fees increased by \$20.0 million, or 2.3%, in 2019, due to an increase in base fees of \$37.7 million, or 4.7%, primarily resulting from an 2.3% increase in average AUM and the impact of a shift in product mix to alternatives, which generally have higher fees. This increase was partially offset by a \$17.7 million decrease in performance-based fees. Private Wealth Management investment advisory and services fees increased \$95.1 million, or 12.2%, in 2018, due to an increase in base fees of \$53.6 million, or 7.1%, resulting from an 8.8% increase in average AUM. In addition, performance-based fees increased \$41.6 million.

### ***Bernstein Research Services***

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, and to a lesser extent, but increasingly, by paying us directly for research through commission sharing agreements or cash payments.

Revenues from Bernstein Research Services decreased \$31.5 million, or 7.2%, in 2019. The decrease was due to lower global customer activity and trading commissions, partially offset by the inclusion of revenues from our acquisition of Autonomous (which closed on April 1, 2019).

Revenues from Bernstein Research Services decreased \$10.5 million, or 2.3%, in 2018. The decrease was driven by a reduction in commission rates due to the unbundling of research services and a volume mix shift to lower fee electronic trading across all regions, partially offset by a weaker U.S. dollar.

***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 increased \$36.5 million, or 8.7%, in 2019, primarily due to the corresponding average AUM of these mutual funds increasing 10.0%, offset by the impact of a shift in product mix from mutual funds that have higher distribution rates to mutual funds with lower distribution rates.

Distribution revenues increased \$6.5 million, or 1.6%, in 2018, primarily due to the corresponding average AUM of these mutual funds increasing 4.5%, offset by the impact of a shift in product mix. Average AUM for Japan and Taiwan domiciled funds increased 35.1%, while average AUM of B-share and C-share mutual funds (which have higher distribution rates than A- share mutual funds, as well as other funds not domiciled in the U.S. or Luxembourg) decreased 22.5%.

***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 as well as dividend and interest income in our consolidated company-sponsored investment funds. Interest expense principally reflects interest accrued on cash balances in customers' brokerage accounts.

Dividend and interest income increased \$6.2 million, or 6.3%, in 2019, primarily due to higher interest earned on customer margin balances and U.S. Treasury Bills, offset by lower dividend and interest income in our consolidated company-sponsored investment funds. Interest expense increased \$4.8 million, or 9.2%, in 2019, due to higher interest paid on cash balances in customers' brokerage accounts.

Dividend and interest income increased \$27.1 million, or 38.0%, in 2018, primarily due to higher interest earned on customer margin balances and U.S. Treasury Bills. Interest expense increased \$27.2 million in 2018, due to higher interest paid on cash balances in customers' brokerage accounts.

***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) U.S. Treasury Bills, (iii) market-making in exchange-traded options and equities, (iv) seed capital investments, (v) derivatives and (vi) investments in our consolidated company-sponsored investment funds. Investment gains (losses) also include 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,		
	2019	2018	2017
	(in thousands)		
Long-term incentive compensation-related investments			
Realized gains	\$ 1,672	\$ 2,512	\$ 2,214
Unrealized (losses) gains	5,859	(8,032)	5,723
Investments held by consolidated company-sponsored investment funds			
Realized (losses) gains	9,378	(1,134)	59,669
Unrealized gains	36,150	14,217	36,340
Seed capital investments			
Realized gains (losses)			
Seed capital and other	17,301	(943)	24,822
Derivatives	(30,320)	7,001	(22,395)
Unrealized gains (losses)			
Seed capital and other	7,510	(15,003)	(9,713)
Derivatives	(8,013)	5,384	(1,478)
Brokerage-related investments			
Realized losses	(1,209)	(1,410)	(2,796)
Unrealized gains (losses)	331	61	(284)
	\$ 38,659	\$ 2,653	\$ 92,102

#### **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 EQH and its subsidiaries, and other miscellaneous revenues. Other revenues decreased \$1.1 million, or 1.1%, in 2019, primarily due to lower brokerage income and lower investment income related to our consolidated company-sponsored investment funds, partially offset by higher shareholder servicing fees. Other revenues increased \$1.5 million, or 1.6%, in 2018, primarily due to higher shareholder servicing fees and higher mutual fund reimbursements.

## Expenses

The components of expenses are as follows:

	Years Ended December 31,			% Change	
	2019	2018	2017	2019-18	2018-17
	(in thousands)				
Employee compensation and benefits	\$ 1,442,783	\$ 1,378,811	\$ 1,313,469	4.6 %	5.0 %
Promotion and servicing:					
Distribution-related payments	487,965	427,186	411,467	14.2	3.8
Amortization of deferred sales commissions	15,029	21,343	31,886	(29.6)	(33.1)
Trade execution, marketing, T&E and other	219,860	222,630	213,275	(1.2)	4.4
	722,854	671,159	656,628	7.7	2.2
General and administrative:					
General and administrative	484,750	448,996	481,488	8.0	(6.7)
Real estate charges	3,324	7,160	36,669	(53.6)	(80.5)
	488,074	456,156	518,157	7.0	(12.0)
Contingent payment arrangements	(510)	(2,219)	267	(77.0)	n/m
Interest on borrowings	13,035	10,359	8,194	25.8	26.4
Amortization of intangible assets	28,759	27,781	27,896	3.5	(0.4)
<b>Total</b>	<b>\$ 2,694,995</b>	<b>\$ 2,542,047</b>	<b>\$ 2,524,611</b>	<b>6.0</b>	<b>0.7</b>

### 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 41.0%, 40.9% and 39.8% for the years ended December 31, 2019, 2018 and 2017, 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 1.2%, 1.1% and 1.1% of adjusted net revenues for 2019, 2018 and 2017, 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 and the amortization expense associated with the awards issued by EQH to our firm's CEO relating to his role as a member of the EQH Management Committee. 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 47.9%, 47.5% and 47.1%, respectively, for the years ended December 31, 2019, 2018 and 2017.

In 2019, employee compensation and benefits expense increased \$64.0 million, or 4.6%, primarily due to higher base compensation of \$34.1 million (primarily higher salaries), higher incentive compensation of \$17.4 million and higher fringes of \$15.6 million, partially offset by lower commissions of \$3.2 million. In 2018, employee compensation and benefits expense increased \$65.3 million, or 5.0%, primarily due to higher incentive compensation of \$19.3 million, higher commissions of \$19.0 million, higher base compensation of \$14.7 million (primarily higher salaries), and higher fringes of \$7.4 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 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 increased \$51.7 million, or 7.7%, in 2019. The increase primarily was due to higher distribution-related payments of \$60.8 million and higher travel and entertainment expenses of \$3.2 million, offset by lower amortization of deferred sales commissions of \$6.3 million, lower trade execution and clearance expenses of \$3.7 million and lower marketing expenses of \$2.5 million. Promotion and servicing expenses increased \$14.5 million, or 2.2%, in 2018. The increase primarily was due to higher distribution-related payments of \$15.7 million, higher marketing expenses of \$4.5 million and higher trade execution and clearance expenses of \$4.5 million, offset by lower amortization of deferred sales commissions of \$10.5 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 13.9%, 13.5% and 15.7% for the years ended December 31, 2019, 2018 and 2017, respectively. General and administrative expenses increased \$31.9 million, or 7.0%, during 2019, primarily due to higher portfolio service fees of \$11.2 million, higher technology fees of \$11.0 million and higher professional fees of \$7.0 million. General and administrative expenses decreased \$62.0 million, or 12.0%, during 2018, primarily due to lower real estate charges of \$29.5 million, the lack of a \$19.7 million vendor termination fee recorded in 2017, lower rent expense of \$5.0 million, lower exchange rate losses of \$2.8 million and lower errors of \$2.7 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 of \$0.5 million for 2019 reflects the change in estimate of the contingent consideration payable relating to our 2016 acquisition of \$3.1 million, offset by accretion expenses of \$2.6 million. The credit of \$2.2 million for 2018 reflects the change in estimate of the contingent consideration payable relating to our 2016 acquisition of \$2.4 million, offset by accretion expenses of \$0.2 million. The expense of \$0.3 million for 2017 reflects accretion expenses of \$0.5 million, offset by a change in estimate of the contingent consideration payable relating to our 2010 acquisition of \$0.2 million.

### ***Interest on Borrowings***

Interest expense increased 25.8% in 2019, reflecting both higher weighted average borrowings and interest rates. Average daily borrowings for both the EQH facility and commercial paper were \$436.9 million at a weighted average interest rate of 2.5% during 2019 compared to \$350.3 million and 2.0% for commercial paper during 2018. Interest expense increased 26.4% in 2018, reflecting higher weighted average interest rates on commercial paper borrowings. Average daily borrowings of commercial paper during 2018 and 2017 were \$350.3 million and \$482.2 million, respectively, with weighted average interest rates of 2.0% and 1.2%, respectively.

### ***Income Taxes***

AB, a private limited partnership, 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”). 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 decreased \$4.1 million, or 8.9%, in 2019 compared to 2018. This decrease is due to a lower effective tax rate in 2019 of 5.1% compared to 5.6% in 2018. The decrease in our effective tax rate was driven by a more favorable mix of earnings across the AB tax filing groups and a reduction of one-time discrete items.

Income tax expense decreased \$7.3 million, or 13.7%, in 2018 compared to 2017. This decrease is due to a lower effective tax rate in 2018 of 5.6% compared to 6.9% in 2017 and higher pre-tax income. The decrease in our effective tax rate was driven by the impact of tax reform in the prior year, offset by one-time discrete items.



### *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 in our consolidated company-sponsored investment funds. In 2019, 2018 and 2017, we had \$29.6 million, \$21.9 million and \$58.4 million, respectively, of net gains of consolidated entities attributable to non-controlling interests, primarily due to gains on investments held by our consolidated company-sponsored investment funds. Fluctuations period-to-period result primarily from the number of consolidated company-sponsored investment funds and their respective market performance.

### *Capital Resources and Liquidity*

During 2019, net cash provided by operating activities was \$827.5 million, compared to \$1.3 billion during 2018. The change primarily was due to a decrease in broker-dealer related payables (net of receivable and segregated U.S. Treasury Bills activity) of \$754.8 million and net activity of our consolidated company-sponsored investment funds of \$427.6 million, offset by lower net purchases of broker-dealer investments of \$754.7 million. During 2018, net cash provided by operating activities was \$1.3 billion, compared to \$645.5 million during 2017. The change primarily was due to an increase in broker-dealer payables (net of receivable and segregated U.S. Treasury Bills activity) of \$618.8 million, a decrease in net activity of our consolidated company-sponsored investment funds of \$467.3 million and higher cash provided by net income of \$75.5 million, offset by higher net purchases of broker-dealer investments of \$294.7 million and an increase in broker dealer deposits with clearing organizations of \$150.5 million.

During 2019, net cash used in investing activities was \$23.0 million, compared to \$32.8 million during 2018. The change is primarily due to the acquisition of Autonomous, net of cash acquired, of \$5.3 million. During 2018, net cash used in investing activities was \$32.8 million, compared to \$39.3 million during 2017. The change primarily reflects lower purchases of furniture, equipment and leasehold improvements of \$6.6 million.

During 2019, net cash used in financing activities was \$775.0 million, compared to \$1.6 billion during 2018. The change reflects the net purchases of non-controlling interests of consolidated company-sponsored investment funds in 2019 as compared to net redemptions of non-controlling interests of consolidated company-sponsored investment funds in 2018 (impact of \$622.2 million), lower distributions to the General Partner and Unitholders of \$154.7 million and lower net purchases of AB Holding Units to fund long-term incentive compensation plan awards of \$95.5 million. During 2018, net cash used in financing activities was \$1.6 billion, compared to \$623.9 million during 2017. The change reflects the net redemptions of non-controlling interests of consolidated company-sponsored investment funds in 2018 as compared to net purchases of non-controlling interests of consolidated company-sponsored investment funds in 2017 (impact of \$635.3 million), higher distributions to the General Partner and Unitholders of \$214.1 million and net repayments of bank loans in 2018 as compared to net proceeds from bank loans in 2017 (impact of \$125.0 million).

As of December 31, 2019, AB had \$679.7 million of cash and cash equivalents (excluding cash and cash equivalents of consolidated company-sponsored investment funds), all of which is available for liquidity but consist primarily of cash on deposit for our broker-dealers related to various customer clearing activities, and cash held by foreign subsidiaries of \$448.4 million.

### *Debt and Credit Facilities*

AB has an \$800.0 million committed, unsecured senior revolving credit facility (the "**Credit Facility**") with a group of commercial banks and other lenders, which matures on September 27, 2023. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of \$200.0 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 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, 2019, 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 a 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.

As of December 31, 2019 and 2018, we had no amounts outstanding under the Credit Facility. During 2019 and 2018, we did not draw upon the Credit Facility.

In addition to the Credit Facility, on November 4, 2019, AB established a \$900.0 million committed, unsecured senior credit facility (“**EQH Facility**”) with EQH. The EQH Facility matures on November 4, 2024 and is available for AB's general business purposes. Borrowings under the EQH Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates.

The EQH Facility contains affirmative, negative and financial covenants which are substantially similar to those in AB’s committed bank facilities. The EQH Facility also includes customary events of default substantially similar to those in AB’s committed bank facilities, including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or the lender’s commitment may be terminated.

Amounts under the EQH Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. AB or EQH may reduce or terminate the commitment at any time without penalty upon proper notice. EQH also may terminate the facility immediately upon a change of control of our general partner.

As of December 31, 2019, AB had \$560.0 million outstanding under the EQH Facility with an interest rate of approximately 1.6%. Average daily borrowings on the EQH Facility during 2019 for the 57 days it was available were \$358.6 million with a weighted average interest rate of approximately 1.6%.

As of December 31, 2019, we had no commercial paper outstanding. As of December 31, 2018, AB had \$523.2 million in commercial paper outstanding with a weighted average interest rate of approximately 2.7%. 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 for the 317 days commercial paper was outstanding in 2019 was \$438.6 million with a weighted average interest rate of 2.6%. Average daily borrowings for 2018 were \$350.3 million with a weighted average interest rate of approximately 2.0%.

AB has a \$200.0 million committed, unsecured senior revolving credit facility (the “**Revolver**”) with a leading international bank, which matures on November 16, 2021. The Revolver is available for AB's and SCB LLC's business purposes, including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants that are identical to those of the Credit Facility. As of December 31, 2019 we had no amounts outstanding under the Revolver. As of December 31, 2018, we had \$25.0 million outstanding under the Revolver with an interest rate of 3.4%. Average daily borrowings for 2019 and 2018 were \$23.5 million and \$19.4 million, respectively, with weighted average interest rates of 3.2% and 2.8%, respectively.

In addition, SCB LLC currently 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 \$175.0 million, with AB named as an additional borrower, while the other line has no stated limit. As of December 31, 2019 and 2018, SCB LLC had no outstanding balance on these lines of credit. Average daily borrowings on the lines of credit during 2019 and 2018 were \$1.9 million and \$2.7 million, respectively, with weighted average interest rates of approximately 1.9% and 1.6%, 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 guarantees in connection with the Credit Facility and Revolver. 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 \$375 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 four additional guarantees with other commercial banks under which we guarantee approximately \$387 million of obligations for our U.K.-based broker-dealer and \$99 million of obligations for our India-based broker-dealer. In the event that any of these four entities is unable to meet its obligations, AB will pay the obligations when due or on demand.

We also have two smaller guarantees with a commercial bank totaling approximately \$1.5 million, under which we guarantee certain obligations in the ordinary course of business of one of our 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.

### Aggregate Contractual Obligations

Our contractual obligations as of December 31, 2019 are as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in millions)				
EQH credit facility	\$ 560.0	\$ 560.0	\$ —	\$ —	\$ —
Leases, net of sublease commitments	978.0	83.3	151.2	124.3	619.2
Funding commitments	10.1	10.1	—	—	—
Accrued compensation and benefits	254.8	168.1	54.3	14.7	17.7
Unrecognized tax benefits <sup>(1)</sup>	5.7	2.9	—	2.8	—
Federal transition tax <sup>(1)</sup>	16.5	1.6	3.2	7.0	4.7
<b>Total</b>	<b>\$ 1,825.1</b>	<b>\$ 826.0</b>	<b>\$ 208.7</b>	<b>\$ 148.8</b>	<b>\$ 641.6</b>

<sup>(1)</sup> See Note 21 to our consolidated financial statements in Item 8 for discussion of unrecognized tax benefits and federal transition tax.

During 2010, as general partner of AllianceBernstein U.S. Real Estate L.P. ("**Real Estate Fund**"), we committed to invest \$25 million in the Real Estate Fund. As of December 31, 2019, we had funded \$22.4 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, 2019, we had funded \$19.9 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 \$57.9 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 (excluding the tax obligations above) are excluded *from the table above*.

We expect to make contributions to our qualified profit sharing plan of approximately \$15 million in each of the next four years. We do not currently anticipate that we will contribute to the Retirement Plan during 2020.

During October 2018, we signed a lease, which commences in mid-2020, relating to 218,976 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15 year initial lease term is \$134 million. During April 2019, we signed a lease, which commences in 2024, relating to approximately

190,000 square feet of space in New York City. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 20 year lease term is approximately \$448 million.

#### **Contingencies**

*See Note 14 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.

#### **Goodwill**

As of December 31, 2019, we had goodwill of \$3.1 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, 2019, 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.

#### **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 14 to our consolidated financial statements in Item 8.*

#### **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 any 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 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 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.
- ***Our Relocation Strategy:*** While the expenses, expense savings and EPU impact we expect will result from our Relocation Strategy are presented with numerical specificity, and we believe these figures to be reasonable as of the date of this report, the uncertainties surrounding the assumptions on which our estimates are based create a significant risk that our current estimates may not be realized. These assumptions include:
  - the amount and timing of employee relocation costs, severance, and overlapping compensation and occupancy costs we experience; and
  - the timing for execution of each phase of our relocation implementation plan.
- ***Our 2020 Margin Target:*** We previously adopted a goal of increasing our adjusted operating margin to a target of 30% by 2020, subject to the assumptions, factors and contingencies described as part of our initial disclosure of this target. Our adjusted operating margin for 2019 was 27.5%.

Our AUM and, therefore, our investment advisory revenues, including performance-based fee revenues, are heavily dependent on the level and volatility of the financial markets. Based upon our current revenue and expense projections, we do not believe that achieving the 2020 Margin Target is likely. However, we are taking additional actions to better align our expenses with our expected revenues. We remain committed to achieving an adjusted operating margin of 30% in years subsequent to 2020 and will take continued actions in this regard, subject to prevailing market conditions and the evolution of our business mix.



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

### Market Risk, Risk Management and Derivative Financial Instruments

Our investments consist of trading and other investments. Trading investments include U.S. Treasury Bills, mutual funds, exchange-traded options and various separately-managed portfolios consisting of equity 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. Other investments include investments in hedge funds we sponsor and other investment vehicles.

We enter into various futures, forwards, swaps and options 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, 2019 and 2018. 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,			
	2019		2018	
	Fair Value	Effect of +100 Basis Point Change	Fair Value	Effect of +100 Basis Point Change
	(in thousands)			
Fixed Income Investments:				
Trading	\$ 36,122	\$ (2,445)	\$ 435,020	\$ (28,668)

#### 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, 2019 and 2018. 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,			
	2019		2018	
	Fair Value	Effect of -10% Equity Price Change	Fair Value	Effect of -10% Equity Price Change
	(in thousands)			
Equity Investments:				
Trading	\$ 151,140	\$ (15,114)	\$ 178,215	\$ (17,822)
Other investments	79,532	(7,953)	101,109	(10,111)

## **Item 8. Financial Statements and Supplementary Data**

Report of Independent Registered Public Accounting Firm

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

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated statements of financial condition of AllianceBernstein L.P. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, of changes in partners’ capital and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule listed in the index appearing under Item 15(a) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated 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 the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for Leases in 2019.

### ***Definition and Limitations of Internal Control over Financial Reporting***

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 12, 2020

We have served as the Company's auditor since 2006.

**AllianceBernstein L.P. and Subsidiaries**
**Consolidated Statements of Financial Condition**

	December 31,	
	2019	2018
	(in thousands, except unit amounts)	
ASSETS		
Cash and cash equivalents	\$ 679,738	\$ 640,206
Cash and securities segregated, at fair value (cost \$1,090,443 and \$1,169,461)	1,094,866	1,169,554
Receivables, net:		
Brokers and dealers	97,966	197,048
Brokerage clients	1,536,674	1,718,629
AB funds fees	261,588	217,470
Other fees	148,744	127,462
Investments:		
Long-term incentive compensation-related	50,902	52,429
Other	215,892	661,915
Assets of consolidated company-sponsored investment funds:		
Cash and cash equivalents	11,433	13,118
Investments	581,004	351,696
Other assets	19,810	22,840
Furniture, equipment and leasehold improvements, net	145,251	155,519
Goodwill	3,076,926	3,066,700
Intangible assets, net	55,366	79,424
Deferred sales commissions, net	36,296	17,148
Right-of-use assets	362,693	—
Other assets	330,943	297,940
<b>Total assets</b>	<b>\$ 8,706,092</b>	<b>\$ 8,789,098</b>
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	\$ 201,778	\$ 290,960
Securities sold not yet purchased	30,157	8,623
Brokerage clients	2,531,946	3,095,458
AB mutual funds	71,142	74,599
Accounts payable and accrued expenses	192,110	412,313
Lease liabilities	468,451	—
Liabilities of consolidated company-sponsored investment funds	31,017	22,610
Accrued compensation and benefits	276,829	273,250
Debt:		
EQH facility	560,000	—
Other	—	546,267
<b>Total liabilities</b>	<b>4,363,430</b>	<b>4,724,080</b>

# AllianceBernstein L.P. and Subsidiaries

	December 31,	
	2019	2018
Commitments and contingencies (See Note 14)		
Redeemable non-controlling interest	325,561	148,809
Capital:		
General Partner	41,225	40,240
Limited partners: 270,380,314 and 268,850,276 units issued and outstanding	4,174,201	4,075,306
Receivables from affiliates	(9,011)	(11,430)
AB Holding Units held for long-term incentive compensation plans	(76,310)	(77,990)
Accumulated other comprehensive loss	(113,004)	(110,866)
<b>Partners' capital attributable to AB Unitholders</b>	<b>4,017,101</b>	<b>3,915,260</b>
Non-redeemable non-controlling interests in consolidated entities	—	949
<b>Total capital</b>	<b>4,017,101</b>	<b>3,916,209</b>
<b>Total liabilities, redeemable non-controlling interest and capital</b>	<b>\$ 8,706,092</b>	<b>\$ 8,789,098</b>

See Accompanying Notes to Consolidated Financial Statements.

**AllianceBernstein L.P. and Subsidiaries**
**Consolidated Statements of Income**

	Years Ended December 31,		
	2019	2018	2017
	(in thousands, except per unit amounts)		
Revenues:			
Investment advisory and services fees	\$ 2,472,044	\$ 2,362,211	\$ 2,201,305
Bernstein research services	407,911	439,432	449,919
Distribution revenues	455,043	418,562	412,063
Dividend and interest income	104,421	98,226	71,162
Investment gains (losses)	38,659	2,653	92,102
Other revenues	97,559	98,676	97,135
Total revenues	3,575,637	3,419,760	3,323,686
Less: Interest expense	57,205	52,399	25,165
Net revenues	3,518,432	3,367,361	3,298,521
Expenses:			
Employee compensation and benefits	1,442,783	1,378,811	1,313,469
Promotion and servicing:			
Distribution-related payments	487,965	427,186	411,467
Amortization of deferred sales commissions	15,029	21,343	31,886
Trade execution, marketing, T&E and other	219,860	222,630	213,275
General and administrative:			
General and administrative	484,750	448,996	481,488
Real estate charges	3,324	7,160	36,669
Contingent payment arrangements	(510)	(2,219)	267
Interest on borrowings	13,035	10,359	8,194
Amortization of intangible assets	28,759	27,781	27,896
Total expenses	2,694,995	2,542,047	2,524,611
Operating income	823,437	825,314	773,910
Income tax	41,754	45,816	53,110
Net income	781,683	779,498	720,800
Net income of consolidated entities attributable to non-controlling interests	29,641	21,910	58,397
Net income attributable to AB Unitholders	\$ 752,042	\$ 757,588	\$ 662,403
Net income per AB Unit:			
Basic	\$ 2.78	\$ 2.79	\$ 2.46
Diluted	\$ 2.78	\$ 2.78	\$ 2.45

See Accompanying Notes to Consolidated Financial Statements.

**AllianceBernstein L.P. and Subsidiaries**
**Consolidated Statements of Comprehensive Income**

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income	\$ 781,683	\$ 779,498	\$ 720,800
Other comprehensive (loss) income:			
Foreign currency translation adjustments, before reclassification and tax:	5,986	(19,337)	28,123
Less: reclassification adjustment for losses included in net income upon liquidation	—	(100)	—
Foreign currency translation adjustments, before tax	5,986	(19,237)	28,123
Income tax expense	(383)	620	—
Foreign currency translation adjustments, net of tax	5,603	(18,617)	28,123
Unrealized gains on investments:			
Unrealized gains arising during period	—	—	6
Income tax benefit	—	—	3
Unrealized gains on investments, net of tax	—	—	9
Changes in employee benefit related items:			
Amortization of prior service cost	24	24	24
Recognized actuarial (loss) gain	(7,891)	1,586	(3,190)
Changes in employee benefit related items	(7,867)	1,610	(3,166)
Income tax benefit (expense)	274	(139)	(27)
Employee benefit related items, net of tax	(7,593)	1,471	(3,193)
Other	—	374	—
Other comprehensive (loss) gain	(1,990)	(16,772)	24,939
Less: Comprehensive income in consolidated entities attributable to non-controlling interests	29,788	21,864	59,379
<b>Comprehensive income attributable to AB Unitholders</b>	<b>\$ 749,905</b>	<b>\$ 740,862</b>	<b>\$ 686,360</b>

See Accompanying Notes to Consolidated Financial Statements.

# AllianceBernstein L.P. and Subsidiaries

## Consolidated Statements of Changes in Partners' Capital

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
<b>General Partner's Capital</b>			
Balance, beginning of year	\$ 40,240	\$ 41,221	\$ 41,100
Net income	7,521	7,576	6,624
Cash distributions to General Partner	(7,042)	(8,608)	(6,449)
Long-term incentive compensation plans activity	149	(39)	211
Issuance (retirement) of AB Units, net	357	(256)	(266)
Impact of adoption of revenue recognition standard ASC 606	—	349	—
Other	—	(3)	1
Balance, end of year	41,225	40,240	41,221
<b>Limited Partners' Capital</b>			
Balance, beginning of year	4,075,306	4,168,841	4,154,810
Net income	744,521	750,012	655,779
Cash distributions to Unitholders	(696,470)	(849,585)	(637,690)
Long-term incentive compensation plans activity	14,741	(3,880)	20,859
Issuance (retirement) of AB Units, net	35,259	(25,486)	(27,339)
Impact of adoption of revenue recognition standard ASC 606	—	34,601	—
Other	844	803	2,422
Balance, end of year	4,174,201	4,075,306	4,168,841
<b>Receivables from Affiliates</b>			
Balance, beginning of year	(11,430)	(11,494)	(12,830)
Capital contributions from General Partner	—	19	344
Compensation plan accrual	—	352	156
Long-term incentive compensation awards expense	1,125	—	—
Capital contributions from AB Holding	1,294	(307)	836
Balance, end of year	(9,011)	(11,430)	(11,494)
<b>AB Holding Units held for Long-term Incentive Compensation Plans</b>			
Balance, beginning of year	(77,990)	(42,688)	(32,967)
Purchases of AB Holding Units to fund long-term compensation plans, net	(171,930)	(267,427)	(219,627)
(Issuance) retirement of AB Units, net	(35,736)	25,589	26,603
Long-term incentive compensation awards expense	207,057	187,514	185,234
Re-valuation of AB Holding Units held in rabbi trust	(4,403)	19,022	(1,931)
Other	6,692	—	—
Balance, end of year	(76,310)	(77,990)	(42,688)
<b>Accumulated Other Comprehensive Income (Loss)</b>			
Balance, beginning of year	(110,866)	(94,140)	(118,096)
Foreign currency translation adjustment, net of tax	5,455	(18,571)	27,140
Changes in employee benefit related items, net of tax	(7,593)	1,471	(3,193)
Unrealized gain on investments, net of tax	—	—	9
Other	—	374	—
Balance, end of year	(113,004)	(110,866)	(94,140)
Total Partners' Capital attributable to AB Unitholders	4,017,101	3,915,260	4,061,740
<b>Non-redeemable Non-controlling Interests in Consolidated Entities</b>			
Balance, beginning of year	949	1,564	36,172
Net income	91	69	9,632
Foreign currency translation adjustment	147	(46)	983
Purchase of non-controlling interest	(1,187)	—	(2,006)
Distributions (to) non-controlling interests of our consolidated venture capital fund activities	—	(638)	(43,217)
Balance, end of year	—	949	1,564
Total Capital	\$ 4,017,101	\$ 3,916,209	\$ 4,063,304

See Accompanying Notes to Consolidated Financial Statements.



# AllianceBernstein L.P. and Subsidiaries

## Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from operating activities:			
<b>Net income</b>	<b>\$ 781,683</b>	<b>\$ 779,498</b>	<b>\$ 720,800</b>
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred sales commissions	15,029	21,343	31,886
Non-cash long-term incentive compensation expense	208,182	187,514	185,234
Depreciation and other amortization	166,542	70,000	66,999
Unrealized (gains) losses on investments	(13,431)	23,164	3,554
Unrealized (gains) on investments of consolidated company-sponsored investment funds	(36,150)	(14,217)	(36,340)
Other, net	10,281	(6,446)	13,189
Changes in assets and liabilities:			
Decrease (increase) in securities, segregated	74,688	(353,204)	129,747
Decrease (increase) in receivables	223,137	(207,000)	67,539
Decrease (increase) in investments	460,347	(294,383)	293
(Increase) decrease in investments of consolidated company-sponsored investment funds	(193,158)	908,804	(639,067)
(Increase) decrease in deferred sales commissions	(34,177)	(8,365)	1,878
(Increase) in right-of-use assets	(11,141)	—	—
(Increase) in other assets	(23,140)	(152,726)	(2,255)
Increase (decrease) in other assets and liabilities of consolidated company-sponsored investment funds, net	11,437	(662,934)	417,674
(Decrease) increase in payables	(641,369)	1,024,317	(338,523)
(Decrease) in lease liabilities	(107,276)	—	—
(Decrease) increase in accounts payable and accrued expenses	(56,518)	(11,225)	10,657
(Decrease) increase in accrued compensation and benefits	(7,486)	4,341	12,187
<b>Net cash provided by operating activities</b>	<b>827,480</b>	<b>1,308,481</b>	<b>645,452</b>
Cash flows from investing activities:			
Purchases of investments	—	—	(12)
Proceeds from sales of investments	—	—	11
Purchases of furniture, equipment and leasehold improvements	(28,303)	(32,789)	(39,417)
Proceeds from sales of furniture, equipment and leasehold improvements	—	—	75
Acquisition of businesses, net of cash acquired	5,255	—	—
<b>Net cash used in investing activities</b>	<b>(23,048)</b>	<b>(32,789)</b>	<b>(39,343)</b>
Cash flows from financing activities:			
(Repayment) issuance of commercial paper, net	(532,895)	24,546	(28,553)
Proceeds from EQH facility	560,000	—	—
(Repayment) proceeds from bank loans	(25,000)	(50,000)	75,000
(Decrease) increase in overdrafts payable	(59,924)	3,273	63,393
Distributions to General Partner and Unitholders	(703,512)	(858,193)	(644,139)
Capital contributions (to) non-controlling interests in consolidated entities	—	(638)	(43,217)
Purchases (redemptions) of non-controlling interests of consolidated company-sponsored investment funds, net	150,091	(472,143)	163,164
Capital contributions from (to) affiliates	269	(1,421)	366
Payments of contingent payment arrangements/purchase of shares	(1,991)	(1,093)	(7,592)
Additional investments by AB Holding with proceeds from exercise of compensatory options to buy AB Holding Units	11,511	16,589	20,110
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(171,930)	(267,427)	(219,627)
Other	(1,580)	(2,151)	(2,836)
<b>Net cash used in financing activities</b>	<b>(774,961)</b>	<b>(1,608,658)</b>	<b>(623,931)</b>
Effect of exchange rate changes on cash and cash equivalents	8,376	(12,158)	21,760
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>37,847</b>	<b>(345,124)</b>	<b>3,938</b>
Cash and cash equivalents as of beginning of the period	653,324	998,448	994,510
<b>Cash and cash equivalents as of end of the period</b>	<b>\$ 691,171</b>	<b>\$ 653,324</b>	<b>\$ 998,448</b>



<b>Cash paid:</b>					
Interest paid	\$	66,002	\$	60,286	\$ 30,975
Income taxes paid		52,444		41,946	67,421

<b>Non-cash investing activities:</b>					
Fair value of assets acquired (excluding cash acquired of \$11.8 million)		28,966		—	—
Fair value of liabilities assumed		16,837		—	—

<b>Non-cash financing activities:</b>					
Payables recorded under contingent payment arrangements		17,384		—	—

See Accompanying 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 Equitable Holdings, Inc. (“**EQH**”) 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, concentration 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, direct lending and private equity; 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.

During the second quarter of 2018, AXA S.A. (“**AXA**”) completed the sale of a minority stake in EQH through an initial public offering (“**IPO**”). Since then, AXA has completed additional offerings and taken other steps, most recently during the fourth quarter of 2019. As a result, AXA owned less than 10% of the outstanding common stock of EQH as of December 31, 2019.

As of December 31, 2019, EQH owned approximately 4.1% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AllianceBernstein Holding L.P. (“**AB Holding Units**”). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of EQH, “**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.

As of December 31, 2019, the ownership structure of AB, including limited partnership units outstanding as well as the general partner's 1% interest, was as follows:

EQH and its subsidiaries	63.3%
AB Holding	36.0
Unaffiliated holders	0.7
	<b>100.0%</b>

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 64.8% economic interest in AB as of December 31, 2019.

## 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, and the consolidated entities that are considered to be variable interest entities ("**VIEs**") and voting interest entities ("**VOEs**") in which AB has a controlling financial interest. Non-controlling interests on the consolidated statements of financial condition include the portion of consolidated company-sponsored investment funds in which we do not have direct equity ownership. All significant inter-company transactions and balances among the consolidated entities have been eliminated.

### *Recently Adopted Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-02, *Leases*. This pronouncement, along with subsequent ASUs issued to clarify certain provisions of ASU 2016-02 is now referred to as Accounting Standards Codification 842 ("**ASC 842**"). The standard requires a lessee to record most leases on its balance sheet while also disclosing key information about those lease arrangements. The classification criteria to distinguish between finance and operating leases are generally consistent with the classification criteria to distinguish between capital and operating leases under previous lease accounting guidance. We adopted this new standard on January 1, 2019 using the modified retrospective method. Prior comparable periods will not be adjusted under this method.

We applied several practical expedients offered by ASC 842 upon adoption of this standard. These included continuing to account for existing leases based on judgments made under legacy US GAAP as it relates to determining classification of leases, unamortized initial direct costs and whether contracts are leases or contain leases. We also used a practical expedient to use hindsight in determining the lease terms (using knowledge and expectations as of the standard's adoption date instead of the previous assumptions under legacy US GAAP) and evaluating impairment of our right-of-use assets in the transition period (using our most up-to-date information).

Adoption of this standard resulted in the recording of operating right-of-use assets and lease liabilities of \$438.7 million and \$574.5 million, respectively, and financing right-of-use assets and lease liabilities of \$2.4 million as of January 1, 2019. The operating right-of-use assets recognized as of January 1, 2019 are net of deferred rent of \$50.0 million and liabilities associated with previously recognized impairments of \$85.8 million. See Note 13, *Leases*, for additional disclosures.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which permits a company to reclassify the disproportionate income tax effects of the 2017 Tax Cuts and Job Act ("**2017 Tax Act**") on items within Accumulated Other Comprehensive Income ("**AOCI**") to retained earnings. The FASB refers to these amounts as "stranded tax effects." The ASU also requires certain new disclosures, some of which are applicable for all companies. We adopted this standard on January 1, 2019. The adoption of this standard had no impact on our financial condition or results of operations.

## Accounting Pronouncements Not Yet Adopted in 2019

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. This new guidance relates to the accounting for credit losses on financial instruments. The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted. The new guidance will not have a material impact on our financial condition or results of operations.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. As a result of the revised guidance, a goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The revised guidance will be applied prospectively and is effective for financial statements issued for fiscal years beginning after December 15, 2019. The revised guidance will not have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The amendment modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. The revised guidance is effective for all companies for fiscal years beginning after December 15, 2019, and interim periods within those years. Companies are permitted to early adopt any eliminated or modified disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. The removed and modified disclosures will be adopted on a retrospective basis and the new disclosures will be adopted on a prospective basis. The revised guidance will not have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Topic 715-20)*. The amendment modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The revised guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted. The revised guidance will not have a material impact on our financial condition or results of operations.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements that currently exist in US GAAP for capitalizing implementation costs incurred to develop or obtain internal-use software. Implementation costs would either be capitalized or expensed as incurred depending on the project stage. All costs in the preliminary and post-implementation project stages are expensed as incurred, while certain costs within the application development stage are capitalized. The revised guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted. The revised guidance will be adopted prospectively and will not have a material impact on our financial condition or results of operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify US GAAP for other areas of Topic 740 by clarifying and amending the existing guidance. The revised guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted. Management currently is evaluating the impact that adoption of this standard will have on our consolidated financial statements.

## Revenue Recognition

### Investment advisory and services fees

AB provides asset management services by managing customer assets and seeking to deliver investment returns to investors. Each investment management contract between AB and a customer creates a distinct, separately identifiable performance obligation for each day the customer's assets are managed as the customer can benefit from each day of service. In accordance with ASC 606, a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer are treated as a single performance obligation. Accordingly, we have determined that our investment and advisory services are performed over time and entitle us to variable consideration earned based on the value of the investors' assets under management ("AUM").

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 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.

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.

We record as revenue investment advisory and services base fees, which we generally calculate as a percentage of AUM. At month-end, all the components of the transaction price (*i.e.*, the base fee calculation) are no longer variable and the value of the consideration is determined. These fees are not subject to claw back and there is minimal probability that a significant reversal of the revenue recorded will occur.

The transaction price for the asset management performance obligation for certain investment advisory contracts, including those associated with hedge funds or other alternative investments, provide for a performance-based fee (including carried interest), 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. The performance-based fees are forms of variable consideration and are therefore excluded from the transaction price until it becomes probable that there will not be significant reversal of the cumulative revenue recognized. At each reporting date, we evaluate the constraining factors, *discussed below*, surrounding the variable consideration to determine the extent to which, if any, revenues associated with the performance-based fee can be recognized.

Constraining factors impacting the amount of variable consideration included in the transaction price include: the contractual claw-back provisions to which the variable consideration is subject, the length of time to which the uncertainty of the consideration is subject, the number and range of possible consideration amounts, the probability of significant fluctuations in the fund's market value, the level at which the fund's value exceeds the contractual threshold required to earn such a fee, and the materiality of the amount being evaluated.

#### Bernstein Research Services

Bernstein Research Services revenue consists principally of commissions received for trade execution services and providing equity research services to institutional clients. Brokerage commissions for trade execution services and related expenses are recorded on a trade-date basis when the performance obligations are satisfied. Generally, the transaction price is agreed upon at the point of each trade and based upon the number of shares traded or the value of the consideration traded. Research revenues are recognized when the transaction price is quantified, collectability is assured and significant reversal of such revenue is not probable.

#### 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. The variable consideration can be determined in different ways, *as discussed below*, as we satisfy the performance obligation depending on the contractual arrangements with the customer and the specific product sold.

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 such agreements with us, and we have 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.

We record 12b-1 fees monthly based upon a percentage of the net asset value ("**NAV**") of the funds. At month-end, the variable consideration of the transaction price is no longer constrained as the NAV can be calculated and the value of consideration is determined. These services are separate and distinct from other asset management services as the customer can benefit from these services independently of other services. We accrue the corresponding 12b-1 fees paid to sub-distributors monthly as the expenses are incurred. We are acting in a principal capacity in these transactions; as such, these revenues and expenses are recorded on a gross basis.

We offer back-end load shares in limited instances and charge the investor a contingent deferred sales charge (“CDSC”) if the investment is redeemed within a certain period. The variable consideration for these contracts is contingent on the timing of the redemption by the investor and the value of the sale proceeds. Due to these constraining factors, we exclude the CDSC fee from the transaction price until the investor redeems the investment. Upon redemption, the cash consideration received for these contractual arrangements are recorded as reductions of unamortized deferred sales commissions.

Our Luxembourg subsidiary, the management company for most of our non-U.S. funds, earns a management fee that is accrued daily and paid monthly, at an annual rate, based on the average daily net assets of the fund. With respect to certain share classes, the management fee may also contain a component that is paid to distributors and other financial intermediaries and service providers to cover shareholder servicing and other administrative expenses (also referred to as an All-in-Fee). As we have concluded that asset management is distinct from distribution, we allocate a portion of the investment and advisory fee to distribution revenues for the servicing component based on standalone selling prices.

#### Other Revenues

Revenues from contracts with customers include a portion of other revenues, which consists primarily of shareholder servicing fees, as well as mutual fund reimbursements and other brokerage income.

We provide shareholder services, which include transfer agency, administrative and recordkeeping services provided to company-sponsored mutual funds. The consideration for these services is based on a percentage of the NAV of the fund or a fixed-fee based on the number of shareholder accounts being serviced. The revenues are recorded at month-end when the constraining factors involved with determining NAV or the number of shareholders’ accounts are resolved.

#### Non-Contractual Revenues

Dividend and interest income is accrued as earned. Investment gains and losses on the consolidated statements of income include unrealized gains and losses of trading and private equity investments stated at fair value, equity in earnings of our limited partnership hedge fund investments, and realized gains and losses on investments sold.

#### Contract Assets and Liabilities

We use the practical expedient for contracts that have an original duration of one year or less. Accordingly, we do not consider the time value of money and, instead, accrue the incremental costs of obtaining the contract when incurred. As of December 31, 2019, the balances of contract assets and contract liabilities are not considered material and, accordingly, no further disclosures are necessary.

#### *Consolidation of company-sponsored investment funds*

For legal entities (company-sponsored investment funds) evaluated for consolidation, we first determine whether the fees we receive and the interests we hold qualify as a variable interest in the entity, including an evaluation of fees paid to us as a decision maker or service provider to the entity being evaluated. Fees received by us are not variable interests if (i) the fees are compensation for services provided and are commensurate with the level of effort required to provide those services, (ii) the service arrangement includes only terms, conditions or amounts that are customarily present in arrangements for similar services negotiated at arm’s length, and (iii) our other economic interests in the entity held directly and indirectly through our related parties, as well as economic interests held by related parties under common control, would not absorb more than an insignificant amount of the entity’s losses or receive more than an insignificant amount of the entity’s benefits.

For those entities in which we have a variable interest, we perform an analysis to determine whether the entity is a VIE by considering whether the entity’s equity investment at risk is insufficient, whether the investors lack decision making rights proportional to their ownership percentage of the entity, and whether the investors lack the obligation to absorb an entity’s expected losses or the right to receive an entity’s expected income.

A VIE must be consolidated by its primary beneficiary, which generally is defined as the party that has a controlling financial interest in the VIE. We are deemed to have a controlling financial interest in a VIE if we have (i) the power to direct the activities of the VIE that most significantly affect the VIE’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive income from the VIE that could potentially be significant to the VIE. For purposes of evaluating (ii) above, fees paid to us as a decision maker or service provider are excluded if the amount of fees is commensurate with the level of effort required to be performed and the arrangement includes only customary terms, conditions or amounts present in arrangements for similar services negotiated at arm’s length. The primary beneficiary evaluation generally is performed qualitatively based on all facts and circumstances, as well as quantitatively, as appropriate.

If we have a variable interest in an entity that is determined not to be a VIE, the entity is then evaluated for consolidation under the VOE model. For limited partnerships and similar entities, we are deemed to have a controlling financial interest in a VOE,

and would be required to consolidate the entity, if we own a majority of the entity's kick-out rights through voting limited partnership interests and limited partners do not hold substantive participating rights (or other rights that would indicate that we do not control the entity). For entities other than limited partnerships, we are deemed to have a controlling financial interest in a VOE if we own a majority voting interest in the entity.

The analysis performed regarding the determination of variable interests held, whether entities are VIEs or VOEs, and whether we have a controlling financial interest in such entities, requires the exercise of judgment. The analysis is updated continuously as circumstances change or new entities are formed.

#### *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 (and considered Level 1 securities in the fair value hierarchy).

#### *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.

#### *Brokerage 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, 2019, there were no re-pledged securities. 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, 2019 and 2018. 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, 2019 and 2018, there is no allowance provision required for the collateral advanced. Income or expense is recognized over the life of the transaction.

As of December 31, 2019 and 2018, we had \$204.0 million and \$196.9 million, respectively, of cash on deposit with clearing organizations for trade facilitation purposes, which are reported in other assets in our consolidated statements of financial condition. As of December 31, 2019, we held no U.S. Treasury bills pledged as collateral. As of December 31, 2018, we held U.S. Treasury Bills with value totaling \$392.4 million, which are reported in other investments in our consolidated statements of financial condition. These clearing organizations have the ability by contract or custom to sell or re-pledge this collateral.

#### *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, 2019, goodwill of \$3.1 billion on the consolidated statement of financial condition included \$2.8 billion as a result of the Bernstein acquisition and \$276 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, 2019, 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 2019 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, 2019, intangible assets, net of accumulated amortization, of \$55.4 million on the consolidated statement of financial condition consists of \$41.9 million of finite-lived intangible assets subject to amortization, of which \$15.5 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, 2018, intangible assets, net of accumulated amortization, of \$79.4 million on the consolidated statement of financial condition consisted of \$65.9 million of finite-lived intangible assets subject to amortization, of which \$36.2 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 finite-lived intangible assets totaled \$468.9 million as of December 31, 2019 and \$475.1 million as of December 31, 2018, and accumulated amortization was \$427.0 million as of December 31, 2019 and \$409.2 million as of December 31, 2018. Amortization expense was \$28.8 million for 2019, \$27.8 million for 2018 and \$27.9 million for 2017. Estimated annual amortization expense for 2020 is approximately \$21 million, \$5 million in year two, then approximately \$4 million in years three through five.

We periodically review indefinite-lived 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. During the fourth quarter of 2019, we recorded an impairment charge of \$3.1 million relating to our 2016 acquisition of Ramius Alternative Solutions LLC. Due to the loss of acquired investment management contracts during 2019, the carrying value of the finite-lived intangible assets exceeded the fair value of the contracts. We determined the fair value of the contracts using a discounted cashflow model. The impairment charge was recorded in general and administrative expenses in the consolidated statements of income.

#### *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 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.

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 these factors indicate impairment in value, we compare the carrying value to the undiscounted cash flows expected to be generated by the asset over its remaining life. If we determine the deferred sales commission asset is not fully recoverable, the asset will be deemed impaired and a loss will be recorded in the amount by which the recorded amount of the asset exceeds its estimated fair value. There were no impairment charges recorded during 2019 or 2018.

#### *Leases*

We determine if an arrangement is a lease at inception. Both operating and finance leases are included in the right-of-use (“**ROU**”) assets and lease liabilities in our consolidated statement of financial condition.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate based on the information available as of the lease commencement date in determining the present value of lease payments. Our lease terms may include options to extend or



terminate the lease. These options to extend or terminate are assessed on a lease-by-lease basis, and the ROU assets and lease liabilities are adjusted when it is reasonably certain that an option will be exercised.

When calculating the measurement of ROU assets and lease liabilities, we utilize the fixed payments associated with the lease and do not include other variable contractual obligations, such as operating expenses, real estate taxes and employee parking. These costs are accounted for as period costs and expensed as incurred.

Additionally, we exclude any intangible assets such as software licensing agreements as stated in ASC 842-10-15-1. These arrangements will continue to follow the guidance of ASC 350, *Intangibles - Goodwill and Other*.

#### *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.

#### *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 the trade date. Receivables from brokers and dealers for sale of shares of company-sponsored mutual funds generally are realized within three business days from the 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, and 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**").

Awards granted in December 2019, 2018 and 2017 allowed employee 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 2019, 2018 and 2017. 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 2019, 2018 and 2017:

- We engage in open-market purchases of AB Holding Units or purchase newly-issued AB Holding Units from AB Holding that are 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 the 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 delivered to employees ratably over four years, unless the employee has made a long-term deferral election.

Grants of restricted AB Holding Units can be awarded to Eligible Directors. Generally, these restricted AB Holding Units vest ratably over four years. These restricted AB Holding Units are not forfeitable (except if the Eligible Director is terminated for “Cause,” as that term is defined in the applicable award agreement). We fully expense these awards on grant date, as there is no service requirement.

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 these AB Holding Units in a consolidated rabbi trust until delivering them 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 2019 and 2018, we purchased 6.0 million and 9.3 million AB Holding Units for \$172.6 million and \$268.0 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 2.9 million and 6.5 million AB Holding Units for \$82.7 million and \$183.2 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 delivery 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 consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”). A plan of this type 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 to repurchase AB Holding Units on our behalf in accordance with the terms and limitations specified in 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 2019 expired at the close of business on February 11, 2020. We may adopt additional 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 2019, we granted to employees and Eligible Directors 7.7 million restricted AB Holding Units (including 5.4 million granted in December for 2019 year-end awards to employees). During 2018, we granted to employees and Eligible Directors 8.7 million restricted AB Holding Units (including 6.2 million granted in December for 2018 year-end awards to employees). We used AB Holding Units repurchased during the periods and newly-issued AB Holding Units to fund these awards.

During 2019 and 2018, AB Holding issued 0.5 million and 0.9 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of \$11.5 million and \$16.6 million, respectively, received from award recipients 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 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 losses were \$2.0 million, \$0.1 million and \$2.9 million for 2019, 2018 and 2017, 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, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

On February 12, 2020, the General Partner declared a distribution of \$0.93 per AB Unit, representing a distribution of Available Cash Flow for the three months ended December 31, 2019. 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 5, 2020 to holders of record on February 24, 2020.

Total cash distributions per Unit paid to the General Partner and Unitholders during 2019, 2018 and 2017 were \$2.60, \$3.16 and \$2.39, 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 (for 2017), foreign currency translation adjustments, actuarial gains (losses) and prior service cost. Deferred taxes were not recognized on foreign currency translation adjustments for foreign subsidiaries which had earnings that were considered permanently invested outside the United States.

### 3. Revenue Recognition

Revenues for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Subject to contracts with customers:			
Investment advisory and services fees			
Base fees	\$ 2,372,429	\$ 2,244,068	\$ 2,106,525
Performance-based fees	99,615	118,143	94,780
Bernstein research services	407,911	439,432	449,919
Distribution revenues			
All-in-management fees	291,999	254,477	245,367
12b-1 fees	80,268	87,166	94,972
Other	82,776	76,919	71,724
Other revenues			
Shareholder servicing fees	77,394	75,974	75,024
Other	17,924	19,211	17,838
	3,430,316	3,315,390	3,156,149
Not subject to contracts with customers:			
Dividend and interest income, net of interest expense	47,216	45,827	45,997
Investment gains (losses)	38,659	2,653	92,102
Other revenues	2,241	3,491	4,273
	88,116	51,971	142,372
Total net revenues	\$ 3,518,432	\$ 3,367,361	\$ 3,298,521

### 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 limited partnership 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 limited partnership units outstanding for each year.

	Year Ended December 31,		
	2019	2018	2017
	(in thousands, except per unit amounts)		
Net income attributable to AB Unitholders	<u>\$ 752,042</u>	<u>\$ 757,588</u>	<u>\$ 662,403</u>
Weighted average units outstanding—basic	268,075	269,236	266,955
Dilutive effect of compensatory options to buy AB Holding Units	44	251	430
Weighted average units outstanding—diluted	<u>268,119</u>	<u>269,487</u>	<u>267,385</u>
<b>Basic net income per AB Unit</b>	<b><u>\$ 2.78</u></b>	<b><u>\$ 2.79</u></b>	<b><u>\$ 2.46</u></b>
<b>Diluted net income per AB Unit</b>	<b><u>\$ 2.78</u></b>	<b><u>\$ 2.78</u></b>	<b><u>\$ 2.45</u></b>

We excluded 29,056 options in 2019, 49,784 options in 2018 and 1,970,741 options in 2017, 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, 2019 and 2018, \$1.1 billion and \$1.2 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.

## 6. Investments

Investments consist of:

	December 31,	
	2019	2018
	(in thousands)	
U.S. Treasury Bills	\$ —	\$ 392,424
Equity securities:		
Long-term incentive compensation-related	36,665	38,883
Seed capital	70,464	105,951
Other	73,202	73,409
Exchange-traded options	6,931	2,568
Investments in limited partnership hedge funds:		
Long-term incentive compensation-related	14,237	13,546
Seed capital	33,124	67,153
Time deposits	18,281	8,783
Other	13,890	11,627
<b>Total investments</b>	<b>\$ 266,794</b>	<b>\$ 714,344</b>

Total investments related to long-term incentive compensation obligations of \$50.9 million and \$52.4 million as of December 31, 2019 and 2018, respectively, consist of company-sponsored mutual funds and hedge funds. For long-term incentive compensation awards granted before 2009, we typically made investments in company-sponsored mutual funds and hedge funds 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 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.

We allocate seed capital to our investment teams to help develop new products and services for our clients. A portion of our 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. In regard to our seed capital investments, the amounts above reflect those funds in which we are not the primary beneficiary of a VIE or hold a controlling financial interest in a VOE. See Note 15, *Consolidated Company-Sponsored Investment Funds*, for a description of the seed capital investments that we consolidated. As of December 31, 2019 and 2018, our total seed capital investments were \$358.1 million and \$391.6 million, respectively. Seed capital investments in unconsolidated company-sponsored investment funds are valued using published net asset values or non-published net asset values if they are not listed on an active exchange but have net asset values that are comparable to funds with published net asset values and have no redemption restrictions.

In addition, we also have long positions in corporate equities and long exchange-traded options traded through our options desk.

The portion of unrealized gains (losses) related to equity securities, as defined by ASC 321-10, held as of December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018
	(in thousands)	
Net gain (losses) recognized during the period	\$ 31,890	\$ (21,797)
Less: net gains recognized during the period on equity securities sold during the period	18,138	1,515
<b>Unrealized gains (losses) recognized during the period on equity securities held</b>	<b>\$ 13,752</b>	<b>\$ (23,312)</b>

## 7. Derivative Instruments

See Note 15, *Consolidated Company-Sponsored Investment Funds*, for disclosure of derivative instruments held by our consolidated company-sponsored investment funds.

We enter into various futures, forwards, options and swaps to economically hedge certain seed capital investments. Also, we have currency forwards that help us to economically hedge certain balance sheet exposures. 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 ASC 815-10, *Derivatives and Hedging*.

The notional value, fair value and gains and losses recognized in investment gains (losses) as of December 31, 2019 and 2018 for derivative instruments (excluding derivative instruments relating to our options desk trading activities *discussed below*) not designated as hedging instruments were as follows:

	Notional Value	Derivative Assets	Derivative Liabilities	Gains (Losses)
	(in thousands)			
<b>December 31, 2019</b>				
Exchange-traded futures	\$ 171,112	\$ 939	\$ 871	\$ (10,840)
Currency forwards	60,809	8,545	8,633	738
Interest rate swaps	92,756	1,746	2,254	(616)
Credit default swaps	168,303	2,151	5,611	(6,413)
Total return swaps	91,201	110	1,764	(21,164)
Option swaps	354	—	126	(126)
<b>Total derivatives</b>	<b>\$ 584,535</b>	<b>\$ 13,491</b>	<b>\$ 19,259</b>	<b>\$ (38,421)</b>
<b>December 31, 2018</b>				
Exchange-traded futures	\$ 218,657	\$ 1,594	\$ 2,534	\$ 3,515
Currency forwards	87,019	7,647	7,582	379
Interest rate swaps	112,658	1,649	1,959	(125)
Credit default swaps	94,657	2,888	2,685	335
Total return swaps	99,038	3,301	62	8,246
<b>Total derivatives</b>	<b>\$ 612,029</b>	<b>\$ 17,079</b>	<b>\$ 14,822</b>	<b>\$ 12,350</b>

As of December 31, 2019 and 2018, 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 (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 have 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, 2019 and 2018, we held \$0.3 million and \$4.8 million, 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, 2019 and 2018, we delivered \$4.3 million and \$4.5 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, 2019 and 2018, we held \$6.9 million and \$2.6 million, respectively, of long exchange-traded equity options, which are included in other investments on our consolidated statements of financial condition. In addition, as of December 31, 2019 and 2018, we held \$12.3 million and \$3.8 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, 2019 and 2018 we recognized \$22.2 million and \$7.9 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

See Note 15, *Consolidated Company-Sponsored Investment Funds*, for disclosure of offsetting assets and liabilities of our consolidated company-sponsored investment funds.

Offsetting of assets as of December 31, 2019 and 2018 was as follows:

	Gross Amounts of Recognized Assets		Gross Amounts Offset in the Statement of Financial Condition		Net Amounts of Assets Presented in the Statement of Financial Condition		Financial Instruments		Cash Collateral Received		Net Amount	
	(in thousands)											
December 31, 2019												
Securities borrowed	\$	38,993	\$	—	\$	38,993	\$	(38,993)	\$	—	\$	—
Derivatives	\$	13,491	\$	—	\$	13,491	\$	—	\$	(251)	\$	13,240
Long exchange-traded options	\$	6,931	\$	—	\$	6,931	\$	—	\$	—	\$	6,931
December 31, 2018												
Securities borrowed	\$	64,856	\$	—	\$	64,856	\$	(64,217)	\$	—	\$	639
Derivatives	\$	17,079	\$	—	\$	17,079	\$	—	\$	(4,831)	\$	12,248
Long exchange-traded options	\$	2,568	\$	—	\$	2,568	\$	—	\$	—	\$	2,568

Offsetting of liabilities as of December 31, 2019 and 2018 was as follows:

	Gross Amounts of Recognized Liabilities		Gross Amounts Offset in the Statement of Financial Condition		Net Amounts of Liabilities Presented in the Statement of Financial Condition		Financial Instruments		Cash Collateral Pledged		Net Amount	
	(in thousands)											
December 31, 2019												
Securities loaned	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Derivatives	\$	19,259	\$	—	\$	19,259	\$	—	\$	(4,276)	\$	14,983
Short exchange-traded options	\$	12,348	\$	—	\$	12,348	\$	—	\$	—	\$	12,348
December 31, 2018												
Securities loaned	\$	59,526	\$	—	\$	59,526	\$	(59,526)	\$	—	\$	—
Derivatives	\$	14,822	\$	—	\$	14,822	\$	—	\$	(4,458)	\$	10,364
Short exchange-traded options	\$	3,782	\$	—	\$	3,782	\$	—	\$	—	\$	3,782

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

## 9. Fair Value

See Note 15, *Consolidated Company-Sponsored Investment Funds*, for disclosure of fair value of our consolidated company-sponsored investment funds.

