UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from to

Commission File No. 001-09818

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes ☒ No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No o

The number of units representing assignments of beneficial ownership of limited partnership interests* outstanding as of September 30, 2004 was 80,045,756.

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

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

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Part I

FINANCIAL INFORMATION

Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.
Condensed Statements of Financial Condition
(in thousands)

	9/30/04 (unaudited)	12/31/03
ASSETS		
Fees receivable	$ 610	$ 755
Investment in Operating Partnership	1,279,442	1,165,342
Total assets	$ 1,280,052	$ 1,166,097
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Payable to Operating Partnership	$ 6,334	$ 6,705
Accounts payable and accrued expenses	410	786
Total liabilities	6,744	7,491
Partners' capital	1,273,308	1,158,606
Total liabilities and partners' capital	$ 1,280,052	$ 1,166,097

See Accompanying Notes to Condensed Financial Statements.

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.
Condensed Statements of Income
(unaudited)
(in thousands, except per Unit amounts)

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Equity in earnings of Operating Partnership	$ 47,701	$ 5,849	$ 148,462	$ 84,103
Income taxes	5,943	5,577	17,964	15,592

Net income	$ 41,758	$ 272	$ 130,498	$ 68,511
Net income per Alliance Holding Unit:				
Basic	$ 0.52	$ 0.00	$ 1.64	$ 0.89
Diluted	$ 0.52	$ 0.00	$ 1.63	$ 0.88

See Accompanying Notes to Condensed Financial Statements.

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.
Condensed Statements of
Changes in Partners' Capital
and Comprehensive Income
(unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Partners' capital - beginning of period	$ 1,272,237	$ 1,238,250	$ 1,158,606	$ 1,230,543
Comprehensive income:				
Net income	41,758	272	130,498	68,511
Comprehensive income	41,758	272	130,498	68,511
Cash distributions to Alliance Holding Partners and Unitholders	(42,074)	(39,340)	(54,006)	(107,666)
Purchases of Alliance Holding Units by Alliance Capital to fund deferred compensation plans, net	498	—	(37,939)	(66,596)
Awards of Alliance Holding Units made by Alliance Capital under deferred compensation plans, net of forfeitures	(3,502)	—	38,522	65,660
Proceeds from exercise of options for Alliance Holding Units	4,391	4,059	37,627	12,789
Partners' capital - end of period	$ 1,273,308	$ 1,203,241	$ 1,273,308	$ 1,203,241

See Accompanying Notes to Condensed Financial Statements.

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.
Condensed Statements of Cash Flows
(unaudited)
(in thousands)

	Nine Months Ended	
	9/30/04	9/30/03
Cash flows from operating activities:		
Net income	$ 130,498	$ 68,511
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of Operating Partnership	(148,462)	(84,103)
Investment in Operating Partnership with proceeds from exercise of options for Alliance Holding Units	(37,627)	(12,789)
Operating Partnership distributions received	72,572	122,932
Changes in assets and liabilities:		
Decrease in fees receivable	145	221
(Increase) in other assets	—	(18)
(Decrease) increase in payable to Operating Partnership	(371)	28
(Decrease) increase in accounts payable and accrued expenses	(376)	95
Net cash provided by operating activities	16,379	94,877
Cash flows from financing activities:		
Cash distributions to Alliance Holding Partners and Unitholders	(54,006)	(107,666)
Proceeds from exercise of options for Alliance Holding Units	37,627	12,789
Net cash used in financing activities	(16,379)	(94,877)
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of period	—	—
Cash and cash equivalents at end of period	$ —	$ —

See Accompanying Notes to Condensed Financial Statements.

1. Organization

Alliance Capital Management Corporation ("ACMC"), an indirect wholly-owned subsidiary of AXA Financial, Inc. ("AXA Financial"), is the general partner of both Alliance Capital Management Holding L.P. ("Alliance Holding") and Alliance Capital Management L.P. ("Alliance Capital" or the "Operating Partnership"). AXA Financial is an indirect wholly-owned subsidiary of AXA, which is a holding company for an international group of insurance and related financial services companies ("AXA"). Alliance Holding is a registered investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). Alliance Holding Units are publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "AC". Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

ACMC owns 100,000 general partnership units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. As of September 30, 2004, AXA, AXA Financial, AXA Equitable Life Insurance Company (a wholly-owned subsidiary of AXA Financial and formerly known as The Equitable Life Assurance Society of the United States, "AXA Equitable") and certain subsidiaries of AXA Equitable beneficially owned approximately 57.8% of the issued and outstanding Alliance Capital Units (including those held indirectly through its ownership of approximately 1.8% of the issued and outstanding Alliance Holding Units) which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 58.3% in the Operating Partnership.

As of September 30, 2004, Alliance Holding owned approximately 31.6% of the issued and outstanding Alliance Capital Units. As of September 30, 2004, SCB Partners Inc., a wholly-owned subsidiary of SCB Inc. (formerly known as Sanford C. Bernstein Inc.), owned approximately 9.7% of the issued and outstanding Alliance Capital Units.

2. Business Description

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including: (a) institutional investors (consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and of affiliates such as AXA and its insurance company subsidiaries) by means of separately managed accounts, institutional sub-advisory relationships, structured products, group trusts, mutual funds and other investment vehicles; (b) private clients (consisting of high net-worth individuals, trusts, 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; (c) individual investors by means of retail mutual funds sponsored by the Operating Partnership, its subsidiaries and affiliated joint venture companies, which include cash management products (money market funds and deposit accounts), as well as sub-advisory relationships in respect of mutual funds sponsored by third parties and other investment vehicles ("Alliance Mutual Funds") and managed account products; and (d) institutional investors desiring institutional research services by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating Partnership and its subsidiaries provide investment management, distribution and/or shareholder and administrative services to Alliance Mutual Funds. Alliance Capital uses internal fundamental and quantitative research as the basis of its investment process across all its investment disciplines.

Alliance Holding's principal source of income and cash flow is attributable to its ownership interest in the Operating Partnership.

3. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited interim condensed financial statements of Alliance Holding included herein have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The Alliance Holding unaudited condensed financial statements and notes should be read in conjunction with the unaudited condensed consolidated financial statements and notes of the Operating Partnership included as an exhibit to this Quarterly Report on Form 10-Q and with Alliance Holding's and the Operating Partnership's audited financial statements for the year ended December 31, 2003 included in Alliance Holding's Annual Report on Form 10-K for the year ended December 31, 2003.

Investment in Operating Partnership

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

Compensation Plans

In 2002, the Operating Partnership adopted the fair value method of recording compensation expense on a prospective basis, using a straight-line amortization policy, relating to compensatory option awards of Alliance Holding Units as permitted by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "*Accounting for Stock-Based Compensation*", as amended by Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "*Accounting for Stock-Based Compensation — Transition and Disclosure*". Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award and is recognized over the vesting period. Fair value is determined using the Black-Scholes option-pricing model. Compensation expense relating to compensatory unit option awards granted after 2001 totaled approximately $0.5 million and

$1.8 million for the three and nine month periods ended September 30, 2004, respectively, and $0.6 million and $2.1 million for the three and nine month periods ended September 30, 2003, respectively. As a result, Alliance Holding's income derived from its interest in the Operating Partnership was decreased by approximately $0.2 million and $0.6 million for the three and nine month periods ended September 30, 2004, respectively, and was decreased by approximately $0.2 million and $0.6 million for the three and nine month periods ended September 30, 2003, respectively.

For compensatory option awards granted prior to 2002, the Operating Partnership applies the provisions of Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*", under which compensation expense is recognized only if the market value of the underlying Alliance Holding Units exceeds the exercise price at the date of grant. The Operating Partnership did not record compensation expense for option awards granted prior to 2002, because those options were granted with exercise prices equal to the market value of the underlying Alliance Holding Units on the date of grant. Had the Operating Partnership recorded compensation expense for those options based on their fair value at grant date under SFAS 123, Alliance Holding's income derived from its interest in the Operating Partnership would have

decreased and Alliance Holding's net income and net income per Alliance Holding Unit would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
	(in thousands, except per Unit amounts)			
SFAS 123 pro forma net income:				
Net income as reported	$ 41,758	$ 272	$ 130,498	$ 68,511
Add: stock-based compensation expense included in net income, net of tax	140	162	465	525
Deduct: total stock-based compensation expense determined under fair value method for all awards, net of tax	(318)	(712)	(1,053)	(2,244)
SFAS 123 pro forma net income	$ 41,580	$ (278)	$ 129,910	$ 66,792
Net income per unit:				
Basic net income per Unit as reported	$ 0.52	$ 0.00	$ 1.64	$ 0.89
Basic net income per Unit pro forma	$ 0.52	$ 0.00	$ 1.63	$ 0.87
Diluted net income per Unit as reported	$ 0.52	$ 0.00	$ 1.63	$ 0.88
Diluted net income per Unit pro forma	$ 0.52	$ 0.00	$ 1.62	$ 0.86

The Operating Partnership maintains several unfunded, non-qualified deferred compensation plans. Compensation expense is recorded as the awards vest. During the third quarter of 2004, management completed the conversion to a new deferred compensation administration system. As a result of this conversion, discrepancies between various plan liabilities as reflected in the new administration system and recorded in the general ledger were noted. Adjusting entries were recorded during the third quarter of 2004 to bring the Operating Partnership's general ledger account balances into agreement with the underlying records. These adjusting entries were not material to the employee compensation and benefits expense or accrued compensation and benefits liability as reflected in the Operating Partnership's condensed consolidated financial statements. The estimated impact of the adjustments on the results of operations and financial position in any prior reporting period is immaterial.