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.



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

Valuation of our financial instruments by pricing observability levels as of December 31, 2019 and 2018 was as follows (in thousands):

	Level 1	Level 2	Level 3	NAV Expedient <sup>(1)</sup>	Other	Total
<b><u>December 31, 2019:</u></b>						
Money markets	\$ 126,401	\$ —	\$ —	\$ —	\$ —	\$ 126,401
Securities segregated (U.S. Treasury Bills)	—	1,094,866	—	—	—	1,094,866
Derivatives	939	12,552	—	—	—	13,491
Investments						
Equity securities	170,946	8,952	119	314	—	180,331
Long exchange-traded options	6,931	—	—	—	—	6,931
Limited partnership hedge funds <sup>(2)</sup>	—	—	—	—	47,361	47,361
Time deposits <sup>(3)</sup>	—	—	—	—	18,281	18,281
Other investments	5,883	—	—	—	8,007	13,890
Total investments	183,760	8,952	119	314	73,649	266,794
<b>Total assets measured at fair value</b>	<b>\$ 311,100</b>	<b>\$ 1,116,370</b>	<b>\$ 119</b>	<b>\$ 314</b>	<b>\$ 73,649</b>	<b>\$ 1,501,552</b>
Securities sold not yet purchased						
Short equities – corporate	\$ 17,809	\$ —	\$ —	\$ —	\$ —	\$ 17,809
Short exchange-traded options	12,348	—	—	—	—	12,348
Derivatives	871	18,388	—	—	—	19,259
Contingent payment arrangements	—	—	22,911	—	—	22,911
<b>Total liabilities measured at fair value</b>	<b>\$ 31,028</b>	<b>\$ 18,388</b>	<b>\$ 22,911</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 72,327</b>

	Level 1	Level 2	Level 3	NAV Expedient <sup>(1)</sup>	Other	Total
<b>December 31, 2018:</b>						
Money markets	\$ 102,888	\$ —	\$ —	\$ —	\$ —	\$ 102,888
Securities segregated (U.S. Treasury Bills)	—	1,169,554	—	—	—	1,169,554
Derivatives	1,594	15,485	—	—	—	17,079
Investments						
U.S. Treasury Bills	—	392,424	—	—	—	392,424
Equity securities	209,414	8,372	142	315	—	218,243
Long exchange-traded options	2,568	—	—	—	—	2,568
Limited partnership hedge funds <sup>(2)</sup>	—	—	—	—	80,699	80,699
Time deposits <sup>(3)</sup>	—	—	—	—	8,783	8,783
Other investments	4,269	—	—	—	7,358	11,627
Total investments	216,251	400,796	142	315	96,840	714,344
<b>Total assets measured at fair value</b>	<b>\$ 320,733</b>	<b>\$ 1,585,835</b>	<b>\$ 142</b>	<b>\$ 315</b>	<b>\$ 96,840</b>	<b>\$ 2,003,865</b>
Securities sold not yet purchased						
Short equities – corporate	\$ 4,841	\$ —	\$ —	\$ —	\$ —	\$ 4,841
Short exchange-traded options	3,782	—	—	—	—	3,782
Derivatives	2,534	12,288	—	—	—	14,822
Contingent payment arrangements	—	—	7,336	—	—	7,336
<b>Total liabilities measured at fair value</b>	<b>\$ 11,157</b>	<b>\$ 12,288</b>	<b>\$ 7,336</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 30,781</b>

<sup>(1)</sup> Investments measured at fair value using NAV (or its equivalent) as a practical expedient.

<sup>(2)</sup> Investments in equity method investees that are not measured at fair value in accordance with GAAP.

<sup>(3)</sup> Investments carried at amortized cost that are not measured at fair value in accordance with GAAP.

Other investments include (i) an investment in a software publishing company that does not have a readily available fair value (\$1.0 million as of December 31, 2019), (ii) an investment in a start-up company that does not have a readily available fair value (\$0.9 million as of both December 31, 2019 and 2018), (iii) an investment in an equity method investee that is not measured at fair value in accordance with GAAP (\$2.9 million and \$3.4 million as of December 31, 2019 and 2018, respectively), and (iv) broker dealer exchange memberships that are not measured at fair value in accordance with GAAP (\$3.2 million and \$3.1 million as of December 31, 2019 and 2018, respectively).

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 securities:** Our equity securities consist principally of company-sponsored mutual funds with NAVs and various separately-managed portfolios consisting primarily of equity and fixed income mutual funds 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 also hold currency forward contracts, interest rate swaps, credit default swaps, option swaps and total

return swaps with counterparties that are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.

- **Options:** We hold exchange-traded options that are included in Level 1 of the valuation hierarchy.
- **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 various acquisitions. At each reporting date, we estimate the fair values of the contingent consideration expected to be paid upon probability-weighted AUM and revenue projections, using unobservable market data inputs, which are included in Level 3 of the valuation hierarchy.

During the year ended December 31, 2019 we had transfers of \$3.2 million from Level 2 to Level 1 securities. During the year ended December 31, 2018, we had no transfers from Level 2 to Level 1 securities. During the years ended December 31, 2019 and 2018, there were no transfers between Level 2 and Level 3 securities.

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

	December 31, 2019	December 31, 2018
	(in thousands)	
Balance as of beginning of period	\$ 142	\$ 1,071
Purchases	—	—
Sales	—	—
Realized gains (losses), net	—	—
Unrealized (losses) gains, net	(23)	(929)
<b>Balance as of end of period</b>	<b>\$ 119</b>	<b>\$ 142</b>

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.

As of January 1, 2018 we had an investment in a private equity fund focused exclusively on the energy sector (fair value of \$1.0 million) that was classified as Level 3 and written down during the second quarter of 2018. This investment's valuation was based on a market approach, considering recent transactions in the fund and the industry.

We acquired Autonomous Research LLP ("**Autonomous**") in 2019 and Ramius Alternative Solutions LLC in 2016, both of which included contingent consideration arrangements as part of the purchase price. 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, 2019	December 31, 2018
	(in thousands)	
Balance as of beginning of period	\$ 7,336	\$ 10,855
Addition	17,384	—
Accretion	2,542	210
Changes in estimates	(3,051)	(2,429)
Payments	(1,300)	(1,300)
<b>Balance as of end of period</b>	<b>\$ 22,911</b>	<b>\$ 7,336</b>

During 2019, we recorded a \$17.4 million contingent consideration payable for our 2019 acquisition based on projected fee revenues over a five-year measurement period. The liability was valued using expected revenue growth rates ranging from 0.7% to 2.5% and a discount rate of 10.4%, reflecting a 3.5% risk-free rate, based on our cost of debt, and a 6.9% market price of risk adjustment rate. Additionally, we recorded a \$3.1 million change in estimate for the contingent consideration payable relating to

our 2016 acquisition. The liability relating to our 2016 acquisition was valued using a revised revenue growth rate of 50% over the remaining measurement periods and a 3.0% discount rate.

During 2018, we amended the contingent payment relating to our 2016 acquisition by modifying the earnout structure and extending it one year. As part of this amendment, we recorded a change in estimate of \$2.4 million related to the contingent consideration.

As of December 31, 2019 and 2018, acquisition-related contingent consideration liabilities were \$22.9 million and \$7.3 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, 2019 or 2018.

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

Furniture, equipment and leasehold improvements, net consist of:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(in thousands)</b>	
Furniture and equipment	\$ 575,378	\$ 561,816
Leasehold improvements	266,365	253,439
	841,743	815,255
Less: Accumulated depreciation and amortization	(696,492)	(659,736)
<b>Furniture, equipment and leasehold improvements, net</b>	<b>\$ 145,251</b>	<b>\$ 155,519</b>

Depreciation and amortization expense on furniture, equipment and leasehold improvements were \$38.1 million, \$34.2 million and \$32.8 million for the years ended December 31, 2019, 2018 and 2017, respectively.

### **11. Deferred Sales Commissions, Net**

The components of deferred sales commissions, net for the years ended December 31, 2019 and 2018 were as follows (excluding amounts related to fully amortized deferred sales commissions):

	<b>December 31,</b>	
	<b>2019</b>	<b>2018 <sup>(1)</sup></b>
	<b>(in thousands)</b>	
Carrying amount of deferred sales commissions	\$ 68,371	\$ 78,971
Less: Accumulated amortization	(19,348)	(40,506)
Cumulative CDSC received	(12,727)	(21,317)
<b>Deferred sales commissions, net</b>	<b>\$ 36,296</b>	<b>\$ 17,148</b>

<sup>(1)</sup> Prior year amounts have been reclassified to conform to our 2019 presentation.

Amortization expense was \$15.0 million, \$21.3 million and \$31.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. Estimated future amortization expense related to the December 31, 2019 net asset balance, assuming no additional CDSC is received in future periods, is as follows (in thousands):

2020	\$ 17,049
2021	11,666
2022	7,127
2023	454
	<b>\$ 36,296</b>

## 12. Debt

AB has an \$800.0 million committed, unsecured senior revolving credit facility (the "**Credit Facility**") with a group of commercial banks and other lenders, which matures on September 27, 2023. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of \$200.0 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 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, 2019, 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 a 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.

As of December 31, 2019 and 2018, we had no amounts outstanding under the Credit Facility. During 2019 and 2018, we did not draw upon the Credit Facility.

In addition to the Credit Facility, on November 4, 2019, AB established a \$900.0 million committed, unsecured senior credit facility ("**EQH Facility**") with EQH. The EQH Facility matures on November 4, 2024 and is available for AB's general business purposes. Borrowings under the EQH Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates.

The EQH Facility contains affirmative, negative and financial covenants which are substantially similar to those in AB's committed bank facilities. The EQH Facility also includes customary events of default substantially similar to those in AB's committed bank facilities, including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or the lender's commitment may be terminated.

Amounts under the EQH Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. AB or EQH may reduce or terminate the commitment at any time without penalty upon proper notice. EQH also may terminate the facility immediately upon a change of control of our general partner.

As of December 31, 2019, AB had \$560.0 million outstanding under the EQH Facility with an interest rate of approximately 1.6%. Average daily borrowings on the EQH Facility during 2019 for the 57 days it was available were \$358.6 million with a weighted average interest rate of approximately 1.6%.

As of December 31, 2019, we had no commercial paper outstanding. As of December 31, 2018, AB had \$523.2 million in commercial paper outstanding with a weighted average interest rate of approximately 2.7%. 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 for the 317 days commercial paper was outstanding in 2019 was \$438.6 million with a weighted average interest rate of 2.6%. Average daily borrowings for 2018 were \$350.3 million with a weighted average interest rate of approximately 2.0%.

AB also has a \$200.0 million committed, unsecured senior revolving credit facility (the "**Revolver**") with a leading international bank, which matures on November 16, 2021. The Revolver is available for AB's and SCB LLC's business purposes, including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants that are identical to those of the Credit Facility. As of December 31, 2019 we had no amounts outstanding under the Revolver. As of December 31, 2018, we had \$25.0 million outstanding under the Revolver with an interest rate of 3.4%. Average daily

borrowings for 2019 and 2018 were \$23.5 million and \$19.4 million, respectively, with weighted average interest rates of 3.2% and 2.8%, respectively.

In addition, SCB LLC currently 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 \$175.0 million, with AB named as an additional borrower, while the other line has no stated limit. As of December 31, 2019 and 2018, SCB LLC had no outstanding balance on these lines of credit. Average daily borrowings on the lines of credit during 2019 and 2018 were \$1.9 million and \$2.7 million, respectively, with weighted average interest rates of approximately 1.9% and 1.6%, respectively.

### 13. Leases

We lease office space, office equipment and technology under various operating and financing leases. Our current leases have remaining lease terms of one year to 11 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year.

Since 2010, we have sub-leased over one million square feet of office space. The liability relating to our global space consolidation initiatives was \$85.8 million as of December 31, 2018. Upon adoption of ASC 842 on January 1, 2019, we recorded this liability as a reduction to our operating right-of-use assets.

Leases included in the consolidated statements of financial condition as of December 31, 2019 were as follows:

	<b>Classification</b>	<b>December 31, 2019</b>
		(in thousands)
<b>Operating Leases</b>		
Operating lease right-of-use assets	Right-of-use assets	\$ 360,185
Operating lease liabilities	Lease liabilities	465,907
<b>Finance Leases</b>		
Property and equipment, gross	Right-of-use assets	3,825
Amortization of right-of-use assets	Right-of-use assets	(1,317)
Property and equipment, net		2,508
Finance lease liabilities	Lease liabilities	2,544

The components of lease expense included in the consolidated statements of income as of December 31, 2019 were as follows:

	<b>Classification</b>	<b>Year Ended December 31, 2019</b>
		(in thousands)
Operating lease cost	General and administrative	\$ 106,085
<b>Financing lease cost:</b>		
Amortization of right-of-use assets	General and administrative	1,317
Interest on lease liabilities	Interest expense	71
Total finance lease cost		1,388
Variable lease cost <sup>(1)</sup>	General and administrative	40,786
Sublease income	General and administrative	(55,522)
Net lease cost		\$ 92,737

<sup>(1)</sup> Variable lease expense includes operating expenses, real estate taxes and employee parking.

The sublease income represents all revenues received from sub-tenants. It is primarily fixed base rental payments combined with variable reimbursements such as operating expenses, real estate taxes and employee parking. The vast majority of sub-tenant

income is derived from our New York metro sub-tenant agreements. Sub-tenant income related to base rent is recorded on a straight-line basis.

Maturities of lease liabilities are as follows:

	Operating Leases	Financing Leases	Total
Year ending December 31,	(in thousands)		
2020	\$ 110,178	\$ 1,385	\$ 111,563
2021	104,644	741	105,385
2022	90,363	356	90,719
2023	82,806	126	82,932
2024	79,625	23	79,648
Thereafter	43,162	—	43,162
Total lease payments	510,778	2,631	\$ 513,409
Less interest	(44,871)	(87)	
Present value of lease liabilities	\$ 465,907	\$ 2,544	

During October 2018, we signed a lease, which commences in mid-2020, relating to 218,976 square feet of space at our new Nashville headquarters. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 15 year initial lease term is \$134 million. During April 2019, we signed a lease, which commences in 2024, relating to approximately 190,000 square feet of space in New York City. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 20 year lease term is approximately \$448 million.

#### Lease term and discount rate

Weighted average remaining lease term (years):	
Operating leases	5.23
Finance leases	2.37
Weighted average discount rate:	
Operating leases	3.51%
Finance leases	3.02

Supplemental cash flow information related to leases are as follows:

	Year Ended December 31, 2019
	(in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 132,669
Operating cash flows from financing leases	71
Financing cash flows from finance leases	1,281
Right-of-use assets obtained in exchange for lease obligations <sup>(1)</sup> :	
Operating leases	11,108
Finance leases	1,469

<sup>(1)</sup> Represents non-cash activity and, accordingly, is not reflected in the consolidated statements of cash flows.

## 14. Commitments and Contingencies

### Leases

We lease office space, office equipment and technology under various leasing arrangements. 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, 2019, are as follows:

	Payments	Sublease Receipts	Net Payments
	(in millions)		
2020	\$ 117.1	\$ 33.8	\$ 83.3
2021	115.1	34.4	80.7
2022	102.0	31.5	70.5
2023	94.5	31.0	63.5
2024	91.2	30.4	60.8
2025 and thereafter	619.2	—	619.2
<b>Total future minimum payments</b>	<b>\$ 1,139.1</b>	<b>\$ 161.1</b>	<b>\$ 978.0</b>

### Legal Proceedings

AB may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that we could incur losses pertaining to these matters, but we cannot currently estimate any such 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

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, 2019, we had funded \$22.4 million of this commitment. As general partner of AllianceBernstein U.S. Real Estate II L.P. (“**Real Estate Fund II**”), we committed to invest \$28.0 million in the Real Estate Fund II. As of December 31, 2019, we had funded \$19.9 million of this commitment.

## 15. Consolidated Company-Sponsored Investment Funds

We regularly provide seed capital to new company-sponsored investment funds. As such, we may consolidate or de-consolidate a variety of company-sponsored investment funds each quarter. Due to the similarity of risks related to our involvement with each company-sponsored investment fund, disclosures required under the VIE model are aggregated, such as disclosures regarding the carrying amount and classification of assets.

We are not required to provide financial support to company-sponsored investment funds and only the assets of such funds are available to settle each fund's own liabilities. Our exposure to loss in regard to consolidated company-sponsored investment funds is limited to our investment in, and our management fee earned from, such funds. Equity and debt holders of such funds have no recourse to AB's assets or to the general credit of AB.



The balances of consolidated VIEs and VOEs included in our consolidated statements of financial condition were as follows:

	December 31, 2019			December 31, 2018		
	(in thousands)					
	VIEs	VOEs	Total	VIEs	VOEs	Total
Cash and cash equivalents	\$ 9,623	\$ 1,810	\$ 11,433	\$ 11,880	\$ 1,238	\$ 13,118
Investments	404,624	176,380	581,004	217,840	133,856	351,696
Other assets	9,618	10,192	19,810	6,024	16,816	22,840
<b>Total assets</b>	<b>\$ 423,865</b>	<b>\$ 188,382</b>	<b>\$ 612,247</b>	<b>\$ 235,744</b>	<b>\$ 151,910</b>	<b>\$ 387,654</b>
Liabilities	\$ 12,147	\$ 18,870	\$ 31,017	\$ 5,215	\$ 17,395	\$ 22,610
Redeemable non-controlling interest	273,219	52,342	325,561	117,523	28,398	145,921
Partners' capital attributable to AB Unitholders	138,499	117,170	255,669	113,006	106,117	219,123
<b>Total liabilities, redeemable non-controlling interest and partners' capital</b>	<b>\$ 423,865</b>	<b>\$ 188,382</b>	<b>\$ 612,247</b>	<b>\$ 235,744</b>	<b>\$ 151,910</b>	<b>\$ 387,654</b>

### Fair Value

Cash and cash equivalents include cash on hand, demand deposits, 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.

Valuation of consolidated company-sponsored investment funds' financial instruments by pricing observability levels as of December 31, 2019 and 2018 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
<b>December 31, 2019:</b>				
Investments - VIEs	\$ 28,270	\$ 375,559	\$ 795	\$ 404,624
Investments - VOEs	104,069	72,252	59	176,380
Derivatives - VIEs	139	4,694	—	4,833
Derivatives - VOEs	76	4,263	—	4,339
<b>Total assets measured at fair value</b>	<b>\$ 132,554</b>	<b>\$ 456,768</b>	<b>\$ 854</b>	<b>\$ 590,176</b>
Derivatives - VIEs	\$ 835	\$ 3,724	\$ —	\$ 4,559
Derivatives - VOEs	101	4,982	—	5,083
<b>Total liabilities measured at fair value</b>	<b>\$ 936</b>	<b>\$ 8,706</b>	<b>\$ —</b>	<b>\$ 9,642</b>
<b>December 31, 2018:</b>				
Investments - VIEs	\$ 22,149	\$ 187,626	\$ 8,065	\$ 217,840
Investments - VOEs	68,063	65,485	308	133,856
Derivatives - VIEs	1,486	1,924	—	3,410
Derivatives - VOEs	124	3,692	—	3,816
<b>Total assets measured at fair value</b>	<b>\$ 91,822</b>	<b>\$ 258,727</b>	<b>\$ 8,373</b>	<b>\$ 358,922</b>
Derivatives - VIEs	\$ 72	\$ 3,819	\$ —	\$ 3,891
Derivatives - VOEs	197	3,633	—	3,830
<b>Total liabilities measured at fair value</b>	<b>\$ 269</b>	<b>\$ 7,452</b>	<b>\$ —</b>	<b>\$ 7,721</b>

See Note 9 for 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.

The change in carrying value associated with Level 3 financial instruments carried at fair value within consolidated company-sponsored investment funds was as follows:

	December 31,	
	2019	2018
	(in thousands)	
Balance as of beginning of period	\$ 8,373	\$ 2,264
Transfers (out) in	(9,445)	259
Purchases	9,213	9,354
Sales	(7,467)	(3,086)
Realized gains (losses), net	14	(100)
Unrealized gains (losses), net	143	(331)
Accrued discounts	23	13
<b>Balance as of end of period</b>	<b>\$ 854</b>	<b>\$ 8,373</b>

The Level 3 securities primarily consist of corporate bonds that are vendor priced with no ratings available, bank loans, non-agency collateralized mortgage obligations and asset-backed securities.

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.

#### **Derivative Instruments**

As of December 31, 2019 and 2018, the VIEs held \$0.3 million and \$0.5 million (net), respectively, of futures, forwards, options and swaps within their portfolios. For the years ended December 31, 2019 and 2018, we recognized \$3.3 million and \$1.5 million of gains, respectively, on these derivatives. These gains and losses are recognized in investment gains (losses) in the consolidated statements of income. As of December 31, 2019 and 2018, the VIEs held \$1.6 million and \$0.9 million, respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in the liabilities of consolidated company-sponsored investment funds in our consolidated statements of financial condition. As of December 31, 2019 and 2018, the VIEs delivered \$3.2 million and \$0.8 million, respectively, of cash collateral into brokerage accounts. The VIEs report this cash collateral in the consolidated company-sponsored investment funds cash and cash equivalents in our consolidated statements of financial condition.

As of December 31, 2019 and 2018, the VOEs held \$0.7 million and \$0.1 million (net), respectively, of futures, forwards, options and swaps within their portfolios. For the years ended December 31, 2019 and 2018, we recognized \$0.5 million and \$1.9 million of gains, respectively, on these derivatives. These gains and losses are recognized in the investment gains (losses) in the consolidated statements of income. As of December 31, 2019 and 2018, the VOEs held \$0.5 million and \$0.2 million of cash collateral payable to trade counterparties. This obligation to return cash is reported in the liabilities of consolidated company-sponsored investment funds in our consolidated statements of financial condition. As of December 31, 2019 and 2018, the VOEs delivered \$1.2 million and \$0.5 million, respectively, of cash collateral into brokerage accounts. The VOEs report this cash collateral in the consolidated company-sponsored investment funds cash and cash equivalents in our consolidated statements of financial condition.

## Offsetting Assets and Liabilities

Offsetting of derivative assets of consolidated company-sponsored investment funds as of December 31, 2019 and 2018 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
(in thousands)						
<b>December 31, 2019:</b>						
Derivatives - VIEs	\$ 4,833	\$ —	\$ 4,833	\$ —	\$ (1,631)	\$ 3,202
Derivatives - VOEs	\$ 4,339	\$ —	\$ 4,339	\$ —	\$ (534)	\$ 3,805
<b>December 31, 2018:</b>						
Derivatives - VIEs	\$ 3,410	\$ —	\$ 3,410	\$ —	\$ (856)	\$ 2,554
Derivatives - VOEs	\$ 3,816	\$ —	\$ 3,816	\$ —	\$ (225)	\$ 3,591

Offsetting of derivative liabilities of consolidated company-sponsored investment funds as of December 31, 2019 and 2018 was as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
(in thousands)						
<b>December 31, 2019:</b>						
Derivatives - VIEs	\$ 4,559	\$ —	\$ 4,559	\$ —	\$ (3,155)	\$ 1,404
Derivatives - VOEs	\$ 5,083	\$ —	\$ 5,083	\$ —	\$ (1,201)	\$ 3,882
<b>December 31, 2018:</b>						
Derivatives - VIEs	\$ 3,891	\$ —	\$ 3,891	\$ —	\$ (829)	\$ 3,062
Derivatives - VOEs	\$ 3,830	\$ —	\$ 3,830	\$ —	\$ (547)	\$ 3,283

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

## Non-Consolidated VIEs

As of December 31, 2019, the net assets of company-sponsored investment products that are non-consolidated VIEs are approximately \$79.3 billion, and our maximum risk of loss is our investment of \$8.4 million in these VIEs and advisory fee receivables from these VIEs, which are not material.

## 16. Net Capital

SCB LLC is registered as a broker-dealer under the Exchange Act and is subject to the 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, 2019, SCB LLC had net capital of \$250.8 million, which was \$219.6 million in excess of the minimum net capital requirement of \$31.2 million. 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, 2019, it was subject to financial resources requirements of \$14.9 million imposed by the Financial Conduct Authority of the United Kingdom and had aggregate regulatory financial resources of \$30.2 million, an excess of \$15.3 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, 2019, it had net capital of \$22.1 million, which was \$21.8 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, 2019, each of our subsidiaries subject to a minimum net capital requirement satisfied the applicable requirement.

## 17. 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 by our maintaining a diversified portfolio of securities in the accounts, 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 generally is two business days after trade date for our U.K. and U.S. 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, options 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.

## 18. 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 2019, 2018 and 2017 were \$14.4 million, \$15.0 million and \$14.4 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 \$7.7 million, \$7.1 million and \$6.8 million in 2019, 2018 and 2017, 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 contributed \$4.0 million to the Retirement Plan during 2019. We do not currently anticipate that we will contribute to the Retirement Plan during 2020. 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,	
	2019	2018
	(in thousands)	
<i>Change in projected benefit obligation:</i>		
Projected benefit obligation at beginning of year	\$ 116,233	\$ 125,200
Interest cost	4,944	4,771
Actuarial loss (gain)	20,411	(9,918)
Benefits paid	(5,475)	(3,820)
Projected benefit obligation at end of year	136,113	116,233
<i>Change in plan assets:</i>		
Plan assets at fair value at beginning of year	98,584	100,706
Actual return on plan assets	16,971	(3,302)
Employer contribution	4,000	5,000
Benefits paid	(5,475)	(3,820)
Plan assets at fair value at end of year	114,080	98,584
<b>Funded status</b>	<b>\$ (22,033)</b>	<b>\$ (17,649)</b>

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.

The amounts recognized in other comprehensive income (loss) for the Retirement Plan for 2019, 2018 and 2017 were as follows:

	2019	2018	2017
	(in thousands)		
Unrecognized net (loss) gain from experience different from that assumed and effects of changes and assumptions	\$ (7,934)	\$ 1,870	\$ (3,043)
Prior service cost	24	24	24
	(7,910)	1,894	(3,019)
Income tax benefit (expense)	312	(207)	(49)
<b>Other comprehensive (loss) income</b>	<b>\$ (7,598)</b>	<b>\$ 1,687</b>	<b>\$ (3,068)</b>

The loss of \$7.6 million recognized in 2019 primarily was due to changes in the discount rate and lump sum interest rates (\$21.7 million), offset by actual earnings exceeding expected earnings on plan assets (\$11.3 million), changes in the mortality assumption (\$1.2 million), the recognized actuarial loss (\$1.1 million) and changes in the census data (\$0.1 million). The gain of \$1.7 million recognized in 2018 primarily was due to changes in the discount rate and lump sum interest rates (\$9.7 million), the recognized actuarial loss (\$1.1 million) and changes in the mortality assumption (\$0.4 million), offset by actual earnings exceeding expected earnings on plan assets (\$9.2 million) and changes in the census data (\$0.2 million). The loss of \$3.1 million recognized in 2017 primarily was due to changes in the discount rate and lump sum interest rates (\$11.9 million) and changes in the census data (\$1.4 million), offset by actual earnings exceeding expected earnings on plan assets (\$8.5 million), the recognized actuarial loss (\$1.1 million) and changes in the mortality assumption (\$0.7 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 is not necessary. The reconciliation of the 2019 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	Retired Individual Plan	Foreign Retirement Plans	OCI Statement
	(in thousands)			
Recognized actuarial (loss) gain	\$ (7,934)	\$ (69)	\$ 112	\$ (7,891)
Amortization of prior service cost	24	—	—	24
Changes in employee benefit related items	(7,910)	(69)	112	(7,867)
Income tax benefit (expense)	312	3	(41)	274
<b>Employee benefit related items, net of tax</b>	<b>\$ (7,598)</b>	<b>\$ (66)</b>	<b>\$ 71</b>	<b>\$ (7,593)</b>

The amounts included in accumulated other comprehensive income (loss) for the Retirement Plan as of December 31, 2019 and 2018 were as follows:

	2019	2018
	(in thousands)	
Unrecognized net loss from experience different from that assumed and effects of changes and assumptions	\$ (55,537)	\$ (47,603)
Prior service cost	(731)	(755)
	(56,268)	(48,358)
Income tax benefit	513	201
<b>Accumulated other comprehensive loss</b>	<b>\$ (55,755)</b>	<b>\$ (48,157)</b>

The amortization period over which we are amortizing the loss for the Retirement Plan from accumulated other comprehensive income is 30.9 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 \$24 thousand and \$1.4 million, respectively.

The accumulated benefit obligation for the plan was \$136.1 million and \$116.2 million as of December 31, 2019 and 2018, respectively.

The discount rates used to determine benefit obligations as of December 31, 2019 and 2018 (measurement dates) were 3.35% and 4.40%, respectively.

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

2020	\$	5,868
2021		7,113
2022		9,202
2023		7,451
2024		7,538
2025-2029		45,048

Net expense under the Retirement Plan consisted of:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Interest cost on projected benefit obligations	\$ 4,944	\$ 4,771	\$ 4,999
Expected return on plan assets	(5,639)	(5,893)	(5,261)
Amortization of prior service cost	24	24	24
Recognized actuarial loss	1,146	1,146	1,097
<b>Net pension expense</b>	<b>\$ 475</b>	<b>\$ 48</b>	<b>\$ 859</b>

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

	Years Ended December 31,		
	2019	2018	2017
Discount rate on benefit obligations	4.40%	3.90%	4.55%
Expected long-term rate of return on plan assets	5.75%	5.75%	6.00%

In developing the expected long-term rate of return on plan assets of 5.75%, 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, 2019, the mortality projection assumption has been updated to use the generational MP-2019 improvement scale. Previously, mortality was projected generationally using the MP-2018 improvements scale. The base mortality assumption was updated to the Society of Actuaries Pri-2012 base mortality table for private sector plans, with a white-collar adjustment, using the contingent annuitant table for beneficiaries of deceased participants. Previously, the mortality assumption was the RP-2014 white-collar mortality table for males and females adjusted back to 2006 using the MP-2014 improvement scale.

The Internal Revenue Service (“IRS”) recently updated the mortality tables used to determine lump sums. For fiscal year-end 2019, we reflected the most recently published IRS table for lump sums assumed to be paid in 2020. We projected future mortality for lump sums assumed to be paid after 2020 using the current base mortality tables (RP-2014 backed off to 2006) and projection scale of MP-2019.

The Retirement Plan’s asset allocation percentages consisted of:

	December 31,	
	2019	2018
Equity	47%	43%
Debt securities	41	41
Other	12	16
	<b>100%</b>	<b>100%</b>

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 10% to 35% for liability hedging investments (target of 20%), 15% to 40% for return seeking investments (target of 27%), 5% to 35% for risk mitigating investments (target of 14%), 10% to 35% for diversifying investments (target of 21%) and 5% to 35% for dynamic asset allocation (target of 18%). 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), which are designed to manage short-term portfolio risk and mitigate the effect of extreme outcomes by varying the asset allocation of a portfolio.

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, 2019 and 2018 was as follows (in thousands):

	Level 1	Level 2	Level 3	Total
<b>December 31, 2019</b>				
Cash	\$ 230	\$ —	\$ —	\$ 230
U.S. Treasury Strips	—	27,318	—	27,318
Fixed income mutual funds	19,518	—	—	19,518
Equity mutual fund	33,875	—	—	33,875
Equity securities	11,182	—	—	11,182
Total assets in the fair value hierarchy	64,805	27,318	—	92,123
Investments measured at net assets value	—	—	—	21,957
<b>Investments at fair value</b>	<b>\$ 64,805</b>	<b>\$ 27,318</b>	<b>\$ —</b>	<b>\$ 114,080</b>

	Level 1	Level 2	Level 3	Total
<b>December 31, 2018</b>				
Cash	\$ 238	\$ —	\$ —	\$ 238
U.S. Treasury Strips	—	22,355	—	22,355
Fixed income mutual funds	18,362	—	—	18,362
Equity mutual fund	26,508	—	—	26,508
Equity securities	8,970	—	—	8,970
Total assets in the fair value hierarchy	54,078	22,355	—	76,433
Investments measured at net assets value	—	—	—	22,151
<b>Investments at fair value</b>	<b>\$ 54,078</b>	<b>\$ 22,355</b>	<b>\$ —</b>	<b>\$ 98,584</b>

During 2019 and 2018, the Retirement Plan's investments include the following:

- U.S. Treasury strips, (zero-coupon bonds);
- two fixed income mutual funds, which seek to generate income consistent with preservation of capital. One fund invests in a portfolio of investment-grade securities primarily in the U.S. with additional non-U.S. securities. The second fund invests in inflation-indexed fixed-income securities and similar bonds issued by non-U.S. governments and various commodities;
- seven equity mutual funds, four of which focus on U.S.-based equity securities of various capitalization sizes ranging from small to large capitalizations and diversified portfolios within those capitalization ranges; and three funds that focus on non-U.S. based equity securities of various capitalization sizes ranging from small to large capitalizations and diversified portfolios therein across non-U.S. regions;
- 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 the overall asset allocation managed by AB;



- a multi-style, multi-cap integrated portfolio adding 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; and
- investments measured at net asset value, including three hedge funds that seek 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 their assets among portfolio managers through portfolio funds that employ a broad range of investment strategies; one private investment trust that invests primarily in equity securities of non-U.S. companies located in emerging market countries; and one collective investment trust that invests in U.S. and non-U.S. equities of various capitalization sizes.

## 19. 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 2019, 2018 and 2017 aggregating \$175.5 million, \$183.3 million and \$168.2 million, respectively. The amounts charged to employee compensation and benefits for the years ended December 31, 2019, 2018 and 2017 were \$177.2 million, \$161.0 million and \$172.8 million, respectively.

Effective as of September 30, 2017, we established the AB 2017 Long Term Incentive Plan (“**2017 Plan**”), which was adopted at a special meeting of AB Holding Unitholders held on September 29, 2017. The following forms of awards may be granted to employees and Eligible Directors under the 2017 Plan: (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 2017 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 2017 Plan will expire on September 30, 2027, and no awards under the 2017 Plan will be made after that date. Under the 2017 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.

As of December 31, 2019, no options to buy AB Holding Units had been granted and 20,602,674 AB Holding Units, net of withholding tax requirements, were subject to other AB Holding Unit awards made under the 2017 Plan or the AllianceBernstein 2010 Long Term Incentive Plan, as amended, an equity compensation plan with similar terms that was canceled on September 30, 2017. AB Holding Unit-based awards (including options) in respect of 39,397,326 AB Holding Units were available for grant under the 2017 Plan as of December 31, 2019.

### Option Awards

We did not grant any options to buy AB Holding Units during 2019, 2018 or 2017. Historically, options granted to employees generally were 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 were 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.

The option-related activity in our equity compensation plans during 2019 is as follows:

	Options to Buy AB Holding Units	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
<b>Outstanding as of December 31, 2018</b>	<b>671,243</b>	<b>\$ 22.83</b>	<b>1.6</b>	
Granted	—	—		
Exercised	(511,894)	22.49		
Forfeited	—	—		
Expired	—	—		
<b>Outstanding as of December 31, 2019</b>	<b>159,349</b>	<b>23.93</b>	<b>2.1</b>	<b>\$ 1.0</b>
<b>Exercisable as of December 31, 2019</b>	<b>141,163</b>	<b>24.09</b>	<b>2.1</b>	<b>0.9</b>
<b>Vested or expected to vest as of December 31, 2019</b>	<b>159,349</b>	<b>23.93</b>	<b>2.1</b>	<b>1.0</b>

The total intrinsic value of options exercised during 2019, 2018 and 2017 was \$3.7 million, \$8.9 million and \$8.3 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 no compensation expense related to option grants in 2019, 2018 or 2017 as no options were granted. As of December 31, 2019, there was no compensation expense related to unvested option grants not yet recognized in the consolidated statement of income.

#### *Restricted AB Holding Unit Awards*

In 2019, 2018 and 2017, 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 Unitholders, subject to such restrictions on transfer as the Board may impose. We awarded 45,420, 53,720 and 50,252 restricted AB Holding Units, respectively, in 2019, 2018 and 2017 with grant date fair values per restricted AB Holding Unit of \$29.26 and \$29.90 in 2019, \$26.90 in 2018, and \$21.25 and \$24.80 in 2017. All of the restricted AB Holding Units vest ratably over three or four years. We fully expensed these awards on each grant date, as there is no service requirement. We recorded compensation expense relating to these awards of \$1.3 million, \$1.4 million and \$1.1 million, respectively, for the years ended December 31, 2019, 2018 and 2017.

On April 28, 2017, the Board removed Peter S. Kraus from his position as Chairman of the Board and Chief Executive Officer ("CEO"). As a result of his removal, we accelerated the vesting on the remaining two tranches under his June 2012 employment agreement and delivered the AB Holding Units to him in June 2017. During 2017, we recorded \$10.2 million of compensation expense relating to Mr. Kraus's restricted AB Holding Unit grant.

On April 28, 2017, Seth P. Bernstein was appointed President and CEO pursuant to an employment agreement, effective May 1, 2017. In connection with the commencement of his employment, Mr. Bernstein was granted restricted AB Holding Units with a grant date fair value of \$3.5 million (164,706 AB Holding Units based on the \$21.25 grant date AB Holding Unit price on May 16, 2017) and a four-year service requirement. Mr. Bernstein's restricted AB Holding Units vest ratably on each of the first four anniversaries of his commencement date and will be delivered to Mr. Bernstein as soon as administratively feasible after May 1, 2021, subject to accelerated vesting clauses in his employment agreement. We recorded compensation expense relating to Mr. Bernstein's restricted AB Holding Unit grants of \$0.9 million, \$0.9 million and \$0.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Under the Incentive Compensation Program, we awarded 5.8 million restricted AB Holding Units in 2019 (which included 5.4 million restricted AB Holding Units in December for the 2019 year-end awards as well as 0.4 million additional restricted AB Holding Units granted earlier during the year relating to the 2018 year-end awards), 6.5 million restricted AB Holding Units in 2018 (which included 6.2 million restricted AB Holding Units in December for the 2018 year-end awards as well as 0.3 million additional restricted AB Holding Units granted earlier during the year relating to the 2017 year-end awards), and 6.3 million restricted AB Holding Units in 2017 (which included 6.1 million restricted AB Holding Units in December for the 2017 year-end awards as well as 0.2 million additional restricted AB Holding Units granted earlier during the year related to the 2016 year-end awards). The grant date fair values per restricted AB Holding Unit ranged between \$26.69 and \$30.01 in 2019, \$24.95 and \$26.69 in 2018, and \$23.00 and \$24.95 in 2017. Restricted AB Holding Units awarded under the Incentive Compensation Program

generally vest in 25% increments on December 1st of each of the four years immediately following the year in which the award is granted.

We also award restricted AB Holding Units in connection with certain employment and separation agreements, as well as relocation-related performance awards, 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 1.9 million, 2.6 million and 1.8 million restricted AB Holding Units in 2019, 2018 and 2017, respectively, with grant date fair values per restricted AB Holding Unit ranging between \$27.32 and \$30.85 in 2019, \$25.05 and \$30.25 in 2018, and \$21.25 and \$25.65 in 2017. We recorded compensation expense relating to restricted AB Holding Unit grants in connection with certain employment and separation agreements of \$36.7 million, \$32.2 million and \$21.6 million, respectively, for the years ended December 31, 2019, 2018 and 2017.

Changes in unvested restricted AB Holding Units during 2019 are as follows:

	AB Holding Units	Weighted Average Grant Date Fair Value per AB Holding Unit
<b>Unvested as of December 31, 2018</b>	<b>20,214,389</b>	<b>\$ 25.12</b>
Granted	7,739,318	28.75
Vested	(8,260,466)	24.38
Forfeited	(406,161)	25.86
<b>Unvested as of December 31, 2019</b>	<b>19,287,080</b>	<b>26.88</b>

The total grant date fair value of restricted AB Holding Units that vested during 2019, 2018 and 2017 was \$201.4 million, \$169.1 million and \$177.0 million, respectively. As of December 31, 2019, the 19,287,080 unvested restricted AB Holding Units consist of 14,752,831 restricted AB Holding Units that do not have a service requirement and have been fully expensed on the grant date and 4,534,249 restricted AB Holding Units that have a service requirement and will be expensed over the required service period. As of December 31, 2019, there was \$101.5 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 3.6 years.

## 20. Units Outstanding

Changes in AB Units outstanding for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
<b>Outstanding as of January 1,</b>	<b>268,850,276</b>	<b>268,659,333</b>
Options exercised	511,894	889,119
Units issued	4,833,715	6,153,320
Units retired <sup>(1)</sup>	(3,815,571)	(6,851,496)
<b>Outstanding as of December 31,</b>	<b>270,380,314</b>	<b>268,850,276</b>

<sup>(1)</sup> During 2019 and 2018, we purchased 3,782 and 5,346 AB Units, respectively, in private transactions and retired them.

## 21. 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 foreign 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 EQH and the General Partner; EQH and the General Partner approve only those transfers permitted pursuant to one or more of the safe harbors contained in the 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 distributions 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.

Earnings before income taxes and income tax expense consist of:

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
Earnings before income taxes:			
United States	\$ 697,501	\$ 672,221	\$ 634,515
Foreign	125,936	153,093	139,395
<b>Total</b>	<b>\$ 823,437</b>	<b>\$ 825,314</b>	<b>\$ 773,910</b>
Income tax expense:			
Partnership UBT	\$ 9,196	\$ 5,251	\$ 2,986
Corporate subsidiaries:			
Federal	(943)	(4,030)	18,079
State and local	975	2,888	803
Foreign	32,290	36,529	29,365
Current tax expense	41,518	40,638	51,233
Deferred tax	236	5,178	1,877
<b>Income tax expense</b>	<b>\$ 41,754</b>	<b>\$ 45,816</b>	<b>\$ 53,110</b>

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,								
	2019		2018		2017				
	(in thousands)								
UBT statutory rate	\$	32,937	4.0 %	\$	33,012	4.0 %	\$	30,956	4.0 %
Corporate subsidiaries' federal, state, and local		4,000	0.5		1,522	0.2		2,558	0.3
Foreign subsidiaries taxed at different rates		26,719	3.3		30,689	3.7		25,406	3.3
2017 Tax Act		—	—		1,155	0.1		25,846	3.3
FIN 48 reserve (release)		2,765	0.3		(5,177)	(0.6)		(3,318)	(0.4)
UBT business allocation percentage rate change		(79)	—		2,657	0.3		—	—
Deferred tax and payable write-offs		314	—		2,932	0.4		(9,542)	(1.2)
Foreign outside basis difference		155	—		2,273	0.3		—	—
Amended 2017 return		(3,853)	(0.5)		—	—		—	—
Effect of ASC 740 adjustments, miscellaneous taxes, and other		2,305	0.3		(2,521)	(0.3)		1,903	0.2
Income not taxable resulting from use of UBT business apportionment factors and effect of compensation charge		(23,509)	(2.8)		(20,726)	(2.5)		(20,699)	(2.6)
<b>Income tax expense and effective tax rate</b>	<b>\$</b>	<b>41,754</b>	<b>5.1</b>	<b>\$</b>	<b>45,816</b>	<b>5.6</b>	<b>\$</b>	<b>53,110</b>	<b>6.9</b>

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 on its technical merits and their applicability to the facts and circumstances of the tax position. 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,		
	2019	2018	2017
	(in thousands)		
<b>Balance as of beginning of period</b>	<b>\$ 3,893</b>	<b>\$ 8,478</b>	<b>\$ 12,596</b>
Additions for prior year tax positions	1,813	—	—
Reductions for prior year tax positions	—	—	(1,849)
Additions for current year tax positions	—	—	—
Reductions for current year tax positions	—	—	—
Reductions related to closed years/settlements with tax authorities	—	(4,585)	(2,269)
<b>Balance as of end of period</b>	<b>\$ 5,706</b>	<b>\$ 3,893</b>	<b>\$ 8,478</b>

The amount of unrecognized tax benefits as of December 31, 2019, 2018 and 2017, when recognized, is recorded as a reduction to income tax expense and reduces the company's effective tax rate.

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 recorded in income tax expense during 2019, 2018 and 2017 was \$0.7 million, \$0.1 million and \$0.3 million, respectively. The total amount of accrued interest recorded on the consolidated statements of financial condition as of December 31, 2019, 2018 and 2017 was \$1.1 million, \$0.3 million and \$0.7 million, respectively. There were \$0.2 million of penalties accrued as of December 31, 2019. There were no accrued penalties as of December 31, 2018 or 2017.

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 2015, except as set forth below.

During the third quarter of 2018, the City of New York notified us of an examination of AB's UBT returns for the years 2013 through 2016. 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, 2019, it is reasonably possible that \$4.2 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,	
	2019	2018
	(in thousands)	
Deferred tax asset:		
Differences between book and tax basis:		
Benefits from net operating loss carryforwards	\$ 5,551	\$ 2,518
Long-term incentive compensation plans	20,907	22,342
Investment basis differences	4,376	3,606
Depreciation and amortization	1,554	1,248
Lease liability	6,409	—
Other, primarily accrued expenses deductible when paid	3,106	3,903
	41,903	33,617
Less: valuation allowance	(2,026)	(490)
Deferred tax asset	39,877	33,127
Deferred tax liability:		
Differences between book and tax basis:		
Intangible assets	8,013	6,852
Investment in foreign subsidiaries	2,191	1,653
Right-of-use asset	5,191	—
Other	1,672	1,758
Deferred tax liability	17,067	10,263
<b>Net deferred tax asset</b>	<b>\$ 22,810</b>	<b>\$ 22,864</b>

Valuation allowances of \$2.0 million and \$0.5 million were established as of December 31, 2019 and 2018, respectively, primarily due to significant negative evidence that net operating loss ("NOL") carryforwards will not be utilized, given the future losses expected to be incurred by the applicable subsidiaries. We had NOL carryforwards at December 31, 2019 and 2018 of approximately \$46.2 million and \$32.4 million, respectively. The majority of our foreign NOL carryforwards have an indefinite expiration period.

The deferred tax asset is included in other assets in our consolidated statement of financial condition. Management believes there will be sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets recognized that are not subject to valuation allowances.

The company provides income taxes on the unremitted earnings of non-U.S. corporate subsidiaries except to the extent that such earnings are indefinitely reinvested outside the United States. As of December 31, 2019, \$29.6 million of undistributed earnings of non-U.S. corporate subsidiaries were indefinitely invested outside the U.S. At existing applicable income tax rates, additional taxes of approximately \$6.2 million would need to be paid if such earnings are remitted.

## 22. 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, 2019, 2018 and 2017 were as follows:

### Services

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

	Years Ended December 31,		
	2019	2018	2017
	(in thousands)		
Institutions	\$ 480,144	\$ 479,068	\$ 477,140
Retail	1,619,832	1,494,445	1,423,890
Private Wealth Management	904,505	883,234	787,362
Bernstein Research Services	407,911	439,432	449,919
Other	163,245	123,581	185,375
Total revenues	3,575,637	3,419,760	3,323,686
Less: Interest expense	57,205	52,399	25,165
<b>Net revenues</b>	<b>\$ 3,518,432</b>	<b>\$ 3,367,361</b>	<b>\$ 3,298,521</b>

Our AllianceBernstein Global High Yield Portfolio, an open-end fund incorporated in Luxembourg (ACATEUH: LX), generated approximately 9%, 10% and 11% of our investment advisory and service fees and 9%, 10% and 12% of our net revenues during 2019, 2018 and 2017, 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:

	2019	2018	2017
	(in thousands)		
Net revenues:			
United States	\$ 1,975,105	\$ 1,940,267	\$ 1,958,844
International	1,543,327	1,427,094	1,339,677
<b>Total</b>	<b>\$ 3,518,432</b>	<b>\$ 3,367,361</b>	<b>\$ 3,298,521</b>
Long-lived assets:			
United States	\$ 3,259,490	\$ 3,262,722	
International	54,349	56,069	
<b>Total</b>	<b>\$ 3,313,839</b>	<b>\$ 3,318,791</b>	

### 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. HSBC (not affiliated with AB) was responsible for approximately 14%, 7% and 9% of our open-end mutual fund sales in 2019, 2018 and 2017, respectively. HSBC is not under any obligation to sell a specific amount of AB Fund shares.

EQH and the general and separate accounts of Equitable Life (including investments by the separate accounts of Equitable Life in the funding vehicle EQ Advisors Trust) accounted for approximately 3% of our total revenues for each of the years ended December 31, 2019, 2018 and 2017. AXA and its subsidiaries accounted for approximately 2% of our total revenues for each of the years ended December 31, 2019, 2018 and 2017. No single institutional client other than EQH, AXA and their respective subsidiaries accounted for more than 1% of our total revenues for the years ended December 31, 2019, 2018 and 2017.

## 23. 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,		
	2019	2018	2017
	(in thousands)		
Investment advisory and services fees	\$ 1,275,677	\$ 1,207,086	\$ 1,148,467
Distribution revenues	441,437	403,965	397,674
Shareholder servicing fees	75,122	74,019	73,310
Other revenues	7,303	7,262	6,942
Bernstein Research Services	2	33	13

### EQH, AXA and their respective Subsidiaries

We provide investment management and certain administration services to EQH, AXA and their respective subsidiaries. In addition, EQH, AXA and their respective subsidiaries distribute company-sponsored mutual funds, for which they receive commissions and distribution payments. Also, we are covered by various insurance policies maintained by EQH, AXA and their respective subsidiaries and we pay fees for technology and other services provided by EQH, AXA and their respective subsidiaries. Additionally, *see Note 12, Debt*, for disclosures related to our credit facility with EQH.

Aggregate amounts included in the consolidated financial statements for transactions with EQH, AXA and their respective subsidiaries, as of and for the years ended December 31, are as follows:

	EQH			AXA		
	2019	2018	2017	2019	2018	2017
	(in thousands)					
Revenues:						
Investment advisory and services fees	\$ 109,316	\$ 104,810	\$ 98,450	\$ 65,086	\$ 64,347	\$ 58,980
Bernstein Research Services	—	—	—	45	134	403
Distribution revenues	—	—	—	12,968	13,897	13,387
Other revenues	1,013	1,104	864	482	625	266
	<u>\$ 110,329</u>	<u>\$ 105,914</u>	<u>\$ 99,314</u>	<u>\$ 78,581</u>	<u>\$ 79,003</u>	<u>\$ 73,036</u>
Expenses:						
Commissions and distribution payments to financial intermediaries	\$ 3,956	\$ 3,964	\$ 3,828	\$ 16,693	\$ 17,603	\$ 15,374
General and administrative	2,466	2,615	2,610	11,501	12,391	9,818
Other	2,759	1,485	1,696	—	—	—
	<u>\$ 9,181</u>	<u>\$ 8,064</u>	<u>\$ 8,134</u>	<u>\$ 28,194</u>	<u>\$ 29,994</u>	<u>\$ 25,192</u>
Balance Sheet:						
Institutional investment advisory and services fees receivable	\$ 8,716	\$ 9,751		\$ 10,842	\$ 7,861	
Prepaid expenses	238	364		—	—	
Other due to EQH, AXA and their respective subsidiaries	(2,111)	(1,842)		(5,234)	(5,417)	
EQH Facility	(560,000)	—		—	—	
	<u>\$ (553,157)</u>	<u>\$ 8,273</u>		<u>\$ 5,608</u>	<u>\$ 2,444</u>	



## 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, 2019 and 2018 was \$10.1 million and \$11.4 million, respectively.

## 24. Acquisitions

Acquisitions are accounted for under ASC 805, *Business Combinations*.

On April 1, 2019, we acquired a 100% interest in Autonomous, an institutional research firm. On the acquisition date, we made a cash payment of \$6.5 million and recorded a contingent consideration payable of \$17.4 million based on projected fee revenues over a five-year measurement period. The excess of the purchase price over the current fair value of identifiable net assets acquired of \$5.6 million resulted in the recognition of \$10.2 million of goodwill and \$8.1 million of intangible assets relating to customer relationships and trademarks. Also, in accordance with US GAAP, additional cash payments and contingent consideration payable to the owners of Autonomous on the acquisition date are considered compensation expense to be amortized over two-year and five-year periods, respectively, not purchase price consideration, due to service conditions at the time of acquisition. The Autonomous acquisition did not have a material impact on our financial condition or results of operations. As a result, we have not provided supplemental pro forma information.

## 25. Non-controlling Interests

Non-controlling interest in net income for the years ended December 31, 2019, 2018 and 2017 consisted of the following:

	2019	2018	2017
	(in thousands)		
Non-redeemable non-controlling interests:			
Consolidated company-sponsored investment funds	\$ —	\$ (119)	\$ 9,353
Other	92	188	279
Total non-redeemable non-controlling interest	92	69	9,632
Redeemable non-controlling interests:			
Consolidated company-sponsored investment funds	29,549	21,841	48,765
<b>Total non-controlling interest in net income (loss)</b>	<b>\$ 29,641</b>	<b>\$ 21,910</b>	<b>\$ 58,397</b>

On June 20, 2014, we acquired an 81.7% ownership interest in CPH Capital Fondsmæglerselskab A/S (“CPH”), a Danish asset management firm that manages global core equity assets for institutional investors. As a result of additional share purchases made in each year since 2015, we have a 100% ownership interest in CPH as of December 31, 2019.

Non-redeemable non-controlling interest as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
	(in thousands)	
Consolidated company-sponsored investment funds	\$ —	\$ —
CPH	—	949
<b>Total non-redeemable non-controlling interest</b>	<b>\$ —</b>	<b>\$ 949</b>

Redeemable non-controlling interest as of December 31, 2019 and 2018 consisted of the following:

	2019	2018
	(in thousands)	
Consolidated company-sponsored investment funds	\$ 325,561	\$ 145,921
CPH	—	2,888
<b>Total redeemable non-controlling interest</b>	<b>\$ 325,561</b>	<b>\$ 148,809</b>

## 26. Quarterly Financial Data (Unaudited)

	Quarters Ended 2019			
	December 31	September 30	June 30	March 31
	(in thousands, except per unit amounts)			
Net revenues	\$ 987,304	\$ 877,867	\$ 857,799	\$ 795,462
Net income attributable to AB Unitholders	\$ 248,865	\$ 187,811	\$ 166,252	\$ 149,114
Basic net income per AB Unit <sup>(1)</sup>	\$ 0.92	\$ 0.69	\$ 0.61	\$ 0.55
Diluted net income per AB Unit <sup>(1)</sup>	\$ 0.92	\$ 0.69	\$ 0.61	\$ 0.55
Cash distributions per AB Unit <sup>(2)(3)</sup>	\$ 0.93	\$ 0.70	\$ 0.63	\$ 0.56

	Quarters Ended 2018			
	December 31	September 30	June 30	March 31
	(in thousands, except per unit amounts)			
Net revenues	\$ 804,660	\$ 850,176	\$ 844,738	\$ 867,787
Net income attributable to AB Unitholders	\$ 188,053	\$ 203,674	\$ 181,665	\$ 184,196
Basic net income per AB Unit <sup>(1)</sup>	\$ 0.70	\$ 0.75	\$ 0.66	\$ 0.68
Diluted net income per AB Unit <sup>(1)</sup>	\$ 0.70	\$ 0.75	\$ 0.66	\$ 0.68
Cash distributions per AB Unit <sup>(2)(3)</sup>	\$ 0.71	\$ 0.76	\$ 0.69	\$ 0.80

<sup>(1)</sup> 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.

<sup>(2)</sup> Declared and paid during the following quarter.

<sup>(3)</sup> Cash distributions reflect the impact of our non-GAAP adjustments.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

We did not have any changes in or disagreements with accountants in respect of accounting or financial disclosure.

### **Item 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Each of AB Holding and AB maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Exchange Act is (i) recorded, processed, summarized and reported in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to permit timely decisions regarding our disclosure.

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

#### **Management's Report on Internal Control Over Financial Reporting**

Management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting for each of AB Holding and AB.

Internal control over financial reporting is a process designed by, or under the supervision of, a company's CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- 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.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial statement preparation and presentation. Because of these inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness of internal control 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.

Management assessed the effectiveness of AB Holding's and AB's internal control over financial reporting as of December 31, 2019. In making its assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)* ("COSO criteria").

Based on its assessment, management concluded that, as of December 31, 2019, each of AB Holding and AB maintained effective internal control over financial reporting based on the COSO criteria.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the 2019 financial statements included in this Form 10-K, has issued an attestation report on the effectiveness of each of AB Holding's and AB's internal control over financial reporting as of December 31, 2019. The report pertaining to AB can be found in *Item 8*. The report pertaining to AB Holding can be found in *Item 8* of AB Holding's Form 10-K for the year ended December 31, 2019.

#### **Changes in Internal Control Over Financial Reporting**

No changes in our internal control over financial reporting occurred during the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

We reported all information required to be disclosed on Form 8-K during the fourth quarter of 2019.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

We use “**Internet Site**” in Items 10 and 11 to refer to our company’s internet site, [www.alliancebernstein.com](http://www.alliancebernstein.com).

To contact our company’s Corporate Secretary, you may send an email to [corporate\\_secretary@alliancebernstein.com](mailto:corporate_secretary@alliancebernstein.com) or write to Corporate Secretary, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, New York 10105.

#### **General Partner**

The Partnerships’ activities are managed and controlled by the General Partner. The Board of the General Partner acts as the Board of each of the Partnerships. Neither AB Unitholders nor AB Holding Unitholders have any rights to manage or control the Partnerships or to elect directors of the General Partner. The General Partner is a wholly-owned subsidiary of EQH.

The General Partner does not receive any compensation from the Partnerships for services rendered to them as their general partner. The General Partner holds a 1% general partnership interest in AB and 100,000 units of general partnership interest in AB Holding. Each general partnership unit in AB Holding is entitled to receive distributions equal to those received by each AB Holding Unit.

The General Partner is entitled to reimbursement by AB for any expenses it incurs in carrying out its activities as general partner of the Partnerships, including compensation paid by the General Partner to its directors and officers (to the extent such persons are not compensated directly by AB).

#### **Board of Directors**

Our Board currently consists of 11 directors, including seven independent directors (including our Chairman of the Board), our President and CEO, and three senior executives of EQH. While we do not have a formal, written diversity policy in place, we believe that an effective board consists of a diverse group of individuals who collectively possess a variety of complementary skills and perspectives and who will work together to provide a board with the needed leadership and experience to successfully guide our company. As set forth in its charter, the Corporate Governance Committee of the Board (“**Governance Committee**”) assists the Board in identifying and evaluating such candidates, determining Board composition, developing and monitoring a process to assess Board effectiveness, developing and implementing corporate governance guidelines, and reviewing programs relating to matters of corporate responsibility.

*As we indicate below*, our directors have a combined wealth of leadership experience derived from extensive service leading large, complex organizations in their roles as either senior executives or board members, as well as in government and academia. Each of our directors has the integrity, business judgment, collegiality and commitment that are among the essential characteristics for a member of our Board. Collectively, they have substantive knowledge and skills applicable to our business, including expertise in areas such as regulation; public accounting and financial reporting; finance; risk management; business development; operations; information technology; strategic planning; management development, succession planning and compensation; corporate governance; public policy; and international matters.

As of February 12, 2020, our directors are as follows:

#### ***Ramon de Oliveira***

Mr. de Oliveira, age 65, was appointed a director of AB in April 2017 and, since April 1, 2019, has served as Chairman of the Board of AB. Since March 2019, he has served as Chairman of the Board of EQH, Equitable Life and Equitable America. Mr. de Oliveira served as director of EQH from April 2018 until being appointed Chairman in 2019 and, similarly, served as director of each of Equitable Life and Equitable America until being appointed Chairman. He has been a director of AXA since 2010. Additionally, he serves as Managing Partner of the consulting firm Investment Audit Practice, LLC. Previously, Mr. de Oliveira held several executive positions at J.P. Morgan & Co. over the course of a 24-year tenure, including five years as chairman and Chief Executive Officer of J.P. Morgan Investment Management. He was also a member of J.P. Morgan’s Management Committee from its inception in 1995.

Mr. de Oliveira brings to the Board the extensive buy-side and sell-side financial services experience, key leadership skills and sharp analytical skills he has developed through his executive leadership roles at JPMorgan Chase and Investment Audit Practice.

***Seth P. Bernstein***

Mr. Bernstein, age 58, was appointed President and Chief Executive Officer in April 2017 and began serving in this role on May 1, 2017. Prior to his appointment, he had a distinguished 32 year career at JPMorgan Chase, most recently as managing director and global head of Managed Solutions and Strategy at J.P. Morgan Asset Management. In this role, Mr. Bernstein was responsible for the management of all discretionary assets within the Private Banking client segment. Among other roles, he served as managing director and global head of Fixed Income and Currency for 10 years, concluding in 2012. Prior to that, Mr. Bernstein held the position of Chief Financial Officer at JPMorgan Chase's Investment Management and Private Banking division. Mr. Bernstein is a member of the Management Committee of EQH and the Board of Managers of Haverford College, Pennsylvania.

Mr. Bernstein brings to the Board the diverse financial services experience he developed through his extensive service at JPMorgan Chase.

***Paul L. Audet***

Mr. Audet, age 66, was appointed a director of AB in November 2017. He is the Co-Founder and Managing Member of Symmetrical Ventures LLC, a venture capital firm organized in 2015 and specializing in capital investments in start-ups and development stage companies. The firm evaluates investment opportunities in enterprises that aim to transform traditional business models through disruptive technologies. Previously, Mr. Audet served as a senior managing director at BlackRock, retiring in 2014 after a 35-year career in the financial services industry. During his BlackRock tenure, he held a number of executive leadership roles, including Chief Financial Officer for nine years and head of the company's U.S. active mutual funds, global real estate and global cash-management businesses. Mr. Audet's affiliation with BlackRock started in 1994 when, as director of mergers and acquisitions for PNC Financial Services, he led the acquisition of BlackRock. He began his professional career in 1977 at PricewaterhouseCoopers and worked at PaineWebber and First Fidelity Bancorporation before moving on to BlackRock and PNC.

Mr. Audet brings to the Board the extensive financial services experience he has developed through his executive leadership roles at BlackRock.

***Nella L. Domenici***

Ms. Domenici, age 59, was appointed a director of AB in January 2020. Most recently, she served as Chief Financial Officer and member of the Operating Committee at Bridgewater Associates ("**Bridgewater**"), a hedge fund with more than \$160 billion in AUM, from 2015 to 2018. In this role, Ms. Domenici was responsible for, among other things, financial planning and analysis, revenue management, corporate finance, strategic initiatives and technology investment. From 2012 to 2015, Ms. Domenici was a strategic advisor to Bridgewater's Management Committee, in which role she led the evolution of the firm's senior leadership organization structure. Prior thereto, Ms. Domenici held various senior strategic positions with Citadel Investment Group, from 2004 to 2005, Credit Suisse, from 1998 to 2004, and The Monitor Consulting Group, from 1996 to 1998. In addition, she is a proven entrepreneur, having founded a successful consulting firm that advises many family-owned, private equity, venture-backed and real estate companies.

Ms. Domenici serves on the Board of Regis High School and is the founder of Excellent Schools of New Mexico, a non-profit that supports charter schools in underserved communities. She also serves on the Board of One World Surgery, which provides access to quality surgical care globally and has been involved in major national efforts to support research and legislation related to mental illness. Additionally, Ms. Domenici serves on the Board of International Folk Art Market, which focuses on economic opportunities for folk artists worldwide, particularly women in developing countries.

Ms. Domenici brings to the Board her seasoned business acumen and her extensive global experience in strategic financial management, corporate strategy and operations.

***Jeffrey J. Hurd***

Mr. Hurd, age 53, was appointed a director of AB in April 2019. He has served as Senior Executive Vice President and Chief Operating Officer of EQH, and as a member of the EQH Management Committee, since May 2018. In this role, Mr. Hurd has strategic oversight for EQH's Human Resources, Information Technology and Communications departments. He also is responsible for EQH's Transformation Office, which encompasses key functional areas, including operations, data and analytics, procurement and corporate real estate. Mr. Hurd also has served as Senior Executive Director and Chief Operating Officer of Equitable Life since January 2018.

Prior to joining Equitable Life, Mr. Hurd served as Executive Vice President and Chief Operating Officer at American International Group, Inc. ("**AIG**"), where he amassed deep financial services industry experience during his 20-year tenure. While at AIG, Mr. Hurd served as as Chief Human Resources Officer, Chief Administrative Officer, Deputy General Counsel and Head of Asset Management Restructuring.

Mr. Hurd brings to the Board his extensive experience in financial services and strategic insights as a senior executive at EQH and, formerly, at AIG.

***Daniel G. Kaye***

Mr. Kaye, age 65, was appointed a director of AB in April 2017. He has been a director of EQH since May 2018 and a director of Equitable Life and Equitable America since September 2015. Also, since May 2019, Mr. Kaye has been is a director of CME Group, Inc., where he serves as a member of the Audit Committee. From January 2013 to May 2014, Mr. Kaye served as interim Chief Financial Officer and Treasurer of HealthEast Care System. He held this post after retiring in 2012 from a 35-year career at Ernst & Young LLP, including 25 years as an audit partner. During his tenure at EY, Mr. Kaye served as the New England Area Managing Partner and the Midwest Area Managing Partner of Assurance. Mr. Kaye is a Certified Public Accountant and a National Association of Corporate Directors Board Leadership Fellow.

Mr. Kaye brings to the Board the extensive financial expertise he developed through his career at EY and his directorships at EQH and certain of its subsidiaries.

***Nick Lane***

Mr. Lane, age 46, was appointed a director of AB in April 2019. He has served as Senior Executive Vice President and Head of Retirement, Wealth Management & Protection Solutions of EQH, and as a member of the EQH Management Committee, since May 2018. Also, since February 2019, Mr. Lane has served as President of Equitable Life, leading that company's Retirement, Wealth Management & Protection Solutions businesses and also leading its Marketing and Digital functions.

Mr. Lane held various leadership roles with AXA and Equitable Life since joining Equitable Life in 2005 as Senior Vice President of the Strategic Initiatives Group. He has served as President and CEO of AXA Japan, Senior Executive Director at Equitable Life with responsibilities across commercial divisions, and Head of AXA Global Strategy overseeing AXA's five-year strategic plan across 60 countries. Prior to joining Equitable Life, Mr. Lane was a consultant for McKinsey & Company and a Captain in the United States Marine Corps.

Mr. Lane brings to the Board the outstanding experience and leadership qualities he has developed in various senior roles at AXA, EQH and various subsidiaries, and as an officer in the United States Marine Corps.

***Kristi A. Matus***

Ms. Matus, age 52, was appointed a director of AB in July 2019. She has been a director and member of various board committees at EQH and Equitable America since March 2019 and at Equitable Life since September 2015. Ms. Matus has served as director and Chair of the Compensation Committee at Tru Optik Data Corp., a digital media intelligence company, since September 2016. She also has served as an executive advisor to Thomas H. Lee Partners L.P., a private equity firm, since October 2017 and, since October 2019, as director and Chair of the Audit Committee at Cerence, Inc., a provider of immersive experiences that seek to increase happiness and knowledge for people traveling in motor vehicles. Further, Ms. Matus has served as director and Chair of the Audit Committee at Nextech Systems, a provider of healthcare technology solutions, since June 2019.

Ms. Matus served as Executive Vice President and Chief Financial & Administrative Officer at Athenahealth, Inc. ("**Athena**") from July 2014 to May 2016. Before joining Athena, Ms. Matus served as Executive Vice President of Governance services at Aetna, Inc. from February 2012 to July 2013. Previously, she held several leadership roles at United Services Automobile Association and USAA.

Ms. Matus brings to the Board her extensive experience in finance, risk management, compliance and audit functions, investor relations, human capital, real estate and IT, gained through her leadership roles at healthcare and insurance companies.

***Das Narayandas***

Mr. Narayandas, age 59, was appointed a director of AB in November 2017. He is the Edsel Bryant Ford Professor of Business Administration at Harvard Business School ("**HBS**"), where he has been a faculty member since 1994. Mr. Narayandas also currently serves as the Senior Associate Dean and Chairman of Harvard Business School Publishing, and as the Senior Associate Dean of HBS External Relations. He previously served as the senior associate dean of HBS Executive Education, and as chair of the HBS Executive Education Advanced Management Program and the Program for Leadership Development, as well as course head of the required first-year marketing course in the MBA program. Mr. Narayandas has received the award for teaching excellence from the graduating HBS MBA class on several occasions. Other awards he has received include the Robert F. Greenhill Award for Outstanding Service to the HBS Community, the Charles M. Williams Award for Excellence in Teaching and the Apgar Award for Innovation in Teaching. His scholarship has focused on market-facing issues in traditional business-to-business marketing and professional service firms, including client management strategies, delivering service excellence, product-line management and channel design.

Mr. Narayandas brings to the Board his wealth of experience at the highest level of academia in the U.S.

***Mark Pearson***

Mr. Pearson, age 61, was appointed a director of AB in February 2011. He has served as director and as President and CEO of EQH since May 2018. Mr. Pearson also serves as a member of EQH's Management Committee. In January 2011, he became director of Equitable Life and currently serves as President and Chief Executive Officer. Additionally, he has been a director of Equitable America since January 2011.

Mr. Pearson joined AXA in 1995 when AXA acquired National Mutual Funds Management Limited (presently AXA Asia Pacific Holdings Limited) and was appointed Regional Chief Executive of AXA Asia Life in 2001. From 2008 to 2011, Mr. Pearson was President and Chief Executive Officer of AXA Japan Holding Co., Ltd. (“**AXA Japan**”). Prior to joining AXA, Mr. Pearson spent approximately 20 years in the insurance sector, holding several senior management positions at Hill Samuel, Schroders, National Mutual Holdings and Friends Provident. Mr. Pearson is a Fellow of the Chartered Public Association of Certified Public Accountants and is a director of the American Council of Life Insurers.

Mr. Pearson brings to the Board the diverse financial services experience he has developed through his service as an executive, including as Chief Executive Officer, with EQH, AXA Japan and other AXA affiliates.

***Charles G.T. Stonehill***

Mr. Stonehill, age 61, was appointed a director of AB in April 2019. He has been a director and member of various board committees at EQH and Equitable America since March 2019, and at Equitable Life since November 2017. Mr. Stonehill is the Founding Partner of Green & Blue Advisors LLC, having started this advisory firm that provides financial advice to cleantech and other environmentally-minded companies in 2011. He also has served as director and member of the supervisory board of Deutsche Boerse AG, a capital market company, since 2019, director of Play Magnus AS, a chess app company, since 2016, non-executive director of CommonBond LLC, an originator of student loans, since 2015, governor at Harrow School, a U.K. boarding school, since 2011, and non-executive vice chairman of Julius Baer Group Ltd., a global private banking company based in Switzerland, since 2009.

Mr. Stonehill has over 30 years' experience in energy markets, investment banking and capital markets, including leadership positions at Lazard Freres & Co. LLC, Credit Suisse and Morgan Stanley & Co. He also served as Chief Financial Officer at Better Place Inc., an electric vehicle start-up, from 2009 to 2011, where he oversaw global financial strategy and capital raising.

Mr. Stonehill brings to the Board his extensive expertise and distinguished track record in the financial services industry.

**Executive Officers (other than Mr. Bernstein)**

***Kate C. Burke, Chief Administrative Officer***

Ms. Burke, age 48, was appointed Chief Administrative Officer in May 2019. Previously, she served as Head of Human Capital and Chief Talent Officer from February 2016 to May 2019. She joined our firm in 2004 as an institutional equity salesperson with Bernstein Research Services and has held various managerial roles since that time. Prior to joining AB, Ms. Burke was a consultant at A.T. Kearney, where she focused on strategy, organizational design and change management.

***Laurence E. Cranch, General Counsel***

Mr. Cranch, age 73, has been our General Counsel since he joined our firm in 2004. Prior to joining AB, Mr. Cranch was a Partner of Clifford Chance, an international law firm. Mr. Cranch joined Clifford Chance in 2000 when Rogers & Wells, a New York law firm of which he was Managing Partner, merged with Clifford Chance.

***James A. Gingrich, COO***

Mr. Gingrich, age 61, joined our firm in 1999 as a senior research analyst with Bernstein Research Services and has been our firm's COO since December 2011. Prior to becoming Chief Operating Officer, Mr. Gingrich held senior managerial positions in Bernstein Research Services, including Chairman and Chief Executive Officer from February 2007 to November 2011 and Global Director of Research from December 2002 to January 2007.

***John C. Weisenseel, CFO***

Mr. Weisenseel, age 60, joined our firm in May 2012 as Senior Vice President and Chief Financial Officer. From 2004 to April 2012, he worked at The McGraw Hill Companies (“**McGraw Hill**”), where he served initially as Senior Vice President and Corporate Treasurer and, from 2007 to April 2012, as Chief Financial Officer of the firm's Standard & Poor's subsidiary. Prior to joining McGraw Hill, Mr. Weisenseel was Vice President and Corporate Treasurer for Barnes & Noble, Inc. Prior to joining



Barnes & Noble, he spent ten years in various derivatives trading and financial positions at Citigroup. A Certified Public Accountant, Mr. Weisenseel also has worked at KPMG LLP.

## Changes in Directors and Executive Officers

The following changes in our directors and executive officers occurred since we filed our Form 10-K for the year ended December 31, 2018:

### Directors

- Nella Domenici joined the Board, effective January 1, 2020.
- Kristi Matus joined the Board, effective July 1, 2019.
- Barbara Fallon-Walsh and Shelley Leibowitz each departed the Board, effective June 30, 2019.
- Jeff Hurd, Nick Lane and Charles Stonehill each joined the Board, effective April 1, 2019.
- Denis Duverne, Anders Malmstrom and Robert Zoellick each departed the Board, effective April 1, 2019.

### Executive Officers

- On January 13, 2020, we filed Form 8-K indicating that Jim Gingrich will retire from AB, effective December 31, 2020, and Kate Burke will assume the role of Chief Operating Officer, effective July 1, 2020.

## Board Meetings

In 2019, the Board held regular meetings in February, April, May, September and November.

During 2019, the Board established a calendar consisting of four regular meetings, which are held in February, May, September and November. In addition, the Board holds special meetings or takes action by unanimous written consent as circumstances warrant. The Board has standing Executive, Audit and Risk, Compensation and Workplace Practices, and Governance Committees, each of which *is described in further detail below*. Each member of the Board attended 75% or more of the aggregate of all Board and committee meetings that he or she was entitled to attend in 2019.

## Committees of the Board

The Executive Committee of the Board (“**Executive Committee**”) consists of Messrs. de Oliveira (Chair), Bernstein and Pearson.

The Executive Committee exercises all of the powers and authority of the Board (with limited exceptions) when the Board is not in session, or when it is impractical to assemble the full Board. Typically, the Executive Committee determines quarterly unitholder distributions, as applicable. The Executive Committee held four meetings in 2019.

The Audit and Risk Committee of the Board (“**Audit Committee**”) consists of Mr. Stonehill (Chair), Mr. Audet and Ms. Domenici. The primary purposes of the Audit Committee are to:

- assist the Board in its oversight of:
  - the integrity of the financial statements of the Partnerships;
  - the effectiveness of the Partnerships' internal control over financial reporting and the Partnerships' risk management framework and risk mitigation processes;
  - the Partnerships' status and system of compliance with legal and regulatory requirements and business conduct;
  - the independent registered public accounting firm's qualification and independence; and
  - the performance of the Partnerships' internal audit function; and
- oversee the appointment, retention, compensation, evaluation and termination of the Partnerships' independent registered public accounting firm.

Consistent with these functions, the Audit Committee encourages continuous improvement of, and fosters adherence to, the Partnerships' policies, procedures and practices at all levels. With respect to these matters, the Audit Committee provides an open avenue of communication among the independent registered public accounting firm, senior management, the Internal Audit Department, the Chief Compliance Officer, the Chief Risk Officer and the Board. The Audit Committee held six regular meetings in 2019.

The Compensation and Workplace Practices Committee ("**Compensation Committee**") consists of Ms. Matus (Chair) and Messrs. Audet, de Oliveira, Kaye and Pearson. The Compensation Committee held five regular meetings in 2019. For additional information about the Compensation Committee, see "*Compensation Discussion and Analysis—Compensation Committee; Process for Determining Executive Compensation*" in Item 11.

Also, the Compensation Committee has established the Section 16 Subcommittee to ensure we can utilize the short-swing trading exemption set forth in Section 16b-3 under the Exchange Act. Under this exemption, equity grants to our firm's executive officers are exempt from short-swing trading rules if each such grant is approved by the full Board or a committee of the Board consisting entirely of "non-employee" directors (generally, directors who are not officers of the company or an affiliate). The Section 16 Subcommittee consists of Ms. Matus (Chair) and Messrs. Audet, de Oliveira and Kaye.

The Governance Committee consists of Ms. Matus (Chair) and Messrs. Bernstein, Narayandas and Pearson. The Governance Committee:

- assists the Board and the sole stockholder of the General Partner in:
  - identifying and evaluating qualified individuals to become Board members; and
  - determining the composition of the Board and its committees, and
- assists the Board in:
  - developing and monitoring a process to assess Board effectiveness;
  - developing and implementing our Corporate Governance Guidelines; and
  - reviewing our policies and programs that relate to matters of corporate responsibility of the General Partner and the Partnerships.

The Governance Committee held two meetings in 2019.

The functions of each of the Board committees *discussed above* are more fully described in each committee's charter. The charters are available on our Internet Site.

### **Audit Committee Financial Experts; Financial Literacy**

#### *Audit Committee Financial Expertise*

In January 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that each of Messrs. Audet and Kaye is an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K. The Board so determined at its regular meeting held in February 2019.

In March 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Mr. Stonehill is an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K. The Board so determined at its regular meeting held in April 2019.

In November 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Ms. Domenici is an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K. The Board so determined at its regular meeting held in November 2019.

#### *Financial Literacy*

In January 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Mr. Audet and Mr. Kaye each is financially literate and possesses accounting or related financial management expertise, as contemplated by Section 303A.07(a) of the NYSE Listed Company Manual ("**Financially Literate**"). The Board so determined at its regular meeting held in February 2019.

In April 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Mr. Stonehill is Financially Literate. The Board so determined at its regular meeting held in April 2019.

In June 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Ms. Matus is Financially Literate. The Board so determined by unanimous written consent dated as of July 1, 2019.

In November 2019, the Governance Committee, after reviewing materials prepared by management, recommended that the Board determine that Ms. Domenici is Financially Literate. The Board so determined at its regular meeting held in November 2019.

### **Independence of Certain Directors**

In January 2019, the Governance Committee, after reviewing material prepared by management, recommended that the Board determine that each of Messrs. Audet, de Oliveira, Kaye and Narayandas is independent. The Board determined, at its February 2019 regular meeting, that each of these directors is independent within the meaning of the relevant rules.

In April 2019, the Governance Committee, after reviewing material prepared by management, recommended that the Board determine that Mr. Stonehill is independent. The Board determined, at its April 2019 regular meeting, that Mr. Stonehill is independent within the meaning of the relevant rules.

In June 2019, the Governance Committee, after reviewing material prepared by management, recommended that the Board determine that Ms. Matus is independent. The Board determined, by unanimous written consent dated as of July 1, 2019, that Ms. Matus is independent within the meaning of the relevant rules.

In November 2019, the Governance Committee, after reviewing material prepared by management, recommended that the Board determine that Ms. Domenici is independent. The Board determined, at its November 2019 regular meeting, that Ms. Domenici is independent within the meaning of the relevant rules.

### **Board Leadership Structure and Role in Risk Oversight**

#### *Leadership*

The Board, together with the Governance Committee, is responsible for reviewing the Board's leadership structure. In determining the appropriate individuals to serve as our Chairman and our CEO, the Board and the Governance Committee consider, among other things, the composition of the Board, our company's strong corporate governance practices, and the challenges and opportunities specific to AB.

#### *Contacting our Board*

Interested parties wishing to communicate directly with our Chairman or the other members of our Board may send an e-mail, with "confidential" in the subject line, to our Corporate Secretary or address mail to Mr. de Oliveira in care of our Corporate Secretary. Our Corporate Secretary will promptly forward such e-mail or mail to Mr. de Oliveira. We have posted this information in the "Management - Committees of the Board - Management & Governance" section of our Internet Site.

#### *Risk Oversight*

The Board, together with the Audit Committee, has oversight for our company's risk management framework, which includes investment risk, credit and counterparty risk, and operational risk (includes legal/regulatory risk, cyber security risk and climate risk), and is responsible for helping to ensure that these risks are managed in a sound manner. The Board has delegated to the Audit Committee, which consists entirely of independent directors, the responsibility to consider our company's policies and practices with respect to investment, credit and counterparty, and operational risk assessment and risk management, including discussing with management the major financial, operational and reputational risk exposures and the steps taken to monitor and control such exposures. Members of the company's risk management team (including our Chief Information Security Officer), who are responsible for identifying, managing and controlling the array of risks inherent in our company's business and operations, make quarterly reports to the Audit Committee, which address investment, credit and counterparty, and operational risk identification, assessment and monitoring. The Chief Risk Officer, whose expertise encompasses both quantitative research and associated investment risks, makes quarterly presentations to the Audit Committee. He reports directly to our CEO and, since 2013, has had a reporting line to the Audit Committee.

The Board has determined that its leadership and risk oversight are appropriate for our company. Mr. Bernstein's in-depth knowledge of financial services and extensive executive experience in the investment management industry make him suited to serve as our President and CEO, while Mr. de Oliveira's in-depth knowledge of investment management, investment banking and insurance have proved invaluable at enhancing the overall functioning of the Board. The Board believes that the combination of a separate Chairman and CEO, the Audit Committee, a specialized risk management team and significant involvement from our largest Unitholder (EQH) provide the appropriate leadership to help ensure effective risk oversight.

## Code of Ethics and Related Policies

Our directors, officers and employees are subject to our Code of Business Conduct and Ethics. The code is intended to comply with Section 303A.10 of the NYSE Listed Company Manual, Rule 204A-1 under the Investment Advisers Act and Rule 17j-1 under the Investment Company Act, as well as with recommendations issued by the Investment Company Institute regarding, among other things, practices and standards with respect to securities transactions of investment professionals. The Code of Business Conduct and Ethics establishes certain guiding principles for all of our employees, including sensitivity to our fiduciary obligations and ensuring that we meet those obligations. In addition, the Code, together with our firm's insider trading policy, restricts employees from trading when in possession of material non-public information of any kind, which can include the existence of a significant cybersecurity incident at our firm. Our Code of Business Conduct and Ethics may be found in the “Corporate Responsibility - Corporate Governance” section of our Internet Site.

We have adopted a Code of Ethics for the CEO and Senior Financial Officers, which is intended to comply with Section 406 of the Sarbanes-Oxley Act of 2002 (“**Item 406 Code**”). The Item 406 Code, which may be found in the “Corporate Responsibility - Corporate Governance” section of our Internet Site, was adopted in October 2004 by the Executive Committee. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding certain amendments to, or waivers from, provisions of the Item 406 Code that apply to the CEO, the CFO and the Chief Accounting Officer by posting such information on our Internet Site. To date, there have been no such amendments or waivers.

## NYSE Governance Matters

Section 303A.00 of the NYSE Listed Company Manual exempts limited partnerships from compliance with the following sections of the Manual, some of which we comply with voluntarily: Section 303A.01 (board must have a majority of independent directors), 303A.04 (corporate governance committee must have only independent directors as its members and must have a charter that addresses, among other things, the committee’s purpose and responsibilities), and 303A.05 (compensation committee must have only independent directors as its members and must have a charter that addresses, among other things, the committee’s purpose and responsibilities).

AB Holding is a limited partnership (as is AB). In addition, because the General Partner is a subsidiary of EQH, and the General Partner controls AB Holding (and AB), we believe we also would qualify for the “controlled company” exemption. However, we comply voluntarily with the charter requirements set forth in Sections 303A.04 and 303A.05.

Our Corporate Governance Guidelines (“**Guidelines**”) promote the effective functioning of the Board and its committees, promote the interests of the Partnerships’ respective Unitholders (with appropriate regard to the Board’s duties to the sole stockholder of the General Partner), and set forth a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. The Guidelines may be found in the “Corporate Responsibility - Corporate Governance” section of our Internet Site.

The Governance Committee is responsible for considering any request for a waiver under the Code of Business Conduct and Ethics, the Item 406 Code and the EQH Policy Statement on Ethics from any director or executive officer of the General Partner. No such waiver has been granted to date and, if a waiver is granted in the future, such waiver would be described in the “Corporate Responsibility - Corporate Governance” section of our Internet Site.

Our Internet Site, under the heading “Management - Committees of the Board - Contact our Directors,” provides an e-mail address for any interested party, including Unitholders, to communicate with the Board. Our Corporate Secretary reviews e-mails sent to that address and has some discretion in determining how or whether to respond, and in determining to whom such e-mails should be forwarded. In our experience, substantially all of the e-mails received are ordinary client requests for administrative assistance that are best addressed by management, or solicitations of various kinds.

Certifications by our CEO and CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been furnished as exhibits to this Form 10-K.

AB Holding Unitholders and AB Unitholders may request a copy of any committee charter, the Guidelines, the Code of Business Conduct and Ethics, and the Item 406 Code by contacting our Corporate Secretary. The charters and memberships of the Executive, Audit, Governance and Compensation Committees may be found in the “Management - Committees of the Board” section of our Internet Site.

## Fiduciary Culture

We maintain a robust fiduciary culture and, as a fiduciary, we place the interests of our clients first and foremost. We are committed to the fair and equitable treatment of all our clients, and to compliance with all applicable rules and regulations and internal policies to which our business is subject. We pursue these goals through education of our employees to promote awareness of our fiduciary obligations, incentives that align employees' interests with those of our clients, and a range of measures, including active monitoring, to ensure regulatory compliance. Our compliance framework includes:

- the Code of Ethics Oversight Committee ("**Ethics Committee**") and the Internal Compliance Controls Committee ("**Compliance Committee**"), each of which consists of our executive officers and other senior executives;
- an ombudsman office, where employees and others can voice concerns on a confidential basis;
- firm-wide compliance and ethics training programs; and
- a Conflicts Officer and a Conflicts Committee, which help to identify and mitigate conflicts of interest.

The Ethics Committee oversees all matters relating to issues arising under our Code of Business Conduct and Ethics and meets on a quarterly basis and at such other times as circumstances warrant. The Ethics Committee and its subcommittee, the Personal Trading Subcommittee, have oversight of personal trading by our employees.

The Compliance Committee reviews compliance issues throughout our firm, endeavors to develop solutions to those issues as they may arise from time to time and oversees implementation of those solutions. The Compliance Committee meets on a quarterly basis and at such other times as circumstances warrant.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors of the General Partner and executive officers of the Partnerships, and persons who own more than 10% of the AB Holding Units or AB Units, to file with the SEC initial reports of ownership and reports of changes in ownership of AB Holding Units or AB Units. To the best of our knowledge, during 2019, we complied with all Section 16(a) filing requirements. Our Section 16 filings can be found under "Investor & Media Relations - Reports & SEC Filings" on our Internet Site.

## **Item 11. Executive Compensation**

### **Compensation Discussion and Analysis (“CD&A”)**

In this CD&A, we provide an overview and analysis of our executive compensation philosophy, address the principal elements used to compensate our executive officers and explain how our executive compensation program aligns with AB’s strategic objectives. Additionally, we discuss 2019 incentive compensation recommendations and decisions made by our Compensation Committee for our named executive officers (“NEOs”). This CD&A should be read together with the compensation tables that follow this section. Our NEOs for 2019 are:

Seth P. Bernstein President and Chief Executive Officer ("CEO") John C. Weisenseel Chief Financial Officer ("CFO")

James A. Gingrich<sup>(1)</sup>  
Operating Officer ("COO")

Chief

Kate C. Burke <sup>(1)</sup> Chief Administrative Officer

Laurence E. Cranch General Counsel

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<sup>(1)</sup> As announced in a Form 8-K we filed on January 13, 2020, Mr. Gingrich will retire from AB, effective December 31, 2020, and Ms. Burke will assume the role of COO, effective as of July 1, 2020.

### **Compensation Philosophy and Goals**

The intellectual capital of our employees is collectively the most important asset of our firm. We invest in people – we hire qualified people, train them, encourage them to give their best thinking to the firm and our clients, and compensate them in a manner designed to motivate, reward and retain them while aligning their interests with the interests of our Unitholders and clients.

Furthermore, our compensation practices are structured to help the firm realize its long-term growth strategy (“**Growth Strategy**”), which includes firm-wide initiatives to:

- Deliver differentiated return streams to our clients;
- Continue to commercialize and scale our suite of investment services; and
- Continuously and rigorously focus on expense management.

We also are focused on ensuring that our compensation practices are competitive with industry peers and provide sufficient potential for wealth creation for our NEOs and our employees generally, which we believe will enable us to meet the following key compensation goals:

- attract, motivate and retain highly-qualified executive talent;
- reward prior year performance;
- incentivize future performance;
- recognize and support outstanding individual performance and behaviors that demonstrate and foster our firm’s culture of "Relentless Ingenuity," which includes the core competencies of relentlessness, ingeniousness, collaboration and accountability; and
- align our executives’ long-term interests with those of our Unitholders and clients.

## Progress in Advancing our Growth Strategy in 2019

In 2019, the firm's results demonstrated meaningful progress in executing on our Growth Strategy. Below are key metrics related to the three pillars of the Growth Strategy:

### ***Deliver differentiated return streams to clients:***

The firm's investment teams continue to focus on consistently delivering differentiated return streams to our clients. We believe that, over time, the ability to produce idiosyncratic returns that cannot be easily replicated will be central to sustaining our competitive advantage. In 2019, performance in our Fixed Income suite of products exhibited continued strength, with 86% of assets in outperforming services for the one-year period, 81% for the three-year period and 92% for the five-year period ended December 31, 2019. Our U.S. retail fixed income mutual funds with AUM greater than \$1 billion that placed in the top quartile of performance for the three-year period ended December 31, 2019 are: AB Income, AB Intermediate Diversified Muni, AB Municipal Income National, AB High Income Municipal, AB Intermediate California Municipal and AB Municipal Bond Inflation Strategies. Our Non-U.S. fixed income funds with AUM greater than \$1 billion that placed in the top quartile over the same three-year period are: AB American Income, AB European Income and AB Mortgage Income (this performance data reflects percentage of active fixed income and equity assets in institutional services that outperformed their benchmark, gross of fees, and percentage of active fixed income and equity assets in retail advisor and I share class funds ranked in the top half of their Morningstar category; if no advisor class exists, we used A share class).

In active equity, 43% of assets were in outperforming services for the one-year period, 62% for the three-year period and 84% for the five-year period ended December 31, 2019. Our U.S. retail equity mutual funds with AUM greater than \$1 billion that placed in the top quartile of performance for the three-year period ended December 31, 2019 are: AB Large Cap Growth, AB Discovery Growth, AB Growth, AB Small Cap Growth, AB Relative Value, AB Sustainable Global Thematic and AB Global Core Equity. Our Non-U.S. equity funds with AUM greater than \$1 billion that placed in the top quartile over the same period are: AB Global Core Equity, AB American Growth and AB SICAV I Low Volatility Equity (information sourced from Morningstar).

Additionally, at year-end 2019, 69% of U.S. Fund assets and 66% of Non-U.S. Fund assets were rated either 4 or 5-stars by Morningstar.

### ***Continue to commercialize and scale our suite of services:***

Growing both the diversity of our offerings to meet the needs of an evolving, complex global client base, and scaling these services remains a key focus of our firm. In 2019, we generated an active organic growth rate of 6.5%, supported by success in fixed income and equities. In our Retail channel, we had record gross sales of \$75 billion in 2019, up 39% year-over-year, with net flows positive across all regions. Also, we experienced record Retail net inflows of \$24 billion in 2019, resulting in a 13% organic growth rate, driven by our Global Fixed Income service. Furthermore, our Equity products have generated 11 straight quarters of positive net flows. In our Institutional channel, the firm generated \$2.9 billion of active equity net inflows, or a 9% organic growth rate, and our pipeline of \$15.1 billion in AUM grew by 56% year-over-year, with a record annualized fee base greater than \$40 million. In Private Wealth, while our gross sales in 2019 of \$11.3 billion decreased year-over-year, we continued to make progress on improving our mix of ultra-high-net-worth accounts, with a 5% annual increase in new relationships with AUM of at least \$20 million. Also, for a fifth consecutive year we experienced organic growth in client relationships with asset allocations that include Alternative offerings.

Additionally, we continued to successfully develop and raise capital for new Alternatives offerings, which we are offering across our buy-side distribution channels. Launches in 2019 included a fund of funds joint venture with Abbott Capital Management, LLC, our third U.S. real estate fund and three real estate co-investment funds.

### ***Continuous and rigorous focus on expense management:***

Expense management remains a key focus for us. In 2019 we made substantial progress on a key pillar of this strategy, which we initially announced in 2018: the relocation of our corporate headquarters from New York, NY to Nashville, TN. We expect that the Nashville office will house approximately 1,250 employees over time.

We remain focused on other key financial metrics as well. In 2019, total adjusted compensation and benefits increased 0.6% compared to 2018, as higher base compensation and fringes were partially offset by lower incentive compensation and commissions. Our adjusted operating margin was 27.5% in 2019 compared to 29.1% in 2018. The decline reflects the impact of non-recurring performance-based fee revenues in 2018, lower Bernstein Research Services revenues and the timing of expenses associated with our Nashville Relocation, *which we describe in greater detail above in Item 7.*

## Overview of 2019 Incentive Compensation Program

In respect of 2019 performance, each of our NEOs (other than Mr. Gingrich) received a portion of his or her year-end incentive compensation in the form of an annual cash bonus and a portion in the form of long-term incentive compensation awards. The split between the annual cash bonus and long-term incentive compensation varied depending on the NEO's total compensation, with lower-paid executives receiving a greater percentage of their incentive compensation as cash bonuses than more highly-paid executives. (For additional information about these compensatory elements, see “*Compensation Elements for NEOs*” below.) For Mr. Bernstein, his 2019 incentive compensation components were based generally on the terms set forth in the CEO Employment Agreement (as defined below) and review of his performance during 2019 by the Compensation Committee.

Although estimates are developed for budgeting and strategic planning purposes, our NEOs' incentive compensation is not correlated with meeting any specific targets. Instead, the aggregate amount of incentive compensation paid to our NEOs, other than Mr. Gingrich for 2019, generally is determined on a discretionary basis and primarily is a function of our firm's current year financial performance and progress in advancing our Growth Strategy. Additionally, incentive compensation reflects an executive's achievements throughout the year, as described below. Amounts are awarded to help us achieve our goal of attracting, motivating and retaining top talent while also helping to ensure that our NEOs' goals are appropriately aligned with the goal of increasing our Unitholders' return on their investment.

Mr. Bernstein and Ms. Burke, with the approval of the Compensation Committee, confirmed that the appropriate metric to consider in determining the amount of incentive compensation paid to all employees, including our NEOs, in respect of 2019 performance is the ratio of adjusted employee compensation and benefits expense to adjusted net revenues, which terms are described immediately below:

- **Adjusted employee compensation and benefits expense** is our total employee compensation and benefits expense minus other employment costs such as recruitment, training, temporary help and meals, 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.
- **Adjusted net revenues** (see our discussion of “*Management Operating Metrics*” in Item 7 for a reconciliation between our results pursuant to US GAAP and our adjusted results) exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments. In addition, adjusted net revenues offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. We also exclude additional pass-through expenses we incur (primarily through our transfer agent) that are reimbursed and recorded as fees in revenues. Additionally, we adjust for the revenue impact of consolidating company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds' revenues and including AB's fees from such funds, and AB's investment gains and losses on its investment in such funds, that were eliminated in consolidation.

In addition, Mr. Bernstein and Ms. Burke, with the approval of the Compensation Committee, determined that the firm's adjusted employee compensation and benefits expense generally should not exceed 50.0% of our adjusted net revenues, except in unexpected or unusual circumstances. As the table below indicates, in 2019, adjusted employee compensation and benefits expense amounted to approximately 47.9% of our adjusted net revenues (in thousands):

Net Revenues	\$	3,518,432
Adjustments (see above)		(601,817)
<b>Adjusted Net Revenues</b>	<b>\$</b>	<b>2,916,615</b>
Employee Compensation & Benefits Expense	\$	1,442,783
Adjustments (see above)		(44,835)
<b>Adjusted Employee Compensation &amp; Benefits Expense</b>	<b>\$</b>	<b>1,397,948</b>
<b>Adjusted Compensation Ratio</b>		<b>47.9%</b>

Our 2019 adjusted compensation ratio of approximately 47.9% reflects the need to keep compensation levels competitive with industry peers in order to attract, motivate and retain highly-qualified talent.



## Compensation Committee; Process for Determining Executive Compensation

The Compensation Committee consists of Ms. Matus (Chair) and Messrs. Audet, de Oliveira, Kaye and Pearson. The Compensation Committee held five regular meetings in 2019.

As discussed in “NYSE Governance Matters” in Item 10, AB Holding, as a limited partnership, is exempt from NYSE rules that require public companies to have a compensation committee consisting solely of independent directors. EQH owns, directly and through various subsidiaries, an approximate 64.8% economic interest in AB (as of December 31, 2019), and compensation expense is a significant component of our financial results. For these reasons, Mr. Pearson, director and President and CEO of EQH, is a member of the Compensation Committee, and any action taken by the Compensation Committee requires his affirmative vote or consent. Given this structure, the Compensation Committee has established a sub-committee consisting entirely of non-management directors (i.e., Ms. Matus and Messrs. Audet, de Oliveira and Kaye). This “Section 16 Sub-Committee” approves awards of restricted AB Holding Units to NEOs.

The Compensation Committee has general oversight of compensation and compensation-related matters, including:

- determining cash bonuses;
- determining contributions and awards under incentive plans or other compensation arrangements (whether qualified or non-qualified) for employees of AB and its subsidiaries, and amending or terminating such plans or arrangements or any welfare benefit plan or arrangement or making recommendations to the Board with respect to adopting any new incentive compensation plan, including equity-based plans;
- reviewing and approving the compensation of our CEO, evaluating his performance, and determining and approving his compensation level based on this evaluation; and
- reviewing and discussing the CD&A and recommending to the Board its inclusion in each of AB’s and AB Holding’s Form 10-K and, when applicable, proxy statements.

The Compensation Committee has developed a comprehensive process for:

- reviewing our executive compensation program to ensure it is aligned with our firm’s philosophy and strategic objectives;
- evaluating performance by our NEOs against goals and objectives established at the beginning of the year; and
- setting compensation for the NEOs and other senior executives.

The Compensation Committee’s year-end process generally focuses on the cash bonuses and long-term incentive compensation awards granted to NEOs and other senior executives. Mr. Bernstein, working with Ms. Burke and other senior executives, provides recommendations for individual executive awards to the Compensation Committee for its consideration. As part of this process, Ms. Burke provides the Committee with compensation benchmarking data from one or more compensation consultants. For 2019, we paid \$13,910 to McLagan Partners (“**McLagan**”) for executive compensation benchmarking data and an additional \$315,142 for survey and consulting services relating to the amount and form of compensation paid to employees other than executives.

The Compensation Committee provided its final approval of year-end compensation recommendations during its regularly-scheduled meeting held on December 10, 2019. Additionally, management periodically reviewed with the Compensation Committee the firm’s expected adjusted financial and operating results, the firm’s actual results and management’s year-end compensation expectations, as they evolved throughout the year. Management accomplished these reviews during regular meetings of the Compensation Committee held in January, February, September and November 2019.

The Compensation Committee did not retain its own consultants in 2019.

Additional information regarding the Compensation Committee’s functions can be found in the Committee’s charter, which is available on-line in the “Corporate Responsibility - Corporate Governance” section of our Internet Site.

## Benchmarking Data

In 2019, we engaged McLagan to provide compensation benchmarking data for our NEOs (“**2019 Benchmarking Data**”). The 2019 Benchmarking Data summarized 2018 compensation levels and 2019 salaries at selected asset management companies

comparable to ours in terms of size and business mix (“**Comparable Companies**”), to assist us in determining the appropriate level of compensation for our NEOs.

The 2019 Benchmarking Data provided ranges of compensation levels at the Comparable Companies for executive positions like those held by each of our NEOs, including base salary and total compensation.

The Comparable Companies, which management selected with input from McLagan, included:

Eaton Vance Corp.	Franklin Templeton Investments	Goldman Sachs Asset Management
Invesco Ltd.	JP Morgan Asset Management	Legg Mason, Inc.
MFS Investment Management	Morgan Stanley Investment Management	Neuberger Berman LLC
Nuveen Investments / TIAA	Oppenheimer Funds	PIMCO LLC
Prudential Investments	T. Rowe Price, Inc.	The Vanguard Group, Inc.

The 2019 Benchmarking Data indicated that the total compensation paid to each of our NEOs in 2019 fell within the ranges of total compensation paid to executives at the Comparable Companies.

The Compensation Committee considered this information in concluding that the compensation levels paid in 2019 to our NEOs (other than Mr. Gingrich) were appropriate and reasonable.

### Other Factors Considered When Determining NEO Compensation

For 2019, Mr. Bernstein and Ms. Burke, and the Compensation Committee, based decisions about the incentive compensation of our NEOs primarily on an assessment of each executive’s leadership, operational performance and potential to enhance investment returns and service for clients, all of which contribute to long-term Unitholder value. Quantitative formulas are not utilized when determining the incentive compensation of our NEOs. Instead, Mr. Bernstein and Ms. Burke, and the Compensation Committee, rely on judgment about each executive’s performance in light of business and operational goals established at the beginning of the year and reviewed in the context of the current-year financial performance of the firm and the firm’s progress in advancing its Growth Strategy. Mr. Bernstein and Ms. Burke begin the award determination process, working with other members of senior management, by determining the total incentive compensation amounts available for a particular year (*as more fully explained above in “Overview of 2019 Incentive Compensation Program”*).

Mr. Bernstein and Ms. Burke, and the Compensation Committee, then consider many key factors for each of the NEOs. Specific factors will vary among business units, among individuals and during different business cycles, so we do not adopt any specific weighting or formula under which these metrics are applied. Key factors are:

- the firm’s financial performance in the current year and the executive’s contribution to such financial performance;
- the firm’s progress in advancing its Growth Strategy;
- the NEO’s performance compared to individual business and operational goals established at the beginning of the year;
- total compensation awarded to the NEO in the prior year;
- the increase or decrease in the current year’s total incentive compensation amounts available;
- the nature, scope and level of responsibilities of the NEO;
- the NEO’s execution of our firm’s culture of Relentless Ingenuity; and
- the NEO’s management effectiveness, talent development, focus on diversity and inclusion initiatives, and adherence to risk management and regulatory compliance.

Mr. Bernstein and Ms. Burke then provided specific incentive compensation recommendations to the Compensation Committee, which recommendations were supported by the factors *listed above* and each NEO’s individual achievements, *as listed below*.

They also provided the Compensation Committee with the 2019 Benchmarking Data, which was not used in a formulaic or mechanical way to determine NEO compensation levels, but rather, *as noted above*, provided the Compensation Committee with a reference point for the compensation levels paid to executives at the Comparable Companies. The Compensation Committee then made the final incentive compensation decisions for each NEO (other than Mr. Gingrich, whose cash payment of \$1,100,000 in December 2019 was stipulated in his retirement agreement, *as discussed below in “Mr. Gingrich’s Compensation”*).

We have *described below* each NEO’s individual achievements in 2019 given each officer’s role and the firm’s business and operational goals:

### **Seth P. Bernstein**

#### *Role*

- Leadership, responsibility and performance as President and CEO.

#### *Individual Achievements*

- Led the firm’s efforts in achieving an approximate 5% year-over-year increase in net base fee adjusted revenues, firm-wide client net inflows of \$25.2 billion, resulting in an active organic growth rate of 6.5%, and an adjusted operating margin of 27.5% (including Nashville Relocation costs).
- Led the firm’s efforts in achieving competitive investment performance, with fixed income services, as a percentage of assets outperforming applicable benchmarks for the one-, three- and five-year periods ended December 31, 2019, of 86%, 81% and 92%, respectively; with regard to equities services, 43%, 62% and 84%, respectively.
- Directed a firm-wide strategic review and ongoing execution of the firm’s Growth Strategy.
- Improved engagement metrics in AB’s employee survey and supported the firm’s diversity and inclusion initiatives through the introduction of a career catalyst program.
- Conducted meetings globally with current and prospective clients to enhance AB’s relationships and appreciation of evolving client priorities.
- Established a management operating committee to drive transparency and collaboration across business units.
- Helped lead the firm’s significant progress in its first full year of operations in Nashville.

### **James A. Gingrich**

#### *Role*

- Leadership, responsibility and performance as COO, including working in partnership with Ms. Burke in accordance with Mr. Gingrich’s retirement agreement.

#### *Individual Achievements*

- Successfully led first year of operations in Nashville.
- Contributed to the firm’s strong year of client inflows and successful acquisition of Autonomous Research LLP.
- Contributed to the firm’s strategic initiatives by helping to establish an SBU dedicated to private alternatives.
- Successfully transitioned many responsibilities to Ms. Burke.

## **Kate C. Burke**

### *Role*

- Leadership, responsibility and performance as Chief Administrative Officer.

### *Individual Achievements*

- Embraced new role as Chief Administrative Officer, increased familiarity with SBUs newly under her supervision and successfully transitioned former responsibilities as Head of Human Capital and Chief Talent Officer.
- Established strategic quarterly business reviews to manage investment, talent and cost-savings programs.
- Aligned resources to support key strategic initiatives and advance the firm's Growth Strategy.
- Coordinated activities of the firm's newly-formed management operating committee to drive transparency and collaboration across business units.
- Supported successful completion of the initial phases of Nashville Relocation for corporate functions.

## **Laurence E. Cranch**

### *Role*

- Leadership, responsibility and performance as General Counsel.

### *Individual Achievements*

- Successfully implemented compliance solutions in response to each new compliance requirement that became effective in 2019.
- Received uniformly positive feedback from AB business leaders relating to the quality of service of the Legal and Compliance Department.
- No regulatory examination resulted in a significant adverse finding or enforcement proceeding.
- Ensured the firm remained free of significant litigation, reflecting our pragmatic and aggressive program to avoid situations that are likely to produce disputes and, where disputes do arise, resolve them on favorable terms.
- Successfully completed the initial phases of Nashville Relocation, continued work on the selection and retention process for employees relocating, and focused on recruitment of qualified individuals to fill open staff positions in Nashville.
- Overall, with respect to ongoing and routine legal matters, successfully maintained outside counsel expenses within the aggressive budget adopted at the start of 2019.

## **John C. Weisenseel**

### *Role*

- Leadership, responsibility and performance as CFO.

### *Individual Achievements*

- Limited the firm's year-over-year combined increase in promotion & servicing and general administrative expenses to approximately 2%, excluding headquarters relocation and non-recurring expenses.
- Implemented a five-year, \$900,000,000 funding facility with EQH, providing AB with an additional, resilient funding source at a marginally lower funding cost than commercial paper.
- Successfully completed the initial phases of Nashville Relocation, achieving expense savings and improved diversity.

- Provided accounting, tax and structuring guidance on several business development opportunities, including the acquisition of Autonomous Research and the launch of AB's collateral loan obligation business.
- Maintained active discussions with AB's investor community and credit rating agencies while also participating in asset management industry investor conferences.
- Named finalist for Nashville CFO of the Year award.

The compensation of each of these NEOs reflected the Compensation Committee's judgment (and Mr. Bernstein's judgment, with respect to each executive other than himself) in assessing the importance of the executive's achievements in the context of our firm's adjusted financial results and progress in advancing our Growth Strategy.

## Compensation Elements for NEOs

We utilize a variety of compensation elements to achieve the goals *described above*, consisting of base salary, annual short-term incentive compensation awards (cash bonuses), a long-term incentive compensation award program, a defined contribution plan and certain other benefits, each of which we *discuss in detail below*:

### Base Salaries

Base salaries comprise a relatively small portion of our NEOs' total compensation. We consider individual experience, responsibilities and tenure with the firm when determining the narrow range of base salaries paid to our NEOs (*please refer to "Overview of Mr. Bernstein's Employment Agreement" below for information relating to Mr. Bernstein's base salary and other compensation elements*).

### Annual Short-Term Incentive Compensation Awards (Cash Bonuses)

We provide our NEOs with annual short-term incentive compensation awards in the form of cash bonuses.

We believe that annual cash bonuses, which generally reflect individual performance and the firm's current year financial performance, provide a short-term retention mechanism for our NEOs because such bonuses typically are paid during the last week of the year.

Annual cash bonuses in respect of 2019 performance for each NEO were determined and paid in December 2019 (other than for Mr. Gingrich, whose cash payment of \$1,100,000 in December 2019 was established in his retirement agreement). These bonuses, and the 2019 long-term incentive compensation awards *described immediately below*, were based on management's evaluation, subject to the Compensation Committee's review and approval, of each NEO's performance during the year, the firm's progress in advancing its Growth Strategy during the year, the performance of the NEO's business unit or function compared to business and operational goals established at the beginning of the year (and, with respect to Ms. Burke, goals established when, during the second quarter of 2019, she assumed the role of Chief Administrative Officer), and the firm's current-year financial performance. For more information regarding the factors considered when determining cash bonuses for NEOs, *see "Other Factors Considered When Determining NEO Compensation" above*.

In respect of 2019, Mr. Bernstein received a cash bonus of \$3,850,000 in accordance with the terms of the employment agreement into which he entered with the General Partner, AB and AB Holding as of May 1, 2017 ("**CEO Employment Agreement**") and after review of Mr. Bernstein's performance during 2019 by the Compensation Committee. *Please refer to "Overview of Mr. Bernstein's Employment Agreement" below for additional information relating to Mr. Bernstein's cash bonus and other compensation elements*.

### Long-Term Incentive Compensation Awards

Long-term incentive compensation awards generally are denominated in restricted AB Holding Units. We utilize this structure to align our NEOs' long-term interests directly with the interests of our Unitholders and indirectly with the interests of our clients, as strong performance for our clients generally contributes directly to increases in AUM and improved financial performance for the firm.

We believe that annual long-term incentive compensation awards provide a long-term retention mechanism for our NEOs because such awards generally vest ratably over four years. For 2019 performance, these awards were granted in December 2019 to each of Ms. Burke and Messrs. Bernstein, Cranch and Weisenseel pursuant to the AB 2019 Incentive Compensation Award Program ("**ICAP**"), an unfunded, non-qualified incentive compensation plan, and the AB 2017 Long Term Incentive Plan, our equity compensation plan ("**2017 Plan**"). Mr. Gingrich did not receive a year-end award in December 2019. For additional information regarding Mr. Gingrich's compensation, *please see "Mr. Gingrich's Compensation" below*.

Prior to the date on which an award vests, the AB Holding Units underlying an award are restricted and are not permitted to be transferred. Upon vesting, the AB Holding Units underlying an award generally are delivered, unless the award recipient has, in advance, voluntarily elected to defer receipt to future periods or the award is structured with a delayed delivery date. Quarterly cash distributions on vested and unvested restricted AB Holding Units are delivered to award recipients when cash distributions are paid generally to Unitholders.

An award recipient who resigns or is terminated without cause prior to the vesting date is eligible to continue to vest in his or her long-term incentive compensation award subject to compliance with the restrictive covenants set forth in the applicable award agreement, including restrictions on competition, and restrictions on employee and client solicitation. Commencing in 2018, the award agreement also provides for continued vesting in the event of an award recipient's retirement, subject to applicable restrictive covenants. To be eligible for retirement, an award recipient must provide notice of retirement, enter into a retirement agreement and satisfy a "Rule of 70," whereby the sum of the recipient's age and years of service must equal at least 70. The award agreement provided to each recipient of restricted AB Holding Units as part of year-end incentive compensation in 2018 amended the recipient's prior awards granted under ICAP to provide for this vesting treatment in the event of retirement.

The award agreement permits AB to claw-back the unvested portion of an award if the recipient fails to adhere to our risk management policies. As such, for accounting purposes, there is no employee service requirement and awards are fully expensed when granted. As used in this Item 11, "vest" refers to the time at which the awards are no longer subject to forfeiture for breach of these restrictions or risk management policies, which we *discuss further below in "Consideration of Risk Matters in Determining Compensation."*

#### Mr. Gingrich's Compensation

Mr. Gingrich received a cash payment of \$1,100,000 in December 2019 and is entitled to a cash payment of \$2,850,000 in December 2020 in accordance with the retirement agreement he signed in May 2019. This agreement contemplated that Mr. Gingrich would retire from AB no earlier than December 31, 2020 and no later than December 31, 2022. Under the agreement, until Mr. Gingrich's retirement date and for a period of 26 weeks thereafter, Mr. Gingrich is entitled to a base salary of \$400,000 and group medical coverage. It has been determined that Mr. Gingrich will retire from AB as of December 31, 2020.

In April 2018, Mr. Gingrich was granted a special restricted AB Holding Unit award with a grant date fair value of \$14,000,000 in recognition of Mr. Gingrich's efforts to manage AB's operations in a cost-effective manner, including his leadership role in relocating our firm's headquarters to Nashville. The award agreement indicates that Mr. Gingrich's special award vests in four equal installments on December 1 of each of 2019, 2020, 2021 and 2022 based on Mr. Gingrich's continued service to AB and his moving to, and establishing his principal residence in Nashville, TN (subject to certain exceptions set forth in his award agreement), but no AB Holding Units are delivered until after December 1, 2022.

As noted above, Mr. Gingrich will retire from AB effective as of December 31, 2020. As a result, Mr. Gingrich will receive the portion of the restricted AB Holding Unit award that vested on December 1, 2019 and the portion scheduled to vest on December 1, 2020, subject to applicable withholdings, as promptly as possible after December 1, 2020. Mr. Gingrich will forfeit the portions of the special restricted AB Holding Unit award that had been scheduled to vest on each of December 1, 2021 and 2022.

In February 2017, Mr. Gingrich was granted a special restricted AB Holding Unit award with a grant date fair value of approximately \$21,000,000, in lieu of cash bonus and year-end long-term incentive compensation awards for 2017, 2018 and 2019 for which Mr. Gingrich otherwise would have been eligible under our ICAP; provided, Mr. Gingrich was eligible to receive at the end of each such year an additional cash bonus, but only to the extent approved by the Compensation Committee. The Compensation Committee did not award a special cash bonus to Mr. Gingrich in 2019. The AB Holding Units subject to Mr. Gingrich's 2017 award were delivered to Mr. Gingrich, after deducting applicable withholdings, in December 2019.

#### Relocation-related Performance Awards

In April 2018, Ms. Burke, Mr. Cranch and Mr. Weisenseel each was granted a special restricted AB Holding Unit award with a grant date fair value of \$4,000,000. Each award vests on December 1, 2022, and the underlying AB Holding Units are delivered promptly thereafter provided each executive continues to be employed by AB and each executive moves to and establishes his or her principal residence in Nashville, TN. Vesting of each executive's AB Holding Units also is contingent on an assessment by the Compensation Committee, with appropriate input from Mr. Bernstein, as to whether, and the extent to which:

- our firm's headquarters relocation initiative is executed without significant disruption or reputational damage to AB;
- AB's targets for cost savings and implementation costs for the relocation have been achieved; and

- the level of workplace talent and diversity in Nashville is satisfactory.

With respect to the above-referenced criteria, the Compensation Committee, with appropriate input from Mr. Bernstein, assesses achievement of the criteria both within the executive's business unit and with respect to our firm overall. In December 2019, Mr. Bernstein, on behalf of the Compensation Committee, advised each executive that his or her performance generally was progressing well with respect to each of the above-referenced criteria. A similar process is expected to be followed in December 2020 and 2021.