4. Net Income Per Alliance Holding Unit

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

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
	(in thousands, except per Unit amounts)			
Net income - Basic	$ 41,758	$ 272	$ 130,498	$ 68,511
Additional allocation of equity in earnings of the Operating Partnership resulting from assumed dilutive effect of compensatory options	470	8	1,803	1,588
Net income – Diluted.	$ 42,228	$ 280	$ 132,301	$ 70,099
Weighted average Alliance Holding Units outstanding - Basic	79,957	77,410	79,547	77,095
Dilutive effect of compensatory options	1,324	2,894	1,588	2,488
Weighted average Alliance Holding Units outstanding - Diluted	81,281	80,304	81,135	79,583
Basic net income per Alliance Holding Unit	$ 0.52	$ 0.00	$ 1.64	$ 0.89
Diluted net income per Alliance Holding Unit	$ 0.52	$ 0.00	$ 1.63	$ 0.88

Out-of-the-money options on 4,742,300 and 6,359,500 Alliance Holding Units for the three months ended September 30, 2004 and 2003, respectively, and out-of-the-money options on 4,742,300 and 8,626,500 Alliance Holding Units for the nine months ended September 30, 2004 and 2003,

respectively, have been excluded from the diluted net income per Alliance Holding Unit computation due to their anti-dilutive effect.

5. Investment in Operating Partnership

Alliance Holding's investment in the Operating Partnership for the nine month period ended September 30, 2004 was as follows (in thousands):

	2004
Investment in Operating Partnership at December 31, 2003	$ 1,165,342
Equity in earnings of Operating Partnership	148,462
Additional investment with proceeds resulting from exercise of compensatory options	37,627
Cash distributions received from Operating Partnership	(72,572)
Purchases of Alliance Holding Units by Alliance Capital to fund deferred compensation plans, net	(37,939)
Awards of Alliance Holding Units made by Alliance Capital under deferred compensation plans, net of forfeitures	38,522
Investment in Operating Partnership at September 30, 2004	$ 1,279,442

6. Commitments and Contingencies

Deferred Sales Commissions

The Operating Partnership's mutual fund distribution system (the "System") includes a multi-class share structure. The System permits the Operating Partnership's open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including the purchase of Front-End Load Shares and Back-End Load Shares. The Front-End Load Shares are subject to a conventional front-end sales charge paid by investors to AllianceBernstein Investment Research and Management, Inc. ("ABIRM"), a wholly-owned subsidiary of the Operating Partnership, at the time of sale. ABIRM in turn pays sales commissions to the financial intermediaries distributing the funds from the front-end sales charge it receives from investors. For Back-End Load Shares, investors do not pay a front-end sales charge although, if there are redemptions

before the expiration of the minimum holding period (which ranges from one year to four years), investors pay a contingent deferred sales charge ("CDSC") to ABIRM. While ABIRM is obligated to pay sales commissions to the financial intermediaries at the time of the purchase of Back-End Load Shares, it recovers these commissions from receipt of the aforementioned CDSC from investors and from ongoing distribution services fees from the mutual funds, which are higher for Back-End Load Shares than for Front-End Load Shares.

The Operating Partnership's payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares under the Operating Partnership's System are capitalized as deferred sales commissions ("deferred sales commission asset") and amortized over periods not exceeding five and one-half years, the periods of time during which the deferred sales commission asset is expected to be recovered. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received. The amount recorded by the Operating Partnership for the net deferred sales commission asset was $280.7 million at September 30, 2004. Payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares under the System during the nine months ended September 30, 2004 and 2003, net of CDSC received of $26.1 million and $26.6 million, respectively, totaled approximately $31.9 million and $80.1 million, respectively.

The Operating Partnership's management tests the deferred sales commission asset for recoverability quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Significant assumptions utilized to estimate the Operating Partnership's future average assets under management and undiscounted future cash flows from Back-End Load Shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. At September 30, 2004, the Operating Partnership's management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would decrease undiscounted future cash flows. Future redemption rate assumptions were determined by reference to actual redemption experience over the three-year and five-year periods ended September 30, 2004. Based on the actual redemption rates, including increased redemption rates experienced more recently, management used a range of expected annual redemption rates of 16% to 20% at September 30, 2004, calculated as a percentage of average assets under management. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate estimated undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. The Operating Partnership's management considers the results of these analyses performed at various dates.

As of September 30, 2004, the Operating Partnership's management determined that the deferred sales commission asset was not impaired. If the Operating Partnership's management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using the Operating Partnership's management's best estimate of future cash flows discounted to a present value amount.

Equity markets decreased by approximately 2% during the three months ended September 30, 2004 and increased by approximately 2% for the nine months ended September 30, 2004, as measured by the change in the Standard & Poor's 500 Stock Index. Fixed income markets increased by approximately 3% during the three and nine month periods ending September 30, 2004, as measured by the change in the Lehman Brothers' Aggregate Bond Index. The redemption rate for domestic Back-End Load Shares was 23.8% and 25.1% during the three and nine month periods ended September 30, 2004, respectively. Declines in financial markets or higher redemption levels, or both, as compared to the assumptions used to estimate

undiscounted future cash flows could result in the impairment of the deferred sales commission asset. Due to the volatility of the capital markets and changes in redemption rates, the Operating Partnership's management is unable to predict whether or when a future impairment of the deferred sales commission asset might occur. Should impairment occur, any loss would reduce materially the recorded amount of the Operating Partnership's asset with a corresponding charge to the Operating Partnership's expense. Alliance Holding's proportionate share of the Operating Partnership's charge would reduce materially Alliance Holding's net income.

Legal Proceedings

On April 8, 2002, in *In re Enron Corporation Securities Litigation*, a consolidated complaint ("Enron Complaint") was filed in the district court in the Southern District of Texas, Houston Division, against numerous defendants, including Alliance Capital. The principal allegations of the Enron Complaint, as they pertain to Alliance Capital, are that Alliance Capital violated Sections 11 and 15 of the Securities Act of 1933 ("Securities Act") with respect to a registration statement filed by Enron Corp. ("Enron") and effective with the SEC on July 18, 2001, which was used to sell $1.9 billion Enron Corp. Zero Coupon Convertible Notes due 2021. Plaintiffs allege that Frank Savage, who was at that time an employee of Alliance Capital and a director of the General Partner of Alliance Capital, signed the registration statement at issue. Plaintiffs allege that the registration statement was materially misleading. Plaintiffs further allege that Alliance Capital was a controlling person of Frank Savage. Plaintiffs therefore assert that Alliance Capital is itself liable for the allegedly misleading registration statement. Plaintiffs seek rescission or a rescissionary measure of damages. On June 3, 2002, Alliance Capital moved to dismiss the Enron Complaint as the allegations therein pertain to it. On March 12, 2003, that motion was denied. A First Amended Consolidated Complaint ("Enron Amended Consolidated Complaint"), with substantially similar allegations as to Alliance Capital, was filed on May 14, 2003. Alliance Capital filed its answer on June 13, 2003. On May 28, 2003, plaintiffs filed an Amended Motion for Class Certification. On October 23, 2003, following the completion of class discovery, Alliance Capital filed its opposition to class certification. Alliance Capital's motion is pending. The case is currently in discovery.

Alliance Capital believes that plaintiffs' allegations in the Enron Amended Consolidated Complaint as to it are without merit and intends to vigorously defend against these allegations.

On May 7, 2002, a complaint entitled *The Florida State Board of Administration v. Alliance Capital Management L.P.* ("SBA Complaint") was filed in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida against Alliance Capital. The SBA Complaint alleges breach of contract relating to the Investment Management Agreement between The Florida State Board of Administration ("SBA") and Alliance Capital, breach of the covenant of good faith and fair dealing contained in the Investment Management Agreement, breach of fiduciary duty, negligence, gross negligence and violation of the Florida Securities and Investor Protection Act, in connection with purchases and sales of Enron common stock for the SBA investment account. The SBA Complaint seeks more than $300 million in compensatory damages and an unspecified amount of punitive damages. On June 10, 2002, Alliance Capital moved to dismiss the SBA Complaint. On September 12, 2002, the court denied Alliance Capital's motion to dismiss the SBA Complaint in its entirety. On November 13, 2003, the SBA filed an amended complaint ("Amended SBA Complaint"). The Amended SBA Complaint contains similar Enron-related claims and also alleges that Alliance Capital breached its contract with the SBA by investing in or continuing to hold stocks for the SBA's investment portfolio that were not "1-rated," the highest rating that Alliance Capital's research analysts could assign. The Amended SBA Complaint also added claims for negligent supervision and common law fraud. The Amended SBA Complaint seeks rescissionary damages for all purchases of stocks that were not 1-rated, as well as damages for those that were not sold on a downgrade. During the third quarter of 2004, the SBA asserted in discovery that its Enron-related and 1-rated stock-related damages (including statutory interest) are approximately $2.9 billion. On December 13, 2003, Alliance Capital moved to dismiss the fraud and breach of fiduciary duty claims in the Amended SBA Complaint. On January 27, 2004, the court denied that motion. Discovery continues. Trial is scheduled to commence on March 7, 2005.

Alliance Capital believes that the SBA's allegations in the Amended SBA Complaint are without merit and intends to vigorously defend against these allegations.

On September 12, 2002, a complaint entitled *Lawrence E. Jaffe Pension Plan, Lawrence E. Jaffe Trustee U/A 1198 v. Alliance Capital Management L.P., Alfred Harrison and Alliance Premier Growth Fund, Inc.* ("Jaffe Complaint") was filed in the United States District Court in the Southern District of New York against Alliance Capital, Alfred Harrison and the AllianceBernstein Premier Growth Fund ("Premier Growth Fund") alleging violation of the Investment Company Act of 1940 ("Investment Company Act"). Plaintiff seeks damages equal to Premier Growth Fund's losses as a result of Premier Growth Fund's investment in shares of Enron and a recovery of all fees paid to Alliance Capital beginning November 1, 2000. On March 24, 2003, the court granted Alliance Capital's motion to transfer the Jaffe Complaint to the United States District Court for the District of New Jersey for coordination with the now dismissed *Benak v. Alliance Capital Management L.P. and Alliance Premier Growth Fund* action then pending. On December 5, 2003, plaintiff filed an amended complaint ("Amended Jaffe Complaint") in the United States District Court for the District of New Jersey. The Amended Jaffe Complaint alleges violations of Section 36(a) of the Investment Company Act, common law negligence, and negligent misrepresentation. Specifically, the Amended Jaffe Complaint alleges that: (i) the defendants breached their fiduciary duties of loyalty, care and good faith to Premier Growth Fund by causing Premier Growth Fund to invest in securities of Enron, (ii) the defendants were negligent for investing in securities of Enron, and (iii) through prospectuses and other documents defendants misrepresented material facts related to Premier Growth Fund's investment objective and policies. On January 23, 2004, defendants moved to dismiss the Amended Jaffe Complaint. That motion is pending.