#### **Defined Contribution Plan**

U.S. employees of AB, including each of our NEOs, are eligible to participate in the Profit Sharing Plan for Employees of AB (as amended and restated as of January 1, 2015, as further amended as of January 1, 2017 and as further amended as of April 1, 2018, the “**Profit Sharing Plan**”), a tax-qualified retirement plan. The Compensation Committee determines the amount of company contributions (both the level of annual matching by the firm of an employee's pre-tax salary deferral contributions and the annual company profit sharing contribution, if any).

With respect to 2019, the Compensation Committee determined, during its regularly-scheduled meeting held on December 10, 2019, that employee deferral contributions would be matched on a dollar-for-dollar basis up to 5% of eligible compensation and that there would be no profit sharing contribution.

#### **Other Benefits**

Our firm pays the premiums associated with life insurance policies purchased on behalf of our NEOs.

#### **Consideration of Risk Matters in Determining Compensation**

In 2019, we considered whether our compensation practices for employees, including our NEOs, encourage unnecessary or excessive risk-taking and whether any risks arising from our compensation practices are reasonably likely to have a material adverse effect on our firm. For the reasons *set forth below*, we have determined that our current compensation practices do not create risks that are reasonably likely to have a material adverse effect on our firm.

*As described above in “Compensation Elements for NEOs – Long-Term Incentive Compensation Awards,”* long-term incentive compensation awards generally are denominated in AB Holding Units that are not distributed until subsequent years, so the ultimate value that the employee derives from the award depends on the long-term performance of the firm. Denominating the award in restricted AB Holding Units and deferring their delivery is intended to sensitize employees to risk outcomes and discourage them from taking excessive risks, whether relating to investments, operations, regulatory compliance and/or cyber security, that could lead to a decrease in the value of the AB Holding Units and/or an adverse effect on the firm's long-term prospects. Furthermore, *and as noted above in “Compensation Elements for NEOs – Long-Term Incentive Compensation Awards,”* generally all outstanding long-term incentive compensation awards include a provision permitting us to “claw-back” the unvested portion of an employee's long-term incentive compensation award if the Compensation Committee determines that (i) the employee failed to adhere to existing risk management policies and (ii) as a result of the employee's failure, there has been or reasonably could be expected to be a material adverse impact on our firm or the employee's business unit.

#### **Overview of Mr. Bernstein's Employment Agreement**

Pursuant to the CEO Employment Agreement, Mr. Bernstein is serving as our President and CEO for an initial term that commenced on May 1, 2017 and ends on May 1, 2020, provided that the initial term will automatically extend for one additional year on May 1, 2020 and each anniversary thereafter, unless the CEO Employment Agreement is terminated in accordance with its terms (“**Employment Term**”).

The terms of the CEO Employment Agreement were the result of arm's length negotiations between Mr. Bernstein and senior executives at AXA and EQH. The Board then approved the CEO Employment Agreement after having considered, among other things, the compensation package provided to Mr. Bernstein's predecessor, the 2016 compensation and 2017 expected compensation of AB's other executive officers and Mr. Bernstein's compensation at his former employer.

The Compensation Committee, during its regular meeting held on December 11, 2018, amended the CEO Employment Agreement such that any annual equity award granted to Mr. Bernstein in 2018 and subsequent years during the Employment Term will be granted in all respects in accordance with AB's compensation practices and policies generally applicable to AB's executive officers as in effect from time to time (“**SPB First Amendment**”).

Additionally, the Compensation Committee, during its regular meeting held on December 10, 2019, further amended the CEO Employment Agreement by:

- increasing Mr. Bernstein's severance payments if his employment is terminated involuntarily, without cause, from one year's base salary and bonus to one and a half year's base salary and bonus;
- excluding from the definition of change in control AB Holding ceasing to be publicly traded;
- removing from the circumstances that give rise to Mr. Bernstein's ability to terminate the agreement for "good reason" his ceasing to be the CEO of a publicly traded entity; and
- eliminating Mr. Bernstein's entitlement to a gross-up for any excise tax on his parachute payments, which would have been pertinent only if Mr. Bernstein had been terminated involuntarily prior to December 31, 2019.

### ***Elements of Mr. Bernstein's Compensation***

#### ***Base Salary***

Mr. Bernstein's annual base salary under the CEO Employment Agreement has been, and continues to be, \$500,000. This amount is consistent with our firm's policy to keep base salaries of executives and other highly-compensated employees low in relation to total compensation. Any future increase to Mr. Bernstein's base salary is entirely at the discretion of the Compensation Committee.

#### ***Cash Bonus***

Under the CEO Employment Agreement, Mr. Bernstein was entitled to be paid a cash bonus at a target level of \$3,000,000 in 2019, subject to review and increase from time to time by the Compensation Committee, in its sole discretion. As a result of a review of Mr. Bernstein's performance during 2019 by the Compensation Committee, Mr. Bernstein was paid a cash bonus of \$3,850,000. In determining Mr. Bernstein's cash bonus, the Compensation Committee considered the progress AB made in advancing its Growth Strategy and Mr. Bernstein's individual achievements during 2019, *as described above*.

#### ***Restricted AB Holding Units***

Commencing in 2018 and during the remainder of the Employment Term, Mr. Bernstein is eligible to receive annual equity awards with a grant date fair value equal to \$3,500,000, subject to review and increase by the Compensation Committee, in its sole discretion, in accordance with AB's compensation practices and policies generally applicable to the firm's executive officers as in effect from time to time. The Compensation Committee approved an equity award to Mr. Bernstein with a grant date fair value equal to \$4,000,000 during its regular meeting held on December 10, 2019. The Compensation Committee determined Mr. Bernstein's equity award based on the review process *described above*. As a result of the SPB First Amendment, the equity award granted to Mr. Bernstein in December 2019 is subject to the same ICAP-related terms and conditions as awards granted to other executive officers at that time, which terms and conditions are *described above in "Compensation Elements for NEOs - Long-Term Incentive Compensation Awards."*

#### ***Perquisites and Benefits***

Under the CEO Employment Agreement, Mr. Bernstein is eligible to participate in all benefit plans available to executive officers and, for his safety and accessibility, a company car and driver for business and personal use.

#### ***Severance and Change in Control Benefits***

The CEO Employment Agreement includes severance and change-in-control provisions, *which are highlighted below*. These provisions also are described in a compensatory table below entitled, "*Potential Payments upon Termination or Change in Control.*" We believe that these severance and change-in-control provisions assist in retaining our CEO and, in the event of a change in control, provide protection to Mr. Bernstein so he is not distracted by personal or financial situations at a time when AB needs him to remain focused on his responsibilities.



If Mr. Bernstein is terminated without “cause” or resigns for “good reason” (as such terms are defined in the CEO Employment Agreement), and he signs and does not revoke a waiver and release of claims, he will receive the following:

- if Mr. Bernstein resigns for "good reason," a cash payment equal to the sum of (a) his current base salary and (b) his bonus opportunity amount;
- if Mr. Bernstein's employment is terminated other than for "cause," or because of his death or disability, a cash payment equal to the sum of (a) his current base salary and (b) his bonus opportunity amount, multiplied by 1.5;
- a pro rata bonus based on actual performance for the fiscal year in which the termination occurs;
- immediate vesting of the outstanding portion of the equity award he was granted in May 2017;
- delivery of AB Holding Units in respect of the equity award he was granted in May 2017 (subject to any withholding requirements);
- monthly payments equal to the cost of COBRA coverage for the COBRA coverage period; and
- following the COBRA coverage period, access to participation in AB’s medical plans as in effect from time to time at Mr. Bernstein’s (or his spouse’s) sole expense.

If, during the 12 months following a change in control, Mr. Bernstein is terminated without cause or resigns for good reason, he will receive the amounts described above, except that he will receive a cash payment equal to two times the sum of (a) his current base salary and (b) his bonus opportunity amount.

In the event of a change in control or in the event that Mr. Bernstein’s employment is terminated because the CEO Employment Agreement is not renewed (other than for cause), the equity award he was granted in May 2017 will immediately vest and AB Holding Units in respect of any such award will be delivered by AB to him (subject to any withholding obligations).

In the event any payments constitute “golden parachute payments” within the meaning of Section 280G of the Code and would be subject to an excise tax imposed by Section 4999 of the Code, such payments will be reduced to the maximum amount that does not result in the imposition of such excise tax, but only if such reduction results in Mr. Bernstein receiving a higher net-after tax amount than he would receive absent such reduction.

Mr. Bernstein is subject to a confidentiality provision, in addition to covenants with respect to non-competition during his employment and six months thereafter and non-solicitation of customers and employees for 12 months following his termination of employment.

A change in control is defined as, among other things, EQH and its majority-owned subsidiaries ceasing to control the election of a majority of the Board.

Mr. Bernstein negotiated the severance and change-in-control provisions *described immediately above* to have the security and flexibility to focus on the business and preserve the value of his long-term incentive compensation. The Board, AXA and EQH determined that these provisions were reasonable and appropriate because they were necessary to recruit and retain Mr. Bernstein and provided Mr. Bernstein with effective incentives for future performance.

The Board, AXA and EQH also concluded that the change-in-control and termination provisions in the CEO Employment Agreement fit within AB’s overall compensation objectives because these provisions, which align with AB’s goal of providing its executives with effective incentives for future performance, also:

- permitted AB to recruit and retain a highly-qualified CEO;
- aligned Mr. Bernstein’s long-term interests with those of AB’s Unitholders and clients;
- were consistent with AXA’s, EQH’s and the Board’s expectations with respect to the manner in which AB and AB Holding would be operated during Mr. Bernstein’s tenure; and
- were consistent with the Board’s expectations that Mr. Bernstein would not be terminated without cause and that no steps would be taken that would provide him with the ability to terminate the agreement for good reason.

## Compensation awarded by EQH to Mr. Bernstein

In 2019, the board of directors of EQH granted to Mr. Bernstein, in connection with his membership on the EQH Management Committee:

- a restricted stock unit award (for EQH common stock) with a grant date fair value of \$250,010;
- a performance share award (for EQH common stock) with a grant date fair value of \$500,016, approximately half of which can be earned subject to EQH's performance against specified non-GAAP financial targets and half of which can be earned subject to EQH's total shareholder return relative to its peer group; and
- stock options (for EQH common stock) with a grant date fair value of \$250,004.

Mr. Bernstein may receive additional equity or cash compensation from EQH in the future related to his service on the EQH Management Committee.

## CEO Pay Ratio

In 2019, the compensation of Mr. Bernstein, our President and CEO, was approximately 63 times the median pay of our employees, resulting in a 63:1 CEO Pay Ratio.

We identified our median employee by examining 2019 total compensation for all individuals, excluding Mr. Bernstein, who were employed by our firm as of December 31, 2019, the last day of our payroll year. We included all of our employees in this process, whether employed on a full-time or part-time basis. We did not make any assumptions or estimates with respect to total compensation, but we did adjust compensation paid to our non-U.S. employees during our 2019 fiscal year based on the average monthly exchange rates for the 12-month period ending September 30, 2019 between the local currencies in which such employees are paid and U.S. dollars. We define "total compensation" as the aggregate of base salary (plus overtime, as applicable), commissions (as applicable), cash bonus and the grant date fair value of long-term incentive compensation awards.

After identifying the median employee based on total compensation, we calculated total compensation in 2019 for such employee using the same methodology we use for our NEOs as set forth below in the Summary Compensation Table for 2019.

As illustrated in the table below, our 2019 CEO Pay Ratio is 63:1:

	Seth Bernstein	Median Employee
<b>Base salary (\$)</b>	500,000	127,300
<b>Cash bonus (\$)</b>	3,850,000	22,914
<b>Stock awards (\$)<sup>(1)</sup></b>	5,000,030	—
<b>All other compensation (\$)<sup>(2)</sup></b>	94,859	—
<b>Total (\$)</b>	9,444,889	150,214
<b>2019 CEO Pay Ratio</b>	<b>63:1</b>	

<sup>(1)</sup> Includes (i) an award granted by AB of restricted AB Holding Units with a grant date fair value of \$4,000,000 and (ii) awards granted by EQH with an aggregate grant date fair value of \$1,000,030, as more fully described above in "Compensation awarded by EQH to Mr. Bernstein." For additional information, please refer to the compensatory tables below in this Item 11.

<sup>(2)</sup> For a description of Mr. Bernstein's other compensation, please refer to the Summary Compensation Table for 2019 below.

## Other Compensation-Related Matters

AB and AB Holding are, respectively, private and public limited partnerships. They are subject to taxes other than federal and state corporate income tax (see “*Structure-related Risks*” in *Item 1A and Note 21 to AB’s consolidated financial statements in Item 8*). Accordingly, Section 162(m) of the Code, which limits tax deductions relating to executive compensation otherwise available to an entity taxed as a corporation, is not applicable to either AB or AB Holding for 2019.

## Compensation Committee Interlocks and Insider Participation

Mr. Pearson is a director and the President and CEO of EQH, the parent company of the General Partner.

No executive officer of AB serves as (i) a member of a compensation committee or (ii) a director of another entity, an executive officer of which serves as a member of AB’s Compensation Committee.

## Compensation Committee Report

The members of the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis *set forth above* and, based on such review and discussion, recommended to the Board its inclusion in this Form 10-K.

Kristi A. Matus (Chair)

Paul L. Audet

Ramon de Oliveira

Daniel G. Kaye

Mark Pearson

## Summary Compensation Table for 2019

Total compensation of our NEOs for 2019, 2018 and 2017, as applicable, is as follows:

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Stock Awards <sup>(1)</sup> <sup>(2)</sup> ( \$ )	Option Awards <sup>(2)</sup> <sup>(3)</sup> ( \$ )	All Other Compensation ( \$ )	Total( \$ )
Seth P. Bernstein <sup>(4)(5)</sup>	2019	500,000	3,850,000	4,750,026	250,004	94,859	9,444,889
President and CEO	2018	500,000	3,500,000	4,740,000	—	71,623	8,811,623
	2017	334,615	3,000,000	3,500,003	—	24,631	6,859,249
James A. Gingrich <sup>(6)</sup>	2019	400,000	1,100,000	—	—	140,025	1,640,025
Chief Operating Officer	2018	400,000	1,000,000	14,000,019	—	39,912	15,439,931
	2017	400,000	1,000,000	20,986,759	—	37,801	22,424,560
Kate C. Burke <sup>(7)</sup>	2019	300,000	1,415,000	1,035,000	—	60,716	2,810,716
Chief Administrative Officer	2018	300,000	785,000	4,440,009	—	14,200	5,539,209
	2017	300,000	740,000	410,000	—	14,266	1,464,266
Laurence E. Cranch <sup>(7)</sup>	2019	400,000	940,000	660,000	—	17,708	2,017,708
General Counsel	2018	400,000	940,000	4,660,009	—	92,276	6,092,285
	2017	400,000	940,000	660,000	—	17,208	2,017,208
John C. Weisenseel <sup>(7)</sup>	2019	375,000	1,147,500	842,500	—	15,677	2,380,677
CFO	2018	375,000	1,147,500	4,842,509	—	68,433	6,433,442
	2017	375,000	1,090,000	785,000	—	15,177	2,265,177

<sup>(1)</sup> The figures in the “Stock Awards” column provide the aggregate grant date fair value of the awards calculated in accordance with FASB ASC Topic 718. For the assumptions made in determining these values, see *Note 19 to AB’s consolidated financial statements in Item 8*.

<sup>(2)</sup> See “*Grants of Plan-based Awards in 2019*” below for information regarding the 2019 option award granted by EQH to Mr. Bernstein.

<sup>(3)</sup> The figure in the “Option Awards” column provides the grant date fair value of Mr. Bernstein’s award (which was issued by EQH) calculated in accordance with FASB ASC Topic 718. The fair value of EQH stock options is calculated by EQH using the Black-Scholes option pricing model. The expected EQH dividend rate is based on market consensus. EQH share price volatility is estimated on the basis of implied volatility, which is checked by EQH against an analysis of historical volatility to ensure consistency. The effect of expected early exercise is accounted for through the use of an expected life assumption based on historical data.

<sup>(4)</sup> See “*Overview of Mr. Bernstein’s Employment Agreement*” and “*Compensation Awarded by EQH to Mr. Bernstein*” above for a description of Mr. Bernstein’s compensatory elements. Mr. Bernstein’s compensation also is disclosed by EQH.

<sup>(5)</sup> The “Stock Awards” column for 2019 includes the grant date fair value of the restricted stock unit award (grant date fair value of \$250,010) and the performance share award (grant date fair value of \$500,016) Mr. Bernstein received from EQH in February 2019. The “Stock Awards” column for 2018 includes the grant date fair value of the transaction incentive award Mr. Bernstein received from EQH in May 2018, which had a grant date fair value of \$740,000.

<sup>(6)</sup> See “*Long-Term Incentive Compensation Awards - Mr. Gingrich’s Compensation*” above for a description of Mr. Gingrich’s compensatory elements.

<sup>(7)</sup> See “*Relocation-related Performance Awards*” above for a description of the restricted AB Holding Unit awards granted to Ms. Burke, Mr. Cranch and Mr. Weisenseel in April 2018.

The “All Other Compensation” column includes the aggregate incremental cost to our company of certain other expenses and perquisites. For 2019, this column includes the following:

Name	Personal Use of Car and Driver (\$)	Contributions to Profit Sharing Plan (\$)	Life Insurance Premiums (\$)	Relocation and/or Financial Planning Assistance (\$)	Other (\$)
Seth P. Bernstein	54,791 <sup>(1)</sup>	14,000	2,322	23,747	—
James A. Gingrich	—	14,000	2,772	123,253	—
Kate C. Burke	—	14,000	450	46,266	—
Laurence E. Cranch	—	14,000	3,708	—	—
John C. Weisenseel	—	14,000	1,677	—	—

<sup>(1)</sup> The amount reflects the incremental cost to us attributable to commuting and other non-business use. We made available to Mr. Bernstein in 2019 a car and driver for security and business purposes. Car and driver services were contracted through a third party. The cost of providing a car is determined annually and includes, as applicable, driver compensation, annual car lease, insurance cost and various miscellaneous expenses such as fuel and car maintenance.

### Grants of Plan-based Awards in 2019

Grants of awards under the 2017 Plan, our equity compensation plan, during 2019 made to our NEO are as follows (we also discuss awards issued by EQH to Mr. Bernstein):

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards <sup>(1)</sup> (\$)
Seth P. Bernstein <sup>(2)(3)</sup>	12/10/2019	139,131	4,000,000
	2/14/2019	13,341	250,010
	2/14/2019	12,710	250,006
	2/14/2019	13,341	250,010
James A. Gingrich <sup>(2)</sup>	12/10/2019	—	—
Kate C. Burke <sup>(2)</sup>	12/10/2019	36,000	1,035,000
Laurence E. Cranch <sup>(2)</sup>	12/10/2019	22,957	660,000
John C. Weisenseel <sup>(2)</sup>	12/10/2019	29,305	842,500

<sup>(1)</sup> This column provides the aggregate grant date fair value of the awards calculated in accordance with FASB ASC Topic 718. For the assumptions made in determining these values, see Note 19 to AB's consolidated financial statements in Item 8.

<sup>(2)</sup> As discussed above in “Overview of 2019 Incentive Compensation Program” and “Compensation Elements for NEOs—Long-Term Incentive Compensation Awards,” long-term incentive compensation awards granted in 2019 to our NEOs were denominated in restricted AB Holding Units. These awards are shown in the “All Other Stock Awards” column of this table, the “Stock Awards” column of the Summary Compensation Table and the “AB Holding Unit Awards” columns of the Outstanding Equity Awards at 2019 Fiscal Year-End Table.

<sup>(3)</sup> In February 2019, EQH granted to Mr. Bernstein (i) a restricted stock award with a grant date fair value of \$250,010 and (ii) a performance share award with a grant date fair value of \$500,016, approximately half of which can be earned subject to EQH's performance against specified non-GAAP financial targets and half of which can be earned subject to EQH's total shareholder return relative to its peer group.

In 2019, the number of restricted AB Holding Units comprising long-term incentive compensation awards granted to each NEO was determined based on the closing price of an AB Holding Unit as reported for NYSE composite transactions on December 10, 2019, the date on which the Compensation Committee approved the awards. At the time of these awards, the Compensation Committee consisted of Ms. Matus (Chair) and Messrs. Audet, de Oliveira, Kaye and Pearson; the Section 16 Subcommittee consisted of Ms. Matus (Chair) and Messrs. Audet, de Oliveira and Kaye. For further information regarding the material terms of such awards, including the vesting terms and the formulas or criteria to be applied in determining the amounts payable, please refer to “Overview of 2019 Incentive Compensation Program,” “Other Factors Considered When Determining NEO Compensation,” and “Compensation Elements for NEOs” above.

## Outstanding Equity Awards at 2019 Fiscal Year-End

Outstanding equity awards held by our NEOs as of December 31, 2019 are as follows:

Name	Option Awards				AB Holding Unit and/or EQH Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(8)</sup> (\$)
Seth P. Bernstein <sup>(1)(2)(3)</sup>	—	65,446	\$18.74	2/14/2029	333,885	10,103,360
	—	—	—	—	39,392	750,026
James A. Gingrich <sup>(4)</sup>	—	—	—	—	433,612	13,121,099
Kate C. Burke <sup>(5)</sup>	—	—	—	—	211,940	6,413,304
Laurence E. Cranch <sup>(6)</sup>	—	—	—	—	213,106	6,448,588
John C. Weisenseel <sup>(7)</sup>	—	—	—	—	227,760	6,892,018

<sup>(1)</sup> Subject to accelerated vesting clauses in the CEO Employment Agreement (*e.g.*, immediate vesting upon a “change in control” of our firm), the award granted to Mr. Bernstein in May 2017 vests ratably on each of the first four anniversaries of May 1, 2017, commencing May 1, 2018, provided, with respect to each installment, Mr. Bernstein continues to be employed by AB on the vesting date. However, Mr. Bernstein elected to delay delivery of all of the restricted AB Holding Units until May 1, 2021, the final vesting date, subject to acceleration upon a “change in control” of our firm and certain qualifying events of termination of employment. Additionally, Mr. Bernstein was awarded (i) 139,131 restricted AB Holding Units in December 2019, which are scheduled to vest in equal increments on each of December 1, 2020, 2021, 2022 and 2023 and (ii) 149,868 restricted AB Holding Units in December 2018, of which 25% vested on December 1, 2019 and the remainder of which is scheduled to vest in equal increments on each of December 1, 2020, 2021 and 2022. For further information, see “*Overview of Mr. Bernstein's Employment Agreement*” above.

<sup>(2)</sup> EQH awarded to Mr. Bernstein options to buy 65,446 EQH shares, which are scheduled to vest in equal increments on each of February 14, 2020, 2021 and 2022.

<sup>(3)</sup> For further information regarding the equity awards granted to Mr. Bernstein by EQH, please see “*Compensation awarded by EQH to Mr. Bernstein*” above.

<sup>(4)</sup> Mr. Gingrich was awarded (i) 531,310 restricted AB Holding Units in April 2018, of which 25% vested on December 1, 2019 and the remainder of which is scheduled to vest in equal increments on each of December 1, 2020, 2021 and 2022, and (ii) 140,517 restricted AB Holding Units in December 2016, of which 25% vested on each of December 1, 2017, 2018 and 2019, and the remainder of which is scheduled to vest on December 1, 2020. See “*Long-Term Incentive Compensation Awards - Mr. Gingrich's Compensation*” above.

<sup>(5)</sup> Ms. Burke was awarded (i) 36,000 restricted AB Holding Units in December 2019, which are scheduled to vest in equal increments on each of December 1, 2020, 2021, 2022 and 2023, (ii) 16,486 restricted AB Holding Units in December 2018, of which 25% vested on December 1, 2019 and the remainder of which is scheduled to vest in equal increments on each of December 1, 2020, 2021 and 2022, (iii) 151,803 restricted AB Holding Units in April 2018, which are scheduled to cliff vest on December 1, 2022, (iv) 16,433 restricted AB Holding Units in December 2017, of which 25% vested on each of December 1, 2018 and 2019 and the remainder of which is scheduled to vest in equal increments on each of December 1, 2020 and 2021, and (v) 14,224 restricted AB Holding Units in December 2016, of which 25% vested on each of December 1, 2017, 2018 and 2019 and the remainder of which is scheduled to vest on December 1, 2020.

<sup>(6)</sup> Mr. Cranch was awarded (i) 22,957 restricted AB Holding Units in December 2019, which are scheduled to vest in equal increments on each of December 1, 2020, 2021, 2022 and 2023, (ii) 24,728 restricted AB Holding Units in December 2018, of which 25% vested on December 1, 2019 and the remainder is scheduled to vest in equal increments on each of December 1, 2020, 2021 and 2022, (iii) 151,803 restricted AB Holding Units in April 2018, which are scheduled to cliff vest on December 1, 2022, (iv) 26,453 restricted AB Holding Units in December 2017, of which 25% vested on each of December 1, 2018 and 2019, and the remainder is scheduled to vest in equal increments on each of December 1, 2020 and 2021, and (v) 26,293 restricted AB Holding Units in December 2016, of which 25% vested on each of December 1, 2017, 2018 and 2019, and the remainder of which is scheduled to vest on December 1, 2020.

<sup>(7)</sup> Mr. Weisenseel was awarded (i) 29,305 restricted AB Holding Units in December 2019, which are scheduled to vest in equal increments on each of December 1, 2020, 2021, 2022 and 2023, (ii) 31,566 restricted AB Holding Units in December 2018, of which 25% vested on December 1, 2019 and the remainder is scheduled to vest in equal increments on each of December 1, 2020, 2021 and 2022, (iii) 151,803 restricted AB Holding Units in April 2018, which are scheduled to cliff vest on December 1, 2022, (iv) 31,463 restricted AB Holding Units in December 2017, 25% of which vested on each of December 1, 2018 and 2019, and the remainder of which is scheduled to vest in equal increments on each of December 1, 2020 and 2021, and (v) 28,987 restricted AB Holding Units in December 2016, of which 25% vested on each of December 1, 2017, 2018 and 2019 and the remainder of which is scheduled to vest on December 1, 2020.

<sup>(8)</sup> The market values of restricted AB Holding Units set forth in this column were calculated assuming a price per AB Holding Unit of \$30.26, which was the closing price on the NYSE of an AB Holding Unit on December 31, 2019, the last trading day of AB's last completed fiscal year.

## Option Exercises and AB Holding Units Vested in 2019

AB Holding Units held by our NEOs that vested during 2019 are as follows:

Name	AB Holding Option Awards		AB Holding Unit Awards	
	Number of AB Holding Units Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of AB Holding Units Acquired on Vesting (#)	Value Realized on Vesting (\$)
Seth P. Bernstein	—	—	37,467	2,301,779
James A. Gingrich	—	—	502,256	14,550,356
Kate C. Burke	—	—	13,806	399,960
Laurence E. Cranch	—	—	26,265	760,897
John C. Weisenseel	—	—	29,629	858,352

## Non-Qualified Deferred Compensation for 2019

Vested and unvested non-qualified deferred compensation contributions, earnings and distributions of our NEOs during 2019 and their non-qualified deferred compensation plan balances as of December 31, 2019 are as follows:

Name	Executive Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)
Seth P. Bernstein	—	—	—	—
James A. Gingrich <sup>(1)</sup>	—	99,291	(221,427)	726,610
Kate C. Burke	—	—	—	—
Laurence E. Cranch	—	—	—	—
John C. Weisenseel	—	—	—	—

<sup>(1)</sup> Amounts shown reflect Mr. Gingrich's interests from pre-2009 awards under the predecessor plan to the Incentive Compensation Program, under which plan participants were permitted to allocate their awards (i) among notional investments in AB Holding Units, certain of the investment services we provided to clients and a money market fund, or (ii) under limited circumstances, in options to buy AB Holding Units. For additional information about the Incentive Compensation Program, see Notes 2 and 19 to AB's consolidated financial statements in Item 8.

## Potential Payments upon Termination or Change in Control

Estimated payments and benefits to which our NEOs would have been entitled upon a change in control of AB or the specified qualifying events of termination of employment as of December 31, 2019 are as follows:

Name and Reason for Employment Termination	Cash Payments <sup>(1)</sup> (\$)	Acceleration of Restricted AB Holding Unit Awards <sup>(2)</sup> (\$)	Other Benefits <sup>(3)</sup> (\$)
<b>Seth P. Bernstein</b>			
Change in control (2017 Award)	—	2,492,002	21,263
Termination by Mr. Bernstein for good reason or by AB without cause and within 12 months of change in control (including 2017 Award) <sup>(4)</sup>	7,000,000	2,492,002	21,263
Termination by Mr. Bernstein for good reason (including 2017 Award) <sup>(4)</sup>	3,500,000	2,492,002	21,263
Termination of Mr. Bernstein's employment by AB other than for Cause or due to Death or Disability (including 2017 Award) <sup>(4)(5)(6)</sup>	5,250,000	2,492,002	21,263
Termination by reason of non-extension of initial 3-year employment term (2017 Award) <sup>(4)</sup>	—	2,492,002	21,263
Resignation (complies with applicable agreements and restrictive covenants) under ICAP (2018 and 2019 Awards) <sup>(2)</sup>	—	7,611,361	21,263
Death or disability under ICAP (2018 and 2019 Awards) <sup>(7)</sup>	—	7,611,361	21,263
<b>James A. Gingrich</b>			
Termination by AB without cause; death or disability (2018 RSU award) <sup>(8)</sup>	—	330,359	—
Resignation or termination by AB without cause (complies with applicable agreements and restrictive covenants) under ICAP (2016 award) <sup>(2)</sup>	—	1,063,013	—
Death or disability under ICAP (2016 award) <sup>(7)</sup>	—	1,063,013	—
<b>Kate C. Burke</b>			
Resignation, retirement or termination by AB without cause (complies with applicable agreements and restrictive covenants) under ICAP <sup>(2)</sup>	—	1,819,735	—
Death or disability under ICAP <sup>(7)</sup>	—	1,819,735	—
Termination by AB without cause; death or disability (2018 RSU award) <sup>(9)</sup>	—	1,682,302	—
<b>Laurence E. Cranch</b>			
Resignation, retirement or termination by AB without cause (complies with applicable agreements and restrictive covenants) under ICAP <sup>(2)</sup>	—	1,855,014	—
Death or disability under ICAP <sup>(7)</sup>	—	1,855,014	—
Termination by AB without cause; death or disability (2018 RSU award) <sup>(9)</sup>	—	1,682,302	—
<b>John C. Weisenseel</b>			
Resignation, retirement or termination by AB without cause (complies with applicable agreements and restrictive covenants) under ICAP <sup>(2)</sup>	—	2,298,464	—
Death or disability under ICAP <sup>(7)</sup>	—	2,298,464	—
Termination by AB without cause; death or disability (2018 RSU award) <sup>(9)</sup>	—	1,682,302	—

<sup>(1)</sup> It is possible that each NEO could receive a cash severance payment on the termination of his or her employment. The amounts of any such cash severance payments would be determined at the time of such termination (other than for Mr. Bernstein), so we are unable to estimate such amounts. The amounts shown for Mr. Bernstein are described in the CEO Employment Agreement.



- (2) See Notes 2 and 19 in AB's consolidated financial statements in Item 8 and "Compensation Elements for NEO – Long-Term Incentive Compensation Awards" above for a discussion of the terms set forth in long-term incentive compensation award agreements relating to termination of employment.
- (3) Reflects the value of group medical coverage to which Mr. Bernstein would be entitled.
- (4) See "Overview of Mr. Bernstein's Employment Agreement" above for a discussion of the terms set forth in the CEO Employment Agreement relating to termination of employment.
- (5) The CEO Employment Agreement defines "Disability" as a good faith determination by AB that Mr. Bernstein is physically or mentally incapacitated and has been unable for a period of 180 days in the aggregate during any 12-month period to perform substantially all of the duties for which he is responsible immediately before the commencement of the incapacity.
- (6) Under the CEO Employment Agreement, upon termination of Mr. Bernstein's employment due to death or disability, and after the COBRA period, AB will provide Mr. Bernstein and his spouse with access to participation in AB's medical plans at Mr. Bernstein's (or his spouse's) sole expense based on a reasonably determined fair market value premium rate.
- (7) "Disability" is defined in the ICAP award agreements of each NEO as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than 12 months, as determined by the carrier of the long-term disability insurance program maintained by AB or its affiliate that covers the NEO.
- (8) For additional information relating to the restricted AB Holding Unit awards issued to Mr. Gingrich, please refer to "Long-Term Incentive Compensation Awards - Mr. Gingrich's Compensation" above.
- (9) For additional information relating to the restricted AB Holding Unit award issued to each of Ms. Burke, Mr. Cranch and Mr. Weisenseel in April 2018, please refer to "Relocation-related Performance Awards" above.

Additionally, estimated payments and benefits to which Mr. Bernstein would have been entitled upon a change in control of EQH or the specified qualifying events of termination of employment as of December 31, 2019 are as follows (these amounts would be payable by EQH):

Reason for Employment Termination	Acceleration of EQH Option and Share Awards (\$)
Death <sup>(1)</sup>	1,993,387
Disability <sup>(1)</sup>	1,993,387
Involuntary termination (no change in control) <sup>(2)</sup>	150,905
Change in control (without termination of employment) <sup>(3)</sup>	1,188,971
Involuntary termination of employment or termination by Mr. Bernstein for good reason (no change in control) <sup>(3)</sup>	1,188,971

(1) Reflects the combined value, as of December 31, 2019, associated with Mr. Bernstein's transaction incentive award in 2018 and, in 2019, his restricted stock unit award, performance share award and option award. For additional information regarding these awards, please see the Summary Compensation Table in 2019, the Grant of Plan-based Awards table in 2019 and the Outstanding Equity at 2019 Fiscal Year End table above in this Item 11.

(2) Reflects the value, as of December 31, 2019, associated with Mr. Bernstein's transaction incentive award in 2018.

(3) Reflects, as of December 31, 2019, the full value associated with Mr. Bernstein's option award in 2019 and pro-rated portions of Mr. Bernstein's transaction incentive award in 2018 and, in 2019, his restricted stock unit award and performance share award based on the terms and conditions of these awards.

## Director Compensation in 2019

During 2019, we compensated our directors, who were serving as of December 31, 2019 and satisfied applicable NYSE and SEC standards relating to independence ("Independent Directors") as follows:

Name	Fees Earned or Paid in Cash(\$)	Stock Awards <sup>(1)(2)</sup> (\$)	Total(\$)
Ramon de Oliveira	149,375	170,000	319,375
Paul L. Audet	108,500	170,000	278,500
Daniel G. Kaye	119,876	170,000	289,876
Kristi Matus	61,000	142,000	203,000
Das Narayandas	91,000	170,000	261,000
Charles Stonehill	83,542	170,000	253,542

- (1) The aggregate number of restricted AB Holding Units underlying awards outstanding but not yet distributed at December 31, 2019 was: for Ms. Matus, 4,750 AB Holding Units; for each of Messrs. de Oliveira and Kaye, 12,315 AB Holding Units; for each of Messrs. Audet and Narayandas, 12,063 AB Holding Units; and for Mr. Stonehill, 5,810 AB Holding Units.
- (2) Reflects the aggregate grant date fair value of the awards calculated in accordance with FASB ASC Topic 718. For the assumptions made in determining these values, see *Note 19 to AB's consolidated financial statements in Item 8.*

### Independent Director Compensation

The Board has approved the compensation elements *described immediately below* for Independent Directors and has agreed to re-consider such compensation elements periodically:

- an annual retainer of \$85,000 (paid quarterly after any quarter during which an Independent Director serves on the Board; annual retainers relating to Committee service, *as described below*, are paid quarterly in arrears as well);
- a fee of \$5,000 for participating in any meeting of the Board, whether in person or by telephone, in excess of the four regularly-scheduled Board meetings each year;
- a fee of \$2,000 for participating in any meeting of any duly constituted committee of the Board, whether in person or by telephone, in excess of the number of regularly-scheduled committee meetings each year (*i.e.*, in excess of eight meetings of the Audit Committee and four meetings of each of the Executive Committee, the Compensation Committee and the Governance Committee);
- an annual retainer of \$50,000 for acting as Independent Chairman of the Board;
- an annual retainer of \$25,000 for acting as Chair of the Audit Committee;
- an annual retainer of \$12,500 for acting as Chair of the Compensation Committee;
- an annual retainer of \$12,500 for acting as Chair of the Governance Committee;
- an annual retainer of \$12,500 for serving as a member of the Audit Committee;
- an annual retainer of \$6,000 for serving as a member of the Executive Committee;
- an annual retainer of \$6,000 for serving as a member of the Compensation Committee;
- an annual retainer of \$6,000 for serving as a member of the Governance Committee; and
- an annual equity-based grant under an equity compensation plan consisting of restricted AB Holding Units with a grant date fair value of \$170,000.

At the regular meeting of the Board held in May 2019, the Board granted to each Independent Director then serving (which included Barbara Fallon-Walsh and Shelley Leibowitz, each of whom departed the Board in June 2019, and Messrs. Audet, de Oliveira, Kaye, Narayandas and Stonehill) 5,810 restricted AB Holding Units. The number of AB Holding Units granted was determined by dividing the \$170,000 grant date fair value *noted above* by the closing price of an AB Holding Unit on the date of the May 2019 Board Meeting, or \$29.26 per unit. These awards vest ratably on each of the first four anniversaries of the grant date, which generally is consistent with AB employee equity awards.

Additionally, by unanimous written consent dated as of July 1, 2019, the Board granted to Ms. Matus, who joined the Board as of July 1, 2019, 4,750 restricted AB Holding Units. The number of AB Holding Units granted was determined by dividing the \$142,000 grant date fair value (a pro-rated version of the \$170,000 typically awarded based on the date as of which Ms. Matus joined the Board) by the closing price of an AB Holding Unit on July 1, 2019, or \$29.90 per unit. This award vests ratably on each of the first four anniversaries of the grant date.

Also, at the regular meeting of the Board held in November 2019, the Board granted to Nella Domenici, who joined the Board as of January 1, 2020, 2,344 restricted AB Holding Units. The number of AB Holding Units granted was determined by dividing the \$70,834 grant date fair value (a pro-rated version of the \$170,000 typically awarded based on the date as of which Ms. Domenici joined the Board) by the closing price of an AB Holding Unit on January 2, 2020, or \$30.23 per unit. This award also vests ratably on each of the first four anniversaries of the grant date.

Further, in order to avoid any perception that our directors' exercise of their fiduciary duties might be impaired, restricted AB Holding Unit grants to Independent Directors are not forfeitable, except if the director is terminated for "Cause," as that term is defined in the 2017 Plan or the applicable award agreement. Accordingly, restricted AB Holding Units generally are delivered as soon as administratively feasible following an Independent Director's resignation from the Board.

Equity grants to Independent Directors generally are made at the May meeting of the Board. The date of the May meeting is set by the Board the previous year.

The General Partner may reimburse any director for reasonable expenses incurred in connection with attendance at Board meetings as well as additional Board responsibilities. AB Holding and AB, in turn, reimburse the General Partner for expenses incurred by

the General Partner on their behalf, including amounts in respect of directors' fees and expenses. These reimbursements are subject to any relevant provisions of the AB Holding Partnership Agreement and the AB Partnership Agreement.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Securities Authorized for Issuance under Equity Compensation Plans

AB Holding Units to be issued pursuant to our equity compensation plans as of December 31, 2019 are as follows:

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance <sup>(1)</sup>
Equity compensation plans approved by security holders	159,349	\$ 23.93	39,397,326
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>159,349</b>	<b>\$ 23.93</b>	<b>39,397,326</b>

(1) All AB Holding Units remaining available for future issuance will be issued pursuant to the 2017 Plan, which was approved during a Special Meeting of AB Holding Unitholders held on September 29, 2017.

There are no AB Units to be issued pursuant to an equity compensation plan.

For information about our equity compensation plans, see *Note 19 to AB's consolidated financial statements in Item 8*.

### Principal Security Holders

As of December 31, 2019, we had no information that any person beneficially owned more than 5% of the outstanding AB Holding Units.

As of December 31, 2019, we had no information that any person beneficially owned more than 5% of the outstanding AB Units, except as reported by EQH and certain of its subsidiaries on Schedule 13D/A with the SEC on March 25, 2019 pursuant to the Exchange Act. We have prepared the following table, and the note that follows, in reliance on such filing:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership Reported on Schedule	Percent of Class
Equitable Holdings <sup>(1)</sup> 1290 Avenue of the Americas New York, NY 10104	170,121,745 <sup>(1)</sup>	63.3 <sup>(1)</sup>

(1) By reason of their relationships, EQH, AXA Equitable Financial Services, LLC (a subsidiary of EQH), AXA-IM Holding U.S. (a subsidiary of EQH), Alpha Units Holdings, Inc. (a subsidiary of EQH) and Equitable America may be deemed to share the power to vote or to direct the vote and to dispose or direct the disposition of all or a portion of the 170,121,745 issued and outstanding AB Units. The 63.3% includes the 1% GP interest held by EQH.

As of December 31, 2019, AB Holding was the record owner of 98,192,098, or 36.3%, of the issued and outstanding AB Units.

## Management

As of December 31, 2019, the beneficial ownership of AB Holding Units by each director and NEO of the General Partner and by all directors and executive officers as a group is as follows:

Name of Beneficial Owner	Number of AB Holding Units and Nature of Beneficial Ownership	Percent of Class
Ramon de Oliveira <sup>(1)</sup>	19,189	*
Seth P. Bernstein <sup>(1)(2)</sup>	453,704	*
Paul L. Audet	15,155	*
Nella L. Domenici	—	*
Jeffrey J. Hurd <sup>(1)</sup>	—	*
Daniel G. Kaye <sup>(1)</sup>	19,189	*
Nick Lane <sup>(1)</sup>	—	*
Kristi A. Matus <sup>(1)</sup>	4,750	*
Das Narayandas	15,155	*
Mark Pearson <sup>(1)</sup>	—	*
Charles G.T. Stonehill <sup>(1)</sup>	5,810	*
James A. Gingrich <sup>(1)(3)</sup>	1,195,885	1.2%
Kate C. Burke <sup>(1)(4)</sup>	221,184	*
Laurence E. Cranch <sup>(1)(5)</sup>	230,165	*
John C. Weisenseel <sup>(1)(6)</sup>	299,622	*
All directors and executive officers as a group (16 persons) <sup>(7)</sup>	2,494,451	2.5%

\* Number of AB Holding Units listed represents less than 1% of the Units outstanding.

(1) Excludes AB Holding Units beneficially owned by EQH and its subsidiaries. Ms. Matus and Messrs. Bernstein, de Oliveira, Hurd, Kaye, Lane, Pearson and Stonehill each is a director and/or officer of EQH, Equitable Life and/or Equitable America. Ms. Burke and Messrs. Bernstein, Gingrich, Cranch and Weisenseel each is a director and/or officer of the General Partner.

(2) Represents 453,704 restricted AB Holding Units that have not yet vested or with respect to which Mr. Bernstein has deferred delivery. See “Overview of Mr. Bernstein’s Employment Agreement – Compensation Elements – Restricted AB Holding Units,” “Grants of Plan-based Awards in 2019” and “Outstanding Equity Awards at 2019 Fiscal Year-End” in Item 11 for additional information.

(3) Includes 698,629 restricted AB Holding Units awarded to Mr. Gingrich as long-term incentive compensation that have not yet vested or with respect to which he has deferred delivery. For information regarding Mr. Gingrich’s long-term incentive compensation awards, see “Long-Term Incentive Compensation Awards - Mr. Gingrich’s Compensation,” “Grants of Plan-based Awards in 2019” and “Outstanding Equity Awards at 2019 Fiscal Year-End” in Item 11.

(4) Includes 211,940 restricted AB Holding Units awarded to Ms. Burke as long-term incentive compensation that have not yet vested. For information regarding Ms. Burke’s long-term incentive compensation awards, see “Relocation-related Performance Awards,” “Grants of Plan-based Awards in 2019” and “Outstanding Equity Awards at 2019 Fiscal Year-End” in Item 11.

(5) Includes 219,289 restricted AB Holding Units awarded to Mr. Cranch as long-term incentive compensation that have not yet vested or with respect to which he has deferred delivery. For information regarding Mr. Cranch’s long-term incentive compensation awards, see “Relocation-related Performance Awards,” “Grants of Plan-based Awards in 2019” and “Outstanding Equity Awards at 2019 Fiscal Year-End” in Item 11.

(6) Represents 299,622 restricted AB Holding Units awarded to Mr. Weisenseel as long-term incentive compensation that have not yet vested or with respect to which he has deferred delivery. For information regarding Mr. Weisenseel’s long-term incentive compensation awards, see “Relocation-related Performance Awards,” “Grants of Plan-based Awards in 2019” and “Outstanding Equity Awards at 2019 Fiscal Year-End” in Item 11.

(7) Includes 1,910,190 restricted AB Holding Units awarded to the executive officers as a group as long-term incentive compensation that have not yet vested and/or with respect to which the executive officer has deferred delivery (includes 14,643

AB Holding Units owned outright by William R. Siemers, our Chief Accounting Officer, and 27,006 restricted AB Holding Units that have not yet vested for Mr. Siemers).

As of December 31, 2019, our directors and executive officers did not beneficially own any AB Units.

As of December 31, 2019, the beneficial ownership of the common stock of EQH by each director and named executive officer of the General Partner and by all directors and executive officers as a group is as follows:

#### EQH Common Stock

Name of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Class
Ramon de Oliveira	21,243	*
Seth P. Bernstein <sup>(1)</sup>	32,936	*
Paul L. Audet	—	*
Nella L. Domenici	—	*
Jeffrey J. Hurd <sup>(2)</sup>	93,209	*
Daniel G. Kaye	12,474	*
Nick Lane <sup>(3)</sup>	60,383	*
Kristi A. Matus	12,474	*
Das Narayandas	2,000	*
Mark Pearson <sup>(4)</sup>	305,724	*
Charles G.T. Stonehill	12,474	*
James A. Gingrich	—	*
Kate C. Burke	—	*
Laurence E. Cranch	—	*
John C. Weisenseel	—	*
All directors and executive officers as a group (16 persons) <sup>(5)</sup>	552,917	*

\* Number of shares listed represents less than 1% of the outstanding EQH common stock.

- (1) Includes (i) 21,816 options Mr. Bernstein has the right to exercise within 60 days, and (ii) 4,566 restricted stock units that will vest within 60 days and settle in EQH shares.
- (2) Includes (i) 71,806 options Mr. Hurd has the right to exercise within 60 days, and (ii) 8,220 restricted stock units that will vest within 60 days and settle in EQH shares.
- (3) Includes (i) 41,449 options Mr. Lane has the right to exercise within 60 days, and (ii) 18,934 restricted stock units that will vest within 60 days and settle in EQH shares.
- (4) Includes (i) 189,579 options Mr. Pearson has the right to exercise within 60 days, and (ii) 25,116 restricted stock units that will vest within 60 days and settle in EQH shares.
- (5) Includes 324,650 options that may be exercised and 56,836 restricted stock units that will vest within 60 days for the directors and executive officers as a group.

#### Partnership Matters

The General Partner makes all decisions relating to the management of AB and AB Holding. The General Partner has agreed that it will conduct no business other than managing AB and AB Holding, although it may make certain investments for its own account. Conflicts of interest, however, could arise between AB and AB Holding, the General Partner and the Unitholders of both Partnerships.

Section 17-403(b) of the Delaware Revised Uniform Limited Partnership Act (“**Delaware Act**”) states in substance that, except as provided in the Delaware Act or the applicable partnership agreement, a general partner of a limited partnership has the liabilities of a general partner in a general partnership governed by the Delaware Uniform Partnership Law (as in effect on July 11, 1999) to the partnership and to the other partners. In addition, *as discussed below*, Sections 17-1101(d) and 17-1101(f) of the Delaware Act generally provide that a partnership agreement may limit or eliminate fiduciary duties a partner may be deemed to owe to the

limited partnership or to another partner, and any related liability, provided that the partnership agreement may not limit or eliminate the implied contractual covenant of good faith and fair dealing. Accordingly, while under Delaware law a general partner of a limited partnership is liable as a fiduciary to the other partners, those fiduciary obligations may be altered by the terms of the applicable partnership agreement. Each of the AB Partnership Agreement and AB Holding Partnership Agreement (each, a “**Partnership Agreement**” and, together, the “**Partnership Agreements**”) sets forth limitations on the duties and liabilities of the General Partner. Each Partnership Agreement provides that the General Partner is not liable for monetary damages for errors in judgment or for breach of fiduciary duty (including breach of any duty of care or loyalty), unless it is established (the person asserting such liability having the burden of proof) that the General Partner’s action or failure to act involved an act or omission undertaken with deliberate intent to cause injury, with reckless disregard for the best interests of the Partnerships or with actual bad faith on the part of the General Partner, or constituted actual fraud. Whenever the Partnership Agreements provide that the General Partner is permitted or required to make a decision (i) in its “discretion” or under a grant of similar authority or latitude, the General Partner is entitled to consider only such interests and factors as it desires and has no duty or obligation to consider any interest of or other factors affecting the Partnerships or any Unitholder of AB or AB Holding or (ii) in its “good faith” or under another express standard, the General Partner will act under that express standard and will not be subject to any other or different standard imposed by either Partnership Agreement or applicable law or in equity or otherwise. Each Partnership Agreement further provides that to the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to either Partnership or any partner, the General Partner acting under either Partnership Agreement, as applicable, will not be liable to the Partnerships or any partner for its good faith reliance on the provisions of the Partnership Agreement.

In addition, each Partnership Agreement grants broad rights of indemnification to the General Partner and its directors, officers and affiliates and authorizes AB and AB Holding to enter into indemnification agreements with the directors, officers, partners, employees and agents of AB and its affiliates and AB Holding and its affiliates. The Partnerships have granted broad rights of indemnification to officers and employees of AB and AB Holding. The foregoing indemnification provisions are not exclusive, and the Partnerships are authorized to enter into additional indemnification arrangements. AB and AB Holding have obtained directors and officers/errors and omissions liability insurance.

Each Partnership Agreement also allows transactions between AB and AB Holding and the General Partner or its affiliates, *as we describe in “Policies and Procedures Regarding Transactions with Related Persons” in Item 13*, so long as such transactions are on an arms-length basis. The Delaware courts have held that provisions in partnership or limited liability company agreements that permit affiliate transactions so long as they are on an arms-length basis operate to establish a contractually-agreed-to fiduciary duty standard of entire fairness on the part of the general partner or manager in connection with the approval of affiliate transactions. Also, each Partnership Agreement expressly permits all affiliates of the General Partner to compete, directly or indirectly, with AB and AB Holding, *as we discuss in “Competition” in Item 1*. The Partnership Agreements further provide that, except to the extent that a decision or action by the General Partner is taken with the specific intent of providing an improper benefit to an affiliate of the General Partner to the detriment of AB or AB Holding, there is no liability or obligation with respect to, and no challenge of, decisions or actions of the General Partner that would otherwise be subject to claims or other challenges as improperly benefiting affiliates of the General Partner to the detriment of the Partnerships or otherwise involving any conflict of interest or breach of a duty of loyalty or similar fiduciary obligation.

Section 17-1101(c) of the Delaware Act provides that it is the policy of the Delaware Act to give maximum effect to the principle of freedom of contract and to the enforceability of partnership agreements. Further, Section 17-1101(d) of the Delaware Act provides in part that to the extent that, at law or in equity, a partner has duties (including fiduciary duties) to a limited partnership or to another partner, those duties may be expanded, restricted, or eliminated by provisions in a partnership agreement (provided that a partnership agreement may not eliminate the implied contractual covenant of good faith and fair dealing). In addition, Section 17-1101(f) of the Delaware Act provides that a partnership agreement may limit or eliminate any or all liability of a partner to a limited partnership or another partner for breach of contract or breach of duties (including fiduciary duties); provided, however, that a partnership agreement may not limit or eliminate liability for any act or omission that constitutes a bad faith violation of the implied contractual covenant of good faith and fair dealing. Decisions of the Delaware courts have recognized the right of parties, under the above provisions of the Delaware Act, to alter by the terms of a partnership agreement otherwise applicable fiduciary duties and liability for breach of duties. However, the Delaware courts have required that a partnership agreement make clear the intent of the parties to displace otherwise applicable fiduciary duties (the otherwise applicable fiduciary duties often being referred to as “default” fiduciary duties). Judicial inquiry into whether a partnership agreement is sufficiently clear to displace default fiduciary duties is necessarily fact driven and is made on a case by case basis. Accordingly, the effectiveness of displacing default fiduciary obligations and liabilities of general partners continues to be a developing area of the law and it is not certain to what extent the foregoing provisions of the Partnership Agreements are enforceable under Delaware law.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

#### Policies and Procedures Regarding Transactions with Related Persons

Each Partnership Agreement expressly permits EQH and its affiliates (collectively, “EQH Affiliates”), to provide services to AB and AB Holding if the terms of the transaction are approved by the General Partner in good faith as being comparable to (or more favorable to each such Partnership than) those that would prevail in a transaction with an unaffiliated party. This requirement is conclusively presumed to be satisfied as to any transaction or arrangement that (i) in the reasonable and good faith judgment of the General Partner meets that unaffiliated party standard, or (ii) has been approved by a majority of those directors of the General Partner who are not also directors, officers or employees of an affiliate of the General Partner. These principles also applied to transactions with AXA and its subsidiaries during 2019. AXA, which reduced its ownership of EQH to less than 10% as of December 31, 2019, previously was AB's ultimate parent company.

In practice, our management pricing committees review investment advisory agreements with EQH Affiliates, which is the manner in which the General Partner reaches a judgment regarding the appropriateness of the fees. Other transactions with EQH Affiliates are submitted to the Audit Committee for their review and approval. (See “Committees of the Board” in Item 10 for details regarding the Audit Committee.) We are not aware of any transaction during 2019 between our company and any related person with respect to which these procedures were not followed.

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

We have written policies regarding the employment of immediate family members of any of our related persons. Compensation and benefits for all of our employees is established in accordance with our human resources practices, taking into consideration the defined qualifications, responsibilities and nature of the role.

#### Financial Arrangements with EQH Affiliates

The General Partner has, in its reasonable and good faith judgment (based on its knowledge of, and inquiry with respect to, comparable arrangements with or between unaffiliated parties), approved the following arrangements with EQH Affiliates as being comparable to, or more favorable to AB than, those that would prevail in a transaction with an unaffiliated party.

See Note 12 to AB's consolidated financial statements in Item 8 for disclosures related to our credit facility with EQH. Transactions between AB and related persons during 2019 are as follows (the first table summarizes services we provide to related persons and the second table summarizes services our related persons provide to us):

Parties <sup>(1)</sup>	General Description of Relationship <sup>(2)</sup>	Amounts Received or Accrued for in 2019
Equitable Life	We provide investment management services and ancillary accounting, valuation, reporting, treasury and other services to the general and separate accounts of Equitable Life and its insurance company subsidiaries.	\$ 78,984,000
EQAT and Equitable Premier VIP Trust	We serve as sub-adviser to these open-end mutual funds, each of which is sponsored by a subsidiary of Equitable Holdings.	\$ 27,682,000
AXA Life Invest <sup>(3)</sup>	We provide investment management, distribution and shareholder servicing-related services.	\$ 16,404,000
AXA Life Japan Limited <sup>(3)</sup>		\$ 14,470,000
AXA France <sup>(3)</sup>		\$ 11,160,000
AXA Rosenberg Asia Pacific <sup>(3)</sup>		\$ 8,123,000
AXA Germany <sup>(3)</sup>		\$ 6,626,000
AXA Switzerland Life <sup>(3)</sup>		\$ 4,812,000



AXA Winterthur <sup>(3)</sup>	\$	3,915,000
AXA Belgium <sup>(3)</sup>	\$	2,579,000
AXA Insurance UK Non Direct Regulated <sup>(3)</sup>	\$	1,852,000
Equitable America	\$	1,822,000
AXA Hong Kong Life <sup>(3)</sup>	\$	1,455,000
XL Group Investments Ltd <sup>(3)</sup>	\$	1,157,000
Architas Multi-Manager UK <sup>(3)</sup>	\$	1,064,000
AXA Mediterranean <sup>(3)</sup>	\$	809,000
AXA Insurance Ltd <sup>(3)</sup>	\$	756,000
AXA U.K. Group Pension Scheme <sup>(3)</sup>	\$	740,000
Equitable Holdings	\$	672,000
AXA Switzerland Property and Casualty <sup>(3)</sup>	\$	560,000
AXA Corporate Solutions	\$	496,000
AXA General Insurance Hong Kong Ltd <sup>(3)</sup>	\$	487,000
U.S. Financial Life Insurance Company	\$	354,000
AXA Spain Property and Casualty <sup>(3)</sup>	\$	348,000
AXA General Insurance Hong Kong Ltd. <sup>(3)</sup>	\$	301,000
AXA Insurance Company <sup>(3)</sup>	\$	247,000
AXA Life Singapore <sup>(3)</sup>	\$	151,000

Parties <sup>(1)</sup>	General Description of Relationship	Amounts Paid or Accrued for in 2019
AXA	Distributes certain of our Retail Products and provides Private Wealth Management referrals.	\$ 16,693,000
Equitable Advisors	Distributes certain of our Retail Products and provides Private Wealth Management referrals.	\$ 3,956,000
AXA Business Services Pvt. Ltd. <sup>(3)</sup>	Provides data processing services and support for certain investment operations functions.	\$ 6,610,000
AXA Technology Services India Pvt. <sup>(3)</sup>	Provides certain data processing services and functions.	\$ 3,093,000
Equitable Advisors	Sells shares of our mutual funds under Distribution Service and educational Support agreements.	\$ 2,759,000
Equitable Holdings	We are covered by various insurance policies maintained by Equitable Holdings.	\$ 2,466,000
AXA XL Insurance <sup>(3)</sup>	We are covered by various E&O insurance policies maintained by AXA XL.	\$ 1,914,000
GIE Informatique AXA <sup>(3)</sup>	Provides cooperative technology development and procurement services to us and to various other subsidiaries of AXA.	\$ 113,000

<sup>(1)</sup> AB or one of its subsidiaries is a party to each transaction.

<sup>(2)</sup> We provide investment management services unless otherwise indicated.