Alliance Capital and Alfred Harrison believe that plaintiff's allegations in the Amended Jaffe Complaint are without merit and intend to vigorously defend against these allegations.

On December 13, 2002, a putative class action complaint entitled *Patrick J. Goggins, et al. v. Alliance Capital Management L.P., et al.* ("Goggins Complaint") was filed in the United States District Court for the Southern District of New York against Alliance Capital, Premier Growth Fund and individual directors and certain officers of Premier Growth Fund. On August 13, 2003, the court granted Alliance Capital's motion to transfer the Goggins Complaint to the United States District Court for the District of New Jersey. On December 5, 2003, plaintiffs filed an amended complaint ("Amended Goggins Complaint") in the United States District Court for the District of New Jersey. The Amended Goggins Complaint alleges that defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act because the Fund's registration statements and prospectuses contained untrue statements of material fact and omitted material facts. More specifically, the Amended Goggins Complaint alleges that the Fund's investment in Enron was inconsistent with the Fund's stated strategic objectives and investment strategies. Plaintiffs seek rescissionary relief or an unspecified amount of compensatory damages on behalf of a class of persons who purchased shares of Premier Growth Fund during the period October 31, 2000 through February 14, 2002. On January 23, 2004, Alliance Capital moved to dismiss the Amended Goggins Complaint. That motion is pending.

Alliance Capital, Premier Growth Fund and the other defendants believe that plaintiffs' allegations in the Amended Goggins Complaint are without merit and intend to vigorously defend against these allegations.

On August 9, 2003, the Securities and Exchange Board of India ("SEBI") ordered that Samir C. Arora, a former research analyst/portfolio manager of Alliance Capital, refrain from buying, selling or dealing in Indian equity securities. Until August 4, 2003, when Mr. Arora announced his resignation from Alliance Capital, he served as head of Asian emerging markets equities and a fund manager of Alliance Capital Asset Management (India) Pvt. Ltd. ("ACAML"), a fund management company 75% owned by Alliance Capital. The order states that Mr. Arora relied on unpublished price sensitive information in making certain investment decisions on behalf of certain clients of ACAML and Alliance Capital, that there were failures to make required disclosures regarding the size of certain equity holdings and that Mr. Arora tried to influence the sale of Alliance Capital's stake in ACAML. On March 31, 2004, SEBI issued a final order against Mr. Arora barring him from dealing directly or indirectly in the Indian equity securities markets for a period of five years commencing from August 9, 2003. On October 15, 2004, the Securities Appellate Tribunal

("SAT") allowed Mr. Arora's appeal and set aside SEBI's order, which effectively dismissed all of the charges against Mr. Arora. SEBI has appealed the SAT's decision to the Supreme Court of India. On October 18, 2004, ACAML agreed to transfer the management rights with respect to its local Indian mutual funds to Birla Sun Life, an Indian asset management company.

At the present time, Alliance Capital does not believe the outcome of this matter will have a material impact on Alliance Capital's results of operations or financial condition.

On September 8, 2003, SEBI issued to Alliance Capital a show cause notice and finding of investigation (the "Notice"). The Notice requires Alliance Capital to explain its failure to make disclosure filings as to the acquisition of shares of five Indian equity securities held at various times by Alliance Capital (through sub-accounts under foreign institutional investor licenses), ACAML and Alliance Capital's local Indian mutual fund as required under the SEBI (Insider Trading) Regulations, 1992 and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 inter alia when the holdings of the said entities in the relevant equity securities crossed 5%, which could make Alliance Capital liable to pay penalties prescribed under Section 15A of the SEBI Act, 1992, which requires that disclosure be made when the holdings of an investor (or a group of investors acting in concert) in an Indian security either exceeds five percent (5%) of the outstanding shares or changes by more than two percent (2%). On May 12, 2004, SEBI issued an Order of Adjudicating Officer in respect of Alliance Capital, ACAML and its local Indian mutual fund whereby it levied a fine, jointly and severally, against Alliance Capital and ACAML in an amount of approximately $630,000 for not filing the required notices in a timely manner. On June 29, 2004, Alliance Capital and ACAML filed an appeal with respect to such order with SAT, which is pending.

Alliance Capital recorded a charge to income of approximately $630,000 in general and administrative expenses on the condensed consolidated statement of income during the second quarter of 2004.

On August 18, 2004, SEBI entered an order of adjudication against ACAML, its local Indian mutual fund and Alliance Capital for violations of Section 15G and 15HA of the SEBI Act. The order states that a portfolio manager of ACAML relied upon unpublished price sensitive information in making certain investment decisions on behalf of certain clients of ACAML and Alliance Capital and that during various time periods he engaged in manipulative trading activity with respect to certain other securities. SEBI imposed a penalty of R.S. 150,000,000 (approximately $3,200,000) jointly and severally on Alliance Capital and ACAML. Alliance Capital and ACAML filed an appeal with respect to the order with SAT on or about October 6, 2004, and a hearing before SAT has been scheduled for November 29, 2004.

The allegations against Alliance Capital and ACAML contained in these orders of adjudication were largely based on the alleged actions of Mr. Arora, for which Alliance Capital and ACAML were allegedly responsible. These alleged actions were the subject of SEBI's order against Mr. Arora, which has now been set aside. Alliance Capital believes that if the setting aside of SEBI's order against Mr. Arora is not overturned on appeal, it should substantially strengthen Alliance Capital's legal position in its appeal of the SEBI orders against Alliance Capital and ACAML.

At the present time, Alliance Capital does not believe the outcome of these matters will have a material impact on Alliance Capital's results of operations or financial condition.

On October 1, 2003, a class action complaint entitled *Erb, et al. v. Alliance Capital Management L.P.* ("Erb Complaint") was filed in the Circuit Court of St. Clair County, Illinois, against Alliance Capital. The plaintiff, purportedly a shareholder in Premier Growth Fund, alleges that Alliance Capital breached unidentified provisions of Premier Growth Fund's prospectus and subscription and confirmation agreements that allegedly required that every security bought for Premier Growth Fund's portfolio must be a "1-rated" stock, the highest rating that Alliance Capital's research analysts could assign. Plaintiff alleges that Alliance Capital impermissibly purchased shares of stocks that were not 1-rated. On November 25, 2003, Alliance Capital removed the Erb action to the United States District Court for the Southern District of Illinois on the basis that plaintiffs' alleged breach of contract claims are preempted under the Securities Litigation Uniform

Standards Act ("SLUSA"). On February 25, 2004, the District Court granted plaintiffs' motion and remanded the action to the Circuit Court. On June 24, 2004, plaintiff filed an amended complaint ("Amended Erb Complaint") in the Circuit Court of St. Clair County, Illinois. The Amended Erb Complaint allegations are substantially similar to those contained in the previous complaint, however, the Amended Erb Complaint adds a new plaintiff and seeks to allege claims on behalf of a purported class of persons or entities holding an interest in any portfolio managed by Alliance Capital's Large Cap Growth Team. The Amended Erb Complaint alleges that Alliance Capital breached its contracts with these persons or entities by impermissibly purchasing shares of stocks that were not 1-rated. Plaintiffs seek rescission of all purchases of any non-1-rated stocks Alliance Capital made for Premier Growth Fund and other Large Cap Growth Team clients' portfolios over the past eight years, as well as an unspecified amount of damages. On July 13, 2004, Alliance Capital removed the Erb action to the United States District Court for the Southern District of Illinois on the basis that plaintiffs' claims are preempted under the SLUSA. On August 30, 2004, the District Court remanded the action to the Circuit Court. On September 15, 2004, Alliance Capital filed a notice of appeal with respect to the District Court's order. That motion is pending.

Alliance Capital believes that plaintiff's allegations in the Amended Erb Complaint are without merit and intends to vigorously defend against these allegations.

Market Timing-Related Matters

Regulatory

On September 1, 2004, Alliance Capital and the Attorney General of the State of New York ("NYAG") entered into an Assurance of Discontinuance relating to Alliance Capital's settlement of investigations into trading practices in certain Alliance Capital-sponsored mutual funds ("NYAG Agreement"). Alliance Capital furnished the NYAG Agreement under a Current Report on Form 8-K filed September 2, 2004. Alliance Capital reached settlement terms with the SEC and the NYAG regarding these practices on December 18, 2003. The agreement with the SEC was reflected in an Order of the Commission ("SEC Order"), while the agreement with the NYAG was subject to completion of final, definitive documentation, which was accomplished on September 1, 2004 with the signing of the NYAG Agreement. Alliance Capital's settlement terms with both the SEC and the NYAG were described in a News Release dated December 18, 2003, which Alliance Capital furnished under a Current Report on Form 8-K.

Civil Litigation

On October 2, 2003, a purported class action complaint entitled *Hindo, et al. v. AllianceBernstein Growth & Income Fund, et al.* ("Hindo Complaint") was filed against Alliance Capital, Alliance Holding, ACMC, AXA Financial, the AllianceBernstein family of mutual funds ("AllianceBernstein Funds"), the registrants and issuers of those funds, certain officers of Alliance Capital ("Alliance defendants"), and certain other defendants not affiliated with Alliance Capital, as well as unnamed Doe defendants. The Hindo Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of two of the AllianceBernstein Funds. The Hindo Complaint alleges that certain of the Alliance defendants failed to disclose that they improperly allowed certain hedge funds and other unidentified parties to engage in "late trading" and "market timing" of AllianceBernstein Fund securities, violating Sections 11 and 15 of the Securities Act, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 206 and 215 of the Advisers Act. Plaintiffs seek an unspecified amount of compensatory damages and rescission of their contracts with Alliance Capital, including recovery of all fees paid to Alliance Capital pursuant to such contracts.

Since October 2, 2003, forty-three additional lawsuits making factual allegations generally similar to those in the Hindo Complaint were filed in various federal and state courts against Alliance Capital and certain other defendants, and others may be filed. Such lawsuits have asserted a variety of theories for recovery including, but not limited to, violations of the Securities Act, the Exchange Act, the Advisers Act, the Investment

Company Act, the Employee Retirement Income Security Act of 1974 ("ERISA"), certain state securities statutes and common law. All of these lawsuits seek an unspecified amount of damages.

On February 20, 2004, the Judicial Panel on Multidistrict Litigation ("MDL Panel") transferred all federal actions to the United States District Court for the District of Maryland ("Mutual Fund MDL"). On March 3, 2004 and April 6, 2004, the MDL Panel issued orders conditionally transferring the state court cases against Alliance Capital and numerous others to the Mutual Fund MDL. Transfer of all of these actions subsequently became final. Plaintiffs in three of these four actions moved to remand the actions back to state court. On June 18, 2004, the Court issued an interim opinion deferring decision on plaintiffs' motions to remand until a later stage in the proceedings. Subsequently, the plaintiff in the state court individual action moved the Court for reconsideration of that interim opinion and for immediate remand of her case to state court, and that motion is pending. Defendants are not yet required to respond to the complaints filed in the state court derivative actions.

On September 29, 2004, plaintiffs filed consolidated amended complaints with respect to four claim types: mutual fund shareholder claims; mutual fund derivative claims; derivative claims brought on behalf of Alliance Holding; and claims brought under ERISA by participants in the Profit Sharing Plan for Employees of Alliance Capital. All four complaints include substantially identical factual allegations, which appear to be based in large part on the SEC Order. The claims in the mutual fund derivative consolidated amended complaint are generally based on the theory that all fund advisory agreements, distribution agreements and 12b-1 plans between Alliance Capital and the AllianceBernstein Funds should be invalidated, regardless of whether market timing occured in each individual fund, because each was approved by fund trustees on the basis of materially misleading information with respect to the level of market timing permitted in funds managed by Alliance Capital. The claims asserted in the other three consolidated amended complaints are similar to those that the respective plaintiffs asserted in their previous federal lawsuits.

Alliance Capital recorded charges to income totaling $330 million during the second half of 2003 in connection with establishing the $250 million restitution fund (which is discussed in detail under "Item 1. Business - Regulation" of Alliance Holding's Form 10-K for the year ended December 31, 2003) and certain other matters discussed under "Item 3. Legal Proceedings" in that Form 10-K. During the first nine months of 2004, Alliance Capital paid $293 million related to these matters (including $250 million to the restitution fund as described in Form 10-K) and has cumulatively paid $299 million. Management of Alliance Capital, however, cannot determine at this time the eventual outcome, timing or impact of these matters. Accordingly, it is possible that additional charges in the future may be required.

Revenue Sharing-Related Matters

Regulatory

Alliance Capital and approximately twelve other investment management firms were publicly mentioned in connection with the settlement by the SEC of charges that Morgan Stanley violated federal securities laws relating to its receipt of compensation for selling specific mutual funds and the disclosure of such compensation. The SEC has indicated publicly that, among other things, it is considering enforcement action in connection with mutual funds' disclosure of such arrangements and in connection with the practice of considering mutual fund sales in the direction of brokerage commissions from fund portfolio transactions. The SEC and the National Association of Securities Dealers, Inc. ("NASD") have issued subpoenas to Alliance Capital in connection with this matter and Alliance Capital has provided documents and other information to the SEC and the NASD, and is cooperating fully with their investigations.

Civil Litigation

On June 22, 2004, a purported class action complaint entitled *Aucoin, et al. v. Alliance Capital Management L.P., et al*. ("Aucoin Complaint") was filed against Alliance Capital, Alliance Holding, ACMC, AXA Financial, ABIRM, certain current and former directors of the AllianceBernstein Funds, and unnamed Doe defendants. The Aucoin Complaint names the AllianceBernstein Funds as nominal defendants. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by an alleged shareholder of the AllianceBernstein Growth & Income Fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from AllianceBernstein Fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as

control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with Alliance Capital, including recovery of all fees paid to Alliance Capital pursuant to such contracts, an accounting of all AllianceBernstein Fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

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

With respect to certain matters discussed above under "Legal Proceedings" (other than those referred to under "Market Timing-Related Matters" and those related to SEBI where a charge to income was recorded), management of Alliance Capital and Alliance Holding are unable to estimate the impact, if any, that the outcome of these matters may have on Alliance Capital's or Alliance Holding's results of operations or financial condition.

Alliance Capital and Alliance Holding are involved in various other inquiries, administrative proceedings and litigation, some of which allege substantial damages. While any proceeding or litigation has the element of uncertainty, Alliance Capital and Alliance Holding believe that the outcome of any one of the other lawsuits or claims that is pending or threatened, or all of them combined, will not have a material adverse effect on Alliance Capital's or Alliance Holding's results of operations or financial condition.

7. Income Taxes

Alliance Holding is a publicly traded partnership for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, Alliance Holding is subject to the New York City unincorporated business tax and to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. Alliance Holding's partnership gross income is primarily derived from its interest in the Operating Partnership.

8. Supplemental Cash Flow Information

Cash payments for income taxes were as follows:

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
	(in thousands)			
Income taxes	$ 6,152	$ 5,554	$ 18,474	$ 15,554

9. Cash Distribution

On October 28, 2004, the General Partner declared a distribution of $41,624,000 or $0.52 per Alliance Holding Unit, representing a distribution from Available Cash Flow of Alliance Holding (as defined in the Alliance Holding Partnership Agreement) for the three months ended September 30, 2004. The distribution is payable on November 18, 2004 to holders of record at the close of business on November 8, 2004.

10. Subsequent Events

On October 28, 2004, Alliance Capital and Federated Investors, Inc. ("Federated") reached a definitive agreement under which Federated is to acquire the cash management business of Alliance Capital

("Federated Agreement"). Alliance Capital described the material terms of the Federated Agreement in a Current Report on Form 8-K filed October 29, 2004. Under the Federated Agreement, up to $29 billion in assets from 22 third-party-distributed money market funds of Alliance Capital will be transitioned into Federated money market funds. The boards of directors at both Federated and the general partner of Alliance Capital have approved the transaction, but it is still subject to certain approvals and other customary closing considerations. This transaction, which is expected to close in phases occurring during the first through third quarters of 2005, includes upfront cash payments to Alliance Capital totaling approximately $26 million due at the transaction closing dates, annual contingent purchase price payments payable over five years and a final contingent $10 million payment. The annual contingent purchase price payments will be calculated as a percentage of revenues, less certain expenses, directly attributed to these assets and certain other assets of former Alliance Capital cash management clients maintained in Federated money market funds. The final contingent $10 million payment is based on comparing applicable revenues during the fifth year following closing to the revenues generated by those assets prior to the closing. At the current asset levels, these additional payments would approximate $103 million over five years.

Alliance Capital estimates that the transaction will result in a capital gain of approximately $0.03-0.06 per Alliance Holding Unit in 2005. The estimated contingent payments received from Federated in the five years following the closing are expected to be similar to the business's anticipated

profit contribution over that period. The overall effect on earnings is, therefore, expected to be immaterial.

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

Alliance Holding's principal sources of income and cash flow are attributable to its ownership of approximately 31.6% of the issued and outstanding Alliance Capital Units. The Alliance Holding condensed financial statements and notes and management's discussion and analysis of financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes and management's discussion and analysis of financial condition and results of operations of the Operating Partnership included as an exhibit to this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS
(in millions, except per Unit amounts)

	Three Months Ended			Nine Months Ended		
	9/30/04	9/30/03	% Change	9/30/04	9/30/03	% Change
Equity in earnings of Operating Partnership	$ 47.7	$ 5.9	n/m	$ 148.5	$ 84.1	76.6%
Income taxes	5.9	5.6	5.4	18.0	15.6	15.4
Net income	$ 41.8	$ 0.3	n/m	$ 130.5	$ 68.5	90.5
Diluted net income per Unit	$ 0.52	$ 0.00	n/m	$ 1.63	$ 0.88	85.2
Distribution per Unit	$ 0.52	$ 0.57	(8.8)%	$ 1.19	$ 1.45	(17.9)%

Net income for the three months ended September 30, 2004 increased $41.5 million, or $0.52 diluted net income per Alliance Holding Unit, to $41.8 million, or $0.52 diluted net income per Alliance Holding Unit, from net income of $0.3 million, or $0.00 diluted net income per Alliance Holding Unit, for the three months ended September 30, 2003. The increase reflects the higher earnings of the Operating Partnership.

Net income for the nine months ended September 30, 2004 increased $62.0 million, or $0.75 diluted net income per Alliance Holding Unit, to $130.5 million, or $1.63 diluted net income per Alliance Holding Unit, from net income of $68.5 million, or $0.88 diluted net income per Alliance Holding Unit, for the nine months ended September 30, 2003. The increase reflects the higher earnings of the Operating Partnership.

CAPITAL RESOURCES AND LIQUIDITY

Alliance Holding's partners' capital was $1,273.3 million at September 30, 2004, an increase of $1.1 million or approximately 0.1% from $1,272.2 million at June 30, 2004 and an increase of $114.7 million or approximately 9.9% from $1,158.6 million at December 31, 2003. The increase for the nine months ended September 30, 2004 arises from net income, awards of Alliance Holding Units made by Alliance Capital under deferred compensation plans and the proceeds from exercise of options for Alliance Holding Units, offset by cash distributions to Unitholders in respect of Alliance Holding's Available Cash Flow for the second quarter of 2004 paid in the third quarter of 2004 and net purchases of Alliance Holding Units by Alliance Capital to fund deferred compensation plans.

Alliance Holding's cash and cash equivalents remained unchanged during the first nine months of 2004. Cash inflows in the first nine months of 2004 of $72.6 million from distributions received from the Operating Partnership were offset by $54.0 million of cash distributions paid to Alliance Holding Partners and Unitholders and payments for income taxes of $18.5 million. Management believes that cash flow from its ownership of Units of the Operating Partnership will provide Alliance Holding with the financial resources to meet its capital requirements.