<sup>(3)</sup> This entity is a subsidiary of AXA.

## Arrangements with Immediate Family Members of Related Persons

During 2019, we did not have arrangements with immediate family members of our directors and executive officers.

## Director Independence

See “Independence of Certain Directors” in Item 10.

**Item 14. Principal Accounting Fees and Services**

Fees for professional audit services rendered by PricewaterhouseCoopers LLP (“**PwC**”) for the audit of AB’s and AB Holding’s annual financial statements for 2019 and 2018, respectively, and fees for other services rendered by PwC are as follows:

	2019	2018
	(in thousands)	
Audit fees <sup>(1)</sup>	\$ 6,263	\$ 6,244
Audit-related fees <sup>(2)</sup>	3,130	3,259
Tax fees <sup>(3)</sup>	1,320	2,001
All other fees <sup>(4)</sup>	6	6
<b>Total</b>	<b>\$ 10,719</b>	<b>\$ 11,510</b>

(1) Includes \$59,313 and \$58,447 paid for audit services to AB Holding in 2019 and 2018, respectively.

(2) Audit-related fees consist principally of fees for audits of financial statements of certain employee benefit plans, internal control reviews and accounting consultation.

(3) Tax fees consist of fees for tax consultation and tax compliance services.

(4) All other fees in 2019 and 2018 consisted of miscellaneous non-audit services.

The Audit Committee has a policy to pre-approve audit and non-audit service engagements with the independent registered public accounting firm. The independent registered public accounting firm must provide annually a comprehensive and detailed schedule of each proposed audit and non-audit service to be performed. The Audit Committee then affirmatively indicates its approval of the listed engagements. Engagements that are not listed but that are of similar scope and size to those listed and approved may be deemed to be approved, if the fee for such service is less than \$100,000. In addition, the Audit Committee has delegated to its chairman the ability to approve any permissible non-audit engagement where the fees are expected to be less than \$100,000.

## PART IV

**Item 15. Exhibits, Financial Statement Schedules**

- (a) There is no document filed as part of this Form 10-K.

*Financial Statement Schedule.*

Attached to this Form 10-K is a schedule describing Valuation and Qualifying Account-Allowance for Doubtful Accounts for the three years ended December 31, 2019, 2018 and 2017.

- (b) Exhibits.

The following exhibits required to be filed by Item 601 of Regulation S-K are filed herewith or incorporated by reference herein, as indicated:

Exhibit	Description
3.01	<a href="#">AllianceBernstein Corporation By-Laws with amendments through July 25, 2018 (incorporated by reference to Exhibit 3.01 to Form 10-K for the year ended December 31, 2018, as filed February 13, 2019).</a>
3.02	<a href="#">Amended and Restated Certificate of Limited Partnership dated February 24, 2006 of AB Holding (incorporated by reference to Exhibit 99.06 to Form 8-K, as filed February 24, 2006).</a>
3.03	<a href="#">Amendment No. 1 dated February 24, 2006 to Amended and Restated Agreement of Limited Partnership of AB Holding (incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarterly period ended September 30, 2006, as filed November 8, 2006).</a>
3.04	<a href="#">Amended and Restated Agreement of Limited Partnership dated October 29, 1999 of AB Holding (incorporated by reference to Exhibit 3.2 to Form 10-K for the fiscal year ended December 31, 2003, as filed March 10, 2004).</a>
3.05	<a href="#">Amended and Restated Certificate of Limited Partnership dated February 24, 2006 of AB (incorporated by reference to Exhibit 99.07 to Form 8-K, as filed February 24, 2006).</a>
3.06	<a href="#">Amendment No. 1 dated February 24, 2006 to Amended and Restated Agreement of Limited Partnership of AB (incorporated by reference to Exhibit 3.2 to Form 10-Q for the quarterly period ended September 30, 2006, as filed November 8, 2006).</a>
3.07	<a href="#">Amended and Restated Agreement of Limited Partnership dated October 29, 1999 of AB (incorporated by reference to Exhibit 3.3 to Form 10-K for the fiscal year ended December 31, 2003, as filed March 10, 2004).</a>
3.08	<a href="#">Certificate of Amendment to the Certificate of Incorporation of AllianceBernstein Corporation (incorporated by reference to Exhibit 99.08 to Form 8-K, as filed February 24, 2006).</a>
4.01	<a href="#">Description of AB Holding Units and AB Units.</a>
10.01	<a href="#">AllianceBernstein 2019 Incentive Compensation Award Program.*</a>
10.02	<a href="#">AllianceBernstein 2019 Deferred Cash Compensation Compensation Program.*</a>
10.03	<a href="#">Form of Award Agreement, dated as of December 31, 2019, under Incentive Compensation Award Program, Deferred Cash Compensation Program and AB 2017 Long Term Incentive Plan.*</a>
10.04	<a href="#">Form of Award Agreement under AB 2017 Long Term Incentive Plan relating to equity compensation awards to Independent Directors.*</a>
10.05	<a href="#">Summary of AB's Lease at 1345 Avenue of the Americas, New York, New York.</a>
10.06	<a href="#">Summary of AB's Lease at 501 Commerce Street, Nashville, Tennessee.</a>
10.07	<a href="#">Guidelines for Transfer of AB Units.</a>
10.08	<a href="#">Amendment No.2 to Seth P. Bernstein's Employment Agreement (incorporated by reference to Ex. 10.1 to Form 8-K, as filed December 19, 2019).*</a>
10.09	<a href="#">Credit Agreement dated as of November 4, 2019 between AllianceBernstein L.P., as borrower, and Equitable Holdings, Inc., as lender (incorporated by reference to Ex. 10.01 to Form 8-K, as filed November 4, 2019).</a>
10.10	<a href="#">Letter Agreement dated as of May 31, 2019 among James A. Gingrich, AllianceBernstein L.P. and AllianceBernstein Corporation (incorporated by reference to Ex. 99.01 to Form 8-K, as filed June 5, 2019).*</a>
10.11	<a href="#">Amendment to Seth P. Bernstein's Employment Agreement (incorporated by reference to Ex. 10.01 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.12	<a href="#">James A. Gingrich Award Letter dated as of April 24, 2018 (incorporated by reference to Ex. 10.07 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.13	<a href="#">Kate C. Burke Award Letter dated as of April 24, 2018 (incorporated by reference to Ex. 10.08 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.14	<a href="#">Laurence E. Cranch Award Letter dated as of April 24, 2018 (incorporated by reference to Ex. 10.09 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.15	<a href="#">John C. Weisenseel Award Letter dated as of April 24, 2018 (incorporated by reference to Ex. 10.10 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.16	<a href="#">Amendment to the Retirement Plan for Employees of AllianceBernstein L.P., dated as of April 1, 2018 (incorporated by reference to Ex. 10.11 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.17	<a href="#">Amendment to the Profit Sharing Plan for Employees of AllianceBernstein L.P., dated as of April 1, 2018 (incorporated by reference to Ex. 10.12 to Form 10-K for the fiscal year ended December 31, 2018, as filed February 13, 2019).*</a>
10.18	<a href="#">Amended and Restated Revolving Credit Agreement, dated as of September 27, 2018 (incorporated by reference to Exhibit 10.01 to Form 8-K, as filed October 3, 2018).</a>

10.19	<a href="#"><u>AB 2017 Long Term Incentive Plan (incorporated by reference to Exhibit 10.06 to Form 10-K for the fiscal year ended December 31, 2017, as filed February 13, 2018).*</u></a>
10.20	<a href="#"><u>Employment Agreement among Seth P. Bernstein, AB, AB Holding and AllianceBernstein Corporation (incorporated by reference to Exhibit 10.3 to Form 10-K, as filed May 1, 2017).*</u></a>
10.21	<a href="#"><u>Amendment to the Profit Sharing Plan for Employees of AllianceBernstein L.P., dated as of October 20, 2016 and effective as of January 1, 2017 (incorporated by reference to Exhibit 10.06 to Form 10-K for the fiscal year ended December 31, 2016, as filed February 14, 2017).*</u></a>
10.22	<a href="#"><u>Profit Sharing Plan for Employees of AB, as amended and restated as of January 1, 2015 and as further amended as of January 1, 2017 (incorporated by reference to Exhibit 10.05 to Form 10-K the the fiscal year ended December 31, 2015, as filed February 11, 2016).*</u></a>
10.23	<a href="#"><u>Amendment and Restatement of the Retirement Plan for Employees of AB, as of January 1, 2015 (incorporated by reference to Exhibit 10.06 to Form 10-K for the fiscal year ended December 31, 2015, as filed February 11, 2016).*</u></a>
10.24	<a href="#"><u>Commercial Paper Dealer Agreement 4(a)(2) Program, dated as of June 1, 2015, between AllianceBernstein L.P., as Issuer, and Citigroup Global Markets Inc., as Dealer (incorporated by reference to Exhibit 10.08 to Form 10-K for the fiscal year ended December 31, 2015, as filed February 11, 2016).</u></a>
10.25	<a href="#"><u>Commercial Paper Dealer Agreement 4(a)(2) Program, dated as of June 1, 2015, between AllianceBernstein L.P., as Issuer, and Credit Suisse Securities (USA) LLC, as Dealer.(incorporated by reference to Exhibit 10.09 to Form 10-K for the fiscal year ended December 31, 2015, as filed February 11, 2016).</u></a>
10.26	<a href="#"><u>Commercial Paper Dealer Agreement 4(a)(2) Program, dated as of June 1, 2015, between AllianceBernstein L.P., as Issuer, and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, as Dealer.(incorporated by reference to Exhibit 10.10 to Form 10-K for the fiscal year ended December 31, 2015, as filed February 11, 2016).</u></a>
10.27	<a href="#"><u>Investment Advisory and Management Agreement for the General Account of AXA Equitable Life Insurance Company (incorporated by reference to Exhibit 10.5 to Form 10-K for the fiscal year ended December 31, 2004, as filed March 15, 2005).</u></a>
10.28	<a href="#"><u>Amended and Restated Investment Advisory and Management Agreement dated January 1, 1999 among AB Holding, Alliance Corporate Finance Group Incorporated, and AXA Equitable Life Insurance Company (incorporated by reference to Exhibit (a)(6) to Form 10-Q/A for the quarterly period ended September 30, 1999, as filed on September 28, 2000).</u></a>
21.01	<a href="#"><u>Subsidiaries of AB.</u></a>
23.01	<a href="#"><u>Consent of PricewaterhouseCoopers LLP.</u></a>
31.01	<a href="#"><u>Certification of Mr. Bernstein furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.02	<a href="#"><u>Certification of Mr. Weisenseel furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.01	<a href="#"><u>Certification of Mr. Bernstein furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.02	<a href="#"><u>Certification of Mr. Weisenseel furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (included in Exhibit 101).
*	Denotes a compensatory plan or arrangement

**Item 16. Form 10-K Summary.**

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AllianceBernstein L.P.

Date: February 12, 2020

By: /s/ Seth P. Bernstein  
Seth P. Bernstein  
*Chief Executive Officer*

Pursuant to the requirements of the Exchange Act, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 12, 2020

/s/ John C. Weisenseel  
John C. Weisenseel  
*Chief Financial Officer*

Date: February 12, 2020

/s/ William R. Siemers  
William R. Siemers  
*Controller and Chief Accounting Officer*

Directors

/s/ Seth P. Bernstein  
Seth P. Bernstein  
*President and Chief Executive Officer*

/s/ Paul L. Audet  
Paul L. Audet  
*Director*

/s/ Nella Domenici  
Nella Domenici  
*Director*

/s/ Jeffrey Hurd  
Jeffrey Hurd  
*Director*

/s/ Daniel G. Kaye  
Daniel G. Kaye  
*Director*

/s/ Nick Lane  
Nick Lane  
*Director*

/s/ Ramon de Oliveira  
Ramon de Oliveira  
*Chairman of the Board*

/s/ Kristi Matus  
Kristi Matus  
*Director*

/s/ Das Narayandas  
Das Narayandas  
*Director*

/s/ Mark Pearson  
Mark Pearson  
*Director*

/s/ Charles Stonehill  
Charles Stonehill  
*Director*

**AllianceBernstein L.P.**
**Valuation and Qualifying Account - Allowance for Doubtful Accounts**
**For the Three Years Ending December 31, 2019, 2018 and 2017**

Description	Balance at Beginning of Period	Credited to Costs and Expenses	Deductions	Balance at End of Period
(in thousands)				
For the year ended December 31, 2017	\$ 513	\$ 150	\$ 252 (a)	\$ 411
For the year ended December 31, 2018	\$ 411	\$ —	\$ 16 (b)	\$ 395
For the year ended December 31, 2019	\$ 395	\$ 132	\$ 218 (c)	\$ 309

(a) Includes accounts written-off as uncollectible of \$252.

(b) Includes accounts written-off as uncollectible of \$16.

(c) Includes accounts written-off as uncollectible of \$218.



## DESCRIPTION OF ALLIANCEBERNSTEIN UNITS AND ALLIANCEBERNSTEIN HOLDING L.P. UNITS

### General

Interests in AllianceBernstein L.P. ("ABLP") are in the form of units of limited partnership interest ("ABLP units"). Interests in AllianceBernstein Holding L.P. ("AB Holding") are in the form of units representing assignments of beneficial ownership of limited partnership interests ("AB Holding units"). AB Holding is the record owner of a number of ABLP units equal to the number of AB Holding units then outstanding. As of December 31, 2019, there were 98,192,098 AB Holding units outstanding and 270,380,314 ABLP units outstanding.

The Board of Directors (the "GP Board") of AllianceBernstein Corporation, the general partner, controls the activities of both AB Holding and ABLP. The Board is not classified. Unitholders of ABLP and AB Holding do not have the right to vote for members of the GP Board. The right to appoint members of the GP Board rests with Alpha Units Holdings, Inc. ("Alpha"), the sole stockholder of the general partner. Alpha is a wholly-owned subsidiary of Equitable Holdings, Inc. ("EQH"). The common stock of EQH trades publicly on the New York Stock Exchange under the ticker symbol "EQH."

Among other rights, Delaware law gives limited partners the right to maintain a derivative action, the right to exercise voting powers and the right to inspect and copy a partnership's books and records. The respective Amended and Restated Agreements of Limited Partnership of ABLP and AB Holding also grant limited partners such rights.

The general partner may, without the consent of the limited partners, amend either partnership agreement to qualify the partnership as a limited partnership or to preserve the limited liability of limited partners.

ABLP units do not trade publicly and are subject to significant transfer restrictions. AB Holding units trade publicly on the New York Stock Exchange under the ticker symbol "AB."

### Restrictions on Transfers of ABLP Units

As noted above, ABLP units are subject to significant liquidity restrictions. In general, transfers of ABLP units are allowed only with the written consent of both Equitable Holdings, Inc. ("EQH") and ABLP's general partner. Only the written consent of EQH, and not the written consent of the general partner, is required for a "block transfer," as described below, of units by a corporation or other business entity, provided that the partnership has received an opinion of counsel to the effect that the partnership will not be treated as a publicly-traded partnership for tax purposes as a result of the transfer. Either EQH or, where applicable, the general partner may withhold its consent to a transfer in its sole discretion, for any reason. Generally, neither EQH nor the general partner will permit any transfer that it believes would create a risk that ABLP would be treated as a corporation for tax purposes.

ABLP does not recognize any transfer made without the appropriate consents.

EQH and the general partner may refuse to consent to any transfer that is not described in the safe harbors set forth in United States Treasury regulations. This fact does not imply, however, that either EQH or the general partner necessarily intends to permit transfers that are described in the safe harbors. Neither EQH, where relevant, the general partner is required to approve any transfer, and there can be no assurance that EQH or the general partner will approve a transfer even if the transfer would be permissible under the safe harbors. Permissible transfers under the safe harbors may include:

- (1) transfers at death;
- (2) transfers between certain family members; and
- (3) "block transfers."

In general, a "block transfer" is the transfer within a 30-day period by a single holder, or group of related holders, of ABLP units representing more than 2% of the outstanding ABLP units. For these purposes, units held by EQH and its affiliates, other than AB Holding, will not be counted as outstanding.

### Unitholders Have No Right to Direct the Business of AB Holding or ABLP

The activities of AB Holding and ABLP are managed and controlled by the general partner. The general partner has agreed that it will conduct no active business other than managing AB Holding and ABLP, although it may make certain investments for its own account. Neither AB Holding unitholders nor ABLP unitholders have any rights to manage or control AB Holding or ABLP, or, as noted above, to elect directors of the general partner.

### Change in Control

As noted above, the general partner controls the activities of AB Holding and ABLP, and the general partner is a wholly-owned subsidiary of EQH. Accordingly, any change in control of AB Holding or ABLP would require a sale by EQH of its interest in the general partner and consent of EQH.

### Comparison of ABLP and AB Holding Unitholder Rights

Set forth below is a comparison of AB Holding units and ABLP units. This summary is not complete and is qualified in its entirety by reference to the respective Amended and Restated Agreements of Limited Partnership of ABLP and AB Holding, each of which can be found on our firm's website, [www.alliancebernstein.com](http://www.alliancebernstein.com).

Under Delaware law and the Partnership Agreements, ABLP unitholders and AB Holding unitholders have substantially similar voting rights.

The general partner may not be removed by AB Holding unitholders unless it is not, or is simultaneously removed as, the general partner of ABLP. The general partner also may not withdraw unless it is not, or simultaneously withdraws as, the general partner of both AB Holding and ABLP.

### *Voting Rights*

AB Holding and ABLP unitholders generally have voting rights with respect to:

- the withdrawal, removal, transfer and replacement of the general partner;
- the merger or consolidation of AB Holding or ABLP with another entity,
- the sale of all or substantially all of the assets owned, directly or indirectly, by either AB Holding or ABLP;
- the dissolution of either AB Holding or ABLP;
- certain types of amendments to the Partnership Agreements;
- reconstitution of AB Holding or ABLP;
- election, compensation and approval of a liquidating trustee;
- conversion or reorganization of AB Holding or ABLP into another type of legal entity;
- issuance of units that rank senior to the originally issued AB Holding units or ABLP units, as the case may be.

Each AB Holding unit and ABLP unit entitles the holder thereof to cast one vote on all matters presented to unitholders.

Approval of any matter submitted to unitholders generally requires the affirmative vote of unitholders holding more than 50% of the units then outstanding, except that:

- any transfer by the general partner of all or substantially all of AB Holding's or ABLP's assets where the general partner or its corporate affiliates have any direct or indirect equity interest in the person acquiring the partnership requires a vote of more than 50% of AB Holding or ABL unitholders, excluding employees of ABLP, their families, the general partner and its corporate affiliates;
- withdrawal of the general partner requires the approval of the holders of a majority of the units other than the general partner and its corporate affiliates;
- removal of the general partner without cause requires the vote of 80% of the outstanding units;
- except in limited circumstances, an election by the general partner to dissolve AB Holding or ABLP requires the approval of the holders of a majority of the units other than the general partner and its corporate affiliates;
- in certain circumstances upon which AB Holding or ABLP would otherwise be dissolved, a unanimous vote of the unitholders to continue the business of the partnership is necessary to avoid dissolution;
- any amendment that would adversely alter the rights and preferences of AB Holding or ABLP units requires the approval of the holders of a majority of the units other than the general partner and its corporate affiliates;
- any amendment that would adversely alter the rights and preference of any other class or series of units must be approved by a majority of that class; and
- any amendment for which AB Holding or ABLP does not receive a determination that as a result of such amendment:
  - othe unitholders would not lose their limited liability pursuant to Delaware law or the applicable Partnership Agreement;
  - othe partnership would not become subject to federal income tax or otherwise incur additional tax liabilities; and
  - ocertain advisory contracts of ABLP would not automatically be terminated or breached

requires the approval of the holders of a majority of the units other than the general partner and its corporate affiliates.

Only the general partner may propose amendments to either the ABLP Partnership Agreement or the AB Holding Partnership Agreement.

Any action that may be taken at a meeting of unitholders of AB Holding or ABLP may be taken by written consent in lieu of a meeting executed by unitholders of AB Holding or ABLP sufficient to authorize such action at a meeting of unitholders.

#### *Distributions / Taxation*

AB Holding and ABLP each is required under its Partnership Agreement to distribute its available cash flow.

AB Holding is subject to a 3.5% federal tax on its gross business income. Otherwise, AB Holding is not subject to federal or state income tax. Rather, unitholders include their respective shares of AB Holding's income, gain, losses, deductions and credits in computing taxable income, without regard to the cash distributed to unitholders quarterly. Generally, cash distributions are not taxable, unless distributions exceed a unitholder's basis in units.

ABLP is not subject to the 3.5% federal tax, or any corresponding state tax, on its gross business income. Otherwise, its tax treatment identical to the tax treatment of AB Holding.

For the quarter ended December 31, 2019, each ABLP unit will be paid \$0.93 per unit, while each AB Holding unitholder will be paid \$0.85 per unit. The difference in distribution rate primarily results from applicability of the 3.5% federal tax described immediately above.

#### *Meetings*

Meetings of AB Holding unitholders may be called for any purpose with respect to which the unitholders are entitled to vote. Such meetings may be called by the general partner or by unitholders holding at least 50% of the issued and outstanding AB Holding units.

Meetings of ABLP unitholders may be called for any purpose with respect to which the unitholders are entitled to vote. Such meetings may be called by the general partner, by unitholders holding at least 25% of the issued and outstanding ABLP units or at the request of AB Holding, in its capacity as a limited partner of ABLP, pursuant to the request of AB Holding unitholders holding at least 50% of the issued and outstanding AB Holding units. AB Holding unitholders have the right to attend meetings of ABLP unitholders.

#### *Liquidation Rights*

In the event of the liquidation of either ABLP or AB Holding, the assets of the partnership remaining after the satisfaction of all debts and liabilities of the partnership will be distributed to unitholders pro rata in accordance with the positive balances in their capital accounts. Any remaining assets will be distributed to the unitholders in accordance with their percentage interests.

#### *Right to Compel Dissolution*

Under each Partnership Agreement, the general partner may dissolve AB Holding or ABLP if the general partner receives the approval of the holders of a majority of ABLP units or AB Holding units, as applicable, excluding units owned by the general partner and its corporate affiliates. The general partner can compel dissolution by (1) means of a written determination that the projected future revenues of either AB Holding or ABLP over the next five years will not cover the partnership's projected costs and expenses in the same period, or (2) the sale of all or substantially all of the assets of the partnership. In most cases, the withdrawal, removal, bankruptcy or dissolution of the general partner will also compel dissolution.

## ALLIANCEBERNSTEIN 2019 INCENTIVE COMPENSATION AWARD PROGRAM

This AllianceBernstein 2019 Incentive Compensation Award Program (the “**Program**”) under the AB 2017 Long Term Incentive Plan (the “**2017 Plan**”) has been adopted by the Compensation and Workplace Practices Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of AllianceBernstein Corporation, the general partner of AllianceBernstein L.P. (“**AB**”) and AllianceBernstein Holding L.P. (“**AB Holding**”). Any incentive compensation awards granted under the 2017 Plan shall be governed solely by the 2017 Plan document, this Program and the terms of any related award agreement.

The portion of the Program pursuant to which Awards are granted hereunder is a separate plan within the Program. Such separate plan shall be referred to as the “**AB Incentive Plan**.” The purpose of the AB Incentive Plan is to enhance the ability of the Company to attract, motivate, and retain certain of the Company’s key employees and to strengthen their commitment to the Company by providing additional incentive compensation awards payable under, and subject to the terms and conditions of, the Program. The AB Incentive Plan is a “bonus program” as defined in ERISA and the regulations issued thereunder. Accordingly, the AB Incentive Plan is not covered by ERISA.

The right to defer Awards hereunder shall be considered a separate plan within the Program. Such separate plan shall be referred to as the “**APCP Deferral Plan**.” The APCP Deferral Plan is maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees (a “**Top Hat Employee**”). No one who is not a Top Hat Employee may defer compensation under the APCP Deferral Plan.

Any deferral or payment hereunder is subject to the terms of the Program and compliance with Section 409A of the Internal Revenue Code (the “**Code**”) and the guidance issued thereunder (“**Section 409A**”), as interpreted by the Committee in its sole discretion. Although none of the Company, the Committee, their affiliates, and their agents make any guarantee with respect to the treatment of payments under the Program and shall not be responsible in any event with regard to the Program’s compliance with Section 409A, the payments contained herein are intended to be exempt from Section 409A or otherwise comply with the requirements of Section 409A, and the Program shall be limited, construed and interpreted in accordance with the foregoing. None of the Company, the Committee, any of their affiliates, and any of their agents shall have any liability to any Participant or Beneficiary as a result of any tax, interest, penalty or other payment required to be paid or due pursuant to, or because of a violation of, Section 409A.

### ARTICLE 1 DEFINITIONS

Section 1.01 *Definitions*. Whenever used in the Program, each of the following terms shall have the meaning for that term set forth below:

- (a) “**AB Holding Units**”: units representing assignments of beneficial ownership of limited partnership interests in AB Holding.
- (b) “**Account**”: a separate bookkeeping account established for each Participant for each Award, with such Award, as described in Article 2, credited to the Account maintained for such Award.
- (c) “**Award**”: any award granted subject to the Program.
- (d) “**Award Agreement**”: an agreement between a Participant and a Company setting forth the terms of an Award.
- (e) “**Beneficiary**”: one or more Persons, trusts, estates or other entities, designated in accordance with Section 6.04(a), that are entitled to receive, in the event of a Participant’s death, any amount or property to which the Participant would otherwise have been entitled under the Program.
- (f) “**Beneficiary Designation Form**”: the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- (g) “**Board**”: the Board of Directors of the general partner of AB Holding and AB.
- (h) “**Cause**”: shall have the meaning assigned to it in the Award Agreement. To the extent that the term “Cause” is not defined in the Award Agreement, all references to the term “Cause” herein shall be inapplicable.
- (i) “**Code**”: the Internal Revenue Code of 1986, as amended from time to time.
- (j) “**Committee**”: the Board or one or more committees of the Board designated by the Board to administer the Program.
- (k) “**Company**”: AB Holding, AB and any corporation or other entity of which AB Holding or AB (i) has sufficient voting power (not depending on the happening of a contingency) to elect at least a majority of its board of directors or other governing

body, as the case may be, or (ii) otherwise has the power to direct or cause the direction of its management and policies.

(l) **“Deferral Election Form”**: the form(s) established from time to time by the Committee that a Participant completes, signs and returns to the Committee to elect to defer the distribution of an Award pursuant to Article 5.

(m) **“Disability”**: shall have the meaning assigned to it in the Award Agreement. To the extent that the term “Disability” is not defined in the Award Agreement, all references to the term “Disability” herein shall be inapplicable.

(n) **“Effective Date”**: the date Awards are approved by the Committee.

(o) **“Eligible Employee”**: an active employee of a Company whom the Committee determines to be eligible for an Award. If the Committee determines that Awards made for the subsequent calendar year shall be eligible for deferral, the Committee or its designee shall specify in writing prior to such calendar year those Eligible Employees, or the methodology used to determine those Eligible Employees, who shall be eligible to participate in the APCP Deferral Plan for that calendar year and so notify those Eligible Employees prior to the end of the then calendar year or such later date permitted by Section 409A. Any advance deferral election made by such Eligible Employee is made on the condition that such Eligible Employee satisfies the conditions established by the Committee and, if not, such deferral election shall be null and void ab initio.

(p) **“ERISA”**: the Employee Retirement Income Security Act of 1974, as amended.

(q) **“Fair Market Value”**: with respect to an AB Holding Unit as of any given date and except as otherwise expressly provided by the Board or the Committee, the closing price of an AB Holding Unit on such date as published in the Wall Street Journal or, if no sale of AB Holding Units occurs on the New York Stock Exchange on such date, the closing price of an AB Holding Unit on such exchange on the last preceding day on which such sale occurred as published in the Wall Street Journal.

(r) **“Participant”**: any Eligible Employee of any Company who has been designated by the Committee to receive an Award for any calendar year and who thereafter remains employed by a Company.

(s) **“Person”**: any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

(t) **“Program”**: the AllianceBernstein 2019 Incentive Compensation Award Program.

(u) **“Restricted Unit”**: a right to receive an AB Holding Unit in the future, as accounted for in an Account, subject to vesting and any other terms and conditions established hereunder or by the Committee.

(v) **“Termination of Employment”**: the Participant is no longer performing services as an employee of any Company, other than pursuant to a severance or special termination arrangement, and has had a “separation from service” within the meaning of Section 409A.

(w) **“Unforeseeable Emergency”**: a severe financial hardship to a Participant or former Participant within the meaning of Section 409A resulting from (i) an illness or accident of the Participant or former Participant, the spouse of the Participant or former Participant, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant or former Participant, (ii) loss of property of the Participant or former Participant due to casualty or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or former Participant, all as determined in the sole discretion of the Committee.

## ARTICLE 2 PARTICIPATION

Section 2.01 *Eligibility*. The Committee, in its sole discretion, will designate those Eligible Employees employed by a Company who will receive Awards with respect to a calendar year. In making such designation, the Committee may consider any criteria that it deems relevant, which may include an Eligible Employee’s position with a Company and the manner in which the Eligible Employee is expected to contribute to the future growth and success of the Company. The Committee may vary the amount of Awards to a particular Participant from year to year and may determine that a Participant who received an Award for a particular year is not eligible to receive any Award with respect to any subsequent year. An Eligible Employee who is a member of the Committee during a particular year shall be eligible to receive an Award for that year only if the Award is approved by the majority of the other members of the Committee.

Section 2.02 *Grant of Awards*. The number of Restricted Units constituting an Award will be determined by the Committee in its sole and absolute discretion and, in the event the Committee elects to designate Awards by dollar amount, such amount will be converted into a number of Restricted Units as of the Effective Date for such Award based on the Fair Market Value of an AB Holding Unit on such Effective Date and will be credited to the Participant’s Account as of such Effective Date. From and after such Effective Date, the Award shall be treated for all purposes as a grant of that number of Restricted Units determined pursuant to the preceding sentence. Awards vest in accordance with the terms set forth in the Award Agreement, and any such vested Award will be subject to the rules on distributions and deferral elections set forth below in Articles 4 and 5, respectively. As

soon as reasonably practicable after the end of each calendar year, a statement shall be provided to each such Participant indicating the current balance in each Account maintained for the Participant as of the end of the calendar year.

### Section 2.03 *Distributions on AB Holding Units.*

(a) When a regular cash distribution is made with respect to AB Holding Units, within 70 days thereafter, a distribution will be made to each Participant in an amount (the “**Equivalent Distribution Amount**”) equal to the number of such Restricted Units (whether vested or unvested) credited to the Participant’s Account as of the record date for such cash distribution times the value of the regular cash distribution per AB Holding Unit.

(b) If an Award is designated by dollar amount, fractional unit amounts remaining after conversion under Section 2.02 may be used for any purposes for the benefit of the Participant as determined by the Committee in its sole discretion, including but not limited to the payment of taxes with respect to an Award or, if the Committee so elects, such fractional unit amounts may be cancelled.

(c) AB Holding Units shall be subject to adjustment in accordance with Section 4(c) of the 2017 Plan (or such applicable successor provision).

## ARTICLE 3 VESTING AND FORFEITURES

Section 3.01 *Vesting.* Terms related to vesting of Awards are set forth in the Award Agreement.

Section 3.02 *Forfeitures.* Terms related to forfeiture of Awards are set forth in the Award Agreement.

## ARTICLE 4 DISTRIBUTIONS

Section 4.01 *General.* No Award will be distributed unless such distribution is permitted under this Article 4. The distribution of the vested portion of an Award shall be made in AB Holding Units. Any portion of an Award that is not vested will not be distributed hereunder.

Section 4.02 *Distributions If Deferral Election Is Not In Effect.*

(a) Unless a Participant elects otherwise on a Deferral Election Form under Sections 5.01 or 5.02 (if such election is permitted by the Committee), or unless otherwise provided in the Award Agreement, a Participant who has not incurred a Disability or a Termination of Employment will have the vested portion of his or her Award distributed to him or her within 70 days after such portion vests under the applicable vesting provisions set forth in the Award Agreement.

(b) Unless a Participant elects otherwise on a Deferral Election Form under Sections 5.01 or 5.02 (if such election is permitted by the Committee), or unless otherwise provided in the Award Agreement, a Participant who has had a Disability or a Termination of Employment will have the balance of any vested Award not distributed under Section 4.02(a) distributed to him or her as follows:

(i) In the event of a Participant’s Disability, a distribution will be made to the Participant within 70 days following the Participant’s Disability.

(ii) In the event of a Participant’s Termination of Employment due to the Participant’s death, a distribution will be made to the Participant’s Beneficiary within 70 days following the 180<sup>th</sup> day anniversary of the death.

(iii) In the event of a Participant’s Termination of Employment for any reason other than Disability or death, distributions due with respect to the Award, if any, shall be made in the same manner as prescribed in Section 4.02(a) above.

Section 4.03 *Distributions If Deferral Election Is In Effect.*

(a) Subject to Section 4.03(b), in the event that a deferral election is in effect with respect to a Participant pursuant to Sections 5.01 or 5.02 and the Participant has not incurred a Disability but has a Termination of Employment for any reason other than death, the vested portion of such Participant’s Award will be distributed to him within 70 days following the benefit commencement date specified on such Deferral Election Form.

(b) In the event that a Deferral Election Form is in effect with respect to a Participant pursuant to Sections 5.01 or 5.02 and such Participant subsequently incurs a Termination of Employment due to death, the elections made by such Participant in his or

her Deferral Election Form shall be disregarded, and the Participant's Award will be distributed to his or her Beneficiary within 70 days following the 180<sup>th</sup> day anniversary of the death.

(c) In the event that a Deferral Election is in effect with respect to a Participant pursuant to Section 5.01 or 5.02 and such Participant incurs a subsequent Disability, distribution will be made in accordance with such Participant's election in his or her Deferral Election Form.

Section 4.04 *Unforeseeable Emergency.* Notwithstanding the foregoing to the contrary, if a Participant or former Participant experiences an Unforeseeable Emergency, such individual may petition the Committee to (i) suspend any deferrals under a Deferral Election Form submitted by such individual and/or (ii) receive a partial or full distribution of a vested Award deferred by such individual. The Committee shall determine, in its sole discretion, whether to accept or deny such petition, and the amount to be distributed, if any, with respect to such Unforeseeable Emergency; *provided, however*, that such amount may not exceed the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the individual's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), and by suspension of the individual's deferral(s) under the Program.

Section 4.05 *Documentation.* Each Participant and Beneficiary shall provide the Committee with any documentation required by the Committee for purposes of administering the Program.

## ARTICLE 5 DEFERRALS OF COMPENSATION

### Section 5.01 *Initial Deferral Election.*

(a) The Committee may permit deferral elections of Awards in its sole and absolute discretion in accordance with procedures established by the Committee for this purpose from time to time. If so permitted, a Participant may elect in writing on a Deferral Election Form to have the portion of the Award which vests distributed as of a permitted distribution commencement date elected by the Participant that occurs following the date that such Award becomes or is scheduled to become 100% vested under the applicable vesting period set forth in the Award Agreement and specifying among the forms of distribution alternatives permitted by the Committee and specified on the Deferral Election Form. In addition, if permitted by the Committee and specified on the Deferral Election Form, a Participant who elects a distribution commencement date may also elect that if a Termination of Employment occurs prior to such distribution commencement date, the distribution commencement date shall be six months after the Termination of Employment. A Participant may make the deferral election with respect to all or a portion of an Award as permitted by the Committee. Any such distribution shall be made in such form(s) as permitted by the Committee at the time of deferral (including, if permitted by the Committee, a single distribution or distribution of a substantially equal number of AB Holding Units over a period of up to ten years) as elected by the Participant. If the Participant fails to properly fully complete and file with the Committee (or its designee) the Deferral Election Form on a timely basis, the Deferral Election Form and the deferral election shall be null and void. If deferrals are permitted by the Committee and the Participant is eligible to make a deferral election, such Deferral Election Form must be submitted to the Committee (or its delegate) no later than the last day of the calendar year prior to the Effective Date of an Award, except that a Deferral Election Form may also be submitted to the Committee (or its delegate) in accordance with the provisions set forth in Section 5.01(b) and (c).

(b) In the case of the first year in which a Participant becomes eligible to participate in the Program and with respect to services to be performed subsequent to such deferral election, a Deferral Election Form may be submitted within 30 days after the date the Participant becomes eligible to participate in the Program.

(c) A Deferral Election Form may be submitted at such other time or times as permitted by the Committee in accordance with Section 409A of the Code.

Section 5.02 *Changes in Time and Form of Distribution.* The elections set forth in a Participant's Deferral Election Form governing the payment of the vested portion of an Award pursuant to Section 5.01 shall be irrevocable as to the Award covered by such election; *provided, however*, if permitted by the Committee, a Participant shall be permitted to change the time and form of distribution of such Award by making a subsequent election on a Deferral Election Form supplied by the Committee for this purpose in accordance with procedures established by the Committee from time to time, provided that any such subsequent election does not take effect for at least 12 months, is made at least 12 months prior to the scheduled distribution commencement date for such Award and the subsequent election defers commencement of the distribution for at least five years from the date such payment otherwise would have been made. With regard to any installment payments, each installment thereof shall be deemed a separate payment for purposes of Section 409A, provided, however, the Committee may limit the ability to treat the deferral as a separate installment for purposes of changing the time and form of payment. Whenever a payment under the Program specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Committee.

ARTICLE 6  
ADMINISTRATION; MISCELLANEOUS

Section 6.01 *Administration.* The Program is intended to constitute an unfunded, non-qualified incentive plan within the meaning of ERISA and shall be administered by the Committee as such. The purpose of the AB Incentive Plan is to enhance the ability of the Company to attract, motivate, and retain certain of the Company's key employees and to strengthen their commitment to the Company by providing additional incentive compensation awards payable under, and subject to the terms and conditions of, the Program. The AB Incentive Plan is a "bonus program" as defined in ERISA and the regulations issued thereunder. Accordingly, the AB Incentive Plan is not covered by ERISA. The ACP Deferral Plan is intended to be an unfunded, non-qualified deferred compensation plan within the meaning of ERISA and shall be administered by the Committee as such. The right of any Participant or Beneficiary to receive distributions under the Program shall be as an unsecured claim against the general assets of AB. Notwithstanding the foregoing, AB, in its sole discretion, may establish a "rabbi trust" or separate custodial account to pay benefits hereunder. The Committee shall have the full power and authority to administer and interpret the Program and to take any and all actions in connection with the Program, including, but not limited to, the power and authority to prescribe all applicable procedures, forms and agreements. The Committee's interpretation and construction of the Program shall be conclusive and binding on all Persons.

Section 6.02 *Authority to Vary Terms of Awards.* The Committee shall have the authority to grant Awards other than as described herein, subject to such terms and conditions as the Committee shall determine in its discretion.

Section 6.03 *Amendment, Suspension and Termination of the Program.* The Committee reserves the right at any time, without the consent of any Participant or Beneficiary and for any reason, to amend, suspend or terminate the Program in whole or in part in any manner; provided that no such amendment, suspension or termination shall reduce the balance in any Account prior to such amendment, suspension or termination or impose additional conditions on the right to receive such balance, except as required by law.

Section 6.04 *General Provisions.*

(a) To the extent provided by the Committee, each Participant may file with the Committee a written designation of one or more Persons, including a trust or the Participant's estate, as the Beneficiary entitled to receive, in the event of the Participant's death, any amount or property to which the Participant would otherwise have been entitled under the Program. A Participant may, from time to time, revoke or change his or her Beneficiary designation by filing a new designation with the Committee. If (i) no such Beneficiary designation is in effect at the time of a Participant's death, (ii) no designated Beneficiary survives the Participant, or (iii) a designation on file is not legally effective for any reason, then the Participant's estate shall be the Participant's Beneficiary.

(b) Neither the establishment of the Program nor the grant of any Award or any action of any Company, the Board, or the Committee pursuant to the Program, shall be held or construed to confer upon any Participant any legal right to be continued in the employ of any Company. Each Company expressly reserves the right to discharge any Participant without liability to the Participant or any Beneficiary, except as to any rights which may expressly be conferred upon the Participant under the Program.

(c) An Award hereunder shall not be treated as compensation, whether upon such Award's grant, vesting, payment or otherwise, for purposes of calculating or accruing a benefit under any other employee benefit plan except as specifically provided by such other employee benefit plan.

(d) Nothing contained in the Program, and no action taken pursuant to the Program, shall create or be construed to create a fiduciary relationship between any Company and any other person.

(e) Neither the establishment of the Program nor the granting of an Award hereunder shall be held or construed to create any rights to any compensation, including salary, bonus or commissions, nor the right to any other Award or the levels thereof under the Program.

(f) No Award or right to receive any payment may be transferred or assigned, pledged or otherwise encumbered by any Participant or Beneficiary other than by will, by the applicable laws of descent and distribution or by a court of competent jurisdiction. Any other attempted assignment or alienation of any payment hereunder shall be void and of no force or effect.

(g) If any provision of the Program shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining provisions of the Program, and the Program shall be construed and enforced as if the illegal or invalid provision had not been included in the Program.

(h) Any notice to be given by the Committee under the Program to any party shall be in writing addressed to such party at the last address shown for the recipient on the records of any Company or subsequently provided in writing to the Committee. Any notice to be given by a party to the Committee under the Program shall be in writing addressed to the Committee at the address of AB.

(i) Section headings herein are for convenience of reference only and shall not affect the meaning of any provision of the Program.



(j) The Program shall be governed and construed in accordance with the laws of the State of New York.

(k) There shall be withheld from each payment made pursuant to the Program any tax or other charge required to be withheld therefrom pursuant to any federal, state or local law. A Company by whom a Participant is employed shall also be entitled to withhold from any compensation payable to a Participant any tax imposed by Section 3101 of the Code, or any successor provision, on any amount credited to the Participant; *provided, however*, that if for any reason the Company does not so withhold the entire amount of such tax on a timely basis, the Participant shall be required to reimburse AB for the amount of the tax not withheld promptly upon AB's request therefore. With respect to Restricted Units: (i) in the event that the Committee determines that any federal, state or local tax or any other charge is required by law to be withheld with respect to the Restricted Units or the vesting of Restricted Units (a "**Withholding Amount**") then, in the discretion of the Committee, either (X) prior to or contemporaneously with the delivery of AB Holding Units to the recipient, the recipient shall pay the Withholding Amount to AB in cash or in vested AB Holding Units already owned by the recipient (which are not subject to a pledge or other security interest), or a combination of cash and such AB Holding Units, having a total fair market value, as determined by the Committee, equal to the Withholding Amount; (Y) AB shall retain from any vested AB Holding Units to be delivered to the recipient that number of AB Holding Units having a fair market value, as determined by the Committee, equal to the Withholding Amount (or such portion of the Withholding Amount that is not satisfied under clause (X) as payment of the Withholding Amount; or (Z) if AB Holding Units are delivered without the payment of the Withholding Amount pursuant to either clause (X) or (Y), the recipient shall promptly pay the Withholding Amount to AB on at least seven business days' notice from the Committee either in cash or in vested AB Holding Units owned by the recipient (which are not subject to a pledge or other security interest), or a combination of cash and such AB Holding Units, having a total fair market value, as determined by the Committee, equal to the Withholding Amount, and (ii) in the event that the recipient does not pay the Withholding Amount to AB as required pursuant to clause (i) or make arrangements satisfactory to AB regarding payment thereof, AB may withhold any unpaid portion thereof from any amount otherwise due the recipient from AB.

## ALLIANCEBERNSTEIN 2019 DEFERRED CASH COMPENSATION PROGRAM

This AllianceBernstein 2019 Deferred Cash Compensation Program (the “**Program**”), under the AllianceBernstein 2019 Incentive Compensation Award Program (the “**ICAP**”), has been adopted by the Compensation and Workplace Practices Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of AllianceBernstein Corporation, the general partner of AllianceBernstein L.P. (“**AB**”) and AllianceBernstein Holding L.P. (“**AB Holding**”). Any cash awards granted under this Program shall be governed solely by this Program document, the ICAP and the terms of any related award agreement.

The purpose of the Program is to enhance the ability of the Company to attract, motivate, and retain certain of the Company’s key employees and to strengthen their commitment to the Company by providing additional incentive compensation awards payable under, and subject to the terms and conditions of, the Program. The Program is a “bonus program” as defined in ERISA and the regulations issued thereunder. Accordingly, the Program is not covered by ERISA.

### ARTICLE 1 DEFINITIONS

Section 1.01 *Definitions*. Whenever used in the Program, each of the following terms shall have the meaning for that term set forth below:

- (a) “**Account**”: a separate bookkeeping account established for each Participant for each Award, with such Award, as described in Article 2, credited to the Account maintained for such Award.
- (b) “**Award**”: any award granted subject to the Program.
- (c) “**Award Agreement**”: an agreement between a Participant and a Company setting forth the terms of an Award.
- (d) “**Beneficiary**”: one or more Persons, trusts, estates or other entities, designated in accordance with Section 5.04(a), that are entitled to receive, in the event of a Participant’s death, any amount or property to which the Participant would otherwise have been entitled under the Program.
- (e) “**Beneficiary Designation Form**”: the form established from time to time by the Committee that a Participant completes, signs and returns to the Company to designate one or more Beneficiaries.
- (f) “**Board**”: the Board of Directors of the general partner of AB Holding and AB.
- (g) “**Cause**”: shall have the meaning assigned to it in the Award Agreement. To the extent that the term “Cause” is not defined in the Award Agreement, all references to the term “Cause” herein shall be inapplicable.
- (h) “**Code**”: the Internal Revenue Code of 1986, as amended from time to time.
- (i) “**Committee**”: the Compensation and Workplace Practices Committee of the Board or one or more other committees of the Board designated by the Board to administer the Program; or if no such committee exists or is designated, the Board.
- (j) “**Company**”: AB Holding, AB and any corporation or other entity of which AB Holding or AB currently has sufficient voting power to elect at least a majority of its board of directors or other governing body, as the case may be, or (ii) otherwise has the power to direct or cause the direction of its management and policies.
- (k) “**Disability**”: shall have the meaning assigned to it in the Award Agreement. To the extent that the term “Disability” is not defined in the Award Agreement, all references to the term “Disability” herein shall be inapplicable.
- (l) “**Effective Date**”: the date Awards are approved by the Committee.
- (m) “**Eligible Employee**”: an active employee of a Company who the Committee determines to be eligible for an Award.
- (n) “**ERISA**”: the Employee Retirement Income Security Act of 1974, as amended.
- (o) “**Participant**”: any Eligible Employee of any Company who has been designated by the Committee to receive an Award for any calendar year and who thereafter remains employed by a Company.
- (p) “**Person**”: any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.
- (q) “**Program**”: the AllianceBernstein 2019 Deferred Cash Compensation Program.

(r) **“Termination of Employment”**: the Participant is no longer performing services as an employee of any Company, other than pursuant to a severance or special termination arrangement, and has had a “separation from service” within the meaning of Section 409A of the Code.

## ARTICLE 2 PARTICIPATION

Section 2.01 *Eligibility*. The Committee, in its sole discretion, will designate those Eligible Employees who will receive Awards with respect to a calendar year. In making such designation, the Committee may consider any criteria that it deems relevant, which may include an Eligible Employee’s position with a Company and the manner in which the Eligible Employee is expected to contribute to the future growth and success of the Company. The Committee may vary the amount of Awards to a particular Participant from year to year and may determine that a Participant who received an Award for a particular year is not eligible to receive any Award with respect to any subsequent year. An Eligible Employee who is a member of the Committee during a particular year shall be eligible to receive an Award for that year only if the Award is approved by the majority of the other members of the Committee.

Section 2.02 *Grant of Awards*. The amount of cash constituting an Award will be determined by the Committee in its sole and absolute discretion in U.S. dollars and will be credited to the Participant’s Account as of such Effective Date. If the Participant is based outside the United States, such amount will be converted into the local currency of the Participant as of the Effective Date for such Award based on the exchange rates on such Effective Date; from and after such Effective Date, the Award shall be treated for all purposes as a grant in that currency. Awards vest in accordance with the terms set forth in the Award Agreement, and any such vested Award will be subject to the rules on distributions set forth below in Articles 4 and 5, respectively. As soon as reasonably practicable after the end of each calendar year, a statement shall be provided to each such Participant indicating the current balance in each Account maintained for the Participant as of the end of the calendar year.

Section 2.03 *Interest*. Interest on Awards will be accrued monthly based on AB’s monthly weighted average cost of funds. The return will be nominal. The interest earned will be credited to the Participant’s Account balance annually.

## ARTICLE 3 VESTING AND FORFEITURES

Section 3.01 *Vesting*. Terms related to vesting of Awards are set forth in the Award Agreement.

Section 3.02 *Forfeitures*. Terms related to forfeiture of Awards are set forth in the Award Agreement.

## ARTICLE 4 DISTRIBUTIONS

Section 4.01 *General*. No Award will be distributed unless such distribution is permitted under this Article 4. The distribution of the vested portion of an Award shall be made in cash in the local currency of the Participant. Any portion of an Award that is not vested will not be distributed hereunder.

Section 4.02 *Distributions*.

(a) Unless otherwise provided in the Award Agreement, a Participant who has not incurred a Disability or a Termination of Employment will have the vested portion of his or her Award distributed to him or her within 70 days after such portion vests under the applicable vesting provisions set forth in the Award Agreement.

(b) Unless otherwise provided in the Award Agreement, a Participant who has had a Disability or a Termination of Employment will have the balance of any vested Award not distributed under Section 4.02(a) distributed to him or her as follows:

(i) In the event of a Participant’s Disability, a distribution will be made to the Participant within 70 days following the Participant’s Disability.

(ii) In the event of a Participant’s Termination of Employment due to the Participant’s death, a distribution will be made to the Participant’s Beneficiary within 70 days following the 180<sup>th</sup> day anniversary of the death.

(iii) In the event of a Participant’s Termination of Employment for any reason other than Disability or death, distributions due with respect to the Award, if any, shall be made in the same manner as prescribed in Section 4.02(a) above.

Section 4.03 *Documentation*. Each Participant and Beneficiary shall provide the Committee with any documentation required by the Committee for purposes of administering the Program.

ARTICLE 5  
ADMINISTRATION; MISCELLANEOUS

*Administration.* To the extent a Participant is a U.S. taxpayer or receives U.S. source income, the Program is intended to constitute an unfunded, non-qualified incentive plan within the meaning of ERISA and shall be administered by the Committee as such. The purpose of the Program is to enhance the ability of the Company to attract, motivate, and retain certain of the Company's key employees and to strengthen their commitment to the Company by providing additional incentive compensation awards payable under, and subject to the terms and conditions of, the Program. The Program is a "bonus program" as defined in ERISA and the regulations issued thereunder. Accordingly, the Program is not covered by ERISA. The right of any Participant or Beneficiary to receive distributions under the Program shall be as an unsecured claim against the general assets of AB. Notwithstanding the foregoing, AB, in its sole discretion, may establish a "rabbi trust" or separate custodial account to pay benefits hereunder. The Committee shall have the full power and authority to administer and interpret the Program and to take any and all actions in connection with the Program, including, but not limited to, the power and authority to prescribe all applicable procedures, forms and agreements. The Committee's interpretation and construction of the Program shall be conclusive and binding on all Persons.

Section 5.01 *Authority to Vary Terms of Awards.* The Committee shall have the authority to grant Awards other than as described herein, subject to such terms and conditions as the Committee shall determine in its discretion.

Section 5.02 *Amendment, Suspension and Termination of the Program.* The Committee reserves the right at any time, without the consent of any Participant or Beneficiary and for any reason, to amend, suspend or terminate the Program in whole or in part in any manner; provided that no such amendment, suspension or termination shall reduce the balance in any Account prior to such amendment, suspension or termination or impose additional conditions on the right to receive such balance, except as required by law.

Section 5.03 *General Provisions.*

(a) To the extent provided by the Committee, each Participant may file with the Committee a written designation of one or more Persons, including a trust or the Participant's estate, as the Beneficiary entitled to receive, in the event of the Participant's death, any amount or property to which the Participant would otherwise have been entitled under the Program. A Participant may, from time to time, revoke or change his or her Beneficiary designation by filing a new designation with the Committee. If (i) no such Beneficiary designation is in effect at the time of a Participant's death, (ii) no designated Beneficiary survives the Participant, or (iii) a designation on file is not legally effective for any reason, then the Participant's estate shall be the Participant's Beneficiary.

(b) Neither the establishment of the Program nor the grant of any Award or any action of any Company, the Board or the Committee pursuant to the Program, shall be held or construed to confer upon any Participant any legal right to be continued in the employ of any Company. Each Company expressly reserves the right to discharge any Participant without liability to the Participant or any Beneficiary, except as to any rights which may expressly be conferred upon the Participant under the Program.

(c) An Award hereunder shall not be treated as compensation, whether upon such Award's grant, vesting, payment or otherwise, for purposes of calculating or accruing a benefit under any other employee benefit plan except as specifically provided by such other employee benefit plan.

(d) Nothing contained in the Program, and no action taken pursuant to the Program, shall create or be construed to create a fiduciary relationship between any Company and any other Person.

(e) Neither the establishment of the Program nor the granting of an Award hereunder shall be held or construed to create any rights to any compensation, including salary, bonus or commissions, nor the right to any other Award or the levels thereof under the Program.

(f) No Award or right to receive any payment may be transferred or assigned, pledged or otherwise encumbered by any Participant or Beneficiary other than by will, by the applicable laws of descent and distribution or by a court of competent jurisdiction. Any other attempted assignment or alienation of any payment hereunder shall be void and of no force or effect.

(g) If any provision of the Program shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining provisions of the Program, and the Program shall be construed and enforced as if the illegal or invalid provision had not been included in the Program.

(h) Any notice to be given by the Committee under the Program to any party shall be in writing addressed to such party at the last address shown for the recipient on the records of any Company or subsequently provided in writing to the Committee. Any notice to be given by a party to the Committee under the Program shall be in writing addressed to the Committee at the address of AB.

(i) Section headings herein are for convenience of reference only and shall not affect the meaning of any provision of the Program.

(j) To the extent not preempted by ERISA, the Program shall be governed and construed in accordance with the laws of the State of New York.

(k) There shall be withheld from each payment made pursuant to the Program any tax or other charge required to be withheld therefrom pursuant to any federal, state or local law. A Company by whom a Participant is employed shall also be entitled to withhold from any compensation payable to a Participant any tax imposed by Section 3101 of the Code, or any successor provision, on any amount credited to the Participant; *provided, however*, that if for any reason the Company does not so withhold the entire amount of such tax on a timely basis, the Participant shall be required to reimburse AB for the amount of the tax not withheld promptly upon AB's request therefore.

ALLIANCEBERNSTEIN  
INCENTIVE COMPENSATION AWARD PROGRAM,  
DEFERRED CASH COMPENSATION PROGRAM AND  
AB 2017 LONG TERM INCENTIVE PLAN

AWARD AGREEMENT FOR 2019 AWARDS

AWARD AGREEMENT, dated as of December 31, 2019, among AllianceBernstein L.P. (together with its subsidiaries, “AB”), AllianceBernstein Holding L.P. (“AB Holding”) and <PARTC\_NAME> (the “Participant”), an employee of AB.

WHEREAS, the Compensation and Workplace Practices Committee (the “Committee” or “Administrator”) of the Board of Directors (the “Board”) of AllianceBernstein Corporation (the “Corporation”), pursuant to the AB 2018 Incentive Compensation Award Program (the “Incentive Compensation Program”) and the AB 2017 Long Term Incentive Plan (the “2017 Plan” and, together with the Incentive Compensation Program, the “Plans”), copies of which have been delivered electronically to the Participant, has granted to the Participant an award (the “Award”) consisting of units representing assignments of the beneficial ownership of limited partnership interests in AB Holding (“AB Holding Units”) subject to certain restrictions described herein (“Restricted Units”), and authorized the execution and delivery of this Award Agreement; and

WHEREAS, the Committee has granted to the Participant the right to receive a portion of the Award in cash instead of Restricted Units, as contemplated in the AB 2019 Deferred Cash Compensation Program (the “Deferred Cash Program”);

NOW, THEREFORE, in accordance with the grant of the Award, and as a condition thereto, AB, AB Holding and the Participant agree as follows:

1. Grant. Subject to and under the terms and conditions set forth in this Award Agreement and the Plans, the Committee hereby awards to the Participant the amount of deferred cash (“Deferred Cash”) elected by the Participant and as set forth in Section 2 of Schedule A and the number of Restricted Units set forth in Section 3 of Schedule A, together with the right to receive interest on Deferred Cash, if elected, as specified in Section 2 below and regular cash distributions with regard to the underlying AB Holding Units pursuant to Section 2.03(a) of the Incentive Compensation Program. The aggregate dollar amount of the Award (including Deferred Cash and Restricted Units) was determined by the Committee on December 10, 2019, with the number of Restricted Units being based on the closing price of an AB Holding Unit on that date.

2. Earnings on Deferred Cash. Interest on Deferred Cash, if elected, will be accrued monthly based on AB’s monthly weighted average cost of funds. The interest earned will be credited to the Participant’s Deferred Cash balance annually.

3. Vesting and Distribution. The Deferred Cash and Restricted Units shall vest in accordance with Section 5 of Schedule A so long as the Participant remains employed by AB on each vesting anniversary, except as specifically set forth in Section 7 of this Award Agreement. Once the Deferred Cash, if elected, has vested, cash shall be distributed to the Participant as specified in Article 4 of the Deferred Cash Program. Once Restricted Units have vested, AB Holding Units shall be distributed to the Participant as specified in Article 4 of the Incentive Compensation Program.

4. Notice of Resignation. As a condition of receiving the Award, the Participant agrees that in the event of the Participant’s resignation, the Participant shall provide AB with prior written notice of the Participant’s intent to resign based on the schedule set forth below. Notwithstanding the terms of any other agreement between the Participant and AB (or its subsidiaries), including, but not limited to, any employment agreement, which agreement shall be deemed amended by this Award Agreement, the Participant will continue to be eligible for base salary or draw, available health and welfare benefits, and quarterly distribution payments on unvested Restricted Units, so long as the Participant’s employment with AB continues during the notice period. Once the Participant has provided AB with prior written notice of the Participant’s intent to resign, AB may, in its sole discretion, either shorten the Participant’s notice period at any time during the notice period in accordance with Section 9 of this Award Agreement or require the Participant to discontinue or limit regular duties, including prohibiting the Participant from further entry to any of AB’s premises. (In either case, the Participant shall be treated as having informed AB of his or her intent to resign and continue to be obligated to satisfy the requirements of Sections 7(c) and 7(d), as applicable, of this Award Agreement.) If AB shortens the Participant’s notice period, the Participant’s resignation shall become effective as of the end of the shortened notice period and, thereafter, the Participant shall not receive salary or draw, health and welfare benefits, quarterly distribution payments on unvested Restricted Units, or any Restricted Units or Deferred Cash that otherwise would have vested in accordance with Section 5 of Schedule A, except for Restricted Units (and quarterly distribution payments on unvested Restricted Units) and Deferred Cash that continue to vest and be distributed as provided in Sections 7(c), 7(d) and 7(e) of this Award Agreement. The notice period shall be as follows:

Senior Vice President or above: 90 days  
Vice President: 60 days  
Assistant Vice President or below: 30 days

5. Covenants. As an additional condition of receiving the Award, the Participant agrees to the following covenants and remedies for failure to comply:

(a) Competition. At no time while employed by AB (including any applicable notice period) shall the Participant provide Competing Services, in any capacity, whether as an employee, consultant, independent contractor, owner, partner, shareholder, director or otherwise, to any Direct Competitor; provided, however, that nothing herein shall prevent the Participant from being a passive owner of not more than 5% of the outstanding equity of any class of securities of an entity that is publicly traded and that owns or may acquire any corporation or business that competes with AB. "Competing Services" means services provided to a Direct Competitor that involve (i) the direct or indirect solicitation (including through financial intermediaries or consultants) of actual or prospective clients of AB with respect to investment management or research products or services; (ii) the creation, management, marketing or maintenance (or providing material support for, or managing or supervising, the creation, management, marketing or maintenance) of an investment management or research product or service that competes directly with a significant investment management or research product or service then offered or provided by AB or that AB intends to offer or provide as part of a Planned Business; or (iii) the Participant functioning in a senior executive, operational, administrative, financial, advisory or consulting role, which is the same as or substantially similar to the Participant's role with AB. "Direct Competitor" means a business that offers or provides products or services that compete directly with products or services offered or provided by AB or that AB intends to offer or provide as part of a Planned Business, where the business activities of the Direct Competitor either constitute or can reasonably be expected to constitute meaningful competition for AB. "Planned Business" means a business: (i) that the Participant is aware that AB plans to enter within six months after the Participant's last date of employment, (ii) that is material to the AB entity or business unit that plans to enter such business, and (iii) in which such AB entity or business unit has invested material resources (including time of senior management) in preparation for launch.

(b) Employee Solicitation. At no time while employed by AB (including any applicable notice period) shall the Participant (whether directly or indirectly through instruction to any other person or entity) recruit, solicit or hire any employee of AB to work for the Participant or any other person or entity.

(c) Confidentiality. From the date hereof and continuing after the Participant's last date of employment, and except as otherwise required by law, the Participant shall not disclose or make accessible to any business, person or entity, or make use of (other than in the course of the business of AB) any trade secrets, proprietary knowledge or confidential information that the Participant shall have obtained during his or her employment by AB and that shall not be generally known to or recognized by the general public. All information regarding or relating to any aspect of the business of AB, including but not limited to existing or contemplated business plans, activities or procedures, current or prospective clients, current or prospective contracts or other business arrangements, current or prospective products, facilities and methods, manuals, intellectual property, price lists, financial information (including the revenues, costs, or profits associated with any of the products or services of AB), or any other information acquired because of the Participant's employment by AB, shall be conclusively presumed to be confidential; provided, however, that confidential information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the Participant). The Participant's obligations under this Section 5(d) shall be in addition to any other confidentiality or nondisclosure obligations the Participant has to AB at law or under any other of AB's policies or agreements. Furthermore, nothing in this Award Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including the Department of Justice, the Securities and Exchange Commission, Congress and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Participant need not seek prior authorization from AB to make any such report or disclosure, nor is the Participant required to notify AB that such report or disclosure has been made.

(d) Non-disparagement. The Participant shall not make intentionally disparaging remarks about AB, or issue any communication, written or otherwise, that reflects adversely on or encourages any adverse action against AB, except if testifying truthfully under oath pursuant to any subpoena, order, directive, request or other legal process, or as may be otherwise required by law.

(e) Remedies. If the Participant fails to comply with the agreements and covenants set forth in Section 4 or this Section 5, AB shall have the following remedies:

(i) The Participant agrees that in the event of a breach of any of the agreements or covenants contained in Section 4 or this Section 5, any Deferred Cash or Restricted Units that have not vested or have vested but have not been delivered (other than as a result of a voluntary long-term deferral election) shall be forfeited.

(ii) Without intending to limit the remedies available to AB, the Participant acknowledges that a breach of any of the agreements or covenants contained in Section 4 or this Section 5 shall result in material irreparable injury to AB for

which the forfeiture remedy described in Section (i) above may not be adequate and that, in the event of such a breach or threat thereof, AB shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining the Participant from engaging in activities prohibited by this Award Agreement or such other relief as may be required to specifically enforce any of the agreements or covenants in Section 4 or this Section 5. The Participant acknowledges that the above restrictions are part of a program of AB covering employees in many jurisdictions and that it is necessary to maintain consistency of administration and interpretation with respect to such program, and accordingly, the Participant consents to the applicability of New York law and jurisdiction in accordance with Section 14 hereof. In the event that any court or tribunal of competent jurisdiction shall determine this Section 5 or Section 7 to be unenforceable or invalid for any reason, the Participant agrees that this Section 5 shall be interpreted to extend only over the maximum period of time for which it may be enforceable, and/or over the maximum geographical area as to which it may be enforceable, and/or to the maximum extent in any and all respects as to which this Section 5 or Section 7 may be enforceable, all as determined by such court or tribunal.

(iii) In addition to the remedies set forth in clauses (i) and (ii) above, AB retains the right to seek damages and other relief for any breach by the Participant of any agreement or covenant contained in this Award Agreement.

6. Forfeiture for Failure to Consider Certain Risks. If the Committee determines that, during the calendar year in which the Award was granted, (a) the Participant participated in the structuring or marketing of any investment management or research product or service, or participated on behalf of AB or any of its clients in the purchase or sale of any security or other property as part of providing investment management services or otherwise, and (b) (i) the Participant failed to follow or violated any written AB policy guideline or process designed in whole or in part to manage or mitigate risk; (ii) as a result, appropriate consideration was not given to the risk to AB or the Participant's business unit (for example, where the Participant has improperly analyzed such risk or where the Participant failed sufficiently to raise concerns about such risk); and (iii) there has been, or reasonably could be expected to be, a material adverse impact on AB or the Participant's business unit, the Participant shall forfeit all unvested Deferred Cash, if elected, and all unvested Restricted Units granted pursuant to such Award.

7. Termination of Employment. The Deferred Cash and Restricted Units shall vest in accordance with Section 5 of Schedule A only while the Participant is employed by AB, except as follows:

(a) Disability. Any unvested Deferred Cash and Restricted Units shall fully vest immediately upon a Participant's Disability and shall be distributed to the Participant as specified in Article 4 of each of the Deferred Cash Program and the Incentive Compensation Program. The Participant shall be deemed to have incurred a "Disability," if the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than 12 months, as determined by the carrier of the long-term disability insurance program maintained by AB or its affiliate that covers the Participant, or such other person or entity designated by the Administrator in its sole discretion. In order to assist in the process described in this Section 7(a), the Participant shall, as reasonably requested by the Administrator, (i) be available for medical examinations by one or more physicians chosen by the long-term disability insurance provider or the Administrator and approved by the Participant, whose approval shall not be unreasonably withheld, and (ii) grant the long-term disability insurance provider, the Administrator and any such physicians access to all relevant medical information concerning the Participant, arrange to furnish copies of medical records to them, and use best efforts to cause the Participant's own physicians to be available to discuss the Participant's health with them.

(b) Death. If the Participant dies (i) while in the employ of AB, or (ii) while the Participant otherwise holds outstanding unvested Deferred Cash or Restricted Units, any unvested Deferred Cash and all unvested Restricted Units held by the Participant (and not previously forfeited or cancelled) shall vest immediately and be distributed in accordance with Article 4 of each of the Deferred Cash Program and the Incentive Compensation Program.

(c) Resignation. If the Participant resigns or otherwise voluntarily terminates his or her employment with AB (other than due to the Participant's Retirement, as defined below, or Disability), any unvested Deferred Cash and all unvested Restricted Units held by the Participant (and not previously forfeited or cancelled) on the date of resignation shall continue to vest as specified in Section 5 of Schedule A and be distributed as specified in Article 4 of each of the Deferred Cash Program and the Incentive Compensation Program. The provisions in this Section 7(c) are conditioned upon the Participant's continued compliance with the agreements and covenants set forth in Sections 4 and 5 of this Award Agreement from the date of resignation until the Deferred Cash and Restricted Units have fully vested and been delivered (or would have been delivered but for a voluntary long-term deferral election), the Participant providing to AB in writing (in a form to be provided by AB, a "Resignation Questionnaire") within 10 calendar days from the first date the Participant informs AB about his or her resignation, information relating to the Participant's new employment opportunity, if any, the Participant confirming in writing continued compliance with the agreements and covenants set forth in Sections 4 and 5 of this Award Agreement (in a form to be provided by AB, a "Confirmation Certificate") in connection with each vesting date, and the Participant executing and complying with a standard release in favor of AB (in a form to be provided by AB, a "Release"); provided, however, that the only remedy available to AB for any breach by the Participant of the agreements and covenants set forth in Sections 4, 5(a) and 5(b) of this Award Agreement that occurs after the Participant's last date of employment (including any applicable notice period), or for the Participant failing to provide to AB the Resignation



Questionnaire, the Release or each annual Confirmation Certificate, shall be the forfeiture remedy described in Section 5(e)(i) of this Award Agreement. In addition, the terms of this Section 7(c) are also conditioned on the Participant not receiving replacement equity from a new employer for the unvested Deferred Cash and Restricted Units as to which continued vesting is to apply and the Participant confirming such fact in the Resignation Questionnaire and each Confirmation Certificate.

(d) Retirement. If the Participant's employment with AB terminates because of the Participant's Retirement (as defined below), any unvested Deferred Cash and all unvested Restricted Units held by the Participant (and not previously forfeited or cancelled) on the date of Retirement shall continue to vest as specified in Section 5 of Schedule A and be distributed as specified in Article 4 of each of the Deferred Cash Program and the Incentive Compensation Program. The provisions in this Section 7(d) are conditioned upon the Participant's continued compliance with the agreements and covenants set forth in Sections 4 and 5 of this Award Agreement (except that the Participant shall comply with the non-competition covenant attached hereto as Schedule B (the "Retirement Non-Competition Covenant") rather than the covenant contained in Section 5(a)) from the date of Retirement until the Deferred Cash and Restricted Units have fully vested and been delivered (or would have been delivered but for a voluntary long-term deferral election), the Participant confirming in writing continued compliance with the agreements and covenants set forth in the Retirement Non-Competition Covenant and Sections 4 and 5(b), (c) and (d) of this Award Agreement (in a form to be provided by AB, a "Retirement Confirmation Certificate") in connection with each vesting date, and the Participant executing and complying with a standard release in favor of AB (in a form to be provided by AB, a "Retirement Release"); provided, however, that the only remedy available to AB for any breach by the Participant of the agreements and covenants set forth in the Retirement Non-Competition Covenant and Sections 4 and 5(b) of this Award Agreement that occurs after the Participant's last date of employment, or for the Participant failing to provide to AB the Retirement Release or each annual Retirement Confirmation Certificate, shall be the forfeiture remedy described in Section 5(e)(i) of this Award Agreement. In addition, the terms of this Section 7(d) are also conditioned on the Participant not receiving replacement equity from a new employer for the unvested Deferred Cash and Restricted Units as to which continued vesting is to apply and the Participant confirming such fact in each Retirement Confirmation Certificate.

"Retirement" with respect to a Participant means that the employment of the Participant with AB has terminated on or after the time when the sum of the Participant's age and full years of service with AB equals or exceeds 70 under circumstances where the Participant has provided to AB written notice of retirement at least nine months prior to the retirement date (the "Retirement Date") and where the Participant has entered into, at least six months prior to the Retirement Date, a retirement transition agreement (in a form to be provided by AB, the "Retirement Agreement") and has complied with the terms thereof through the Retirement Date.

(e) Termination Without Cause. If AB terminates the Participant's employment without Cause (other than due to the Participant's Disability or death), any unvested Deferred Cash and all unvested Restricted Units held by the Participant (and not previously forfeited or cancelled) on the date of such termination shall continue to vest as specified in Section 5 of Schedule A and be distributed as specified in Article 4 of each of the Deferred Cash Program and the Incentive Compensation Program. The provisions in this Section 7(e) are conditioned upon the Participant's continued compliance with the covenants set forth in Section 5 of this Award Agreement (except Section 5(a), with respect to which the Participant need not comply after the Participant's termination date) until the Deferred Cash and Restricted Units have fully vested and been delivered (or would have been delivered but for a voluntary long-term deferral election), signing and returning a Confirmation Certificate to AB in connection with each vesting date, and executing and complying with a standard release in favor of AB (in a form to be provided by AB); provided, however, that the only remedy available to AB for any breach by the Participant of the covenants set forth in Section 5(b) of this Award Agreement that occurs after the Participant's last date of employment (including any applicable notice period) shall be the forfeiture remedy described in Section 5(e)(i).

(f) Termination for Cause. If AB terminates the Participant's employment for Cause (or, if after termination of the Participant's employment other than for "Cause," as that term is defined in the 2017 Plan, AB determines that an event occurred during the Participant's employment that would have entitled AB to terminate the Participant's employment for Cause), the Participant shall forfeit all unvested Deferred Cash and Restricted Units.

8. No Right to Continued Employment. Neither the Award nor any term of this Award Agreement is intended to create a contract of employment or alter the at-will status of the Participant, who is employed on an at-will basis, nor shall they confer upon the Participant any right to continue in the employ of AB before, during or after any applicable notice period. In addition, neither the Award nor any term of this Award Agreement shall interfere in any way with the right of AB to terminate the service of the Participant at any time for any reason, or shorten any notice period at any time as prescribed by Section 4 of this Award Agreement.

9. Non-Transferability. The Participant may not sell, assign, transfer, pledge or otherwise dispose of or encumber any of the Deferred Cash or Restricted Units, or any interest therein, until the Participant's rights in such Deferred Cash or Restricted Units vest in accordance with this Award Agreement. Any purported sale, assignment, transfer, pledge or other disposition or encumbrance in violation of this Award Agreement will be void and of no effect.

10. Payment of Withholding Tax. The provisions set forth in Section 5.04(k) of the Deferred Cash Program and Section 6.04(k) of the Incentive Compensation Program shall apply in the event that AB determines that any federal, state or local tax or any other charge is required by law to be withheld with respect to a vesting or distribution of Deferred Cash or Restricted Units.

11. Dilution and Other Adjustments. The existence of the Award shall not impair the right of AB, AB Holding or their respective partners to, among other things, conduct, make or effect any change in AB's or AB Holding's business, any distribution (whether in the form of cash, limited partnership interests, other securities or other property), recapitalization (including, without limitation, any subdivision or combination of limited partnership interests), reorganization, consolidation, combination, repurchase or exchange of limited partnership interests or other securities of AB or AB Holding, issuance of warrants or other rights to purchase limited partnership interests or other securities of AB or AB Holding, or any incorporation (or other change in form) of AB or AB Holding. AB Holding Units shall be subject to adjustment in accordance with Section 4(c) of the 2017 Plan (or such applicable successor provision).

12. Electronic Delivery. The Plans contemplate that each award shall be evidenced by an Award Agreement which shall be delivered to the Participant. It is hereby understood that electronic delivery of this Award Agreement constitutes delivery under the Plans.

13. Administrator. If at any time there shall be no Committee, the Board shall be the Administrator.

14. Governing Law. This Award Agreement shall be governed by and construed in accordance with the internal laws of the State of New York. The Participant hereby consents to the exclusive jurisdiction of any state or federal court located within the State of New York, County of New York, with respect to any legal action, dispute or otherwise, arising out of, related to, or in connection with this Award Agreement. The Participant hereby waives any objection in any such action or proceeding based on forum non-conveniens, and any objection to venue with respect to any such legal action, which may be instituted in any of the aforementioned courts. Furthermore, the terms and conditions of this Award Agreement shall not apply to the extent that any such term and/or condition is unenforceable under or otherwise inconsistent with applicable state law.

15. Sections and Headings. All section references in this Award Agreement are to sections hereof for convenience of reference only and are not to affect the meaning of any provision of this Award Agreement.

16. Interpretation. The Participant accepts the Award subject to all the terms and provisions of the Plans and this Award Agreement. In the event of any conflict between any clause of the Plans and this Award Agreement, this Award Agreement shall control. The Participant accepts as binding, conclusive and final all decisions or interpretations of the Administrator or the Board upon any questions arising under the Plans and/or this Award Agreement. The Participant acknowledges and accepts that (i) the purpose of the AB Incentive Plan (as defined in the Incentive Compensation Program document) is to enhance the ability of AB and AB Holding to attract, motivate and retain certain key employees and to strengthen their commitment to AB and AB Holding by providing additional incentive compensation awards payable under, and subject to the terms and conditions of, the Incentive Compensation Program, and (ii) the AB Incentive Plan is a "bonus program" as defined in the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the regulations issued thereunder, and is therefore not covered by ERISA.

17. Notices. Any notice under this Award Agreement shall be in writing and shall be deemed to have been duly given when delivered personally (whether by hand or by facsimile) or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of AB and AB Holding, to the Corporate Secretary at 1345 Avenue of the Americas, New York, New York 10105, or if AB should move its principal office, to such principal office, and, in the case of the Participant, to his or her last permanent address as shown on AB's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section 17.

18. Entire Agreement; Amendment. This Award Agreement supersedes any and all existing agreements between the Participant, AB and AB Holding relating to the Award. It may not be amended except by a written agreement signed by all parties.

ALLIANCEBERNSTEIN L.P.  
ALLIANCEBERNSTEIN HOLDING L.P.

By: /s/ Kate Burke  
Kate Burke  
Chief Administrative Officer

The Participant hereby acknowledges and accepts the terms and conditions set forth in this Award Agreement, including AB's remedies if the Participant fails to comply with the agreements and covenants set forth in Sections 4 and 5 of this Award

Agreement, and the forfeiture of unvested Deferred Cash and Restricted Units for failure to consider certain risks as described in Section 6 of this Award Agreement. To accept the terms of this Award Agreement, please click the “Accept” button below:

ACCEPT

DECLINE

SCHEDULE A  
TO  
AWARD AGREEMENT

1. \$\_\_\_\_\_ 2019 Award
- 2.\$\_\_\_\_\_ 2019 Deferred Cash Award (may not exceed the lesser of \$250,000 and 50% of the Award; provided, however, if the Participant is based outside of the United States, is treated as a local hire rather than as an expatriate and received an Award of \$100,000 or less, the Deferred Cash Award may be up to 100% of the Award)
- 3.\_\_\_\_\_ Restricted Units have been awarded pursuant to this Award Agreement.
- 4.The per AB Holding Unit price used to determine the number of Restricted Units awarded hereunder is \$28.75 per AB Holding Unit, which is the closing price of an AB Holding Unit as published for composite transactions on the New York Stock Exchange on December 10, 2019.
- 5.Restrictions lapse with respect to the AB Holding Units in accordance with the following schedule:

		Percentage of Awarded AB Holding Units
		Vested and Delivered on the
<u>Date</u>	<u>Date Indicated</u>	
December 1, 2020		25.0%
December 1, 2021		50.0%
December 1, 2022		75.0%
December 1, 2023		100.0%

SCHEDULE A  
TO  
AWARD AGREEMENT  
FOR AB SALES PROFESSIONALS

1. \$\_\_\_\_\_ 2019 Award\*
- 2.\$\_\_\_\_\_ 2019 Deferred Cash Award (may not exceed the lesser of \$250,000 and 50% of the Award; provided, however, if the Participant is based outside of the United States, is treated as a local hire rather than as an expatriate and received an

Award of \$100,000 or less, the Deferred Cash Award may be up to 100% of the Award)\*

3. \_\_\_\_\_ Restricted Units have been awarded pursuant to this Award Agreement.\*

4. The per AB Holding Unit price used to determine the number of Restricted Units awarded hereunder is \$\_\_\_\_\_ per AB Holding Unit, which is the closing price of an AB Holding Unit as published for composite transactions on the New York Stock Exchange on December 10, 2019.

5. Restrictions lapse with respect to the AB Holding Units in accordance with the following schedule:

		Percentage of Awarded AB Holding Units
Vested and Delivered <sup>1</sup> in the		
<u>Date</u>	<u>Date Indicated</u>	
December 1, 2020		25.0%
December 1, 2021		50.0%
December 1, 2022		75.0%
December 1, 2023		100.0%

\* The amount of the 2019 Award, 2019 Deferred Cash Award and the number of Restricted Units awarded pursuant to this Award Agreement are based on an estimate of Total Variable Compensation ("TVC"). The final amounts will be calculated once TVC is finalized in early 2020 and, if the final amounts differ from the estimates stated above, the 2019 Award amount, the amount of the Deferred Cash Award and the number of Restricted Units awarded pursuant to this Agreement will be adjusted accordingly.

<sup>1</sup> Assuming the Participant has not elected to voluntarily defer receipt of AB Holding Units.

## SCHEDULE B TO AWARD AGREEMENT RETIREMENT NON-COMPETITION COVENANT

Competition. The Participant shall not provide Competing Services, in any capacity, whether as an employee, consultant, independent contractor, owner, partner, shareholder, director or otherwise, to any Direct Competitor. "Competing Services" means services provided to a Direct Competitor that involve (i) the direct or indirect personal solicitation of actual clients of AB (who, to the knowledge of the Participant, also were clients of AB while the Participant was employed by AB) ("AB Client Solicitation") with respect to investment management or research products or services which compete directly with a significant investment management or research product or service then offered by AB (a "Competing AB Product or Service"); (ii) the creation, management, marketing or maintenance (or providing material support for, or managing or supervising, the creation, management, marketing or maintenance, as the Participant's principal activity for the Direct Competitor, of an investment management or research product or service that competes directly with a Competing AB Product or Service; or (iii) the Participant functioning in a senior executive role with a Direct Competitor, which is the same as or substantially similar to the Participant's role with AB. "Direct Competitor" means a business that offers or provides products or services that compete directly with any Competing AB Product or Service, where the business activities of the Direct Competitor either constitute or can reasonably be expected to constitute meaningful competition for AB; provided that a Direct Competitor shall not include (i) any business focused primarily on the formation and management of private equity or hedge funds that have a substantially different investment focus than any private equity or hedge fund then offered by AB; or (ii) any family office which does not as its principal activity offer to unrelated third parties investment products or services that compete directly with any Competing AB Product or Service (any such business or family office being referred to as a "Permitted Competitor"); and provided further that this exclusion of a Permitted Competitor from the definition of Direct Competitor shall not apply to the extent that the Participant engages in, directs or facilitates AB Client Solicitation on behalf of any Permitted Competitor with respect to any Competing AB Product or Service.



# AB 2017 LONG TERM INCENTIVE PLAN AWARD AGREEMENT

AWARD AGREEMENT, dated as of May 14, 2019, among AllianceBernstein L.P. (“AB”), AllianceBernstein Holding L.P. (“AB Holding”) and DIRECTOR (the “Participant”), a member of the Board of Directors (the “Board”) of AllianceBernstein Corporation (the “Corporation”), the general partner of AB and AB Holding.

WHEREAS, the Board, pursuant to the AB 2017 Long Term Incentive Plan (the “Plan”), a copy of which has been delivered to the Participant, has granted to the Participant an award (the “Award”) consisting of the number of units representing assignments of beneficial ownership of limited partnership interests in AB Holding (the “Units”) having an aggregate fair value of \$170,000 based on the closing price of a Unit on May 14, 2019 as reported for New York Stock Exchange composite transactions (the “May 14 Closing Price”), which Units are subject to certain restrictions described herein (the “Restricted Units”); and

WHEREAS, the Board has authorized the execution and delivery of this Award Agreement;

NOW, THEREFORE, in accordance with the grant of the Award, and as a condition thereto, AB, AB Holding and the Participant agree as follows:

1. Grant. Subject to and under the terms and conditions set forth in this Award Agreement and the Plan, the Board hereby awards the Participant the number of Restricted Units set forth in Section 1 of Schedule A, subject to the vesting schedule set forth in Section 2 of Schedule A. The Restricted Units shall be delivered to the Participant promptly after vesting.

2. Account. AB shall establish an uncertificated account (the “Account”) with AB’s transfer agent, currently Computershare Shareowner Services LLC, representing the Restricted Units or deposit the Restricted Units in a grantor trust maintained by AB generally for this purpose, in either case within a reasonable time after the Participant’s execution and delivery of this Award Agreement.

3. Termination. (a) If the Participant's service on the Board terminates for any reason other than the reason specified in Section 3(b) below, any unvested Restricted Units held by the Participant on the date of such termination shall vest immediately and be delivered to the Participant (or the Participant’s estate) promptly after the date of such termination.

(b) The Participant shall immediately forfeit any unvested Restricted Units awarded under this Award Agreement if the Participant’s service as a Director is terminated for Cause. “Cause” shall mean the Participant’s (i) continuing willful failure to perform the Participant’s duties as a Director (other than as a result of the Participant’s total or partial incapacity due to physical or mental illness), (ii) gross negligence or malfeasance in the performance of the Participant’s duties, (iii) a finding by a court or other governmental body with proper jurisdiction that an act or acts by the Participant constitutes (A) a felony under the laws of the United States or any state thereof, or (B) a violation of federal or state securities law, by reason of which finding the Board determines in good faith that the continued service of the Participant would be seriously detrimental to AB and its business, (iv) in the absence of such a finding by a court or other governmental body with proper jurisdiction, such a determination in good faith by the Board by reason of such act or acts constituting such a felony, serious crime or violation, or (v) any breach by the Participant of any obligation of confidentiality.

4. No Right to Continued Directorship. The granting of the Award shall not confer upon the Participant any right to continue to be retained as a Director, and shall not interfere in any way with the right of the sole stockholder of the Corporation to terminate the service of the Participant at any time for any reason.

5. Non-Transferability. Except as otherwise provided in this Award Agreement, the Participant may not sell, assign, transfer, pledge or otherwise dispose of or encumber any of the Restricted Units, or any interest therein, until the Participant’s rights in such Units vest in accordance with this Award Agreement. Any purported sale, assignment, transfer, pledge or other disposition or encumbrance in violation of this Award Agreement will be void and of no effect.

6. Tax. As soon as administratively feasible after each vesting date, AB shall deliver to the Participant the gross number of Restricted Units that have vested. The Participant shall be responsible for payment of any federal, state and/or local taxes relating to the grant and/or delivery of Restricted Units. The Participant should consult a personal tax advisor to ensure any quarterly estimated or other taxes are paid as appropriate.

7. Dilution and Other Adjustments. The existence of the Award shall not impair the right of AB, AB Holding or their respective partners to, among other things, conduct, make or effect any change in AB’s or AB Holding’s business, any distribution (whether in the form of cash, limited partnership interests, other securities, or other property), recapitalization (including, without

limitation, any subdivision or combination of limited partnership interests), reorganization, consolidation, combination, repurchase or exchange of limited partnership interests or other securities of AB or AB Holding, issuance of warrants or other rights to purchase limited partnership interests or other securities of AB or AB Holding, or any incorporation of AB or AB Holding. In the event of such a change in the partnership interests of AB or AB Holding, the Board shall make such adjustments to the Award as it deems appropriate and equitable. In the event of incorporation of AB or AB Holding, the Board shall make such arrangements as it deems appropriate and equitable with respect to the Award for the Participant to receive stock in the resulting corporation in place of the Restricted Units. Any decision by the Board under this Section shall be final and binding upon the Participant.

8. Distributions on Unvested Units. AB Holding shall pay to the Participant cash distributions with respect to any unvested Restricted Units on the same basis as cash distributions are paid to holders of Units.

9. Administrator. The Board shall be the Administrator.

10. Governing Law. This Award Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

11. Entire Agreement; Amendment. This Award Agreement supersedes any and all existing agreements between the Participant, AB and AB Holding relating to the Restricted Unit awards. It may not be amended except by a written agreement signed by both parties.

12. Interpretation. The Participant accepts this Award subject to all the terms and provisions of the Plan, which shall control in the event of any conflict between any provision of the Plan and this Award Agreement, and accepts as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan and/or this Award Agreement.

13. Notices. Any notice under this Award Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, registered, postage prepaid, and addressed, in the case of AB and AB Holding, to the Corporate Secretary at 1345 Avenue of the Americas, New York, New York 10105, or if AB should move its principal office, to such principal office, and, in the case of the Participant, to the Participant's last permanent address as shown on AB's records, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section.

14. Sections and Headings. All section references in this Award Agreement are to sections hereof for convenience of reference only and are not to affect the meaning of any provision of this Award Agreement.

ALLIANCEBERNSTEIN L.P.

By: /s/ Laurence E. Cranch  
Laurence E. Cranch  
General Counsel

ALLIANCEBERNSTEIN HOLDING L.P.

By: Laurence E. Cranch  
Laurence E. Cranch  
General Counsel

\_\_\_\_\_  
DIRECTOR

## SCHEDULE A

1. \_\_\_\_\_ Restricted Units have been awarded pursuant to this Award Agreement.

2.Restrictions lapse with respect to the Units in accordance with the following schedule:

		Percentage of Units Vested on the
<u>Date</u>	<u>Date Indicated</u>	
May 14, 2020	25.0%	
May 14, 2021	50.0%	
May 14, 2022	75.0%	
May 14, 2023	100.0%	



**SUMMARY OF ALLIANCEBERNSTEIN L.P.'S LEASE AT**  
**1345 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK**

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**PARTIES**

Landlord: 1345 Leasehold LLC, a Delaware limited liability company ("Landlord")

Tenant: AllianceBernstein L.P. (formerly known as Alliance Capital Management L.P.), a Delaware limited partnership ("Alliance")

**DOCUMENTS**

Agreement of Lease dated July 3, 1985 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Avenue Corp. as landlord, and Alliance Capital Management Corporation, as tenant ("orig.")

Supplemental Agreement dated September 30, 1985 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Avenue Corp. as landlord, and Alliance Capital Management Corporation, as tenant ("Sup1")

Second Supplemental Agreement dated December 31, 1985 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Avenue Corp. as landlord, and Alliance Capital Management Corporation, as tenant

Third Supplemental Agreement dated July 29, 1987 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance Capital Management Corporation, as tenant

Fourth Supplemental Agreement dated February, 1989 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant ("Sup4")

Fifth Supplemental Agreement dated October 9, 1989 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant ("Sup5")

Sixth Supplemental Agreement dated December 13, 1991 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant ("Sup6")

Seventh Supplemental Agreement dated May 27, 1993 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant (“Sup7”)

Eighth Supplemental Agreement dated June 1, 1994 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant (“Sup8”)

Ninth Supplemental Agreement dated August 16, 1994 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant (“Sup9”)

Tenth Supplemental Agreement dated December 31, 1994 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant (“Sup10”)

Eleventh Supplemental Agreement dated April 30, 1995 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp. as landlord, and Alliance, as tenant (“Sup11”)

Letter Agreement dated December 21, 1995 among The Fisher-Sixth Avenue Company and Hawaiian Sixth Ave. Corp., Carter-Wallace, Inc., Arnhold and S. Bleichroeder, Inc. and Alliance (“LTR1”)

Letter Agreement dated December 21, 1995 among The Fisher-Sixth Avenue Company, Hawaiian Sixth Ave. Corp. and Alliance

Twelfth Supplemental Agreement dated September 9, 1998 between 1345 Leasehold Limited Partnership and Alliance (“Sup12”)

Letter Agreement dated October 7, 1998 between 1345 Leasehold Limited Partnership and Alliance

Thirteenth Supplemental Agreement dated March 15, 1999 between 1345 Leasehold Limited Partnership and Alliance (“Sup13”)

Fourteenth Supplemental Agreement dated February 8, 2000 between 1345 Leasehold Limited Partnership and Alliance (“Sup14”)

Fifteenth Supplemental Agreement dated August 3, 2000 between 1345 Leasehold Limited Partnership and Alliance (“Sup15”)

Letter dated September 7, 2000 from Alliance to Landlord (“LTR2”)

Sixteenth Supplemental Agreement dated August 31, 2001 between 1345 Leasehold Limited Partnership and Alliance (“Sup16”)

Seventeenth Supplemental Agreement dated October 31, 2001 between 1345 Leasehold Limited Partnership and Alliance (“Sup17”)

Eighteenth Supplemental Agreement dated February 15, 2002 between 1345 Leasehold Limited Partnership and Alliance (“Sup18”)

Nineteenth Supplemental Agreement dated December 4, 2002 between 1345 Leasehold Limited Partnership and Alliance (“Sup19”)

Twentieth Supplemental Agreement dated December 4, 2002 between 1345 Leasehold Limited Partnership and Alliance (“Sup20”)

Letter Agreement dated December 4, 2002 between Alliance and Hearst Communications, Inc. (“LTR3”)

Twenty-first Supplemental Agreement dated December 22, 2003 between Landlord and Alliance (“Sup21”)

Twenty-second Supplemental Agreement dated October 31, 2004 between Landlord and Alliance (“Sup22”)

Twenty-third Supplemental Agreement dated June 30, 2007 between Landlord and Alliance (“Sup23”)

Twenty-fourth Supplemental Agreement dated July 31, 2007 between Landlord and Alliance (“Sup24”)

Twenty-fifth Supplemental Agreement dated July 31, 2007 between Landlord and Alliance (“Sup25”)

Twenty-sixth Supplemental Agreement dated July 31, 2007 between Landlord and Alliance (“Sup26”)

Twenty-seventh Supplemental Agreement dated August 30, 2008 between Landlord and Alliance (“Sup27”)

Twenty-eighth Supplemental Agreement dated May 2, 2014 between Landlord and Alliance (“Sup28”)

### Cleaning Agreements

Cleaning Agreement (“CAO”) dated August 16, 1994 between 1345 Cleaning Service Co. (“Original Cleaning Contractor”) and Alliance regarding the office space

First Amendment to Cleaning Agreement (“CAO-1”) dated December 31, 1994 between Original Cleaning Contractor and Alliance

Second Amendment to Cleaning Agreement (“CAO-2”) dated April 30, 1995 between Original Cleaning Contractor and Alliance

Third Amendment to Cleaning Agreement (“CAO-3”) dated September 9, 1998 between Original Cleaning Contractor and Alliance

Fourth Amendment to Cleaning Agreement (“CAO-4”) dated February 8, 2000 between Original Cleaning Contractor and Alliance

Fifth Amendment to Cleaning Agreement (“CAO-5”) dated August 3, 2000 between Original Cleaning Contractor and Alliance

Sixth Amendment to Cleaning Agreement (“CAO-6”) dated August 31, 2001 between Original Cleaning Contractor and Alliance

Seventh Amendment to Cleaning Agreement (“CAO-7”) dated October 31, 2001 between Original Cleaning Contractor and Alliance

Eighth Amendment to Cleaning Agreement (“CAO-8”) dated February 15, 2002 between Original Cleaning Contractor and Alliance

Ninth Amendment to Cleaning Agreement (“CAO-9”) dated October 31, 2004 between Original Cleaning Contractor and Alliance

Tenth Amendment to Cleaning Agreement (“CAO-10”) dated July 31, 2007 between 1345 Cleaning Service Company II, L.P. (“Cleaning Contractor”) and Alliance

Eleventh Amendment to Cleaning Agreement (“CAO-11”) dated July 31, 2007 between Cleaning Contractor and Alliance

Twelfth Amendment to Cleaning Agreement (“CAO-12”) dated July 31, 2007 between Cleaning Contractor and Alliance

Cleaning Agreement (“CAG”) dated as of March 15, 1999 between Original Cleaning Contractor and Alliance regarding the ground floor space

#### SNDAs

Subordination, Non-Disturbance and Attornment Agreement (Ground Lease) dated August 3, 2000 between 1345 Fee Limited Partnership, as owner, and Alliance, as tenant (“SNDA-G”)

Subordination, Nondisturbance and Attornment Agreement dated July 6, 2005 between Alliance, Morgan Stanley Mortgage Capital Inc. and UBS Rea Estate Investments Inc. (“SNDA-M”)

First Amendment to Subordination, Nondisturbance and Attornment Agreement dated July 6, 2005 between Alliance and LaSalle Bank National Association, as Trustee

#### DEMISED PREMISES

Floor (entire floor unless otherwise noted)	Delivery Date
Concourse (part) (Sup15 §23(a), Sup17 §13, Sup23 §2a)	Delivered.
Ground Floor (part) **	The Ground Floor (part) formerly leased to Alliance has been surrendered and deleted from the demised premises. Landlord has leased the Ground Floor (part) to Wachovia Bank, National Association (“Wachovia”) pursuant to the Agreement of Lease dated December 22, 2003 (the “Wachovia Lease”), for a term coterminous with Alliance's lease which Wachovia may extend pursuant to its three 5-year extension options. If the term of the Wachovia Lease expires or terminates prior to the expiration or termination of Alliance’s lease, then, on the day after said termination, the Ground Floor (part) will be added back to the demised premises on substantially the same terms (including the rent terms) as were in effect prior to its surrender and deletion from the demised premises (Sup21 §3). For more information regarding the terms of the surrender of Ground Floor part, see below.
2, 8, 9, 11 through 14 (Sup15 §2(a); Ltr2; Sup16 §11)	Delivered.
10 (Sup19 §3(a)) ***	Delivered.
15 (Sup12 §2(a))	Delivered.
16 (Sup12 §2(b))	Delivered.
17 (Sup16 §2(b); Sup17 §2(b); Sup18 §2(b); Sup22 §2(b))	Delivered.
31 (part) (Sup7 §2(c))	Delivered.
31 (part) (Sup24 §2(a))	Delivered.
32 (Sup6 §2)	Delivered.
33 (Sup7 §2(a))	Delivered.
34 (NW Cor. 94) (Sup8 §2(a))	Delivered.
34 (NW Cor. 95) (Sup8 §1(c))	Delivered.

34 (balance) (Sup7 §2(b))	Delivered.
35 (Sup14 §2(a))	Delivered.
36 (Sup14 §2(b))	Delivered.
37 (NE Cor.) (orig. intro.)	Delivered.
37 (NW Cor.) (orig. §46.01)	Delivered.
37 (SE Cor.) (Sup1 §2)	Delivered.
37 (SW Cor.) (Sup5 §2)	Delivered.
38 (orig. intro.)	Delivered.
39 (Sup4 §2)	Delivered.
40 and 41 (Sup9 §3(a); LTR1 par 2)	Delivered.
42 (Sup25 §2(a))	Delivered.
43 and 44 (Sup26 §2(a))	Delivered.

**\*\*Ground Floor (part):**

For a summary of the payments Alliance makes in lieu of rent and the credits Alliance receives in respect of the Ground Floor (part), see Monthly Fixed Rent, Tax Escalation and Expense Escalation. Other terms of the surrender and deletion of Ground Floor (part) from the demised premises are summarized below.

- **Enforcement:** Landlord will make reasonable efforts to enforce the Wachovia Lease (including the rent obligations). If Wachovia defaults under the Wachovia Lease, then Alliance may, at its option, participate in any action Landlord takes in respect of said default. If Landlord does not take any action, then Alliance may, at its option, (1) cause the Landlord to assign its right to proceed against Wachovia, in which case Alliance may then proceed directly against Wachovia provided that Alliance indemnifies Landlord from any loss arising from such action, or (2) require the Landlord to proceed against Wachovia in which case Alliance will reimburse Landlord within 30 days after demand for any reasonable out-of-pocket expenses incurred by Landlord in respect of enforcing the Wachovia Lease (Sup21 §4(f)).
- **Amendments, Terminations, Extensions and Consents:** Landlord is prohibited from amending the Wachovia Lease or waiving any provision thereof without first obtaining Alliance's consent. Alliance must be reasonable in respect of consenting to any amendment that would not have an economic or adverse impact on Alliance and Alliance's failure to respond to a request for such a consent within 5 business days of receipt is deemed consent. Landlord is prohibited from terminating the term of the Wachovia Lease except in the event of a default thereunder or extending the term of the Wachovia Lease except pursuant to the express provisions thereof without first obtaining Alliance's consent (Sup21 §5(a)). Landlord is prohibited from granting its consent to any matter contemplated by the Wachovia Lease (e.g., subleases and alterations) without first obtaining Alliance's consent. Alliance's rights in respect of Wachovia signage is summarized in more detail below. Alliance is required to be reasonable in granting its consent to any such matter if Landlord is obligated to be reasonable under the Wachovia Lease. Alliance is required to respond in the same time period as Landlord is obligated to respond to any request for consent and Alliance will be deemed to have given its consent if it fails to respond (Sup21 §5(c); LTR3 §3).
- **Signage:** Wachovia is prohibited from displaying signage on the window, doors or the exterior of the perimeter walls of its demised premises unless Wachovia obtains the prior written reasonable consent of the Landlord and said signage is in conformity with the building standard sign program (Wachovia Lease §46.2(e)). However, Wachovia has the right to install signage on the interior and exterior of the demised premises that conforms with Wachovia's standard national or NYC signage program provided that said signage pertains primarily to general retail banking, safe deposits or electronic banking and not to certain permitted ancillary uses (e.g. brokerage, insurance, investment services). Nevertheless, Wachovia has the right to display temporary signage which describes said ancillary uses in certain designated areas provided that Wachovia is obligated to remove said signage if either Landlord or Alliance reasonably believes that said temporary signage is not in keeping with the quality or character of the building. The size and location of signage on or visible from the exterior of the Ground Floor (part) is subject to the reasonable approval and Landlord and Alliance. Wachovia also has the right to display promotional banners provided the size, color and location of said banners is subject to the reasonable approval of Landlord and Alliance. Landlord's (and, therefore, Alliance's) failure to respond within 15 business days to any request for consent regarding signage is deemed consent (Wachovia Lease §46.3(a)).
- **Assignment/Subletting Profits:** Landlord and Alliance will share equally any sublease or assignment of lease profits payable to Landlord under the Wachovia Lease (Sup21 §6(a)).
- **Hold Over by Wachovia:** If Wachovia holds over following the termination of the Wachovia Lease term, then Landlord will promptly commence summary dispossess proceedings and will use commercially reasonable efforts to evict Wachovia. Landlord will pay to Alliance any amounts recovered

from Wachovia arising from said proceedings after first deducting Landlord's actual out-of-pocket expenses, provided that if the amounts paid over by Landlord exceed the sums paid by Alliance in respect of the Ground Floor (part) for the corresponding period, then Landlord will be permitted to retain 50% of said excess (Sup21 §8).

- Reimbursement of Landlord on Account of Payments to Cushman & Wakefield, Inc.: Alliance will reimburse Landlord up to \$601,854.52 in respect of any amounts paid by Landlord to Cushman & Wakefield, Inc. arising from Sup21 (Sup21 §10).

## **MONTHLY FIXED RENT**

### Concourse (part):

#### Approximately 3,000 rsf:

12/01/01 through 11/30/06: \$7,000 (Sup17 §13(b)(i))  
12/01/06 through 11/30/11: \$8,250 (Sup17 §13(b)(ii))  
12/01/11 through 12/31/19: \$9,500 (Sup17 §13(b)(iii))

#### Balance of Concourse Space Leased Pursuant to Sup15:

Date the concourse space (or portion thereof) is included in the demised premises through the day before the 5<sup>th</sup> anniversary of such inclusion date: \$28 per rsf (Sup15 §23(d)).

5<sup>th</sup> anniversary of such inclusion date through the day before the 10<sup>th</sup> anniversary of such inclusion date: \$33 per rsf (Sup15 §23(d)).

10<sup>th</sup> anniversary of such inclusion date through 12/31/19: \$38 per rsf (Sup15 §23(d)).

#### Concourse Space Leased Pursuant to Sup23:

Date the concourse space is included in the demised premises through the day before the 5<sup>th</sup> anniversary of such inclusion date: \$9,616.25 (Sup23 §3(a)(1)).

5<sup>th</sup> anniversary of such inclusion date through the day before the 10<sup>th</sup> anniversary of such inclusion date: \$10,440.50 (Sup23 §3(a)(2)).

10<sup>th</sup> anniversary of such inclusion date through 12/31/19: \$11,264.75 (Sup23 §3(a)(3)).

### Ground Floor (part) - Payments in Lieu of Rent and Credits:

Notwithstanding that the Ground Floor (part) has been deleted from the demised premises, Alliance is obligated to pay monthly installments equal to the fixed rent and the tax and operating expense escalation payments Alliance would have been obligated to pay had the Ground Floor (part) not been deleted from the demised premises. The rate for the payment in lieu of the fixed rent payment is described below and the payments in lieu of the tax and operating expense escalations are described in the applicable portions of this summary.

#### Payment in Lieu of Fixed Rent

01/16/05 through 01/15/10: \$58,333.33 (Sup13 §3(a)(2))

01/16/10 through 12/31/19: \$62,500.00 (Sup13 §3(a)(3); Sup20 §3(b))

#### Wachovia Credit

Wachovia pays monthly installments of fixed rent as follows (assuming that the lease commencement date was January 1, 2004):

06/01/07 through 05/31/10: \$107,662.50  
06/01/10 through 05/31/13: \$118,428.75  
06/01/13 through 05/31/16: \$130,271.58  
06/01/16 through 12/30/19: \$143,298.79

Wachovia also pays a tax escalation based on a 0.483% share of the excess over a 2003/04 base year.

Each month, Landlord and Alliance apportion the fixed rent and tax escalation payments (if any) made by Wachovia that month and the portion to which Alliance is entitled is a credit against rent next payable. The apportionment is done as follows:

First, to Alliance up to the sum of the fixed rent and tax and operating expense escalation payments Alliance made for such month in respect of the Ground Floor (part);

Second, to Alliance up to \$10,408.26 a month provided that the aggregate of such installments cannot exceed \$1,935,941.10);

Third, to Landlord up to \$2,889.79 a month provided that the aggregate of such installments cannot exceed \$537,500; and

Finally, any remainder is shared equally between Landlord and Tenant (Sup21 §4).

### 2<sup>nd</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 11<sup>th</sup> through 14<sup>th</sup> Floors:

09/01/04 through 08/31/09: \$1,419,941.25 (Sup15 §3(a); Sup19 §26))

09/01/09 through 08/31/14: \$1,532,635.00 (Sup15 §3(a); Sup19 §26)

09/01/14 through 12/31/19: \$1,645,328.75 (Sup15 §3(a); Sup19 §26))

This schedule assumes that all of this space was delivered simultaneously on May 1, 2004. It was anticipated, however, that floors 8 and 9 would be delivered six months after Floors 2, 11-14 are delivered (Sup16 §11). If that occurred, the commencement and subsequent increases in fixed rent for Floors 8 and 9 occurs six months after the commencement of and subsequent increases in fixed rent for Floors 2, 11-14.

For the extended term of January 1, 2020 through December 31, 2024 with respect to the premises located on Floor 8: \$235,905.58 (Sup28 §2)

10th Floor:

From the termination or expiration of the Hearst Lease through 04/30/09: \$203,589.75 (Sup19 §3(b)(1))

05/01/09 through 04/30/14: \$219,747.67 (Sup19 §3(b)(2))

05/01/14 through 12/31/19: \$235,905.58 (Sup19 §3(b)(3))

15<sup>th</sup> Floor:

12/01/04 through 11/30/10: \$172,851.87 (Sup12 §3(a)(1))

12/01/09 through 12/31/16: \$189,313.95 (Sup12 §3(a)(1))

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b)); Sup20 §3(a)).

16<sup>th</sup> Floor:

05/01/05 through 04/30/09: \$172,851.87 (Sup12 §3(b)(1))

05/01/10 through 12/31/16: \$189,313.95 (Sup12 §3(b)(1))

01/01/17 through 12/31/19: Rent for the Ground (part), 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

17th Floor:

02/01/07 through 01/31/12:

\$90,995.33 (Sup16 §3(a)) + \$35,054.00 (Sup17 §3(a)) + \$14,104.33 (Sup18 §3(a)) + \$65,104.58 (Sup22 §3(a)) = \$205,258.24

02/01/12 through 12/31/19:

\$97,686.17 (Sup16 §3(a)) + \$37,631.50 (Sup17 §3(a)) + \$15,141.42 (Sup18 §3(a)) + \$70,161.25 (Sup22 §3(a)) = \$220,620.34

\*Fixed annual rent on the portion of the 17<sup>th</sup> floor demised under the 22<sup>nd</sup> Supplemental Agreement is abated through July 31, 2005.

31<sup>st</sup> Floor (part):

7/1/94 through 10/31/09: \$45,180.84 (Sup7 §3(c))

11/1/09 through 12/31/16: For the aggregate of Floors 31 (part)-34 and 37-39, \$1,031,773.10 (Sup9 §4(b)). Note that by 11/1/09, Floors 31 (part)-34 and 37-39 are scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for such floors instead of paying electricity charges as a "rent inclusion factor" included in fixed rent for such floors.

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

31<sup>st</sup> Floor (part):

commencement through April 30, 2015: \$194,794.67 (Sup24 §3(a)(1)), except that the first 5 months are abated (Sup24 §3(b)).

5/1/09 through 12/31/19: \$209,616 (Sup24 §3(b)).

32<sup>nd</sup> Floor:

05/01/94 through 10/31/09: \$120,936.94 (Sup6 §3(a) and §7(b); Sup7 §7))

11/1/09 through 12/31/16: For the aggregate of Floors 31 (part)-34 and 37-39, \$1,031,773.10 (Sup9 §4(b)). Note that by 11/1/09, Floors 31 (part)-34 and 37-39 are scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for such floors instead of paying electricity charges as a "rent inclusion factor" included in fixed rent for such floors.

01/01/17 through 12/31/19: Rent for the Ground (part), 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

33<sup>rd</sup> Floor:

1/1/94 through 10/31/09: \$105,185.28 (Sup7 §3(a)(i) and §7)

(Note: Calendar 1994's rent is deferred and will be paid in monthly installments of \$11,007.76 beginning July 1, 1995 through December 1, 2004 with \$7,339.00 due on January 1, 2005 (Sup7 §3(a)(ii)). (Rent for the first half of calendar 1995 is deferred and will be paid in monthly installments of \$3,668.76 due on January 1, 2005 and \$11,007.76 per month beginning February 1, 2005 through October 1, 2009 (Sup7 §3(a)(iii)).

11/01/09 through 12/31/16: For the aggregate of Floors 31 (part)-34 and 37-39, \$1,031,773.10 (Sup9 §4(b)). Note that by 11/1/09, Floors 31 (part)-34 and 37-39 are scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for such floors instead of paying electricity charges as a "rent inclusion factor" included in fixed rent for such floors.

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

34<sup>th</sup> Floor:

05/01/99 through 10/31/09: \$114,614.66 (Sup7 §3(b) and §7)

11/01/09 through 12/31/16: For the aggregate of Floors 31 (part)-34 and 37-39, \$1,031,773.10 (Sup9 §4(b)). Note that by 11/1/09, Floors 31 (part)-34 and 37-39 are scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for such floors instead of paying electricity charges as a "rent inclusion factor" included in fixed rent for such floors.

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

35<sup>th</sup> Floor:

08/01/05 through 07/31/10: \$215,974.08 (Sup14 §3(a)(1))

08/01/10 through 12/31/16: \$232,979.92 (Sup14 §3(a)(1))

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b) ; Sup20 §3(a)).

36<sup>th</sup> Floor (assuming that the space is delivered on 07/01/01, as anticipated):

08/01/05 through 07/31/10: \$216,201.63 (Sup14 §3(b)(1))

08/01/10 through 12/31/16: \$233,225.38 (Sup14 §3(b)(1))

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

37<sup>th</sup>, 38<sup>th</sup> and 39<sup>th</sup> Floors:

11/01/06 through 10/31/09: \$437,872.58 (Sup7 §7)

11/01/09 through 12/31/16: For the aggregate of Floors 31 (part)-34 and 37-39, \$1,031,773.10 (Sup9 §4(b)). Note that by 11/1/09, Floors 31 (part)-34 and 37-39 are scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for such floors instead of paying electricity charges as a "rent inclusion factor" included in fixed rent for such floors.

01/01/17 through 12/31/19: Rent for the Ground (part), 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b)).

40<sup>th</sup> and 41<sup>st</sup> Floors:

Through 11/30/16: \$422,395.67 (Sup11 §2(c)(i); LTR1)

01/01/17 through 12/31/19: Rent for the 15th, 16th, 31st (part), 32nd-41st floors will be the product of the average of fixed annual rent per square foot as of 12/30/16 of all space leased to Alliance other than concourse/subconcourse space, multiplied by the square footage of such space (Sup15 §12(b); Sup20 §3(a)).

42<sup>nd</sup> Floor

Through 4/30/11: \$214,170.05 (Sup25 §3(a)(i)).

5/1/11 through 9/30/11: Abated (Sup25 §3(b)).

10/1/11 through 4/30/16: \$337,624.00 (Sup25 §3(a)(ii)).

5/1/16 through 12/31/19: \$362,242.41 (Sup25 §3(a)(iii)).

Note that by 5/1/11, Floor 42 is scheduled to have check meters and, therefore, Alliance will be charged separately for electricity for Floor 42 instead of paying electricity charges as a “rent inclusion factor” included in fixed rent for Floor 42.

#### 43<sup>rd</sup> and 44<sup>th</sup> Floors

commencement through 4/30/12: \$670,920.00 (Sup26 §3(a)(i)), except that the first 131 days are abated (Sup26 §3(b))

5/1/12 through 4/30/17: \$740,807.50 (Sup26 §3(a)(ii))

5/1/17 through 12/31/19: \$810,695 (Sup26 §3(a)(iii))

#### 28th Supplemental Agreement

Fixed Rent is increased by \$6,463.17 per month from May 2, 2014 through December 31, 2024.

#### ELECTRICITY

##### *Check Meters:*

All floors have check meters except for Floors 31 (part), 32-34, and 37-39, which will have check meters on or before November 1, 2009 (Sup9 §5) and Floor 42, which will have check meters on or before May 1, 2011 (Sup25 §4(c)(i)). The check meters measure electricity demand and consumption for each floor during a calendar month. Alliance pays Landlord, within 30 days after receipt of a bill, Landlord’s cost of the electricity consumed based on the applicable rate charged to the Landlord by the supplying utility, plus a 2% administrative fee (Sup9 §5(b) and (c); Sup12 §4(b) and (c); Sup14 §4(b) and (c); Sup15 §4(b) and (c); Sup22 §4(b); Sup24 §4(b); Sup25 §4(c); Sup26 §4(b)). Landlord will provide check meters for any portion of the Concourse (part) space measuring at least 3,000 contiguous rsf (Sup15 §23(f)(i)). If the check meters for Floors 31 (part), 32-34, and 37-39 are not installed by November 1, 2009, then Alliance will pay Landlord what Landlord’s electrical consultant determines to be Landlord’s cost for such electricity, provided that Alliance may dispute such determination in accordance with a specified procedure.

##### *Dispute:*

Each bill is binding on Alliance unless Alliance disputes such bill within 90 days of receipt. In case of a dispute, Alliance’s electrical consultant will submit its determination within such 90 day period and Landlord and Alliance will seek a resolution. Upon Alliance’s request, Landlord will make available its utility bills for the building for at least the last 3 years. If Landlord and Alliance cannot agree, they will choose a third electrical consultant to perform a limited review (Sup12, §5(c)(ii); Sup12 §4(c)(ii); Sup14 §4(c)(ii); Sup15 §4(c)(ii); Sup22 §4(c)(ii); Sup24 §4(c)(ii); Sup25 §4(c)(iii); Sup26 §4(b)).

##### *Wattage:*

6 watts per usable square foot excluding building HVAC systems and other base building systems (Sup9 §5(e); Sup12 §4(e); Sup14 §4(e); Sup15 §4(e); Sup22 §4(e); Sup24 §4(e); Sup25 §4(e); Sup26 §4(e)).

##### *Additional Capacity:*

Upon notice from Alliance, Landlord will provide Alliance with (1) an additional 400 amperes in the aggregate for the 15<sup>th</sup> and 16<sup>th</sup> floors (Sup12 §4(e)), and (2) up to another 1,800 amperes for the entire demised premises (Sup14 §4(f)). Such notice will be given by Alliance on or before, with regard to the 15<sup>th</sup> and 16<sup>th</sup> floors, the date Alliance delivers to Landlord its plans for its initial fit-out of the 15<sup>th</sup> floor (but in no event later than June 30, 2001), and, with regard to the rest of the demised premises, by December 31, 2001 (Sup12 §4(e) and Sup14 §4(e)). Alliance is responsible for any construction costs it would incur in connection with alterations relating to such additional electricity supply, as well as a pro-rata share of Landlord’s construction costs (Sup12 §4(e); Sup14 §4(e); and Sup15 §4(f)).

##### *Discontinuance of Service:*

Landlord may discontinue furnishing electricity to Alliance only if Landlord simultaneously discontinues service to 80% of the other building tenants (Sup15 §4(d)), upon 60 days’ written notice, provided such period is extended as reasonably necessary to permit Alliance to obtain electricity from the utility company servicing the Building. In such case, Alliance may use the existing wiring. The cost of installation of any additional wiring will be borne, if such discontinuance is voluntary, by Landlord, and if such discontinuance is involuntary, by Landlord and Alliance with Alliance’s share equal to the total cost of such additional wiring multiplied by a fraction, the numerator of which is remaining months of the Lease term and the denominator of which is as follows:

<u>Floor(s)</u>	<u>Denominator</u>
2, 8-14	188 (Sup15 §4(d))
15, 16	248 (Sup12 §4(d) and (h); Sup15 §4(d))
17	182 for the space demised by Sup22, 214 for the space demised by Sup18 and 219 for all other space on Floor 17 (Sup22 §4(d)).