CASH DISTRIBUTIONS

Alliance Holding is required to distribute all of its Available Cash Flow (as defined in the Alliance Holding Partnership Agreement) to its partners and Alliance Holding Unitholders. Alliance Holding's Available Cash Flow and distributions per Alliance Holding Unit for the three and nine month periods ended September 30, 2004 and 2003, were as follows:

	Three Months Ended		Nine Months Ended	
(in thousands, except per Unit amounts)	9/30/04	9/30/03	9/30/04	9/30/03
Available Cash Flow	$ 41,624	$ 44,188	$ 95,087	$ 112,085
Distribution Per Unit	$ 0.52	$ 0.57	$ 1.19	$ 1.45

COMMITMENTS AND CONTINGENCIES

See "Note 6. Commitments and Contingencies" of the Notes to the Condensed Financial Statements contained in Part I, Item 1 of this Form 10-Q.

FORWARD-LOOKING STATEMENTS

Certain statements provided by Alliance Holding and Alliance Capital 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, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of such factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions and government regulations, including changes in tax rates. Alliance Holding and Alliance Capital caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; Alliance Holding and Alliance Capital 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, please refer to the Risk Factors section in Part I of Form 10-K for the year ended December 31, 2003. Any or all of the forward-looking statements that we make in Form 10-Q, Form 10-K or any other public statements we issue may turn out to be wrong. It is important to remember that other factors besides those listed in the Risk Factors section could also adversely affect our business, operating results or financial condition.

The forward-looking statements referred to in the preceding paragraph include statements regarding the outcome of litigation and the overall effect on earnings of the sale of Alliance Capital's cash management business to Federated. Litigation is inherently unpredictable, and excessive judgments do occur. Though we have stated that we do not expect certain legal proceedings to have a material adverse effect on results of operations or financial condition, and though we have taken a charge in respect of "market timing-related matters", any settlement or judgment on the merits of a legal proceeding could be significant, and could have a material adverse effect on Alliance Holding's and Alliance Capital's results of operations or financial condition. The effect of the sale on earnings resulting from contingent payments in future periods will depend on the amount of net revenue earned by Federated during these periods on assets under management maintained in Federated's funds by Alliance Capital's former cash management clients. The amount of capital gain realized upon closing the transaction depends on an initial payment by Federated, some of which, in certain circumstances, would need to be returned to Federated.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to Alliance Holding's market risk for the three and nine month periods ended September 30, 2004.

Item 4. Controls and Procedures

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

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

In addition, management evaluated Alliance Holding's internal control over financial reporting and there have been no changes that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

See "Note 6. Commitments and Contingencies" of the Notes to Condensed Financial Statements contained in Part I, Item 1 of this Form 10-Q.

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

Alliance Holding did not sell any Alliance Holding Units during the third quarter of 2004 that were not registered under the Securities Act.

The following table provides information relating to any purchases of Alliance Holding Units by Alliance Capital made in the quarter covered by this report:

PURCHASES OF EQUITY SECURITIES BY ISSUER'S AFFILIATES

Period	(a) Total Number of Units Purchased	(b) Average Price Paid Per Unit, net of Commissions	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet Be Purchased Under the Plans or Programs
7/1/04-7/31/04	5,886	$ 33.78	—	—
8/1/04-8/31/04	—	—	—	—
9/1/04-9/30/04	—	—	—	—
Total	5,886	$ 33.78	—	—

Alliance Holding did not repurchase any Alliance Holding Units during the third quarter of 2004.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

2.1	Agreement between Federated Investors, Inc. and Alliance Capital Management L.P. dated as of October 28, 2004.
13	Part I, Financial Information, of the Alliance Capital Management L.P. Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004.
15	Report of Independent Registered Public Accounting Firm.
31.1	Certification of Mr. Sanders pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mr. Joseph pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Mr. Sanders pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Mr. Joseph pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

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

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

Dated: November 8, 2004

By: Alliance Capital Management Corporation, its General Partner

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

Exhibit 2.1

Execution Copy

AGREEMENT

between

FEDERATED INVESTORS, INC.,

and

ALLIANCE CAPITAL MANAGEMENT L.P.

dated as of

October 28, 2004

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Exhibits:

Schedules:

AGREEMENT

THIS AGREEMENT, dated as of October 28, 2004 (this ***"Agreement"***), is between **FEDERATED INVESTORS, INC.** (***"Federated"***), a corporation organized under the laws of the Commonwealth of Pennsylvania with its principal business office located at Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, Pennsylvania, and **ALLIANCE CAPITAL MANAGEMENT L.P.** (***"Alliance"***), a Delaware limited partnership, with headquarters located at 1345 Avenue of the Americas, New York, New York. Certain terms used in this Agreement are defined in Section 1.1 of this Agreement.

W I T N E S S E T H:

WHEREAS, AllianceBernstein Institutional Reserves Prime Portfolio, AllianceBernstein Institutional Reserves Government Portfolio, AllianceBernstein Institutional Reserves Treasury Portfolio, AllianceBernstein Institutional Reserves Tax-Free Portfolio, AllianceBernstein Institutional Reserves California Tax-Free Portfolio, AllianceBernstein Institutional Reserves New York Tax-Free Portfolio (each an ***"AllianceBernstein Institutional Reserves Portfolio"***, and collectively the ***"AllianceBernstein Institutional Reserves Portfolios"***); AllianceBernstein Municipal Trust General Portfolio, AllianceBernstein Municipal Trust New York Portfolio, AllianceBernstein Municipal Trust California Portfolio, AllianceBernstein Municipal Trust Connecticut Portfolio, AllianceBernstein Municipal Trust New Jersey Portfolio, AllianceBernstein Municipal Trust Virginia Portfolio, AllianceBernstein Municipal Trust Florida Portfolio, AllianceBernstein Municipal Trust Massachusetts Portfolio, AllianceBernstein Municipal Trust Pennsylvania Portfolio, AllianceBernstein Municipal Trust Ohio Portfolio (each an ***"AllianceBernstein Municipal Trust Portfolio"***, and collectively the ***"AllianceBernstein Municipal Trust Portfolios"***); AllianceBernstein Capital Reserves Portfolio, AllianceBernstein Money Reserves Portfolio (each an ***"AllianceBernstein Capital Reserves Portfolio"***, and collectively the ***"AllianceBernstein Capital Reserves Portfolios"***); AllianceBernstein Government Reserves Portfolio, AllianceBernstein Treasury Reserves Portfolio (each an ***"AllianceBernstein Government Reserves Portfolio"***, and collectively the ***"AllianceBernstein Government Reserves Portfolios"*** and together with the AllianceBernstein Institutional Reserves Portfolios, AllianceBernstein Municipal Trust Portfolios and AllianceBernstein Capital Reserves Portfolios, each a ***"Domestic Alliance Fund"***, and collectively the ***"Domestic Alliance Funds"***); and ACM International Reserves and ACM International Reserves II PLC (each an ***"Offshore Alliance Fund"***, and collectively the ***"Offshore Alliance Funds"*** and together with the

Domestic Alliance Funds, the ***"Alliance Funds"***) are investment companies or series of certain investment companies as described below; and

WHEREAS, the AllianceBernstein Institutional Reserves Portfolios are series of AllianceBernstein Institutional Reserves, Inc., a corporation organized under the laws of Maryland and registered under the Investment Company Act of 1940, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder (the ***"1940 Act"***), as an open-end management investment company and whose shares are registered for sale under the Securities Act of 1933, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder (the ***"1933 Act"***) (***"Institutional Reserves"***); and

WHEREAS, the AllianceBernstein Municipal Trust Portfolios are series of AllianceBernstein Municipal Trust, a business trust organized under the laws of Massachusetts and registered under the 1940 Act as an open-end management investment company and whose shares are registered for sale under the 1933 Act (the ***"Municipal Trust"***); and

WHEREAS, the AllianceBernstein Capital Reserves Portfolios are series of AllianceBernstein Capital Reserves, a business trust organized under the laws of Massachusetts and registered under the 1940 Act as an open-end management investment company and whose shares are registered for sale under the 1933 Act (***"Capital Reserves"***); and

WHEREAS, the AllianceBernstein Government Reserves Portfolios are series of AllianceBernstein Government Reserves, a business trust organized under the laws of Massachusetts and registered under the 1940 Act as an open-end management investment company and whose shares are registered for sale under the 1933 Act (***"Government Reserves"*** and, together with Institutional Reserves, Capital Reserves and the Municipal Trust, the ***"Domestic Investment Companies"***); and

WHEREAS, ACM International Reserves is an investment company incorporated with limited liability under the laws of the Cayman Islands as an exempted company (***"ACM International Reserves"*** or an ***"Offshore Alliance Fund"***); and

WHEREAS, ACM International Reserves II PLC is an open-ended investment company with variable capital incorporated with limited liability under the laws of Ireland (***"ACM International Reserves II"*** or an ***"Offshore Alliance Fund"***); and

WHEREAS, Alliance services insured demand deposit accounts (the ***"Deutsche Bank Insured Accounts"***) whereby investors with securities accounts established through intermediaries maintain demand deposits at Deutsche Bank Trust Company Americas (***"Deutsche Bank"***), and Alliance acts as agent in respect of such demand deposits and all related transactions, including further deposits and withdrawals; and

WHEREAS, Alliance has proposed to be involved in establishing and servicing insured demand deposit accounts with a certain Midwestern trust company previously identified to Federated (the ***"Trust Company"***), whereby investors with securities accounts established through intermediaries will maintain insured demand deposits (the ***"Trust Insured Accounts"***, and together with the Deutsche Bank Insured Accounts, the ***"Insured Accounts"***); and

WHEREAS, Alliance serves as an investment adviser to each Domestic Alliance Fund pursuant to investment advisory agreements, each dated July 22, 1992, between Alliance and each Domestic Investment Company on behalf of each respective Domestic Alliance Fund (as amended, the ***"Domestic Alliance Funds Advisory Agreements"***); and

WHEREAS, Alliance serves as an investment adviser to each Offshore Alliance Fund pursuant to investment advisory agreements between Alliance and each of ACM International Reserves and ACM International Reserves II, dated August 20, 1998 and August 23, 2001, respectively (as amended, the ***"Offshore Alliance Funds Advisory Agreements"***, and together with the Domestic Advisory Agreements, the ***"Advisory Agreements"***); and

WHEREAS, Alliance provides deposit placement, administrative and recordkeeping services in connection with the Deutsche Bank Insured Accounts pursuant to the Third Amended and Restated Money Market Agreement, dated as of November 4, 2003, between Alliance and Deutsche Bank (as amended, and as defined in more detail in Section 1.1 below, the ***"Deutsche Bank Agreement"***; and together with the Advisory Agreements, the ***"Alliance Agreements"***); and

WHEREAS, Federated or an investment advisory subsidiary of Federated is the sponsor to the investment companies registered under the 1940 Act and shares are or will be registered for sale under the 1933 Act (or similar foreign Applicable Law) and identified on ***Exhibit A*** to this Agreement (each, together with any successor or transferee of a substantial portion of its assets prior to the Final Closing Date, a ***"Surviving Fund"***, and collectively the ***"Surviving Funds"***); and

WHEREAS, each Surviving Fund is a duly organized series of a Federated investment company identified on ***Exhibit A*** to this Agreement (each, a ***"Federated Investment Company"***, and collectively the ***"Federated Investment Companies"***); and

WHEREAS, Alliance intends to cause the transfer of all of the Alliance Fund Assets associated with the sweep accounts invested in the Alliance Funds (the ***"Sweep Accounts"***) to the appropriate Surviving Funds identified on ***Exhibit A*** to this Agreement; and

WHEREAS, as contemplated in this Agreement, such transfers will be effected via a negative written consent process conducted in compliance with Rule 2510 of the National Association of Securities Dealers (***"NASD"***) and other Applicable Law, whereby Persons with authority over such Sweep Accounts will be sent a negative consent letter informing them of the transfer and advising them that they have thirty (30) days to object to such transfer (the ***"Negative Consent Process"***) to the Surviving Funds; and

WHEREAS, concurrently with the Negative Consent Process, Alliance shall use commercially reasonable efforts to cause each Offshore Alliance Fund to redeem all of its outstanding shares held by its current registered shareholders after the execution of this Agreement and that, in each case, such redemption be effected in kind by the Offshore Alliance Fund transferring, on behalf of and at the direction of each such registered shareholder, all (or substantially all) of its investment assets (and any surplus cash) to the applicable offshore Surviving Fund in return for such Surviving Fund allotting and issuing to each such registered shareholder the appropriate number of fully paid shares of the corresponding class (the ***"Offshore Redemption in Kind Process"***); and

WHEREAS, to the extent that such transfers are not effected pursuant to the processes and means described above, if mutually agreed between Alliance and Federated in accordance with this Agreement, Alliance intends to recommend to the Investment Companies that the Alliance Funds be reorganized with and into the Surviving Funds upon the terms and conditions set forth in this Agreement and in certain Agreements and Plans of Reorganization between the Investment Companies on behalf of the Alliance Funds and the Federated Investment Companies on behalf of the Surviving Funds in forms to be negotiated, and mutually agreed to between the Parties prior to the First Closing, starting from the forms attached as ***Exhibit B*** hereto (each, together with such changes as negotiated prior to the First Closing, a ***"Plan of Reorganization"***, and collectively the ***"Reorganization Agreements"***); and

WHEREAS, Alliance and certain of its Affiliated Persons operate a cash management business used by both retail and institutional clients through Alliance's and certain of its Affiliated Persons' provision of investment advisory, investment management and other services to the Alliance Funds and certain distribution and support related services to the Insured Accounts (as defined in more detail in Section 1.1 below, collectively, the ***"Business"***), and Alliance wishes to sell to Federated, and Federated wishes to purchase from Alliance, substantially all of Alliance's interest in, the Business, including certain assets identified in Section 1.1 below relating to the Business, on the terms and subject to the conditions set forth in this Agreement; and

NOW, THEREFORE, in consideration of the respective representations, warranties and covenants contained in this Agreement, and intending to be legally bound, Alliance and Federated agree as follows:

ARTICLE I
CERTAIN DEFINITIONS; CONSTRUCTION

1.1 Definitions. **The following terms have the meanings specified below or are defined in the Sections referred to below.*"1933 Act"*** is defined in the recitals to this Agreement.

"1934 Act" means the Securities Exchange Act of 1934, as amended, and the rules regulations and interpretations promulgated by any Governmental Authority thereunder.

"1940 Act" is defined in the recitals to this Agreement.

"ACM International Reserves" is defined in the recitals to this Agreement.

"ACM International Reserves II" is defined in the recitals to this Agreement.

"Acquired Assets" is defined in Section 2.1(a) of this Agreement.

"Advisory Agreements" is defined in the recitals to this Agreement.

"Advisers Act" means the Investment Advisers Act of 1940, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder.

"Affiliated Person" means, with respect to any Person, an "affiliated person" of such Person as such term is defined in Section 2(a)(3) of the 1940 Act.

"Agreement" means this Agreement, as it may be amended, modified, supplemented, or restated from time to time.

"Alliance" is defined in the preamble to this Agreement.

"Alliance Agreements" is defined in the recitals to this Agreement.

"AllianceBernstein Capital Reserves Portfolio" is defined in the recitals to this Agreement.

"AllianceBernstein Government Reserves Portfolio" is defined in the recitals to this Agreement.

"AllianceBernstein Institutional Reserves Portfolio" is defined in the recitals to this Agreement.

"AllianceBernstein Municipal Trust Portfolio" is defined in the recitals to this Agreement.

"Alliance Consents" is defined in Section 3.1.4 of this Agreement.

"Alliance Fund Assets" means the net assets of the Alliance Funds and deposits in Insured Accounts (prior to the assets of the Insured Accounts being transferred as contemplated in this Agreement).

"Alliance Funds" is defined in the recitals to this Agreement.

"Alliance Fund Termination Date" shall mean, with respect to any Alliance Fund, the earlier of (a) the date on which all of the Alliance Fund Assets of such Alliance Fund are transferred to a Surviving Fund either through the Negative Consent Process, the Offshore Redemption in Kind Process, an Interim Transfer or pursuant to a Reorganization Agreement, or (b) the Final Closing Date.

"Alliance Indemnitees" is defined in Section 9.2 of this Agreement.

"Alliance Intellectual Property" means all Intellectual Property owned, licensed or used by Alliance or any Alliance Fund, or any Affiliated Person of any of them, in connection with the Business (other than any Retained Asset or Shared Use Asset) and included in the Acquired Assets.

"Alliance NYAG Settlement" means the settlement evidenced by the Assurance of Discontinuance dated as of September 1, 2004 entered into by Alliance and the New York State Attorney General.

"Alliance SEC Documents" means Alliance Capital Management L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and all other reports, registration statements, definitive proxy statements or information statements, and amendments thereto, filed by Alliance subsequent to March 10, 2004 and prior to the fifth Business Day preceding the date hereof under the 1933 Act or under Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act as filed with the Commission.

"Alliance SEC Settlement" means the settlement detailed in the Order of the Commission contained in Release No. IA-2205A; IC 26312A; Administrative Proceeding File No. 3-11359; dated January 15, 2004.

"Anniversary Payments" means an amount equal to the sum of the First Anniversary Payment, Second Anniversary Payment, Third Anniversary Payment, Fourth Anniversary Payment and the Fifth Anniversary Payment.

"Annualized Pre-First Closing Run Rate Measurement" means the net revenue earned by Alliance or its Affiliated Persons (calculated in a manner consistent with the methodology reflected in ***Schedule 1.1***) on Alliance Fund Assets attributable to Tracked Clients which become Transferred Assets, for the ninety (90) day period ending one day prior to the First Closing Date, annualized by dividing the net revenue for such period by 90 and multiplying the result by 365.

"Annualized 8/31/04 Run Rate Measurement" means the net revenue earned by Alliance or its Affiliated Persons (calculated in a manner consistent with the methodology reflected in ***Schedule 1.1***) on Alliance Fund Assets attributable to Tracked Clients which become Transferred Assets, for the ninety (90) day period ending August 31, 2004, annualized by dividing the net revenue for such period by 90 and multiplying the result by 365.

"Applicable Law" means all applicable provisions of all (i) constitutions, treaties, statutes, laws (including the common law), rules, regulations, ordinances, codes, interpretations or orders of any Governmental Authority, (ii) Governmental Approvals and (iii) orders, decisions, injunctions, judgments, writs, awards, and decrees of, or agreements with, any Governmental Authority.

"Assumed Alliance Fund Liabilities" means, in the case of any Alliance Fund reorganized through an "F reorganization" under the Code with and into a Surviving Fund pursuant to a Reorganization Agreement at the Final Closing, ordinary course Liabilities specifically identified on the financial

statements of the Alliance Fund and expressly assumed by a Surviving Fund pursuant to a Reorganization Agreement as required in connection with such "F reorganization" under the Code or, obligations of the predecessor Alliance Fund assumed in order to succeed to redemption credits pursuant to Section 24(f) of the 1940 Act and former Rule 24e-2 promulgated under the 1940 Act (as in effect prior to October 11, 1997).

"Board" means the Board of Directors or Trustees, as applicable, of (i) in the case of Alliance, the General Partner, (ii) Federated, (iii) any Alliance Fund, or (iv) any Surviving Fund, as applicable.

"Business" is defined in the recitals to this Agreement. For the avoidance of doubt, ***"Business"*** also includes the Acquired Assets.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Pittsburgh, Pennsylvania, or the New York Stock Exchange, are authorized or required to close.

"Calculation Dispute" is defined in the definition of Dispute Resolution Process in Section 1.1.

"Calculation Statement" shall mean any Closing Date Statement, Interim Period Statement or Clawback Measurement Period Statement, as applicable.

"Capital Reserves" is defined in the recitals to this Agreement.