31 (part), 32-34, 37-41	294 (Sup9 §15(d); Sup15 §4(d))
31 (part)	116 (Sup24 §4(d))
35 and 36	237 (Sup14 §4(d); Sup15 §4(d))
42	150 (Sup25 §4(d))
43 and 44	104 (Sup26 §4(d))

*Electricity Rent Inclusion Factor for Floors 31 (part), 32-34, and 37-39:*

Until November 1, 2009, the charge for electricity for Floors 31 (part), 32-34, and 37-39 (the “ERIF”) is included in fixed annual rent (orig. §7.02(a)). Such charge, however, is separately quantified (as listed below) and is subject to increase or decrease (but in no event below \$2.75 per s.f. per annum) in proportion to increases or decreases in Landlord’s electricity costs for the building (orig. §7.02(a)).

<b>Floor (entire floor unless otherwise noted)</b>	<b>Original ERIF</b>
31(part), 33, 34	\$249,902.46 (Sup7 §3(g))
32	\$104,337.75 (Sup6 §3(c))
37 (NE Cor.), 38	\$127,187.50 (orig. §7.02(a))
37 (NW Cor.)	\$27,500.00 (orig. §46.02(d))
37 (SE Cor.)	\$13,750.00 (Sup1 §3(e))
37 (SW Cor.)	\$27,912.50 (Sup5 §3(c))
39	\$96,937.50 (Sup4 §3(c))

A determination by Landlord of a change in the ERIF as a result of a survey of electrical consumption in the Demised Premises will be binding on Alliance unless Alliance disputes such determination within 15 days of receipt of such determination. If Alliance disputes such determination, it will have its own electrical consultant at its own cost, attempt to resolve the dispute in consultation with Landlord’s electrical consultant. If they cannot agree on a resolution, they will choose a third electrical consultant who’s decision will control (orig. §7.03(b)).

*Electricity Rent Inclusion Factor for 42<sup>nd</sup> Floor:*

Until May 1, 2011, the charge for electricity for Floor 42 is included in fixed annual rent. The initial amount of such charge is \$5.81 per s.f. and is subject to increase or decrease (but in no event below \$5.81 per s.f. per annum) in proportion to increases or decreases in Landlord’s electricity costs for the building as well based on Alliance’s electricity consumption. A determination by Landlord of a change in the rent inclusion charge as a result of a survey of electrical consumption in the Demised Premises will be binding on Alliance unless Alliance disputes such determination within 30 days of receipt of such determination. If Alliance disputes such determination, it will have its own electrical consultant at its own cost attempt to resolve the dispute in consultation with Landlord’s electrical consultant. If they cannot agree on a resolution, they will choose a third electrical consultant who’s decision will control (Sup25 §4(b)).

*Supplies:*

At Landlord’s option, Alliance is required to purchase (for a reasonable charge) from Landlord all lighting tubes, lamps, bulbs and ballasts used in the demised premises (orig. §7.05(b)).

*Concourse Space:*

Subject to the following sentence, for any portion of the demised premises located on the concourse consisting of less than 3,000 contiguous rsf, Alliance will pay an ERIF of \$0.75/rsf, subject to increase if Alliance uses the space for anything other than storage (Sup15 §23(f)(ii)). For the portion of the demised premises located on the concourse and leased pursuant to Sup23, however, Landlord will provide electricity at no additional charge provided that if Landlord

determines on a reasonable basis that Alliance is consuming excessive electricity, then Landlord may commence charging Alliance for such electricity on either (at Landlord's option) a rent inclusion or submeter basis.

## **TAX ESCALATION**

<b><u>FLOOR</u></b>	<b><u>BASE YEAR</u></b>	<b><u>PERCENTAGE</u></b>
Ground Floor (part)	1999/2000 (Sup13§3(c)(1)).	0.483% (Sup13 §3(c)(2))
2, 8, 9, 11-14	Average of 2000/01 and 2001/02 (Sup15 §3(d)(i)).	14.72% (Sup15 §3(d)(ii); Sup19 §2(d))
10	Average of 2000/01 and 2001/02 (Sup15 §3(d)(i)).	2.11% (Sup19 §3(d))
15	1999/2000 (Sup12 §3(a)(4)(a)).	2.150% (Sup12 §3 (a)(4)(b))
16	1999/2000 (Sup12 §3(b)(4)(a)).	2.150% (Sup12 §3(b)(4)(b))
17	Average of 2000/01 and 2001/02 (Sup16 §3(d)(i); Sup17 §3(d)(i); Sup18 §3(d)(i)) Except with respect to the Sup22 17 <sup>th</sup> floor space, for which it is the average of 2003/04 and 2004/05 (Sup22 §3(d)(i)).	2.147% (Sup16 §3(d)(ii); Sup17 §3(d)(ii); Sup18 §3(d)(ii); Sup22 §3(d)(ii))
31 (part), 33, 34	Average of 1994/95 and 1995/96 (Sup7 §3(f)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	5.130% (Sup7 §3(f)(ii))
31 (part)	Average of 2007/08 and 2008/09 (Sup24 §3(d)(i)).	1.35% (Sup24 §3(d)(ii))
32	1993/94 (Sup6 §3(b)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	2.150% (Sup6 §3(b)(ii))
35	2000/01 (Sup14 §3(a)(4)(a)).	2.150% (Sup14 §3(a)(4)(b))
36	2000/01 (Sup14 §3(b)(4)(a)).	2.150% (Sup14 §3(b)(4)(b))
37 (NE Cor.), 38	1985/86 (orig. §4.01(a)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	2.820% (orig. §4.01(a)(ii))
37 (NW Cor.)	1985/86 (orig. §4.01(a)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	0.610% (orig. §46.02(b))
37 (SE Cor.)	1985/86 (Sup1 §3(a)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	0.300% (Sup1 §3(b))
37 (SW Cor.)	1988/89 (Sup5, §3(b)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	0.618% (Sup5 §3(b)(ii))
39	1988/89 (Sup4 §3(b)(i)). Beginning on 11/01/09, changed to 1995/96 (Sup9 §4(e)).	2.150% (Sup4 §3(b)(ii))
40, 41, 45	1995/96 (Sup9 §4(d)(i)).	6.446% (Sup10 §2(a))
42	1988/89 (Sup25 §3(d)(i)(a)). Beginning on 5/1/11, changed to average of 2007/08 and 2008/09 (Sup25 §3(d)(i)(b)).	2.24% (Sup25 §3(d)(ii))
43 and 44	Average of 2007/08 and 2008/09 (Sup26 §3(d)(i)).	4.45% (Sup26 §3(d)(ii))

**Due Date:** 6/1 and 12/1 of each comparative year, subject to rescheduling based on the date tax payments are due from Landlord (orig §4.01(b)(1)).

**Audit/Dispute:** Landlord's real estate tax statements given to Alliance are binding unless Alliance challenges such statement in writing within 90 days (Sup7 §6(d)) of receipt. Alliance must make payments in accordance with the statement pending dispute resolution (orig §4.01(b)(4)).

**Tax Increase upon Disposition:** Under certain circumstances, if, as a result of the sale of an interest in the property or entity owning the property, the real estate taxes increase, Alliance will receive an abatement of the resulting escalation, and thereafter this Lease provision is deleted. Under certain circumstances, if, after Fisher-Sixth Avenue Company's or a Fisher family affiliate's purchase of Hawaiian Sixth Avenue Corp.'s or its successor's interest in the property or the entity owning the property, as a result of a sale of a less than majority interest in the property or the entity owning the property or the admission into the entity owning the property of an entity owning less than a majority interest in such entity, the real estate taxes increase, Landlord will pay Alliance \$1,500,000.00 (Sup9 §15; Sup12 §17).

**Building Square Footage:** Total rentable area of the office and store space in the building is 1,641,000 sf for tax escalation purposes (orig §4.01(a)(ii)).

**Concourse Space:** Alliance will pay a tax escalation for its concourse space only if the previous tenant of such space was subject to a tax escalation. The base year for any such escalation will be the average of 2000/01 and 2001/02 (Sup15, §23(g)).

**Floor 8 Extended Term:** Tax escalation additional rent will continue to be payable with respect to the premises located on Floor 8 floor for the extended term of January 1, 2020 through December 31, 2024 provided that the percentage with respect to such premises will be 2.11%. (Sup28 §2)

**EXPENSE ESCALATION**

<b><u>Floor</u></b>	<b><u>Base</u></b>	<b><u>Percentage</u></b>
Ground (part)	Expenses for 1999 calendar year (Sup13 §3(c)(3)).	0.483% (Sup13 §3(c)(4))
2, 8, 9, 11-14	Expenses for 2001 calendar year (Sup15 §3(d)(ii)).	15.67% (Sup15 §3(d)(iv); Sup19 §2(c))
15	Expenses for 1999 calendar year (Sup12 §3(a)(4)(c)).	2.290% (Sup12 §3(c)(4)(d))
16	Expenses for 1999 calendar year (Sup12 §3(b)(4)(c)).	2.290% (Sup12 §3(b)(4))
17	Expenses for 2001 calendar year (Sup16 §3(d)(iii); Sup17 §3(d)(iii); Sup18 §3(d)(iii)), except for the Sup22 17 <sup>th</sup> floor space, for which it is 2004 (Sup22 §3(d)(iii)).	2.288% (Sup16 §3(d)(iv); Sup17 §3(d)(iv); Sup18 §3(d)(iv) and Sup22 §3(d)(iv))
31 (part), 33, 34	Expenses for 1995 calendar year (Sup7 §3(f)(iii); Sup9 §4(e)).	5.450% (Sup7 §3(f)(iv))
31 (part)	Expenses for 2008 calendar year (Sup24 §3(d)(iii)).	1.43% (Sup24 §3(d)(iv))
32	Expenses for 1993 calendar year (Sup6 §3(b)(iii)). As of 11/01/09, changed to expenses for calendar year 1995 (Sup9 §4(e)).	2.290% (Sup6 §3(b)(iv))
35	Expenses for 2000 calendar year (Sup14 §3(a)(4)(c)).	2.290% (Sup14 §3(a)(4)(d))
36	Expenses for 2000 calendar year (Sup14 §3(b)(4)(c)).	2.290% (Sup14 §3(b)(4)(d))
37 (NE Cor.) and 38	\$6,509,748 (orig §5.01(a)(i)). As of 11/01/09, changed to expenses for 1995 calendar year (Sup9 §4(e)).	3.000% (orig §5.01(a)(iv))
37 (NW Cor.)	\$6,509,748 (orig. §5.01(a)(i)). As of 11/01/09, changed to expenses for 1995 calendar year (Sup9 §4(e)).	0.650% (orig. §46.01(b))
37 (SE Cor.)	\$6,509,748 (Sup1 §5.01(a)(i)). As of 11/01/09, changed to expenses for calendar year 1995 (Sup9 §4(e)).	0.330% (Sup1 §3(c))
37 (SW Cor.)	Expenses for calendar year 1989 (Sup5 §3(b)(iii)). As of 11/01/09, changed to expenses for calendar year 1995 (Sup9 §4(e)).	0.659% (Sup5 §3(b)(iv))

39	Expenses for calendar year 1989 (Sup4 §3(b)(iii)). As of 11/01/09, changed to expenses for calendar year 1995 (Sup9 §4(e)).	2.290% (Sup4 §3(b)(iv))
40, 41	Expenses for calendar year 1995 (Sup9 §4(d)9iii)).	6.865% (Sup11 §2(c))
42	Expenses for calendar year 1989 (Sup25 §3(d)(iii)(a)). As of 5/1/11, changed to expenses for calendar year 2008 (Sup25 §3(d)(iii)(b)).	2.38% (Sup25 §3(d)(iv))
43 and 44	Expenses for calendar year 2008 (Sup26 §3(d)(iii)).	4.73% (Sup26 §3(d)(iv))

**Management Fee:** The management fee included in building expenses is an amount equal to the greater of (a) \$152,250, and (b) the product of \$152,250 multiplied by a fraction the numerator of which is building expenses (exclusive of management fees for such year) and the denominator of which is \$6,357,498 (orig §5.01(a)(v)).

**Payment Frequency:** Monthly, equal to 1/12<sup>th</sup> of Alliance's share of previous comparative year's annual escalation over the base year, subject to adjustment for reasonably anticipated increases (orig §5.01(b)(1)).

**Audit/Dispute:** Landlord's expense statements given to Alliance are final and determinative unless Alliance challenges such statement in writing (which will also set forth the basis of such challenge with particularity) within 90 days (Sup7 §6(d)) of receipt. Alliance must make payments in accordance with the statement pending dispute resolution. So long as Alliance has continued to pay the expense escalation pursuant to Landlord's statements, Alliance has the right to examine Landlord's books and records provided such examination is commenced within 60 days and concluded within 90 days (Sup7 §6(d)) following the rendition of the expense statement in dispute. Landlord and Alliance will resolve the dispute by arbitration with 3 arbitrators, each of whom will have at least 10 years experience in the operation and management of major Manhattan office buildings (orig. §5.01(b)(2)).

**Concourse Space:** Alliance will pay an expense escalation for its concourse space only if the previous tenant of such space was subject to an expense escalation. The base year for any such escalation will be calendar year 2001 (Sup15, §23(g)).

**Building Square Footage** Total rentable area of the building is 1,540,000 sf for expense escalation purposes (orig. §5.01 (a)(iv)).

**8<sup>th</sup> Floor Extended Term:** Expense escalation additional rent will continue to be payable with respect to the premises located on Floor 8 for the extended term of January 1, 2020 through December 31, 2024 provided that the percentage with respect to such premises will be 2.25%. (Sup28 §2)

## **CLEANING**

Cleaning services are provided by the Cleaning Contractor pursuant to two separate agreements, one covering the office space and the other covering the ground floor space. The following summary is applicable to both such agreements. Unless otherwise noted, the section references are also applicable to both agreements.

**Services:** The Cleaning Contractor provides certain cleaning services for the office areas and lavatories of the demised premises (§1(a)). The cleaning services provided do not include the cleaning of below-grade space, kitchen, pantry or dining space, storage, shipping, computer or word-processing space, or private or executive lavatories (§1(b)). The Cleaning Contractor is not responsible for removing debris and rubbish from areas under construction in the demised premises (§2). The quality of the cleaning services will be comparable to that provided in first class buildings in midtown Manhattan (§1(a)).

**Access:** The Cleaning Contractor has access to the demised premises from 6 p.m. to 2 a.m. on business days. The Cleaning Contractor has the right to use Alliance's light, power and water, as reasonably required (§1(a)).

**Term:** The cleaning agreements are co-terminous with the Lease (§2).

**Fee:** Alliance pays the Cleaning Contractor, for the office space, a fixed monthly fee of \$310,465.73, plus an amount equal to the fee for Floor 36 multiplied by the percentage increase in the labor rate in 2000 over 1999, plus an amount equal to the fee for Floors 2, 8, 9, 11-14 multiplied by the percentage increase in the labor rate in 2001 over 2000, plus an amount equal to the fee for Floor 10 multiplied by the percentage increase in the labor rate in 2001 over 2000 (CAO §3; CAO-2 §3; CAO-3 §3; CAO-4 §3; CAO-5 §3; CAO-6 §3; CAO-7 §3; CAO-8 §3; CAO-9 §3; CAO-11 §3). Alliance pays the Cleaning Contractor a fixed monthly fee of \$2,833.33 for the ground floor space (CAG §3). The fixed monthly fee for cleaning the office space will increase by \$11,087.73 plus an adjustment based on the increase in the labor rate in 2008 over 2007 with the addition of remainder of Floor 31 to demised premises (CAO-10 §3) and will increase by \$36,604.68 plus an adjustment based on the increase in the labor rate in 2008 over 2007 with the addition of Floor 10 to demised premises (CAO-12 §3). The monthly fee with respect to Floor 8 for the extended term of January 1, 2020 through December 31, 2024 is \$14,717.83. (Sup28 §2). The fixed monthly fee is inclusive of sales tax and is payable in advance on the first of each month (§3). Payment for any additional cleaning services will be made by Alliance within 20 days of demand. The cost of such additional services must be comparable to services provided in comparable buildings (§1(a)). In addition to the fixed fee, Alliance pays the Cleaning Contractor a percentage of annual increases in cleaning costs (which annual increases are equal to the annual percentage increase in porters' wages over a porter's wage base year) over an amount representing base year cleaning costs. The percentage for the

office space is 53.899% (CAO §3 and §4; CAO-2 §3; CAO-3 §3; CAO-4 §3; CAO-5 §3; CAO-6 §3; CAO-7 §3; CAO-8 §3; CAO-9 §3; CAO-11 §3) and 0.483% for the ground floor space (CAG §4). The percentage for the office space will increase by 1.46% (CAO-10 §3) to with the addition of the remainder of Floor 31 and will increase by 4.82% with the addition of Floors 43 and 44. The percentage for Floor 8 for the extended term of January 1, 2020 through December 31, 2024 is 2.29%. (Sup28 §2). The other variables in such calculation are as follows:

<u>Floor</u>	<u>Base Year for Porter's Wages</u>	<u>Base for Cleaning Costs</u>
Ground (part)	1999 (CAG §4)	\$6,286,271.55 (CAG §4)
2, 8-14	2001 (CAO-5, §4)	\$6,444,056.97 (CAO-5, §4)
15 and 16	1999 (CAO-3 §4)	\$6,247,986 (CAO-3, §4)
17 (except for the part demised by Sup22)	2001 (CAO-6 §4; CAO-7 §4; CAO-8 §4)	\$6,629,645.81
17 (the part demised by Sup22)	2004 (CAO-9 §4)	\$7,606,434.69 (CAO-9 §4)
31 (part) , 32-34, 37-41	1995 (CAO §4(a)(i))	\$5,827,772 (CAO §4(a)(iii))
31 (the part demised by Sup24)	2008 (CAO-10 §4)	\$8,408,948.97 (CAO-10 §4)
35 and 36	2000 (CAO-4 §4)	\$6,381,693 (CAO-4 §4)
42	2008 (CAO-11 §4)	\$8,408,948.97 (CAO-11 §4)
43 and 44	2008 (CAO-12 §4)	\$8,408,948.97 (CAO-12 §4)

**Dispute with Cleaning Contractor:** If Alliance believes that the Cleaning Contractor is not adequately performing under a cleaning agreement, and the Cleaning Contractor has not corrected such inadequate performance within 10 days after notice, Alliance may arbitrate whether the Cleaning Contractor is adequately performing. If a majority of the required arbitrators find that the Cleaning Contractor is not adequately performing, then the Cleaning Contractor will correct such inadequate performance within 10 days of such finding. If Contractor fails to do so, Alliance may terminate the cleaning agreement upon 10 days notice. (§5).

**Default by Alliance:** If Alliance fails to make a payment due under a cleaning agreement within 15 days of notice of such failure, the Cleaning Contractor may, upon 10 days notice terminate the cleaning agreement if Alliance also fails to make such payment within such 10 day period. In case of such termination, Alliance may only use the approved cleaning contractor for the building (§6). If a payment is not made within 3 days of notice of such failure, such payment accrues interest from the due date at prime rate, provided that Cleaning Contractor is not obligated to give such notice more than twice a year (§12).

**Rent Credit:** Alliance is entitled to a credit against the monthly installment of fixed rent in the amount of \$169,479.10 per month (Sup9 §4(c); Sup10 §2(c); Sup11 §2(c); LTR1; Sup12 §3(a)(3) and §3(b)(3); Sup14 §3(a)(3) and §3(b)(3); Sup15 §3(c)) Sup16 §3(c); Sup17 §3(c); Sup18 §3(c) and Sup22 §3(c) plus an amount equal to the credit for Floor 36 multiplied by the percentage increase in the labor rate in 2000 over 1999 (Sup14 §3(b)(3)). The monthly credit will increase by (i) \$92,734.38 plus an adjustment based on the increase in the labor rate in 2001 over 2000 with the addition of Floors 2, 8, 9, 11-14 to the demised premises (Sup15 §3(c); Sup19 §2(c)), (ii) by \$13,296.17 plus an adjustment based on the increase in the labor rate in 2001 over 2000 with the addition of Floor 10 to the demised premises (Sup19 §3(c)); (iii) by \$11,087.72 plus an adjustment based on the increase in the labor rate in 2008 over 2007 with the addition of remainder of Floor 31 to the demised premises (Sup24 §3(c)); (iv) by \$220,539.40 plus an adjustment based on the increase in the labor rate in 2008 over 2007 on May 1, 2011 (Sup25 §3(c)); and (v) by \$439,256.17 plus an adjustment based on the increase in the labor rate in 2008 over 2007 on May 1, 2011. The monthly credit with respect to Floor 8 for the extended term of January 1, 2020 through December 31, 2024 is \$13,635.52. (Sup28 §2).

**Termination of Cleaning Agreement:** In the event the cleaning agreement for the office space is terminated, Landlord will provide cleaning services and Alliance will pay Landlord on a monthly basis for the office space (assuming that all of the office space demised under the lease is delivered to Alliance at that time) 60.17% (Sup26 §7(a)) of annual increases in cleaning costs (which annual increases are equal to annual percentage increases in porter's wages) over Landlord's cleaning costs for the

entire building during the first full calendar year after the Cleaning Agreement's termination (orig. §6.04, as modified by Sup9 §8(a)). Landlord's cleaning cost escalation statements are final and determinative unless Alliance challenges such statement in writing within 90 days (Sup7 §6(d)) of receipt. Alliance must make payment in accordance with such statement pending dispute resolution. Landlord and Alliance will resolve any dispute by arbitration with 3 arbitrators, each of whom will have at least 10 years' experience in the operation and management of major Manhattan office buildings (orig. §6.01(d)).

Total rentable area of the building is 1,515,000 sf for cleaning cost escalation purposes.

## **MAINTENANCE & REPAIRS**

<i>Alliance's Responsibility</i>	Alliance will make repairs to the demised premises necessitated by its acts, omissions, occupancy or negligence (except for fire or other casualty caused by Alliance's negligence if Landlord's insurance is not invalidated thereby) (orig. §9.01).
<i>Landlord's Responsibility</i>	Landlord will maintain the building and its common areas in a manner appropriate to a first class office building. The building exterior, the window sills outside the window and the windows are not part of the demised premises (orig. §9.01).

## **ALTERATIONS**

<i>Approval:</i>	All alterations require Landlord's prior written approval, which will not be unreasonably withheld or delayed, provided that it does not (1) affect the structural integrity of the building, (2) affect the exterior of the building, or (3) adversely affect the building's systems without, in Landlord's opinion, adequate mitigation (orig. §8.01).
<i>Landlord's Reimbursement:</i>	Alliance will reimburse Landlord's out-of-pocket costs incurred in reviewing alterations (orig. §8.01).
<i>Contractors:</i>	Landlord's affiliate will act as general contractor for any alteration work performed anywhere in the demised premises for one year after the delivery of the 2 <sup>nd</sup> and 8 <sup>th</sup> -14 <sup>th</sup> floors, for a fee not to exceed 6% of the aggregate cost of such work. In acting as general contractor, Landlord's affiliate will obtain competitive bids from at least 3 subcontractors approved by Landlord for each category of work, except that there is only one approved subcontractor for air conditioning balancing work (although Alliance may have another subcontractor verify the work) and there are only 2 unaffiliated subcontractors for the base building work (Sup15 §6(a)). Alliance and Plaza Construction Corp., Landlord's affiliate, have subsequently entered into that certain Master Agreement dated January 27, 2004 pursuant to which Plaza Construction Corp. will provide construction management services to Alliance in respect of construction projects at the building. Landlord must have given its approval of any contractors performing alterations. Alliance will inform the Landlord of the name of any contractors or subcontractors Alliance proposes to do any alterations at least 10 days prior to work commencement (orig. §8.01 2(a)).
<i>Insurance Certificates:</i>	Prior to commencing any alterations, Alliance will deliver to Landlord an insurance certificate evidencing the existence of workmen's compensation insurance covering all persons involved in such alterations and reasonable comprehensive general liability and property damage insurance with coverage of at least \$1 million single limit (orig. §8.01(7)).
<i>Records:</i>	Alliance will keep records of alterations exceeding \$25,000 in cost and provide copies of such records to Landlord within 45 days of demand (orig. §8.07).
<i>38<sup>th</sup>/39<sup>th</sup> Floor Staircase:</i>	Alliance has the right to install a staircase between the 38 <sup>th</sup> and 39 <sup>th</sup> floors provided that Landlord approves the plans therefor and the staircase is installed in compliance with Articles 8 and 45 of the lease (Sup4 §14).
<i>Expiration of Term:</i>	All improvements installed by Landlord are the property of the Landlord (orig. §8.03) and all permanent improvements (including, therefore, any kitchen, pantry or dining room) will remain at the expiration of the term without Alliance being obligated to remove such permanent improvements. (orig. §8.04) All fixtures (other than trade fixtures) installed by Landlord become the property of the Landlord, and will remain as part of the demised premises, upon expiration of the lease. All furnishings and trade fixtures supplied by Alliance at its expense are Alliance's property and, with regard to Alliance's furniture and movable office equipment only (Sup7 §6(e)), will be removed upon the expiration of the lease term following the lease expiration unless Landlord notifies Alliance (within 30 days after Alliance's notice, which notice will be given at least 3 months prior to expiration of the lease term) that such property may remain in the demised premise following the lease term expiration (orig. §8.05). Alliance has no obligation to remove any staircases in the demised premises (Sup9 §21).

## **MISCELLANEOUS MATTERS RELATING TO IMPROVEMENTS**

<i>Emergency Generator:</i>	Alliance is permitted to install a 2800 KW Detroit diesel emergency generator back-up power system in specified locations in the building (Sup27 §2(b)). Alliance is permitted to connect the back-up power system to the building's emergency generator system. Up to 1500 KW of the power generated by the back-up power system will back-up the
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building's emergency generator system (Sup27 §2(d)). Landlord will operate and maintain the back-up power system at Alliance's expense and, as part of such obligation, Landlord will enter into a maintenance contract for same subject to the reasonable approval of Alliance (Sup27 §2(d)). Alliance is obligated to pay a one-time fee for such emergency generator rights equal to \$75,000, adjusted for inflation based on increases in the Consumer Price Index (Sup27 §2(f)). Alliance will pay for its proportionate share (based on KW capacity) of fuel purchased for the emergency generator system and has the right, subject to Landlord's reasonable approval, to install its own fuel storage tanks (Sup27 §2(g)). The back-up power system will remain and not be removed at the end of the lease term (Sup27 §2(i)). Alliance has, through 1/31/10, a limited right of first offer to lease space to install another emergency generator. Alliance has 15 days to accept any such offer (Sup27 §3).

*Communications Antenna or Dish:* Alliance has the right, subject to the other alteration provisions of the Lease and to all applicable legal requirements, to install a communications antenna or dish on the roof in a location reasonably determined by Landlord. Landlord may require Alliance to relocate the antenna, at Landlord's expense, to mitigate interference with other uses, so long as the antenna is able to function in its relocated position, provided that if such relocation does mitigate the interference, Landlord may require Alliance to remove the antenna so long as no other antennas are allowed to be installed on the roof and Landlord bears the cost of such removal and the unamortized value of the antenna. If deemed reasonably advisable by Landlord's engineer, Landlord will, at Alliance's expense, reinforce the area under the antenna and, upon lease expiration, Alliance will remove the antenna and restore any damage caused thereby. Alliance will pay Landlord one-half of fair market rent for the roof space used by the antenna. Alliance, under Landlord's supervision (the cost of which Alliance is obligated to reimburse, has access to the roof and other areas of the building as reasonably necessary to maintain and repair the antenna (Sup9 §20).

*Communications Wiring:* Landlord will provide Alliance a reasonable area in a common vertical riser shaft in the building for the installation of data, communications and security system cabling.

*Initial Fit-Out of Balance of 31st Floor:* Alliance, at its expense, will prepare a complete set of plans for the work, which is subject to the reasonable approval of Landlord (orig. §45.01). Although Alliance is permitted to use its own engineer, such plans ultimately are subject to the reasonable approval of Landlord's designated engineer. There is no deadline for the delivery to Landlord of the plans for Alliance's initial fit-out (Sup24 §6(a)). Landlord will provide Alliance with a \$762,240 allowance for the hard costs and certain soft costs of the fit-out. The allowance can be disbursed in installments upon Alliance's request and any unused portion will be credited against fixed rent (Sup24 §6(b)(i)). Alliance may use the allowance to pay for construction work undertaken in the demised premises leased prior to Sup24, but if Alliance draws on the allowance prior to May 1, 2010 then the allowance will be reduced by the future value of the amount drawn upon calculated at 6% per year (Sup24 §6(b)(ii)).

*Initial Fit-Out of 42<sup>nd</sup> Floor:* Alliance, at its expense, will prepare a complete set of plans for the work, which is subject to the reasonable approval of Landlord (orig. §45.01). Although Alliance is permitted to use its own engineer, such plans ultimately are subject to the reasonable approval of Landlord's designated engineer. There is no deadline for the delivery to Landlord of the plans for Alliance's initial fit-out (Sup25 §6(a)). Landlord will provide Alliance with a \$1,266,090 allowance for the hard costs and certain soft costs of the fit-out. The allowance can be disbursed in installments upon Alliance's request and any unused portion will be credited against fixed rent (Sup25 §6(b)). If, however, Alliance draws on the allowance prior to May 1, 2011 then the allowance will be reduced by the future value of the amount drawn upon calculated at 6% per year (Sup25 §6(b)(ii)).

*Initial Fit-Out of 43<sup>rd</sup> and 44<sup>th</sup> Floors:* Alliance, at its expense, will prepare a complete set of plans for the work, which is subject to the reasonable approval of Landlord (orig. §45.01). Although Alliance is permitted to use its own engineer, such plans ultimately are subject to the reasonable approval of Landlord's designated engineer. There is no deadline for the delivery to Landlord of the plans for Alliance's initial fit-out (Sup26 §6(a)).

## **SNDA & ESTOPPEL**

*Subordination, Non-Disturbance and Attornment:* The Lease is subordinate to all present and future mortgages and ground leases only to the extent Alliance receives a subordination, non-disturbance and attornment agreement from the holder thereof (orig. §11.01; Sup15 §8). Alliance will not exercise any right to terminate the lease due to an act or omission of Landlord without first giving notice of such act or omission to any mortgagee or ground lessor of which Alliance has been notified and giving such mortgagee or ground lessor an opportunity to cure such act or omission within a reasonable period of time after such notice provided that such mortgagee or ground lessor notifies Alliance that it will commence and continue to remedy such act or omission (orig. §11.02). Alliance and the property's mortgagee are parties to a subordination, non-disturbance and attornment agreement (SNDA-M). Alliance and the property's ground lessor are parties to a subordination, non-disturbance and attornment agreement (SNDA-G).

*Estoppel:* Alliance will provide an estoppel certificate within 10 days after Landlord's request. The estoppel certificate will certify:

(a) that the Lease is unmodified and in full force and effect or, if there has been any modification that the same is in full force and effect as modified and state any such modification;

(b) whether the term of the Lease has commenced and rent become payable thereunder; and whether Alliance has accepted possession of the demised premises;

(c) whether or not there are then existing any defenses or offsets which are not claims under paragraph (e) below against the enforcement of any of the agreements, terms, covenants, or conditions of the Lease any modification thereof upon the part of Alliance to be performed or complied with, and, if so, specifying the same;

(d) the dates to which the fixed annual rent, and additional rent, and other charges hereunder, have been paid; and

(e) whether or not Alliance has made any claim against Landlord under the Lease and if so the nature thereof and the dollar amount, if any, of such claim (orig. §36).

## **INSURANCE AND LIABILITY**

*Insurance:* Alliance will reimburse Landlord for any increases in Landlord's fire insurance caused by Alliance (orig. §10.03).

*Landlord* Landlord is not liable for damage or injury to property or persons unless caused by or due to the negligence of Landlord or its agents, servants or employees (orig. §12.01). Alliance will look solely to Landlord's estate in the Building for the satisfaction of any judgment (orig. §12.05).

*Alliance:* Alliance will reimburse Landlord for all costs incurred by Landlord that Landlord does not recover from insurance resulting from Alliance's breach under the lease, by reason of damage or injury caused by Alliance in connection with the moving of Alliance's property except as provided in the lease, and by reason of the negligence of Alliance or its agents, servants or employees in the use or occupancy of the demised premises (orig. §12.03). Alliance will indemnify, defend and save Landlord harmless from any liability arising from Alliance's use of the demised premises, breach of the lease, or holding over, except for any liability arising from Landlord's negligence (orig. 35.01).

*Waiver of Subrogation* Both parties are required to obtain waivers of their insurer's rights of subrogation provided that such waiver does not result in an additional expense to the party waiving the right of subrogation, unless the other party agrees to be responsible for such additional expense (orig. §12.06(a) and (b)).

## **USE**

*General:* The demised premises are permitted to be used for executive and general offices (orig. §2). Landlord represents that such use does not violate the certificate of occupancy for the demised premises (orig. §17). The demised premises may not be used for a banking office open to street traffic or certain other undesirable businesses (orig. §42.01).

*Dwyer Unit:* Alliance may, subject to Landlord's consent which may not be unreasonably withheld, install in the demised premises a Dwyer Unit at its sole cost expense provided that:

(a) it is used for Alliance's employees and guests;

(b) no installation of ventilation equipment is required and no odors emanate from the demised premises from the use thereof;

(c) no additional air conditioning service is required thereby;

(d) use of the unit is expressly subject to the extra cleaning and water consumption provisions of the lease; and

(e) Alliance will engage an extermination service (orig. §49.01; Sup7 §18).

*Dining:* Alliance may, subject to Landlord's consent which may not unreasonably be withheld, install a dining room with kitchen for use by Alliance's employees and guests in the demised premises (Sup7 §18), provided that such facilities (a) comply with all applicable laws, (b) are properly ventilated and (c) all wet garbage is bagged and stored so that no odor emanates therefrom (orig. §49.06). If Alliance installs such facilities, then (a) Alliance will pay landlord the cost of an extermination service and (b) will have a refrigerated garbage storage room or other means of disposing of garbage therefrom reasonably satisfactory to Landlord (orig. 32.08 (as modified by Sup9 §6(b)); orig. §49.02), but such refrigerated room will only be required if such wet garbage creates an odor or pest problem (orig. §49.02). Alliance may install additional dining facilities on any floor of the demised premises comparable to the dining facility located on the 39<sup>th</sup> floor (as it existed as of 8/16/94). (Sup9 §25)

*Corporate Training Facility:* Subject to the other terms of the lease and all applicable laws, Alliance may use a portion of the demised premises for a corporate training facility (Sup5 §11(c)).

*Concourse:* Subject to the following sentence, the portion of demised premises located on the concourse may be used for storage, mailroom, computer printing room, incidental office, dining room or cafeteria purposes and any other legal purpose (Sup15 §23(e)). The portion of the demised premises located on the concourse and leased pursuant to Sup23, however, may be used only for storage purposes except that Alliance may also install electrical switches therein in certain specified locations (Sup23 §4).

## **TERM**



*Expiration Date:*

December 31, 2024. Landlord has exercised its right to extend the term from December 31, 2019 to December 31, 2024. (Sup15 §12(a), Sup15 §13(a)(i)). Fixed annual rent during the extension period will be at the rate of the average fixed annual rent per s.f. being paid by Alliance on 12/30/19 for all of its space in building (other than ground floor, concourse or subconcourse space). The method of calculating escalations would remain unchanged for such period (Sup15 §13(a)(ii) and (iii); Sup21 §9(a)).

*Alliance's 10 Year Extension Option:*

- Alliance has the option to extend the term for 10 years (Sup9 §12(a)) to expire on 12/31/34.
- The exercise deadline for Alliance's 10 year extension option is 12/31/21 (Sup9 §12(a)(i)).
- As conditions to the exercise of Alliance's 10 year extension option, as of the date of exercise and as of the first day of the extension period (i) Alliance can not be in default of beyond applicable notice and grace periods of its obligation to pay fixed annual rent, tax escalations and expense escalations, and (ii) Alliance and its affiliates must occupy at least 200,000 rsf (Sup9 §12(a)(ii) and (iii)).
- The fixed annual rent for Alliance's 10 year extension period is 95% of fair market rent determined as of 36 months before what would have been the expiration of the term if the term had not been extended by Alliance's ten year extension option, as determined by Landlord and notified to Alliance in writing within 30 days thereafter, plus an increase in proportion to the increase over such 36 month period of the average of the CPI for Urban Consumers and CPI for Urban Wage Earners (both New York, NY-Northeast NJ, base year 1982-84 =100, "All Items") (Sup9 §12(b)). If Alliance disputes Landlord's determination of the rent, then Landlord and Alliance will resolve the dispute according to a specified arbitration process (Sup9 §12(b) and §16).
- For purposes of calculating real estate tax escalations, the base year during such extension period is 2019/20 if Landlord does not exercise its 5 year extension option, or 2024/25 if Landlord does exercise its 5 year extension option (Sup9 §12(c)(i); Sup15 §13(b) and (c)). For purposes of calculating expense escalations, the base year for building expenses during such extension period is calendar year 2019 if Landlord does not exercise its 5 year extension option, or calendar year 2024 if Landlord does exercise its 5 year extension option. (Sup9 §12(c)(ii) and (iii); Sup15 §13(b) and (c)).

**SERVICES**

*Electricity:*

See page 14.

*Elevator:*

Passenger: Service will be provided as necessary on business days between 8 am and 6 pm and sufficient service at all other times (orig. §32.01). In case of special events at the demised premises, upon 24 hours notice from Alliance, Landlord will provide 2 dedicated elevators staffed by Landlord personnel, the labor cost of which will be reimbursable by Alliance within 30 days of demand (Sup9 §24(a)). Landlord is required to have, in 1996, reconfigured the elevators so that the 32<sup>nd</sup> floor and the 37<sup>th</sup>, 38<sup>th</sup> and 39<sup>th</sup> floors are served by the same elevators (Sup6, §4(c)).

Freight: Landlord will provide reasonable freight elevator service on business days from 8 am to 6 pm and after-hours service at landlord's established rates (orig. §32.01). During tenant's initial fit-out of the remainder of the 31<sup>st</sup> floor, and the 42<sup>nd</sup>, 43<sup>rd</sup> and 44<sup>th</sup> floors, Alliance has priority but not exclusive use of one freight elevator and non-priority use of a second freight elevator at no charge (Sup14 §13(a); Sup15 §16(a); Sup24 §10(a); Sup25 §10; Sup26 §10). Subject to the terms of the alterations provisions and so long as Alliance is leasing floors 31 (part) through 41, Alliance has the right, at its expense, to make alterations so that any elevator servicing Floors 31 (part) through 41 can stop on any other floor leased by Alliance (Sup15 §24).

*HVAC:*

Regular Service: During regular hours of operation on business days as from time to time determined by Landlord, but always at least from 8 am to 6 pm, but excluding 9pm to 8 am (orig. §32.02(a)).

After-Hours Service: Available upon reasonable notice at Landlord's established rates, payable upon presentation of bill, provided that:

- if any other tenants in the same air conditioning zone obtain after-hours service, the charge therefore will be equitably pro-rated (orig. §32.02(d)), and
- Landlord will provide HVAC to Alliance free of charge on any non-business day that the New York Stock Exchange is open (Sup9 §24(b)).

Supplemental AC: Subject to the lease provisions (including the alterations section) and all applicable laws, Alliance may at its expense install self-contained package air-conditioning units in the demised premises. Alliance is responsible for the maintenance and repair of such units. Alliance may connect such units to any existing supplementary air-conditioning systems located in the demised premises as of the date the lease commenced with respect to the 37<sup>th</sup> and 38<sup>th</sup> floors (orig. §32.10). Alliance has the right to install at its own expense additional supplemental air conditioning in the demised premises subject to service being available from Landlord at Landlord's established per ton per annum

connected load and line charge (Sup5 §11(d)). Alliance has the right to install a supplemental air conditioning system on the 31 (part)-34<sup>th</sup>, and 37<sup>th</sup>-39<sup>th</sup> floors and Landlord will provide condenser water therefor at a connected load and line charge fee of \$500 per ton per annum increased after 1991 in proportion to the lease's expense escalations (Sup6 §17; Sup7 §19).

Condenser Water:

- Floors 2, 8-14: Alliance has reserved 190 tons of condenser water for use on the 2<sup>nd</sup> and 8<sup>th</sup>-14<sup>th</sup> floors, with an option to reserve up to an additional 80 tons upon written notice to Landlord on or before 8/30/04. Landlord's charge for such condenser water is \$568.35 plus annual increases based on the percentage increases in building and parking expenses. Alliance begins paying for such condenser water upon use (but no later after 1 year after delivery of the 2<sup>nd</sup> and 8<sup>th</sup> through 14<sup>th</sup> floors). If Alliance requires more than 270 tons of condenser water for such space, then Landlord will use best efforts to obtain additional condenser from the building's existing supply and, if unsuccessful, will enter into good faith discussions regarding the installation of an additional cooling tower and allocation of costs relating thereto (Sup15 §16(b)).
- Floors 15-16: The 15<sup>th</sup> floor has an existing supply of 12 tons of condenser water and the 16<sup>th</sup> floor has an existing supply of 11 tons of condenser water. Alliance has the right to install at its own expense, pursuant to the alterations provisions of the Lease, a supplemental air-conditioning system on the 15<sup>th</sup> and 16<sup>th</sup> floors. Alliance was to have reserved its requirements of condenser water for such supplemental system from the existing supply on or before May 1, 1999 and of additional condenser water (up to 100 tons) by June 30, 2001 (Sup14 §13(b)(ii)). We have been advised by Judd S. Meltzer Co. Inc., however, that Landlord has agreed to reduce such available tonnage to 60 tons in exchange for increasing the available tonnage to 100 tons with respect to Floors 35-36. Landlord's charge for such condenser water is \$552/ton per annum plus annual increases over a 1997 base year (Sup12 §14).
- Floors 2, 8-14, 17 (part): Alliance was required to notify the Landlord of the amount of additional condenser water required by Alliance for its premises on Floors 2, 8-14 and 17 (part), which amount cannot exceed 20 tons, by August 31, 2002. Alliance begins paying for such condenser water upon use at a rate equal to \$594.90 per ton per annum increased annually from 2001 at the same percentage rate that building operating expenses increase (Sup16 §10(b)).
- Floors 31 (part) - 34, 40, 41: We have been advised by Judd S. Meltzer Co. Inc. that Alliance has exercised its right to have Landlord supply Alliance with 250 tons condenser water for use in supplemental air conditioning units on Floors 31 (part)-34 or 40, 41 at a cost \$250/ton/yr for the first 250 tons/yr and \$500/ton/yr (plus annual increases over the 1994 expenses base year). Any condenser water already being provided for Floors 31(part)-34 and 40, 41 are included in determining such rates. Alliance pays for the condenser water that Landlord has agreed to commit to Alliance, regardless of whether Alliance actually uses it (Sup9 §24(f)).
- Floors 35-36: Alliance may purchase up to 60 tons (in the aggregate) of condenser water for use in connection with its supplemental air-conditioning on the 35<sup>th</sup> and 36<sup>th</sup> floors. We have been advised, however, by Judd S. Meltzer Co. Inc. that Landlord has agreed to increase such available tonnage to 100 tons in exchange for reducing the available tonnage of additional condenser water to 60 tons with respect to Floors 15-16. Alliance must reserve the condenser water it wishes to purchase by February 8, 2001 (in respect of the 35<sup>th</sup> floor) and December 31, 2001 (in respect of the 36<sup>th</sup> floor) Landlord's charge for such condenser water is \$568.35/ton per annum plus annual increases over a 1999 base year (Sup14 §13(b)).

Standards:

- indoor conditions to be 75° 50% RH when outdoor conditions are 92° DB and 74° WB; indoor conditions to be 70° when outdoor conditions are 11°
- outdoor air at a minimum of 20 cfm per person

assumes occupancy of 1 person per 100 usf, electric demand load of 5 watts per usf, and appropriate use of blinds (Sup9 §24(c)(ii)).

*Water:*

Landlord is required to supply an adequate quantity for ordinary lavatory, drinking, cleaning and pantry purposes. Water consumed for any additional purposes is subject to charge therefor and, separate metering. Alliance is subject to charge and separate metering for water used for any additional purposes.

*Housekeeping Supplies:*

Landlord must approve, in its reasonable discretion, suppliers of laundry, linen, towels, drinking water, ice and similar supplies to be consumed in the demised premises. Landlord may designate exclusive suppliers of any such supply provided that such suppliers' rates and quality are comparable to other suppliers (orig. §32.05).

*Food & Beverages:*

Landlord must approve, in its reasonable discretion any vendor of food or beverages to be consumed in the demised premises (orig. §32.06).

*Cleaning:*

See page 21.

*Building Directory and Concierge:*

Alliance is provided with its proportionate share (based upon the same percentage used in calculating Alliance's share of operating expense escalations) of listings for itself, and any other person or entity in occupancy of the demised premises

and their employees. Landlord may reduce the number of such listings provided that Alliance always has its share in proportion to the space it occupies in the building (Sup6 §23).

So long as Alliance and its affiliates are in occupancy of at least 200,000 rsf, Alliance, at no additional cost, is permitted to station 1 or, if practicable, 2 of its employees at the lobby's concierge desk with a telephone, an employee telephone directory, guest passes and an identifying sign (Sup9 §10(f)).

*Signage and Flag:*

So long as Alliance and its affiliates are in occupancy of at least 200,000 rsf, Alliance has exclusive right to name the building after itself or, subject to Landlord's consent, any of its affiliates, and Alliance has the right to install signage with its name and logo:

- above the lobby entrance (which may be illuminated subject to Landlord's reasonable approval, but not neon, and provided that any other exterior signage is subject to Alliance's approval),
- on the building plaza kiosks (with signage for the building's retail tenants on such kiosks subject to Alliance's reasonable approval and any other kiosk signage or retail signage subject to Alliance's approval),
- behind the lobby concierge desk (which may be illuminated subject to Landlord's reasonable approval, but not neon, and which will be the only sign behind the lobby concierge desk, although Landlord may install less prominent signage for other tenants elsewhere in the lobby subject to Alliance's reasonable approval), and
- place "tombstone" signs on the building plaza

If occupancy decreases to less than 200,000, Landlord may remove Alliance's signage (Sup9 §10(a)). Landlord has reasonable approval rights as to the design and location of Alliance's signage. All installation, maintenance and removal work relating to Alliance's signage will be performed by Landlord at Alliance's reasonable expense (Sup9 §10(b)).

So long as Alliance and its affiliates are in occupancy of at least 200,000 rsf, Alliance may fly a flag bearing its name and logo, the design of which is subject to landlord's reasonable approval, from a flagpole on the building plaza. No other flagpole may be installed on the building plaza without Alliance's approval (Sup9 §10(d)).

Landlord is prohibited from installing any signage in the area of the lobby's upper elevator bank for an Alliance competitor occupying Floors 46-50, or a majority thereof (Sup13 §19(d)).

*General Contractor:*

Landlord's affiliate will act as general contractor for any alteration work performed anywhere in the demised premises for one year after Landlord delivers the 2<sup>nd</sup> and 8<sup>th</sup>- 14<sup>th</sup> floors to Alliance following substantial completion of Landlord's work thereon, for a fee not to exceed 6% of the aggregate cost of such work (Sup15 §6(a)). Alliance and Plaza Construction Corp., Landlord's affiliate, have subsequently entered into that certain Master Agreement dated January 27, 2004 pursuant to which Plaza Construction Corp. will provide construction management services to Alliance in respect of construction projects at the building.

*Parking:*

37 spaces in the building garage at the garage's standard rates and terms, but the first 25 are at a 10% discount if Alliance reserved such spaces before the Sup9 Adjustment Date (Sup9 §18; Sup12 §12). Landlord's parking obligations continue so long as Landlord is the garage operator or so long as the garage is generally available to building tenants (Sup15 §22).

*Allowances and Credits:*

The following allowances and credit may have been used or applied:

10th Floor: \$130,000 credit against fixed annual rent due from and after Floor 10 is included in the demised premises (Sup19 §9).

15<sup>th</sup> Floor: \$987,725 for tenant's initial fit-out and professional fees relating thereto. Any portion not used for such purposes is credited against fixed annual rent (Sup12 §6(b)).

16<sup>th</sup> Floor: \$987,725 for cost of initial fit out and professional fees relating thereto. Any portion not used for such purposes is credited against fixed annual rent (Sup12 §6(c)).

**CASUALTY/CONDEMNATION**

*Casualty:*

In case of casualty, Landlord is required to restore the building and/or the demised premises (other than property installed by or on behalf of Alliance). Fixed annual rent and additional rent is abated to the extent that the demised premises or a portion thereof are unrentable and are not occupied by Alliance for the conduct of its business. In case of substantial casualty affecting the demised premises, Alliance may terminate the lease if Landlord's restoration is not completed within 1 year, subject to extension of up to an additional 6 months for circumstances beyond Landlord's reasonable control. (orig. §13.01). In case the building or the demised premises are substantially damaged in the last 2 years of the term, either Landlord or Alliance may cancel the lease upon notice given within 60 days of such casualty (orig. §13.02). Landlord may terminate the lease upon 30 days' notice given within 120 days of a casualty that so damages the building that Landlord decides to demolish it or not rebuild it (orig. §13.03).

*Condemnation:*

In case of a total condemnation of the demised premises, the lease terminates (orig. §14.01). In case of a condemnation

other than a total condemnation of the demised premises, the lease will continue, but fixed annual rent and additional rent, will be abated proportionately, provided that if more than 25% of the demised premises is condemned, Alliance may terminate the lease upon 30 days notice given within 30 days after such condemnation (orig. §14.02). Landlord is required to repair any damage caused by such condemnation (orig. §14.02). In case of a condemnation of more than 25% of the demised premises, Landlord will, to the extent of the condemnation award, repair damage caused by such condemnation within 6 months of the condemnation, as such period may be extended due to force majeure. If Landlord fails to complete repairs within 6 months, as extended due to force majeure, Alliance may terminate upon 30 days' notice (orig. §14.04). In case of any partial condemnation within the last 2 years of the term, either party may terminate the lease within 32 days of the condemnation upon 30 days notice (orig. §14.04). In case of a temporary taking of all or part of the of the demised premises, there will be no abatement of rent, but Alliance is entitled to any condemnation award and if such temporary taking occurs in the last 3 years of the terms, Alliance may terminate the lease upon 30 days' notice given within the 30 days of title vesting in such condemnation (orig. §14.05).

## **ASSIGNMENT/SUBLETTING**

Subletting the demised premises, assigning the Lease, allowing others to use the demised premises, and advertising for a subtenant or assignee are not permitted without the consent of Landlord (§15.01), which consent will not unreasonably be withheld (§15.05) except with regard to the ground floor portion of the demised premises. Landlord has no recapture rights. Alliance may, without Landlord's consent, assign or sublet to a corporation into or with which Alliance is merged, with an entity to which substantially all of Alliance's assets are transferred, or to an entity which controls or is controlled by Alliance or is under common control with Alliance, subject to a net worth test (§15.02). Also, Alliance may, without Landlord's consent, permit an affiliate (defined as "an entity which controls or is controlled by Alliance or is under common control with Alliance") to occupy all or a portion of the premises (orig. §15.08). Any permitted assignment or sublease will not be effective until Alliance delivers to Landlord a recordable sublease or assignment agreement reasonably satisfactory to Landlord pursuant to which the subtenant or assignee assumes all of Alliance's obligations under the Lease. Alliance will remain fully liable under the lease for the payment of rent and the performance of all of Alliance's other obligations under the Lease notwithstanding any such assignment or sublease (orig. §15.03).

*Landlord's Consent to assignment or sub-subletting by an assignee or subtenant:* Landlord's consent will not be unreasonably withheld or delayed, provided that such further assignment or sub-sublease is subject to all of the other terms and conditions of the Lease regarding assignment and subletting (Sup7 §12(b)).

*Profits:* If Alliance assigns the lease or sublets any portion of the demised premises other than to a corporation into which Alliance is merged or consolidated, or to which Alliance's assets are transferred or to any entity which controls or is controlled by Alliance or is under common control with Alliance, then Alliance will pay Landlord 50% of any profits after first deducting reasonable expenses incurred in connection with such assignment/sublease amortized on a straight line basis over the balance of the lease term (in case of an assignment) or over the term of the sublease (in case of a sublease) (orig. §15.07). For the first 50% of rsf of demised premises other than ground floor space (including Floors 2 and 8-14 after such floors are delivered to Alliance (Sup15 §19(a)) assigned or sublet by Alliance, Alliance will have the right to deduct as such a reasonable expense a "Tenant Improvement Deduction", determined as of the commencement date of such sublease or assignment, and calculated as follows:

$$((A/2 - B) \div C) \times D$$
, where

A = amortized value of Alliance leasehold improvements (regardless of whether paid for with tenant allowance) based upon the average value of Alliance's unamortized leasehold improvements on a per rentable square foot basis for all of the demised premises other than any concourse space (Sup15 §19(b) or ground floor space (Sup20 §2(a)), amortized on a straight line basis from completion date until 10/31/09 (if located on Floors 37-39 and completed prior to 8/16/94 and such calculation is being made prior to the delivery of Floors 2 and 8-14 (Sup15 §19(a))) or the lease expiration date (in all other cases)

B = total landlord cash contribution or allowance to Alliance for leasehold improvements under the lease,

C = total rsf of the demised premises, and

D = rsf of the space being sublet or assigned. (Sup9 §13(d))

In determining profits, Alliance is permitted to take into account its electricity expenses under the lease and cleaning expenses (whether under separate agreement with Landlord's contractor or pursuant to the lease) (Sup9 §13(d)), and its rental cost for the space being sublet or assigned will be determined using an average, on a rentable square foot basis, of its rental cost for the entire demised premises other than any concourse space or ground floor space (Sup20 §2(b)) except with respect to any sublease or assignment of the 2<sup>nd</sup>, 8<sup>th</sup>-14<sup>th</sup> or 17<sup>th</sup> (part) floors made before Alliance ever occupies such space (which is the case for Floor 10 (Sup19 §6(b)) in which case Alliance's rental cost will be based on its actual rental without including any deduction for unamortized tenant improvements (Sup15 §19(d); Sup16 §12, Sup17 §11; Sup18 §11). If Alliance subleases any part of Floors 2 and 8-14 or assigns the Lease with respect thereto after first occupying such space, then Alliance will have the right to take a "Tenant Improvement Deduction" as provided above.

## **RIGHTS TO ADDITIONAL SPACE**

Except as noted below, all of the following rights are subject to the condition that Alliance and its affiliates are occupying at least 200,000 rsf of the building and to the condition that Alliance is not in default beyond the expiration of applicable notice and cure periods under any of the terms, provisions and conditions of the Lease.

<i>Ground Floor:</i>	Alliance has the right of first offer to lease all or a portion of the space occupied by European American Bank as of August 16, 1994, upon such space (or portion thereof) becoming available, at 95% of fair market rent (as determined by Landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer) (Sup9 §14(a)). So long as Alliance and its affiliates occupy at least 200,000 rsf of the building, Landlord is restricted from leasing such space to a competitor of Alliance (Sup9 §14(a)(ii)). This right of first offer is not subject to the condition that Alliance not be in default beyond the expiration of applicable notice and cure periods under any of the terms, provisions and conditions of the Lease.
<i>24<sup>th</sup> and 25<sup>th</sup> Floors:</i>	[Note: The 24 <sup>th</sup> and the 25 <sup>th</sup> floors are currently used for the building's mechanical equipment and are not leased to tenants.]
<i>26<sup>th</sup>, 27<sup>th</sup> and 28<sup>th</sup> Floors:</i>	Subject to the superior rights (as of 8/16/94) of any then-existing tenant or occupant of the building and the superior rights of any tenant that leases floors 26 through 28, Alliance has the right of first offer to lease, at fair market rent (as determined by Landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer), the 26 <sup>th</sup> , 27 <sup>th</sup> and 28 <sup>th</sup> floors (or a portion of any such floor, if offered to Alliance as a partial floor), upon availability (Sup9 §14(c)). We have been advised by Judd S. Meltzer Co. Inc. that this space is presently leased to Avon pursuant to a lease which expires on October 31, 2016 and that Avon has three 5-year extension options which are superior to Alliance's right of first offer.
<i>29<sup>th</sup> Floor:</i>	Subject to the superior rights (as of 8/16/94) of any then-existing tenant or occupant of the building and the superior rights of any tenant that leases floors 26 through 28, Alliance has the right of first offer to lease, at fair market rent (as determined by Landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer), the 29 <sup>th</sup> floor (or a portion thereof, if offered to Alliance as a partial floor), upon availability (Sup9 §14(c)). We have been advised by Judd S. Meltzer Co. Inc. that this space is presently leased to Dean Witter pursuant to a lease which expires on February 28, 2005 and that Avon has superior rights to this right of first offer.
<i>30<sup>th</sup> Floor:</i>	Subject to the superior rights (as of 8/16/94) of any then-existing tenant or occupant of the building and the superior rights of any tenant that leases floors 26 through 28, Alliance has the right of first offer to lease, at fair market rent (as determined by Landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer), the 30 <sup>th</sup> floor (or a portion of any such floor, if offered to Alliance as a partial floor), upon availability (Sup9 §14(c)). We have been advised by Judd S. Meltzer Co. Inc. that this space is presently leased to Rubenstein pursuant to a lease which expires on December 31, 2009 and that Rubenstein has one 5-year extension option which may be preempted by Alliance.
<i>46<sup>th</sup> through 50<sup>th</sup> Floors:</i>	Subject to the superior rights (as of 8/16/94) of any then-existing tenant or occupant of the building and the superior rights of any tenant that leases floors 26 through 28, Alliance has the right of first offer to lease, at fair market rent (as determined by Landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer), the 49 <sup>th</sup> and 50 <sup>th</sup> floors (or a portion of any such floor, if offered to Alliance as a partial floor), upon availability (Sup9 §14(c)). This right of first offer also applies to the 46 <sup>th</sup> through 48 <sup>th</sup> floors (Sup10 §4(b); Sup14 §16). We have been advised by Judd S. Meltzer Co. Inc. that this space is presently leased to Pimco pursuant to a lease which expires on December 31, 2016 and that there are no superior rights to this right of first offer.
<i>All other space:</i>	Alliance has the right of first offer to lease all other space in the building it does not already lease or that is not subject to another of Alliance's rights of first offer, upon availability, at fair market rent (as determined by landlord but subject to a specified arbitration process if Landlord and Alliance cannot agree within 60 days of Alliance's acceptance of the offer) (Sup15 §9(a)(1); Sup16 §14). This right of first offer is subject to the conditions that Alliance and its affiliates are in occupancy of at least 400,000 rsf and is subject to any rights of first offer or refusal held by any other building occupant or tenant existing as of August 3, 2000 (Sup15 §9(a)(i) and (ii)). (Note: We have been advised by Judd S. Meltzer Co. Inc. that the following superior rights exist: Linklaters has two 5-year extension options with respect to the 19 <sup>th</sup> floor, Smith Barney has one 5-year extension option with respect to the 21 <sup>st</sup> and 22 <sup>nd</sup> floors; Nichimen has one 5-year extension option with respect to the 23 <sup>rd</sup> floor and Avon has rights to the 23 <sup>rd</sup> floor.) Alliance may not exercise such right of first offer during the last 10 years of the term unless (i) Alliance simultaneously extends the lease term pursuant to the Lease, or (ii) such offer is made during the period beginning 10 years before the expiration date and ending 5 years before the expiration date and is for 2 or fewer floors (provided that if it is for more than 2 floors and Alliance wishes to accept the offer, Alliance must accept Landlord's terms (including, perhaps, a non-coterminous expiration date) for those excess floors) (15 Sup. §9(a)(iii)(7)).