"Cash Management Vehicle" means (a) (i) any money market fund registered under the 1940 Act or the 1933 Act (or similar foreign Applicable Law), or (ii) any collective investment vehicle that seeks stability of principal and daily or other periodic liquidity in a manner similar to a money market fund and that, but for the exceptions under the 1940 Act, would be an "investment company" thereunder, or (b) any insured demand deposit accounts similar to the Insured Accounts.

"Clawback Measurement Period" means the period beginning on the first day of the seventh (7th) month after the month in which the First Closing Date occurs and continuing for six (6) months thereafter; *provided*, *however*, that if at least seventy-five percent (75%) of the Total

Alliance Fund Assets are not included in the First Closing Fund Assets, then references to the First Closing Date used in determining the Clawback Measurement Period shall be changed to the Final Closing Date.

"Clawback Measurement Period Statement" is defined in Section 2.8(c) of this Agreement.

"Clawback Payment" is defined in Section 2.8(b) of this Agreement.

"Client Split" means the allocation of Transferred Assets attributable to Tracked Clients between Federated and Alliance, as determined in accordance with Section 2.7 of this Agreement.

"Client Statement" is defined in Section 2.7(a) of this Agreement.

"Closing" means the First Closing or the Final Closing, as applicable.

"Closing Fund Assets" means the First Closing Fund Assets, Interim Period Transferred Assets and the Final Closing Fund Assets.

"Closing Date" means the First Closing Date or the Final Closing Date, as applicable.

"Closing Date Statement" is defined in Section 2.6(a) of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder.

"Commission" means the U.S. Securities and Exchange Commission.

"Consent" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, or filing or registration with, or report or notice to, any Person, including any Governmental Authority.

"Consideration Amount" means an amount equal to the sum of the First Closing Payment, the Interim Payments, the Final Closing Payment, the Non-Tracked Client Payment, the Anniversary Payments, the Payment Differential and, if applicable, the Contingent Payment, less the Clawback Payment, if any.

"Contingent Payment" means an amount equal to ten million dollars ($10,000,000).

"Contracts" means, in respect of any Person, all loan agreements, indentures, letters of credit (including related letter of credit applications and reimbursement obligations), mortgages, security agreements, pledge agreements, deeds of trust, bonds, notes, guarantees, surety obligations, warranties, licenses, franchises, permits, powers of attorney, purchase orders, leases, and other agreements, contracts, instruments and similar obligations to which such Person is party or by which they or any of their properties or assets may be bound or affected, in each case as amended, supplemented, waived or otherwise modified.

"Deutsche Bank" is defined in the recitals to this Agreement.

"Deutsche Bank Agreement" is defined in the recitals to this Agreement. ***"Deutsche Bank Agreement"*** also shall include any referring institution agreements (or similar selling agreements) to which Alliance is a party relating to the sale of the Deutsche Bank Insured Accounts.

"Deutsche Bank Assignment Documents" means those written Contracts and Consents necessary to assign the Deutsche Bank Agreement to Federated or to otherwise transfer the benefits received by Alliance under such Deutsche Bank Agreement to Federated

"Deutsche Bank Insured Accounts" is defined in the recitals to this Agreement.

"Dispute Resolution Process" means the following process which either Federated or Alliance may invoke by providing written notice to the other Party if Federated and Alliance cannot agree on any Calculation Statement required to be delivered under this Agreement as contemplated in this Agreement (a ***"Calculation Dispute"***). Upon either Party delivering such written notice of a Calculation Dispute:

(a) any undisputed amount shall be paid by the applicable Party on the date required under this Agreement;

(b) the payment of any disputed amount shall be postponed until the date that is three (3) Business Days after the Calculation Dispute is resolved pursuant to this Dispute Resolution Process;

(c) the Calculation Dispute will be escalated to senior executives of Alliance and Federated with authority to resolve the Calculation Dispute, and such senior executives will meet (either in person or via conference call, and with such other representatives of Alliance or Federated (as applicable) as such senior executives deem necessary or desirable), at least once

initially within five (5) Business Days after such written Calculation Dispute notice was delivered, to attempt to resolve the Calculation Dispute; if such senior executives agree upon a resolution to such Calculation Dispute, the applicable Calculation Statement (as modified consistent with such agreement) shall be considered final and conclusive for all purposes;

(d) if such executives cannot resolve such dispute within forty-five (45) calendar days, then either party may thereafter provide written notice to the other that it elects to submit the Calculation Dispute to a nationally recognized independent accounting firm chosen jointly by such executives of Federated and Alliance (the ***"Neutral Accountants"***). Alliance and Federated shall use commercially reasonable efforts to cause the Neutral Accountants to promptly review and resolve the Calculation Dispute no later than thirty (30) days after the delivery of such written notice, using GAAP as applied in the United States (or, if necessary, generally accepted accounting principles as applied in an applicable foreign jurisdiction). The fees and expenses of the Neutral Accountants shall be shared equally by Alliance and Federated, and the decision of the Neutral Accountants shall be final and conclusive for all purposes.

"Domestic Alliance Funds" is defined in the recitals to this Agreement.

"Domestic Alliance Funds Advisory Agreements" is defined in the recitals to this Agreement.

"Domestic Investment Companies" is defined in the recitals to this Agreement.

"Federated" is defined in the preamble to this Agreement.

"Federated Indemnitees" is defined in Section 9.1 of this Agreement.

"Federated Investment Companies" is defined in the recitals to this Agreement.

"Federated NYAG Settlement" means any settlement reached between Federated and the New York Attorney General relating to the matters disclosed in the Federated SEC Documents.

"Federated SEC Documents" means Federated's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and all other reports, registration statements, definitive proxy statements or information statements, and amendments thereto, filed by Federated subsequent to June 30, 2003 and prior to the fifth (5th) Business Day preceding the date hereof under the 1933 Act or under Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act as filed with the Commission.

"Federated SEC Settlement" means any settlement reached between Federated and the Commission relating to the matters disclosed in the Federated SEC Documents.

"Fifth Anniversary Date" means the date which is five (5) Fiscal Years after the First Closing Date.

"Fifth Anniversary Payment" means an amount equal to seventy percent (70%) of the Net Revenue earned by Federated on the Transferred Assets attributable to Tracked Clients for the Fiscal Year beginning on the day after the Fourth Anniversary Date.

"Final Closing" is defined in Section 2.10(b) of this Agreement.

"Final Closing Anniversary Date" means the date which is five (5) Fiscal Years after the Final Closing Date.

"Final Closing Date" is defined in Section 2.10(b) of this Agreement. If the Final Closing Date does not occur before August 31, 2005, ***"Final Closing Date"*** shall be deemed to mean August 31, 2005 for all purposes of this Agreement (it being understood that, in such instance, no additional Closings or Interim Transfers shall occur after August 31, 2005 and Article VI would not be applicable).

"Final Closing Fund Assets" means the Alliance Fund Assets transferred to the Surviving Funds (or, in the case of the Insured Account assets, as contemplated in this Agreement) (in each case, if any) on the Final Closing Date.

"Final Closing Payment" means an amount equal to (a) twenty-five million dollars ($25,000,000) less (b) the First Closing Payment, less (c) the sum of all Interim Payments.

"First Anniversary Date" means the date which is one (1) Fiscal Year after the First Closing Date.

"First Anniversary Payment" shall mean an amount equal to seventy percent (70%) of the Net Revenue earned by Federated on the Transferred Assets attributable to Tracked Clients for the Fiscal Year beginning on the day after the First Closing Date.

"First Closing" is defined in Section 2.10(a) of this Agreement.

"First Closing Date" is defined in Section 2.10(a) of this Agreement.

"First Closing Fund Assets" means the Alliance Fund Assets transferred to the Surviving Funds (or, in the case of the Insured Account assets, as contemplated in this Agreement) on the First Closing Date.

"First Closing Payment" means an amount equal to the product of (a) an amount equal to the quotient of (i) First Closing Fund Assets, divided by (ii) Total Alliance Fund Assets, multiplied by (b) twenty-five million dollars ($25,000,000).

"Fiscal Year" means a period of 365 days (or, as applicable in the event of a leap year, 366 days).

"Former Alliance Client" means (a) a client of the Business that is not also a client of Federated on the date of this Agreement and that transfers all or a portion of such client's assets to a Surviving Fund or Other Federated Cash Management Vehicle, between the date of this Agreement and the First Closing Date, or (b) as mutually agreed (including in terms of the client and the portion of such client's assets to be included) upon by the Parties prior to the First Closing, a client of the Business that is also a client of Federated on the date of this Agreement and that transfers all or a portion of such client's assets to a Surviving Fund or Other Federated Cash Management Vehicle between the date of this Agreement and the First Closing Date.

"Fourth Anniversary Date" means the date which is four (4) Fiscal Years after the First Closing Date.

"Fourth Anniversary Payment" means an amount equal to seventy percent (70%) of the Net Revenue earned by Federated on the Transferred Assets attributable to Tracked Clients for the Fiscal Year beginning on the day after the Third Anniversary Date.

"Fund" means an Alliance Fund or Surviving Fund, as applicable.

"GAAP" means generally accepted accounting principles in the United States of America.

"General Partner" means Alliance Capital Management Corporation, a Delaware corporation.

"Governing Documents" means (a) with respect to any corporation, its articles or certificate of incorporation, bylaws and other organizational documents, (b) with respect to any limited liability company, its articles or certificate of formation or organization, limited liability company agreement, operating agreement and other organizational documents, (c) with respect

to any business trust, its declaration of trust, trust agreement and other organizational documents, (d) with respect to any limited partnership, its certificate of partnership, partnership agreement and any other organizational document and (e) with respect to any other Person, its comparable governing agreements and other organizational documents.

"Government Reserves" is defined in the recitals to this Agreement.

"Governmental Approval" means any Consent of, with or to any Governmental Authority.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States, any foreign nation, government, commonwealth or province, or any political subdivision thereof; any court, governmental tribunal, or arbitrator; and any self-regulatory organization (as such term is defined in the 1934 Act).

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder.