## **DEFAULT AND LANDLORD REMEDIES**

<i>Events of Default:</i>	Landlord may terminate the lease upon 10 days' notice if:
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- (i) Alliance fails to pay fixed annual rent or any other lease payment within 10 days after notice from Landlord of such failure;
- (ii) Alliance fails to cure its default under any of its other obligations under the lease, or fails to re-occupy the demised premises after abandoning the demised premises, within 30 days after notice from Landlord (reduced to 5 days in case of default under Alliance's obligation to use the demised premises in conformance with the certificate of occupancy or Alliance's failure to provide an estoppel), but if such default cannot be cured within such period, such period is extended as necessary to permit Alliance with diligence and good faith, to cure such default; or
- (iii) an execution or attachment against Alliance or its property results in a party other than Alliance continuing to occupy the demised premises after 30 days' notice from Landlord (orig. §19.01).

Upon termination, Landlord may re-enter the demised premises and dispossess Alliance (orig. §19.02).

Alliance's obligation to pay fixed annual rent and additional rent survives any termination of the lease due to Alliance's default (orig. §19.03). Upon such termination, Alliance will pay landlord re-letting expenses and at Landlord's option, either a lump sum representing the present value of the excess of Alliance's combined fixed annual rent and additional rent over the rental value for the terminated portion of the term, or on a monthly basis the excess of Alliance's combined fixed annual rent and additional rent over the rent received from any re-letting of the demised premises for the period representing the terminated lease term (orig. §20.01).

*Landlord's Right to Cure:*

If Alliance fails to cure a default within any applicable grace period after notice of such default (provided that no notice is required in case of emergency), then Landlord may cure such default and bill Alliance for the cost of such cure, which bill will be due upon receipt (orig. §21.01).

*Right to Contest:*

Alliance may contest any law that Alliance is obligated to comply with under the lease and compliance thereunder, provided that:

- (a) such non-compliance will not subject Landlord to criminal prosecution or subject the building to lien or sale;
- (b) such non-compliance does not violate any fee mortgage, ground lease or leasehold mortgage thereon;
- (c) Alliance will deliver a bond or other security to Landlord; and
- (d) Alliance will diligently prosecute such contest.

*Arbitration:*

Where arbitration is required by the lease, unless otherwise expressly provided, the arbitration will be in New York City in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the lease, and judgment may be entered in any court having jurisdiction (orig. §33.01).

*Limits on Alliance's Remedies:*

Alliance cannot, in response to Landlord's act or omission, terminate the lease or set-off rent before giving any ground lessor or mortgagee of the fee or ground leasehold estate for which Alliance has been given an address notice of such act or omission and a reasonable period of time to cure. Such ground lessor or mortgagee, however, has no obligation to cure such act or omission.

## **ACCESS**

*Landlord:*

Landlord may enter the demised premises to perform alteration work, to inspect the demised premises or to exhibit the demised premises to prospective purchasers, mortgagees or lessors of the building and (during the last 6 months of the term) to prospective lessees of the demised premises, provided that Landlord provides Alliance advance notice (which may be oral) of such entry (orig. §16.01). Landlord will exercise reasonable diligence so as to minimize the disturbance (orig. §16.01).

*Carter-Wallace, Inc.*

Carter-Wallace, Inc. is allowed, once a month upon reasonable notice during business hours, access in the vicinity of column 63 on the northeast side of the 41<sup>st</sup> floor to service a humidifier, provided that Carter-Wallace, Inc. will move such portion of humidifier off the 41<sup>st</sup> floor if Alliance reasonably requires Carter-Wallace, Inc. to do so as part of Alliance's alteration work on the 41<sup>st</sup> floor (LTR1, par 2).

## **NOTICES**

All notices required to be given by the lease or by law are required to be in writing. Notices, which are required to be

sent by certified or registered mail, are deemed sent by the sender and received by the recipient when deposited in the exclusive care and custody of the U.S. mail. Notices to Landlord are to be addressed as follows:

1345 Leasehold Limited Partnership  
c/o Fisher Brothers  
299 Park Avenue  
New York, New York

with a copy to:

Fisher Brothers  
299 Park Avenue  
New York, New York  
Attn: General Counsel

(orig. §31.01)

## 501 COMMERCE STREET, NASHVILLE, TN 37203

### LEASE SUMMARY

#### Overview:

Tenant is considering relocating its Corporate Headquarters to the Nashville Metropolitan Area. Your project has been selected as a short list candidate for the headquarters project. Tenant contemplates creating a high density facility with approximately 1,250 seats in± 205,000 rentable square feet ("RSF"). The building/project of choice for Tenant must be built to accommodate these densities from an operational standpoint. Accordingly, features such as floor plate efficiency, power, HVAC, vertical transportation, bathrooms/fixture count and parking will all be carefully reviewed.

We are pleased to present this Final Proposal to you as agent for ownership of 501 Commerce Street ("Landlord") for consideration regarding the possible leasing of space by AllianceBernstein LP. or a subsidiary thereof ("Tenant") in the above-captioned building ("Building"). The following is not intended to be a list of all Lease terms, but is instead an outline of the major points to be agreed to by both Tenant and Landlord:

#### **1. Tenant:**

AllianceBernstein LP. or a subsidiary thereof ("Tenant"). If Tenant is a subsidiary of AllianceBernstein LP., AllianceBernstein LP. shall guaranty the Lease.

#### **2. Building:**

501 Commerce Street, Nashville, TN 37203

#### **3. Landlord Name and Address:**

The Landlord is OliverMcMillan Spectrum Emery, LLC, which is a single purpose entity. No other properties are owned by the same legal entity

#### **4. Management Company Name and Address:**

The property management firm is OliverMcMillan, Inc. or an affiliated entity, who will have a property management & engineering team located on-site at the Building.

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#### **5. Neighboring Developments:**

Landlord is not aware of any developments planned within 100 yards of the Building site, with the exception of the other components of the overall Fifth + Broadway project, which are planned to be developed at the same time as the office Building and include approximately 235,000 square feet of retail, a 380 unit apartment building, and a renovation of the 190,000 square feet of conference center and event space at the Renaissance Hotel next door.

AB Response: Please provide additional schedule/milestones for the other components of Fifth and Broadway development project.

Completion dates for the other components of Fifth + Broadway are scheduled as follows:

- a) Public Garage\* - Q4 2019
- b) Retail\* - Q1 2020
- c) Residential - Q1 2020

\*To be defined as the "Master Project" together with the office Building herein.

#### **6. Premises:**

Floors 19 through 25 (27,372 RSF each) and approximately 13,396 RSF on floor 18, totaling 205,000 RSF.

Within fifteen (15) months of execution of an LOI by Landlord and Tenant, Tenant shall have the right to increase or decrease the size of the Premises by up to one (1) full floor of contiguous space in full floor increments and at the same terms and conditions herein. If Tenant elects to reduce the Premises by one (1) full floor, the reduced floor shall be at the bottom of Tenant's stack.



Upon Final determination of the initial 18<sup>th</sup> floor Premises, Tenant expansion and contraction rights (both initial & future) will be adjusted accordingly.

Landlord can offer storage space within the garage totaling approximately 2,865 RSF, ranging from approximately 438 RSF - 1,290 RSF at a rental rate of 25% of the agreed upon full service base rent, or equivalent, with 2.5% annual increases.

Landlord's understanding is that Tenant's architect has confirmed with Landlord's architect the measurement of the useable square footage used to determine the rentable square footage in the Premises. For purposes of Tenant's Lease, the Premises and the Building size shall not be subject to re-measurement for the remainder of the term.

The Building's useable square footage is measured using the Building Owners and Managers Association (BOMA) standard. Tenant's rentable square footage is then determined by using a single tenant floor add-on factor equal to 12% and a multi-tenant floor add-on factor equal to 18%.

Floor	Gross Area	Rentable Area	Useable Area	Permitted# of occupants
25	27,424	27,372	24,439	480
24	27,424	27,372	24,439	480
23	27,424	27,372	24,439	480
22	27,424	27,372	24,439	480
21	27,424	27,372	24,439	480
20	27,424	27,372	24,439	480
19	27,424	27,372	24,439	480
18*	27,424	27,372	24,439	480
*Numbers stated for floor 18 are for the entire floor; however, Tenant's RSF on floor 18 per the terms contained herein is 13,396.				

## 7. Expansion Space:

(a) Landlord shall have the right to lease all or portions of floor seventeen {17} to third-party Tenant(s) for up to seven {7} years following the Commencement Date. Provided Tenant is not in Material Default after notice and cure, under the Lease and Tenant occupies not less than 60% of its initial Premises, Tenant shall have the option to lease, at Fair Market Value and co-terminus with Tenant's existing Premises, all or portions of the 17th floor as the third-party Leases expire between the fifth {5th} and eighth {8th} years of Tenant's Term. Further details to be defined in the Lease. The Base Rent for the Expansion Space shall be the then fair market rent. Landlord shall be required to provide all then market concessions in conjunction with any Expansion Space. Notwithstanding, if Tenant exercises its immediate expansion/contraction option as set forth in Paragraph 6, the floor number shall shift accordingly.

(b) Right of First Offer: Subject to existing tenant rights, Tenant is not in Material Default after notice and cure, under the Lease, and Tenant occupies not less than 60% of its initial Premises, Tenant shall have a Right of First Offer {"ROFO"} to lease all available space in the Building co-terminus with Tenant's existing Premises. When space becomes available in the Building either initially or following the expiration of a third-party tenant Lease, Landlord shall notify Tenant of the Fair Market Value {"FMV"} for the ROFO space. Further details to be defined in the Lease. The base rent for the ROFO Space shall be the then Fair Market Rent. Landlord shall be required to provide all then market concessions in conjunction with any expansion space.

So long as Tenant has at least five (5) years remaining in the Lease Term, Tenant's Lease of the ROFO space shall be co-terminus with the existing Premises but otherwise at the terms contained in Landlord's notice. Should less than five (5) years remain in the Lease Term, Tenant shall have the option to lease the ROFO space for either (i) the "market" lease term for new leases in comparable buildings in downtown Nashville or {ii} exercise Tenant's Renewal Option and renew the Lease for the existing Premises, in which case the term for ROFO Space will match the renewed term for the existing Premises.

The ROFO space shall be delivered to Tenant in the then prevailing market conditions.

## 8. Building Sale:

If Landlord elects to sell the office Building independent of the entire mixed-used project, provided Tenant is not in Material Default beyond any applicable notice and cure period, and Tenant leases not less than 60% of the initial Premises, Tenant

shall have a Right of First Offer ("ROFO") to purchase the Building. Prior to offering the Building for sale to any other third party, Landlord shall notify Tenant of the terms and conditions upon which it would be willing to sell the Building to Tenant. Tenant shall accept or reject Landlord's offer upon written notice to Landlord within twenty (20) business days after Tenant's receipt of the ROFO notice from Landlord. Terms to be agreed upon in the Lease.

The Lease shall address mutually agreeable restrictions on a sale of the Building (or any component of the Master Project, as defined in Section 5) or interest therein prior to completion of Landlord's Work and the opening of the building for Tenant to conduct business and the completion of the development of the remaining portions of the Master Project.

**9. Lease Term:**

Fifteen (15) years from the expiration of the Free Rent Period (defined below).

The Lease shall commence on the earlier of (i) substantial completion of Tenant Improvements in the Premises or (ii) two hundred seventy (270) days after Landlord's delivery of the Premises to Tenant, provided that Landlord has completed construction of the building and is open for business for the Tenant to conduct business and other aspects of the Master Project have been substantially completed. The "Free Rent Period" shall mean the period from the date Landlord delivers possession of the Premises to Tenant as required under the Lease (the "Delivery Date") until the latest to occur (x) two hundred and seventy (270) days immediately following Landlord's delivery of the Premises to Tenant and (y) Landlord's completion of the building and opening the building for business for the Tenant to conduct business and Landlord's substantial completion of the other aspects of the Master Project. However, solely in the event that Tenant occupies the Premises and commences the conduct of its business therein prior to the expiration of the Free Rent Period, then during such interim period until the end of the Free Rent Period Tenant shall pay Base Rent, Operating Expenses, and Real Estate Taxes at a rate equal to fifty percent (50%) of the amount thereof payable immediately following the Free Rent Period, provided the other aspects of the Master Project have been substantially completed.

**10. Termination Option:**

Tenant shall have the right to cancel the Lease for all of the Premises or any full floors (bottom up in the stack and contiguous if more than one (1) floor) at the end of the 144th month of the Lease Term ("Termination Date") with eighteen (18) months prior written notice. A cancellation fee shall be paid to Landlord concurrently at the time of notice ("Termination Payment Date") equal to the sum of (i) the unamortized tenant improvement allowances and brokerage commissions relating to the terminated Premises at a discounted interest rate equal to six percent (6%) per annum plus (ii) four (4) months of the then modified gross rent relating to the terminated Premises.

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**11. Option(s) to Extend:**

Provided Tenant is not in Material Default beyond any applicable notice and cure period, Tenant, by written notice to Landlord given no later than fifteen (15) months prior to the expiration of the Lease Term, shall have two (2) options to extend the term of the Lease for all of the Premises or a portion, but not less than four (4) contiguous full floors (top - down in the stack) for either five (5) or ten (10) years each.

The Base Rent for the Extension Options shall be the then Fair Market Rent. Landlord shall be required to provide all then market concessions in conjunction with any renewal.

**12. Milestones:**

As the Building has not yet been constructed, please specify the anticipated dates for achievement of the following milestones and any other critical milestones for commencement and completion of construction:

- (a) Landlord acquisition of title to, or execution of ground lease for, the land on which the Building is to be constructed. Complete.
- (b) Receipt of permits and other necessary approvals from applicable governing authorities for final Building plans and commencement of Building construction, including zoning approvals. Complete to date. Additional construction permits to be issued throughout the duration of the project.
- (c) Delivery to tenant of written notice of Landlord's financing commitment from a lender or equity investor necessary for construction of the Building to be completed.

See Page 3, Letter from The Baupost Group

- (d) Achievement of required threshold of pre-lease commitments. Tenant's Lease is sufficient for Landlord to complete the Building.
- (e) Completion of excavation at the site. April 20, 2018
- (f) Commencement of pouring the foundation. April 23, 2018
- (g) Substantial completion of foundation footings. May 29, 2018

- (h) Pouring of top floor slab of the Building. Level 25, November 10, 2019
- (i) Completion of Building curtain wall enclosure and watertight. December 30, 2019
- 0) Turnover of space to Tenant to commence construction of its interiors. Levels 18 - 21: January 27, 2020  
Levels 22 - 25: March 25, 2020  
Removal of hoist and final close up of curtain wall. December 30, 2019
- (k) Satisfaction of all Delivery Requirements (as defined in Section 24 below) and delivery of full access to the premises for the commencement of Tenant's work. March 25, 2020

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- (l) Issuance of temporary and/or permanent certificate of occupancy. Temporary occupancy for common areas (lobby and amenity level): December 20, 2019. Permanent occupancy for commons areas: April 30, 2020. Temporary and permanent occupancy for Tenant's Premises determined by Tenant fit up schedule.

The above schedule can be expedited if Skanska is retained by Tenant for its tenant improvement work, which would be able to begin concurrently with the core & shell construction.

Provided that the Lease contains provisions addressing Tenant Delay and acts of God (to be defined in the Lease), Landlord agrees to Tenant's requirement that a list of milestones, with corresponding remedies and damages for failure to meet any milestone, will be developed during the negotiations and that no rent shall be payable until the Premises are delivered in accordance with the Lease together with the issuance of a satisfactory use and occupancy certificate (or whatever other licenses or permits are required by local law to legally occupy the Premises). Access dates for Tenant work to be discussed.

**13. Base Rent:**

Tenant shall pay a Modified Gross Rental Rate equal to \$34.30 per RSF (\$28.25 per RSF - net) for the first year following the expiration of the Free Rent Period with ninety cents (\$0.90) per RSF annual increases throughout the remaining Lease Term.

**14. Abatement of Rent:**

Subject to Tenant Delay and acts of God, in the event the "Delivery Date" (the date Landlord delivers possession to the Premises to Tenant as required under the Lease) has not occurred within sixty (60) days of the scheduled delivery Date, then following Tenant's Commencement Date Tenant shall receive a day-for-day Abatement of Base Rent, Operating Expenses, and Real Estate Taxes equal to the number of days of delay until the Premises is delivered as required under the Lease. Step up of such day for day penalty as well as additional penalties for late delivery of the Building, Master Project, SNDA and other aspects to be agreed upon in the Lease and will be subject to only Tenant delay and acts of God.

**15. Tenant Improvement:**

Landlord will provide Tenant an improvement allowance equal to sixty-five dollars (\$65.00) per RSF in the Premises. It is understood that the improvement allowance is inclusive of architectural, space planning, construction management fees, and all construction costs necessary to obtain a Certificate of Occupancy, and such allowance is to be used solely for improvements to the Premises. Should the cost of improvements exceed the allowance, Tenant shall pay the amount in excess of the Tenant Improvement Allowance.

Additionally, (i) Landlord shall have the responsibility of completing the construction of Tenant's restrooms on such floors, and (ii) Landlord, at its sole expense, shall install a submeter system to submeter the utility usage in Tenant's Premises.

Notwithstanding the foregoing, up to \$5.00 per RSF of any unused TI Allowance may be applied as a credit of rent next due.

Landlord to provide credit support to fund the master development work, base building work, TI Allowance, and brokerage commissions. Please refer to the letter from The Baupost Group dated January 5, 2018.

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**16. Test Fit Allowance:**

Landlord agrees to a separate letter agreement to provide Tenant or Tenant's architect, regardless of whether Tenant ultimately leases space from the respondent, with a cash test-fit allowance of \$0.15/RSF.

**17. Holdover:**

Subject to further definition in the Lease, Tenant shall have the right to holdover for a period of up to four (4) months following the expiration of the Lease Term at a monthly Modified Gross Rent equal to the last month's Modified Gross Rent and with a one hundred and fifty percent (150%) increase in the Base Rent component of the last month's Modified Gross Rent for the balance of the holdover period.

**18. Restoration at End of Term:**

At the end of the Lease Term, Tenant shall only be required to remove its movable furniture and leave the Premises in broom swept condition, with the understanding that normal wear and tear will have occurred. Notwithstanding the foregoing, should Tenant exercise its Termination Option, Tenant shall be required to remove its specialty alterations to be defined in the Lease.

## 19. Operating Expenses and Real Estate Taxes:

Following the expiration of the Free Rent Period and thereafter throughout the Lease Term, Tenant shall pay the following in respect of Operating Expenses and Real Estate Taxes:

1. a). Controllable Operating Expenses: Tenant shall pay its proportionate share of all controllable Operating Expenses in excess of a Base amount of \$6.05\* per RSF subject to the 4% cap on increases described in clause (3) below. To the extent that controllable Operating Expenses are exceeded or a gross up exceeds \$6.05 per RSF for the first full year of stabilized occupancy of the Building (the amount of such excess, per RSF, being referred to as the "Excess COE"), then, for the entire Lease Term, Tenant shall receive a credit against its proportionate share of controllable Operating Expenses in an amount equal to the Excess COE multiplied by the Premises' RSF. For example, if controllable Operating Expenses for such first full year of stabilized occupancy equals \$7.00 per RSF, then Tenant would receive an annual credit equal to \$0.95 per RSF. Landlord has estimated that Controllable Operating Expenses for the Building's first full year of stabilized occupancy will be \$6.05 per RSF, which consists of the following:

[\* Please provide an itemized list of the controllable operating expenses included in Landlord's calculation of \$6.05 per RSF.]  
The breakdown of Controllable Operating Expenses is as follows:

Cleaning & Janitorial:	\$1.83
<b>R&amp;M:</b>	\$0.84
Landscaping:	\$0.02
Administrative:	\$0.69
Management Fees:	\$1.43
Security:	\$0.93
<u>Trash Removal:</u>	<u>\$0.31</u>
<b>TOTAL:</b>	<b>\$6.05</b>

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b). Uncontrollable Operating Expenses (i.e., insurance and utility charges relating to the Building's common areas): Tenant shall pay its proportionate share of uncontrollable Operating Expenses. Landlord has estimated that uncontrollable Operating Expenses for the Building's first full year of stabilized occupancy will be \$0.54 per RSF (which consists of \$0.33 per RSF for common area electricity, \$0.05 per RSF for common area condenser water, and \$0.16 per RSF for insurance).

c). Real Estate Taxes: Tenant shall pay its proportionate share of Real Estate Taxes assessed against the Building. Landlord has estimated that real estate taxes for the Building's first full year of stabilized occupancy will be \$4.83 per RSF. "Real Estate Taxes" shall mean ad valorem real estate taxes and shall not include penalties or interest for late payment, special assessments, impact fees or other taxes assessed against Landlord or the rent payable under the Lease, including with limitation franchise, excise, income or capital gain taxes.

In no event shall Operating Expenses include any capital expenditures except solely (i) capital expenditures required pursuant to any law which is first enacted following the Commencement Date (in which case the same shall be amortized in accordance with the Lease), subject to a cap to be agreed upon; and (ii) capital expenditures to the extent such expenditures reduce Operating Expenses (in which case the same shall be amortized in accordance with the Lease), subject to a cap to be agreed upon.

Landlord shall install, at Landlord's sole cost and expense, an energy management system for controlling and metering/submetering all utilities serving the Premises and Building and shall bill Tenant for Tenant's actual consumption in the Premises without overhead or profit. To be further defined in the Lease.

2. Audit: Landlord agrees that Tenant will have the right to audit base year and computation year expenses or taxes of the Building for a period up to three (3) years following the receipt of any final statement of expenses or taxes for the applicable year. Tenant shall have the right to audit Landlord's books at the building management office. If it is determined that Landlord overbilled Tenant by 3% or more, then Landlord shall reimburse Tenant for all reasonable out-of-pocket costs of its audit and all reasonable out-of-pocket costs incurred in connection with any arbitration (including the costs of any independent arbitrator resolving such dispute in the event Landlord and Tenant are unable to resolve such dispute (an "Independent Arbitrator")). If it is determined that Landlord did not overbill Tenant, then Tenant shall reimburse Landlord for all reasonable out-of-pocket costs incurred in connection with Tenant's audit and all reasonable out-of-pocket costs incurred in connection with any arbitration (including the costs of any Independent Arbitrator). In all other circumstances, each party shall bear its own costs of any such audit and arbitration and shall share on a 50/50 basis the costs of the Independent Arbitrator. Tenant's auditor may be an employee of Tenant or a regionally, industry-recognized auditor and may be engaged in a compensation manner consistent with recognized auditors of Class A properties in the market area, but in no event shall the auditor be compensated on a contingency basis. In the event the parties cannot agree on the audit results, then an expedited arbitration dispute mechanism shall apply.

Subject to further definition in the Lease, Tenant shall have the right to audit Landlord's books and records with respect to Building operating expense escalations for up to two (2) years after receipt of a final Operating Statement following the end of a Calendar Year from Landlord. If Tenant's audit uncovers an error in an amount

of \$50,000 or greater, Tenant shall have the right to go back to the prior year(s) to audit Landlord's books and records. If it is determined that Landlord overbilled Tenant by 3% or more, then Landlord shall reimburse Tenant for all reasonable out-of-pocket costs of its audit and all reasonable out-of-pocket costs incurred in connection with any arbitration (including the costs of any independent arbitrator resolving such dispute in the event Landlord and Tenant are unable to resolve such dispute (an "Independent Arbitrator")). If it is determined that Landlord did not overbill Tenant, then Tenant shall reimburse Landlord for all reasonable out-of-pocket costs incurred in connection with Tenant's audit and all reasonable out-of-pocket costs incurred in connection with any arbitration (including the costs of any Independent Arbitrator). Tenant can use a regionally recognized auditor or their own employee, as long as they are not reviewing or being compensated on a contingency basis.

3. Landlord agrees to cap the increases in "controllable" operating expenses at four percent (4%) per year (based on the aggregate dollar amount for "controllable" operating expenses), on a cumulative and compounding basis. Controllable expenses are defined as all direct Operating Expenses except real estate taxes, insurance, and Building utilities (excluding tenants' premises). Further details to be defined in the Lease.

- a. Please provide information regarding any PILOT or other RET program in place. Confirm if there are any existing or anticipated municipal incentives programs in Landlord's favor limiting tax liability (if yes, when do they expire?).

Landlord Response: A TIF for The Fifth & Broadway project is approved through MDHN Metro Nashville totaling \$25 MM.

- b. Each time Landlord provides Tenant with an actual and/or estimated statement of Operating Expenses, such statement shall be itemized on a line item by line item basis, showing the applicable expense for the applicable year. Actual statements to be certified by an independent CPA.
- c. Landlord to provide Tenant with copies of all real estate tax bills upon receipt. Landlord will contest real estate taxes upon Tenant's request.

**20. Security Deposit:**

None, provided AllianceBernstein LP. is the Tenant or Guarantor.

**21. First Month's Rent:**

The first (1st) month's Rent shall not be payable-until the Free Rent Period has expired.

**22. Use:**

Tenant shall have the right to use and occupy the Premises for general business offices, including without limitation, the operations of Tenant, and any other lawful purpose. Without limiting the foregoing, the use clause in the Lease will allow for additional ancillary uses required by larger tenants, including, without limitation (to be further clarified in the Lease): (i) cafeteria/dining room, kitchens, (ii) computer and communications systems and studio space, (iii) libraries, (iv) day care facilities, (v) health and recreation facilities, (vi) board rooms/training rooms, (vii) first-aid room, (viii) messenger and mail room facilities, (ix) employee lounges, (x) file rooms, (xi) audio visual and closed circuit television facilities, (xii) trading floors, (xiii) auditorium, and (xiv) security rooms.

**23. Building Profile:**

Please provide a complete Building Profile and specifications. Information shall include but shall not be limited to:

- Total Building RSF: 371,570
- Number of Floors: Eight (8) levels of above ground parking, main entry lobby located at Commerce Street entrance, fourteen (14) conditioned floors from level eleven (11-amenity deck) to level twenty-five (25).
- Slab to Slab Heights: 14 feet, floor to floor on office levels
- LEED Certification: Pursuing LEED Silver designation

**24. Building Systems and Overall Description:**

Office structure includes (2) primary vehicular entrances on Level 01 at Fifth Avenue and Level 02, Commerce St. Main entry lobby and access to adjacent to Food Hall located on Level 02 with 8 levels of above ground parking above housed in a concrete structure. Levels 11-25 are steel structure with glazed curtain wall system. Level 26 is top level with partial occupancy and structure to conceal mechanical loft. Mechanical system is condenser water system with vertical self contained water cooled air handling units on each floor.

**25. Building Infrastructure Upgrades:**

Landlord will upgrade the acoustical quality of the curtain wall glazing on the south and east sides of the floors of the entire Building at its sole cost and expense. Landlord is evaluating the required upgrade options, including but not exclusive to



unbalanced laminated glazing. The scope and specifications to be mutually agreed by Landlord, Tenant, and the Tenant's consultants.

Tenant has chosen option #3 as described in the RDA ALLIANCEBERNSTEIN

GENERATOR AND AIR CONDITIONING OPTIONS REGIONAL OFFICE FACILITIES bulletin dated April 3, 2018 (Exhibit A) and AB Tenant Improvements Summary provided by OliverMcmillan on April 11, 2018 (Exhibit B) as additional infrastructure upgrades to the building. Accordingly, Landlord, at Landlord's sole cost and expense, will pay for one hundred percent (100%) of such upgrades. Infrastructure upgrades requested by Tenant shall not constitute a Tenant Delay.

## **26. Building Entrances and Lobbies:**

Lobbies and entrances shall be consistent with best-in-class office buildings in Nashville. Access to elevator lobby is via turnstile system, barriers with full time monitoring at concierge desk.

Landlord is considering an art program in the common areas provided the cost relating thereto will not be included in Operating Expenses.

## **27. Landlord's Delivery Condition:**

The Premises shall be delivered in broom clean condition, free of debris. Floors to be level to accept glue down carpet.

Core doors and frames associated with the core & shell construction shall be painted and finished with ADA compliant standard hardware.

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Core walls at Back of House/service areas and elevator landing points to be ready for tenant finish. Structural steel columns at perimeter to be fireproofed with sheetrock.

- Meters, properly sized high and low voltage panels electric panels, and transformers should be in place on each floor of the Premises.

Adequate electrical capacity to properly sized distribution panels on each floor.

Two locations for telephone/telecom/data are within the central core but not on opposite sides.

Complete fire protection infrastructure, including combination standpipe/sprinkler risers, pumps, valve connections and a main temporary and permanent sprinkler loop on each floor of the Premises which is fully operational, code compliant and ready for Tenant branch piping and sprinkler head installation.

Base building HVAC system complete and in good working order on each floor of the Premises, with trunk duct and heating elements or hot water piping to the perimeter heating zone, fresh air intake, controls, smoke and fire dampers in compliance with code at the core of each floor of the Premises, complete with all fire smoke dampers and smoke detectors wired to the fire alarm system.

All Building systems brought into the Premises are fully operational and in accordance with agreed upon capacities and specifications. Subject to confirmation of capacities and specifications.

Provision of connection points on each floor for Tenant synchronized strobes and related fire alarm connections (number to be determined). Landlord shall provide all points and software reprogramming. All base Building fire and safety systems, including alarms, speakers, communications, etc. shall be in full service and available on all floors of the Premises.

The Premises shall be in compliance with all local laws, including the American with Disabilities Act, and the Premises shall be free from hazardous materials.

Landlord shall deliver all full floors and the multi-tenant floors with new, Building-standard bathrooms.

## **28. Sublease and Assignment and Subletting:**

Assignment and Subletting: Tenant shall be permitted to assign the Lease and to sublease all or any portion of the Premises with Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed beyond ten (10) days of Landlord's receipt of Tenant's request or Landlord shall be deemed to have consented.

Successor: Affiliate: Landlord consent shall not be required with respect to (i) any assignment to a successor resulting from customary corporate transactions including, but not limited to, a consolidation, merger or purchase of substantially all of Tenant's assets or equity, or the assets or equity of the business unit occupying the space,

(ii) any assignment or sublease to a person or entity who controls, is controlled by, or under common control with Tenant (an "Affiliate") (with "control meaning the power and authority to direct the day to day business and affairs), or (iii) any entity which directly or indirectly acquires

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business unit occupying any portion of the Premises, or any Affiliate of any such acquirer. The Lease will contain Permitted Transfer language, which shall be approved by Landlord's counsel.

Recapture: Unless Tenant proposes to dispose of all of its space for its entire remaining term, Landlord shall not have any rights to recapture the Premises or any portion of the Premises in the event of a sublease. In the event Landlord recaptures, Landlord and Tenant will share Landlord's net profits equally. Landlord will not have any recapture rights in connection with transactions for which Landlord's consent is not required.

Profits: Landlord shall be entitled to share equally in any net sublease profits. In calculating net sublease profits, Tenant shall be permitted to deduct all transaction costs (including, without limitation, free rent, cash contributions or other work required to prepare the space for the incoming subtenant, commissions, legal fees etc.) as well as the unamortized out of pocket costs for Tenant's Leasehold improvements previously performed. Landlord will not have any right to share in profits in connection with transactions for which Landlord's consent is not required.

Permitted Occupants: Tenant shall be permitted, without Landlord's consent, to allow persons or entities with whom Tenant has an ongoing business relationship to use portions of the Premises, subject to commercially reasonable permitted occupant provisions to be agreed in the Lease.

Non-Disturbance Agreements: Landlord shall provide Non-Disturbance Agreements to any full floor Subtenants at 'then' escalated rents. To be addressed in the Lease.

### **29. Competitors:**

Landlord shall not Lease space to any Tenant competitors (list of competitors to be provided at a later date and Tenant will have the right to update the list not more than once annually). In addition, the building shall not be named for a competitor, nor shall there be any competitor signage on the Building entrance or other portions of the exterior, in the lobby (excluding the directory), elevators, or the plaza or on monuments or similar for so long as the Lease is in effect.

As long as Tenant leases not less than 60% of the initial Premises, Landlord will not provide top of building signage or lobby signage or other exterior signage to any non-competitors. Landlord shall have the right to offer non competitors signage on a multi-tenant monument sign and on the directory in the lobby provided Tenant's signage is on the top of the monument with its logo and the largest font on the monument. The definition, number, and process of defining competitor shall be agreed upon in the Lease.

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### **30. Compliance:**

The Building shall be in compliance with all Laws. Landlord shall warrant and represent to Tenant that the Premises and the Building will be in full compliance with all governmental regulations, ordinances, and laws existing at the commencement date, including, but not limited to, laws pertaining to access (including without limitation, the ADA) and laws pertaining to hazardous substances. The Landlord shall furnish to Tenant prior to the execution of the Lease a letter certifying that the Premises are free of all hazardous materials or toxic mold and that there are no environmental issues with any local, city, state or federal authorities.

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### **31. Building Maintenance:**

The Building shall be maintained and operated in a first class manner, and Landlord shall keep the Building Structure and the Building Systems and common areas in first class condition and repair.

### **32. Base Building HVAC:**

Vertical self-contained water cooled DX air handling units (SWUD) located on each floor in a dedicated AHU room. Unit supply is routed to a cooling tower on the roof. Normal building hours shall be 7:00 AM to 7:00 PM EST on weekdays and 8:00 AM to 1:00 PM EST on Saturday, at no cost to the Tenant

### **33. Supplemental HVAC:**

Tenant estimates that it will require approximately 200 tons of condenser water for its supplemental systems. Landlord's Base Building systems will be required to supply such condenser water as part of its Base Building design and at Landlord's sole cost and expense pay for one hundred percent (100%) of the cost associated with increasing the supply of such condenser water. Tenant shall pay Landlord actual out of pocket costs for utilities only to supply such condenser water.

Tenant shall not be required to pump building system supplementary water services. Tenant shall not be charged any 'lap-in' fees.

Landlord shall provide space for tenant cooling system for its critical systems and pathway for the risers piping. Landlord shall work with Tenant to determine locations and clear pathway for riser piping.

### **34. Electricity:**

Total power provided is eight (8) watts per rentable square foot including 1.5 watts for lighting and 6.5 watts for receptacles (the "Base"). All Tenant electric charges shall be sub-metered, with submeters installed by Landlord at Landlord's cost, at actual cost without profit or overhead charge by Landlord. In the event Tenant requires power in excess of the Base amount, Tenant shall pay to Landlord its actual cost without markup of providing such excess power, without a profit or overhead charge by Landlord; however, Tenant shall be responsible for all costs associated with installing and metering such excess power.

The base building substations and main switchboards shall be redundant and adequate to power all base building systems in addition to the demised tenant premises. Tenant will require additional power for its Trading Floor, equipment rooms and certain other areas.

The Landlord shall provide adequate space near the base building main switchboard-s for Tenant's paralleling gear and ATS's for its emergency power. Additionally the Landlord shall provide adequate space at the base building main switchboards for Tenant to take dedicated power to Tenant's ATS and from ATS to Tenant emergency distribution boards.. Landlord will provide adequate riser space for Tenant's dedicated risers from its emergency power system.

Tenant will require diverse secure locations (not less than 50 feet apart) in the building space for its dedicated UPS battery systems and associated switchgear and exhausts. Landlord shall work with Tenant to identify locations and required clearances.

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**35. Cleaning Services:**

Landlord will provide cleaning services commensurate with other Class A buildings in downtown Nashville, the specifications of which shall be attached as an exhibit to the Lease.

Tenant shall have the right to contract for additional cleaning, at its option, for items outside of the Building cleaning specification, utilizing contractors of its choice. Off-hours janitorial service and extras will be charged at Landlord's actual cost. Additionally, Tenant, at its option, may elect to directly contract for cleaning and janitorial service to the Premises and shall receive a credit against fixed rent from Landlord for the cost thereof and Operating Expenses shall not include any costs relating to cleaning and janitorial services (other than for common areas), so long as Tenant's hired contractors meet all insurance requirements of the Building. If Tenant elects to directly contract for cleaning and janitorial service to the Premises, those costs will be deducted from Tenant's share of the Building Operating Expenses.

**36. Other Services:**

Tenant shall have the right to directly contract for food, catering and other specialty services to the Premises . Subject to further definition in the Lease.

**37. Vertical Transport:**

See the Vertical Transportation Overview previously provided by Landlord to Tenant.

**38. Freight Elevators and Loading Dock:**

There shall be no fee associated with freight elevator or loading dock using during the performance of Tenant's initial construction or move in to the Premises. After occupancy, there shall be no charge for the freight elevator and loading dock at any time.

In addition, during Tenant's initial construction while the core & shell is still under construction, Tenant shall have the right to use the hoists, subordinate to Landlord's contractors' use of the hoist and so long as Tenant's use of the hoist does not interfere with Landlord's core & shell construction. Once in service, Tenant shall also have the right to use the freight elevators and one (1) passenger elevator during the construction of the initial Tenant Improvements in the Premises. Tenant shall be responsible for any restoration required in the passenger elevator used by Tenant for construction purposes.

**39. Domestic Hot Water:**

Shall be supplied at 105-120 degrees Fahrenheit.

**40. Additional Utilities and Services:**

After-hours and any other utilities and services required by Tenant will be supplied to Tenant at Landlord's actual out of pocket cost. Landlord's out of pocket cost shall also include reasonable depreciation costs only for the floor by floor DX Units if applicable.

**41. Access:**

Tenant shall have access to the Premises and Building 24 hours a day, 7 days a week. Tenant shall have the right to use the fire stairs connecting the floors of the Premises as convenience stairs. Tenant shall have the right, at Tenant's sole cost and expense, to install an internal security system as part of this right, and may tie such system

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into the Building's security and Class E systems. In addition, Tenant shall be allowed, at Tenant's sole cost and expense, to upgrade fire stairs located on the floors of the Premises to its cosmetic standards.

#### **42. Service Outage:**

Subject to further definition in the Lease, in the event a Use Interruption (defined below), shall continue for five (5) consecutive business days, then the Rent shall abate from the commencement of such Use Interruption until the cure thereof. "Use Interruption" shall mean Tenant's use or access to all or any portion of the Premises shall be impaired or restricted as a result of any circumstance that is not due to Tenant's acts (such as, by way of example, Landlord's default of its maintenance or repair obligations, Tenant not receiving a building service or utility, or the performance of any work by Landlord or any other tenant); provided that, in order to constitute a Use Interruption, Tenant shall have, in fact, ceased to use the Premises or any portion of the Premises. Any such abatement would only apply to the affected portions of the Premises in the event that the entire Premises shall not be affected; provided that the parties acknowledge that the entire Premises would be deemed unusable in certain events affecting Tenant's critical systems.

#### **43. Building Security:**

- (a) One primary security desk to monitor access to the upper floors and parking garage. The desk will be staffed by building management. Landlord is willing to discuss Tenant's security preferences as negotiations advance. Tenant at its option may have up to two (2) of its own lobby desk attendants.
- (b) All visitors shall be required to check in at the security desk. Tenants shall have access to the office floors via card key access. Security personnel in the lobby shall have attire and skill sets commensurate with Class A office buildings in downtown Nashville.
- (c) The Building must maintain a restricted-access program for all tenants and their employees and visitors. The program shall consist of a combination of controlled electronic access (i.e., turnstiles), electronic surveillance and uniformed security guards to monitor and record Building activity on a 24-hour basis.
- (d) Tenant employees shall be issued electronic proximity card that will enable them access into the lobby areas, elevators and the office floors. Landlord's card system must be compatible with Tenant's Security System. At Tenant's option, Landlord's system shall accept Tenant's issued company ID card. To be confirmed upon details regarding Tenant's security system.
- (e) Tenant may have its own security personnel within the Premises.
- (f) Landlord at its sole cost and expense shall install security turnstiles in the lobby of the Building. If desired by Tenant or reasonably deemed necessary by Landlord, Tenant shall provide its own security personnel to check in Tenant's invitees.

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#### **44. Identity And Signage:**

Building Exterior Signage: So long as Tenant leases not less than 60% of the initial Premises, Tenant shall have the exclusive right to top of Building signage in two (2) mutually agreeable locations and other exterior building signage, including but not limited to monument signage (to be further discussed). Tenant shall be responsible for all costs associated with the design, structural requirements, fabrication, installation, and maintenance of its Building signage.

All exterior signage shall be subject to Landlord approval and to all codes and ordinances as governed by Nashville's Downtown Code (OTC).

Lobby/Entrance Signage: Tenant shall have the right, at Tenant's sole cost and expense, to install its name and logo in one location near the entrance to the elevator lobby serving the upper floors. The specific location, size, and specifications of the sign shall be reasonably approved by Landlord in advance. Tenant shall be responsible for all costs associated with the design, structural requirements, fabrication, installation, and maintenance of its signage in the Building lobby.

On-floor Signage: Landlord shall install at its cost Building-standard suite entry signage for Tenant on partial floors. Landlord shall permit Tenant to install additional on-floor signage at Tenant's expense, provided Tenant's on-floor signage, other than Building-standard suite entry signage, is limited to full floors and is paid for by Tenant.

Monument Signage: Provided Tenant leases not less than 60% of the initial Premises, at Tenant's sole cost and expense, Tenant shall have the right to install its own monument sign in a mutually agreeable location near the entrance of the Building, subject to Landlord's reasonable approval of the design and specifications and subject to any codes or ordinances regulating the approval of such monument signage. Landlord may elect, but shall not be obligated, to require removal and restoration by Tenant of its Monument Signage upon the expiration of the Lease.

Directory: Tenant shall be entitled to its proportionate share of directory space.

Name: The building shall be named and identified as the "AllianceBernstein Building" (or any other trade name used by Tenant) so long as Tenant leases not less than 60% of the initial Premises. However, Landlord shall not be restricted from referencing the Building as 501 Commerce.

See additional signage language in Section 29 "Competitors"

**45. Alterations:**

Tenant shall be permitted, without the need for Landlord's consent, to perform certain Alterations that meet an objective test (i.e.: non-structural, do not adversely affect the proper functioning of Building Systems, do not adversely affect the structural integrity of the Building, and have no material aesthetic effect on the Building exterior). Landlord's consent shall not be unreasonably withheld, conditioned or delayed for any Alterations. Work of decorative nature (e.g., carpeting, painting, light furniture installation, low voltage cabling) shall not be included in the definition of "Alteration".

**46. Amenities:**

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Amenities on-site (which Landlord shall be required to provide at no cost to Tenant throughout the lease term and any extensions) include a high-end fitness center with lockers & showers, a tenant lounge, an outdoor amenity deck with seating and TVs, a conference center to accommodate over 100 people, and direct access to The Nashville Public market containing 40,000 square feet of dining options. In addition, office tenants have walkable access to the over 180,000 square feet of retail and dining options located within the overall Fifth + Broadway project. Currently downtown there are 247 dining destinations, 5,500 existing hotel rooms, and 2,700 under construction hotel rooms. Major amenities and destinations in close proximity to the Building are identified on the enclosed exhibit (Refer to amenities map).

**47. Parking:**

Tenant shall be allowed to use parking spaces to be located in the Landlord's garage at a ratio equal to 2.7 spaces per 1,000 RSF leased, up to ten percent (10%) of which may be converted to reserved spaces. The current monthly charge for each unreserved and reserved space is \$150.00 and \$200.00 respectively, however, Tenant shall pay fifty percent (50%) of the rate for the first year from the date Tenant commences operation of its business in the Premises. In addition, within three hundred sixty five (365) days of the Commencement Date, Tenant shall have the right to increase its parking ratio to equal 3.0/1,000 RSF leased in the initial Premises. All parking charges shall be charged to and the responsibility of Tenant, and Tenant shall be required to pay for all parking spaces included in Tenant's parking ratio throughout the Lease Term. If Tenant makes the election to increase to 3.0/1,000 RSF leased, the additional parking spaces shall all be unreserved and at the same parking charges as stated above. Notwithstanding the foregoing, Tenant shall have the option at the end of the thirty-sixth (36th) month of the Lease Term to relinquish up to twenty-five percent (25%) of its parking spaces and at the end of the sixtieth (60) month of the Lease Term to be relinquished up to fifty percent (50%) of its parking spaces, provided Tenant's parking ratio shall be adjusted accordingly for the remainder of the Lease Term.

Visitor Parking: Parking spaces above ground total approximately 915 spaces, approximately ten percent (10%) of which shall be dedicated to visitors during business hours. Landlord shall have the right to allow transient parking in the Building's parking garage.

**48. Storage and Mechanical Space:**

The Building offers storage space totaling approximately 2,865 RSF, ranging from approximately 438 - 1,290 RSF on the garage floors. If Tenant requests storage space during the Lease Term, Landlord will notify Tenant of any available storage space and the then current cost for such space.

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**49. Kitchen and Exhaust:**

Tenant shall have the right to install a kitchen in the Premises with prior Landlord reasonable approval of the design and specifications. Any exhaust requirements for the kitchen and other areas shall also be subject to Landlord's reasonable approval of the design and specifications.

**50. Roof Rights:**

Tenant shall be entitled to its pro rata share of the roofs at no charge. Tenant shall have the right to install and maintain on the Building roof equipment, GPS receivers, antennae and satellite dishes and other equipment as necessary for Tenant's business, including, but not limited to, mechanical, communication and data transmission network. The location of such equipment shall be at a location designated by Landlord that will allow Tenant to transmit and receive reception without interference. Tenant shall be entitled to access the roof through Building shafts for Tenant's installations for its occupancy needs. Such installations may include, but not be limited to: mechanical or electrical equipment, conduits, cables, transmitters, receivers, computer and voice processing equipment, cooling towers, chillers, electrical substations, generators, microwave dishes, reflectors and any other devices which may be desirable to Tenant's business. Landlord to verify any zoning restrictions (i.e. height of equipment) applicable to the roof of the Building.

Landlord is willing to accommodate Tenant's rooftop equipment needs but requests more specifics from Tenant as to the size and quantity of each item.

**51. Bicycle Storage:**

There will be a secured, enclosed bicycle storage room located in the parking garage available to Tenant at no charge.

**52. Building Points of Entry (POE):**

Landlord will provide two (2) building points of entry (POE) to support different telecommunications vendor at each point of entry.

**53. Dedicated Risers:**

Tenant will be permitted to install at least six (6) 4" dedicated conduits in each of two (2) dedicated diverse secure locations (not less than 100 feet apart) in the Building. The pathway for the conduit shall extend from each of two (2) separate and diverse Building communications POE's (not less than 20 feet apart) to each floor of the Premises and the roof. The distance between the two (2) POE's to be confirmed.

**54. Generators:**

Landlord will work with Tenant to identify locations for dedicated generators as outlined in #25 above and in Exhibits A & B.

**55. Telecommunications Providers:**

Landlord shall provide at least two (2) diverse POE's for certain providers. There shall be no restrictions or cost governing Tenant's ability to arrange for additional providers and/or access .

Per Landlord, anticipated telecom providers include AT&T, Comcast, and Google Fiber. Landlord is currently working to confirm timing for Google Fiber's availability at this location.

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**56. Municipal Incentives:**

This proposal and any potential Lease or other obligations are contingent upon Tenant obtaining approval of incentives from the State and local municipalities, which are currently being actively negotiated. Landlord shall cooperate with Tenant to allow receipt of such benefits.

**57. Non-Disturbance Agreement:**

Landlord shall provide Tenant with a Non-Disturbance Agreement(s) reasonably acceptable to Tenant (each an "SNDA") from any ground lessor (each, a "Superior Lessor") or mortgage holders or lien holders (each, a "Superior Mortgagee") then in existence. Commencement Date shall be conditioned on delivery of SNDA from all Superior Mortgagees or Lessors in form reasonably satisfactory to Tenant.

Landlord shall provide Tenant with an SNDA from any Superior Lessor or Superior Mortgagee of Landlord who later comes into existence at any time prior to the expiration of the Term of the Lease as a condition precedent to any obligation of Tenant to subordinate its interests to any such person.

Such SNDA's shall acknowledge that, to the extent the Tenant Improvement Allowance, offsets, unpaid arbitration or court award, remaining credit of Base Rent and/or Operating Expenses, or unpaid commission due and owing to Tenant's real estate broker are not fully paid by Landlord when due, Tenant may deduct the amount of such unpaid portion from the rent next becoming due and payable.

**58. Arbitration:**

All disputes regarding consents and approvals between the parties will be resolved by expedited arbitration.

**59. Mast Favored Nations:**

The Lease will provide for a most favored nations clause relating to all sundries, overtime charges, etc.

**60. Confidentiality:**

The parties recognize the need for confidentiality with respect to the terms herein and the fact that discussions are taking place between the parties about the potential leasing of space at 501 Commerce Street. The parties and their advisors shall not disclose to third parties (other than to Landlord's or Tenant's counsel who shall be instructed to keep the terms hereof confidential):

The existence of this proposal, The terms thereof;

The fact that discussions are taking place regarding the potential leasing of space at 501 Commerce Street.

**61. Approval:**

This Proposal has the full approval of Landlord, and there is currently no lender.

**62. Options and Rights:**

All options and rights are not personal to Tenant.

# Guidelines for Transfer of AllianceBernstein L.P. Units

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**No transfer of ownership of the units of AllianceBernstein L.P. (the private partnership) is permitted without prior approval of AllianceBernstein and AXA Equitable Life Insurance Company (“AXA Equitable”).**

**Under the terms of the Transfer Program, transfers of ownership will be considered once every calendar quarter.**

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## **To sell your Units to a third party:**

- You must first identify the buyer for your Units. AllianceBernstein cannot maintain a list of prospective buyers.
- The unitholder and the prospective buyer must submit a request for transfer of ownership of the Units and obtain approval of AllianceBernstein and AXA Equitable for the transaction.
- Documentation required for consideration of approval includes:
  - Unit Certificate(s)
  - Executed “Stock” Power Form, with guaranteed signature
  - Letter from Seller
  - Letter from Purchaser

## **To have private Units re-registered to your name if they have been left to you by a deceased party:**

- The beneficiary must obtain approval of AllianceBernstein and AXA Equitable for the transfer of units.
- Documentation required for consideration of approval includes:
  - Unit Certificate(s)
  - Executed “Stock” Power Form, with guaranteed signature
  - Copy of death certificate
  - Required Inheritance Tax Waiver for applicable states
- Additional required documentation (which varies by state) should be verified with AllianceBernstein's transfer agent, Computershare, at 866-737-9896 and [www.computershare.com/investor](http://www.computershare.com/investor).

### **To donate the Units:**

- The donor must obtain approval of AllianceBernstein and AXA Equitable for the transfer of units.
- Documentation required for consideration of approval includes:
  - Unit Certificate(s)
  - Executed “Stock” Power Form, with guaranteed signature
  - Letter from Transferee
- Additional required documentation should be verified with AllianceBernstein's transfer agent, Computershare, at 866-737-9896 and [www.computershare.com/investor](http://www.computershare.com/investor).

## **To re-register your certificate to reflect a legal change of name or change in custodian:**

- The unitholder must obtain approval of AllianceBernstein and AXA Equitable for the change of name/registration on the unit certificate.
- Documentation required for consideration of approval includes:
  - Unit Certificate(s)
  - Executed “Stock” Power Form, with guaranteed signature
  - Specific instruction letter indicating the manner in which the new unit certificate should be registered

Additional required documentation should be verified with AllianceBernstein's transfer agent, Computershare, at 866-737-9896 and [www.computershare.com/investor](http://www.computershare.com/investor).

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Once AllianceBernstein and AXA Equitable approve the transfer request, AllianceBernstein will inform you of the approval and begin processing the transfer.

## **You should not begin to prepare necessary documentation until you have contacted:**

David Lesser  
Legal and Compliance Department – Transfer Program  
AllianceBernstein L.P.  
1345 Avenue of the Americas  
New York, NY 10105  
Phone: (212) 969-1429

Email: [david.lesser@alliancebernstein.com](mailto:david.lesser@alliancebernstein.com)



SUBSIDIARIES OF  
ALLIANCEBERNSTEIN L.P.

Each of the entities listed below are wholly-owned subsidiaries of AllianceBernstein, unless a specific percentage ownership is indicated:

AllianceBernstein International LLC  
(Delaware)

AB Trust Company, LLC  
(New Hampshire)

AllianceBernstein Corporation of Delaware  
(Delaware)

AllianceBernstein Holdings (Cayman) Ltd.  
(Cayman Islands)

Alliance Capital Management LLC  
(Delaware)

Sanford C. Bernstein & Co., LLC  
(Delaware)

AllianceBernstein Real Estate Investments LLC  
(Delaware)

AB Private Credit Investors LLC  
(Delaware)

AB Custom Alternative Solutions LLC  
(Delaware)

AllianceBernstein Investments, Inc.  
(Delaware)

AllianceBernstein Investor Services, Inc.  
(Delaware)

AllianceBernstein Global Derivatives Corporation  
(Delaware)

AllianceBernstein Oceanic Corporation  
(Delaware)

AllianceBernstein Canada, Inc.  
(Canada)

Sanford C. Bernstein (Canada) Limited  
(Canada)

AllianceBernstein (Mexico), S. de R.L. de C.V.  
(Mexico)

AllianceBernstein Administradora de Carteiras (Brasil) Ltda.  
(Brazil)

AllianceBernstein (Argentina) S.R.L.  
(Argentina)

AllianceBernstein (Chil ) SpA  
(Chil )

AllianceBernstein Holdings Limited  
(U.K.)

AllianceBernstein Preferred Limited  
(U.K.)

AllianceBernstein Limited  
(U.K.)

AllianceBernstein Services Limited  
(U.K.)

Sanford C. Bernstein Limited  
(U.K.)

Sanford C. Bernstein (CREST Nominees) Limited  
(U.K.)

Sanford C. Bernstein (Schweiz) GmbH  
(Switzerland)

Sanford C. Bernstein (Autonomous UK) 1 Limited  
(U.K.)

Autonomous Research LLP  
(U.K.)

Autonomous Research Limited  
(U.K.)

Autonomous Research Investments Limited  
(U.K.)

Autonomous Research Investments 1 LLP  
(U.K.)

Autonomous Research 2 LLP  
(U.K.)

CPH Capital Fondsmaeglerselskab A/S  
(Denmark; 96.7%-owned)

AllianceBernstein Schweiz AG  
(Switzerland)

AllianceBernstein (Luxembourg) S.a.r.l  
(Luxembourg)

AllianceBernstein (France) SAS  
(France)

AB Europe GmbH  
(Germany)

AllianceBernstein Portugal, Unipessoal LDA  
(Portugal)

AB Bernstein Israel Ltd.  
(Israel)

AllianceBernstein Japan Ltd.  
(Japan)

AllianceBernstein Hong Kong Limited  
(Hong Kong)

Sanford C. Bernstein (Hong Kong) Limited  
(Hong Kong)

Autonomous Research Asia Ltd.  
(Hong Kong)

AllianceBernstein Asset Management (Korea) Ltd.  
(South Korea)

AllianceBernstein Investment Management Australia Limited  
(Australia)

AllianceBernstein Australia Limited  
(Australia)

Sanford C. Bernstein (Australia) Pty. Limited  
(Australia)

AllianceBernstein (Singapore) Ltd.  
(Singapore)

AllianceBernstein Investments Taiwan Limited  
(Taiwan)

AB (Shanghai) Investment Management Co., Ltd.  
(China)

AB (Shanghai) Overseas Investment Fund Management Co., Ltd.  
(China)

Alliance Capital (Mauritius) Private Limited  
(Mauritius)

AllianceBernstein Investment Research and Management (India) Private Ltd.  
(India)

AllianceBernstein Solutions (India) Private Limited  
(India)

Sanford C. Bernstein (India) Limited  
(India)

Sanford C. Bernstein Ireland Limited  
(Ireland)

W.P. Stewart & Co., LLC  
(Delaware)

WPS Advisors, LLC  
(Delaware)

W.P. Stewart Asset Management LLC  
(Delaware)

W.P. Stewart Asset Management (NA), LLC  
(New York)



W.P. Stewart Securities LLC  
(Delaware)

W.P. Stewart Fund Management S.A.  
(Luxembourg)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-47192) of AllianceBernstein L.P. of our report dated February 12, 2020 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York

February 12, 2020

I, Seth P. Bernstein, certify that:

1. I have reviewed this annual report on Form 10-K of AllianceBernstein L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2020

/s/ Seth P. Bernstein

Seth P. Bernstein

Chief Executive Officer

AllianceBernstein L.P.

I, John C. Weisenseel, certify that:

1. I have reviewed this annual report on Form 10-K of AllianceBernstein L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2020

/s/ John C. Weisenseel

John C. Weisenseel

Chief Financial Officer

AllianceBernstein L.P.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AllianceBernstein L.P. (the “Company”) on Form 10-K for the period ending December 31, 2019 to be filed with the Securities and Exchange Commission on or about February 12, 2020 (the “Report”), I, Seth P. Bernstein, Chief Executive Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 12, 2020

/s/ Seth P. Bernstein

Seth P. Bernstein

Chief Executive Officer

AllianceBernstein L.P.

CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of AllianceBernstein L.P. (the “Company”) on Form 10-K for the period ending December 31, 2019 to be filed with the Securities and Exchange Commission on or about February 12, 2020 (the “Report”), I, John C. Weisenseel, Chief Financial Officer of the Company, certify, for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 12, 2020

/s/ John C. Weisenseel

John C. Weisenseel

Chief Financial Officer

AllianceBernstein L.P.