"Incidental Money Market Fund" means a Cash Management Vehicle of a Person (other than Alliance or any Non-Compete Affiliate), unless the net revenue of such Person from such Cash Management Vehicle is greater than either (i) seven million five hundred thousand dollars ($7,500,000), or (ii) seven and one-half percent (7½%) of such Person's net revenue. For the avoidance of doubt, ***"Incidental Money Market Fund"*** shall in no event mean a Cash Management Vehicle started by Alliance or any Non-Compete Affiliate either *de novo* or through the reorganization or other conversion of another one of their respective existing businesses into a Cash Management Vehicle.

"Indemnified Party" is defined in Section 9.3 of this Agreement.

"Indemnifying Party" is defined in Section 9.3 of this Agreement.

"Institutional Reserves" is defined in the recitals to this Agreement.

"Insured Accounts" is defined in the recitals to this Agreement.

"Intellectual Property" shall mean any United States and foreign patents, trademarks, service marks, trade names, trade dress, logos, business and product names, slogans, copyrights, trade secrets, know-how, and software, spreadsheets, source code, updates, upgrades and versions, and other proprietary rights, or intellectual property, and all applications, registrations, manuals and other documentation related thereto.

"Interim Payment" means a payment to be made by Federated to Alliance with respect to all Interim Period Transferred Assets transferred to a Surviving Fund (or, in the case of Insured Account assets, as contemplated in this Agreement) during any calendar month during which there is an Interim Transfer Date, which payment shall equal the product of (a) an amount equal to the quotient of (i) Interim Period Transferred Assets transferred to a Surviving Fund (or, in the case of Insured Account assets, as contemplated in this Agreement) since the First Closing Date (in the case of the first Interim Payment) or the last Interim Transfer Date (in the case of all subsequent Interim Payments), divided by (ii) Total Alliance Fund Assets, multiplied by (b) twenty five million dollars ($25,000,000).

"Interim Payment Anniversary Date" means the date which is five (5) Fiscal Years after any Interim Transfer Date.

"Interim Payment Date" means the date that is seven (7) days after the end of each calendar month during which there is an Interim Transfer Date, provided that if an Interim Payment Date is a Friday, Saturday, or Sunday, Interim Payment Date shall be the following Monday.

"Interim Period Statement" is defined in Section 2.6(b) of this Agreement.

"Interim Period Transferred Assets" means Alliance Fund Assets transferred in an Interim Transfer.

"Interim Transfer" means the transfer of Alliance Fund Assets to the Surviving Funds (or, in the case of Insured Account assets, as contemplated in this Agreement) by Alliance after the First Closing and before the Final Closing.

"Interim Transfer Date" means each date after the First Closing Date and before the Final Closing Date on which (a) Alliance Fund Assets are transferred pursuant to Section 2.2 or Section 2.4 of this Agreement, and any related Acquired Assets are transferred pursuant to the transactions contemplated in Section 2.1 of this Agreement, or (b) any Alliance Fund Assets, and Acquired Assets related to that portion of the Business being transferred, are transferred to the

Surviving Funds and Federated, respectively, pursuant to another mutually agreed upon transfer mechanism, in each case upon at least three (3) days prior written notice from Alliance to Federated.

"Investment Companies" means the Domestic Investment Companies and the Offshore Alliance Funds.

"Knowledge" means (a) with respect to Alliance, the actual knowledge, after commercially reasonable inquiry, of (i) the Chairman, Chief Executive Officer, President (if such an office is filled), any Executive Vice President, Chief Compliance Officer, Chief Investment Officer (if such an office is filled), Chief Financial Officer or General Counsel of the General Partner, who are involved with, supervise or are responsible, directly or indirectly, for the Transactions or the operation or management of the Business or the Alliance Funds or Insured Accounts, and each such individual's direct reports, and/or (ii) the President, the Chief Compliance Officer and Chief Investment Officer of any Alliance Fund, and each such individual's direct reports, and (b) with respect to Federated, the actual knowledge, after commercially reasonable inquiry, of (i) the Chairman, Chief Executive Officer, President, any Executive Vice President, Chief Compliance Officer, Chief Investment Officer, Chief Financial Officer or General Counsel (as applicable) of Federated, who are involved with, supervise or are responsible for the Transactions or the operation or management of the Surviving Funds, and each such individual's direct reports, and/or (ii) the President, the Chief Compliance Officer and Chief Investment Officer of any Surviving Fund, and each such individual's direct reports.

"Liabilities" mean any claim, debt, expense, duty, liability or obligation of any kind whatsoever, whether or not accrued or fixed, known or unknown, absolute or contingent, determined or determinable or when due or to become due.

"Liens" means any mortgage, pledge, lien, encumbrance, charge, liability, obligation, claim (whether pending or, to the Knowledge of the Person against whom the claim is being asserted, threatened in writing), license, rights of others or restriction of any kind affecting title to or use of, or resulting in an encumbrance against, property, real or personal, tangible or intangible, or a security interest of any kind, including, any conditional sale or other title retention agreement, any lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction (other than a financing statement which is filed or given solely to protect the interest of a lessor).

"Litigation" means any action, cause of action, claim, demand, suit, proceeding, audit, citation, summons, subpoena, inquiry, examination or investigation of any nature, whether legal, civil, criminal, administrative, regulatory or otherwise, pending or, to the Knowledge of the relevant party, threatened, in law or in equity, or before any Governmental Authority.

"Losses" is defined in Section 9.1 of this Agreement.

"MAC" shall mean:

(a) with respect to Alliance, the Business, the Alliance Funds or the Insured Accounts (except to the extent transferred to a Surviving Fund or as otherwise contemplated in this Agreement, as applicable), (i) any event, circumstance or condition which would have a material adverse effect (whether taken individually or in the aggregate with all other effects) on Alliance, the Business, the Alliance Funds and the Insured Accounts, taken as a whole, or (ii) any event, circumstance or condition affecting Alliance, the Business, the Alliance Funds or the Insured Assets, which would materially delay or otherwise

materially and adversely affect the enforcement of, or performance or consummation of the Transactions (taken as a whole) by Alliance and the Alliance Funds under, this Agreement, the Reorganization Agreements, or any other Transaction Document; *provided, however,* that a reduction in Alliance Fund Assets shall not be considered a MAC; and

(b) with respect to Federated, any event, circumstance or condition affecting Federated or the Surviving Funds, which would materially delay or otherwise materially and adversely affect the enforcement of, or performance or consummation of the Transactions (taken as a whole) by Federated and the Surviving Funds under, this Agreement, the Reorganization Agreements, or any other Transaction Document, or Federated's post-Closing operation and management of the Business (taken as a whole); *provided, however,* that (i) the Federated SEC Settlement, and (ii) the Federated NYAG Settlement, each shall not be considered a MAC.

"Municipal Trust" is defined in the recitals to this Agreement.

"NASD" means the National Association of Securities Dealers, Inc. or NASD Regulation, Inc., as applicable.

"NAV Catch-Up Payment" means, for any Alliance Fund, the difference between (a) the number of Alliance Fund shares (valued at $1.00 per share) associated with the Alliance Fund Assets being transferred at a Closing or Interim Transfer pursuant to the Transactions contemplated by this Agreement and (b) the sum of (i) the market value of the portfolio

securities of the Alliance Fund being transferred at such Closing or Interim Transfer (as determined in accordance with Section 5.15(c) below), and (ii) any portfolio cash being transferred at such Closing or Interim Transfer.

"Negative Consent Process" is defined in the recitals to this Agreement.

"Net Revenue" means with respect to any Transferred Assets an amount equal to (a) the sum of (i) net advisory fee revenue, (ii) administrative service fees, (iii) shareholder servicing fees, (iv) 12b-1 fees, and (v) any other revenue earned by Federated from fees charged to the Surviving Funds or any Other Federated Cash Management Vehicle for new services rendered to the Surviving Funds or any Other Federated Cash Management Vehicle beginning on a date after the First Closing Date, in each case after deducting fund expense waivers and reimbursements of expenses, less (b) any payments made to clients, and less (c) any payments made to third parties on behalf of clients, all calculated on a basis consistent with Section 2.7 of this Agreement. With respect to Transferred Assets invested in Insured Accounts, ***"Net Revenue"*** shall mean all fees and other revenue earned by Federated in respect of the Insured Accounts (after deducting any expense waivers and reimbursements), less (b) any payments made to clients, less (c) any payments made to third parties on behalf of clients, and less (d) any payments made to Deutsche Bank and/or Trust Company, all calculated on a basis consistent with Section 2.7 of this Agreement. **"Net Revenue"** earned by Federated calculated under this Agreement shall include any component of Net Revenue earned by any Affiliated Person of Federated.

"Neutral Accountants" is defined in the definition of Dispute Resolution Process in Section 1.1 of this Agreement.

"Non-Compete Affiliate" means (a) Alliance Capital Management Holding L.P., (b) the General Partner or (c) any Person that is directly or indirectly controlled by Alliance.

"Non-Solicitation Period" means the period beginning on the First Closing Date and ending on (and including) the Second Anniversary Date.

"Non-Tracked Client Payment" means an amount (expressed in dollars) equal to (a) 0.017 basis points, multiplied by (b) the sum of (i) the First Closing Fund Assets attributable to Non-Tracked Clients, plus (ii) Interim Period Transferred Assets attributable to Non-Tracked Clients, plus (iii) Final Closing Fund Assets attributable to Non-Tracked Clients. For the avoidance of doubt, the assets of Former Alliance Clients that are Non-Tracked Clients transferred to a Surviving Fund or Other Federated Cash Management Vehicle prior to the Final

Closing shall be considered Final Closing Fund Assets attributable to Non-Tracked Clients for purposes of determining the Non-Tracked Client Payment.

"Non-Tracked Clients" shall mean those clients of Alliance with assets invested in the Alliance Funds or deposited in the Insured Accounts as of the Tracked Client Determination Date that are not Tracked Clients, and certain clients (including certain Former Alliance Clients) of Alliance with $0 balances as of the Tracked Client Determination Date as mutually agreed between Alliance and Federated.

"Offshore Alliance Fund" is defined in the recitals to this Agreement.

"Offshore Alliance Funds Advisory Agreements" is defined in the recitals to this Agreement.

"Offshore Redemption in Kind Process" is defined in the recitals to this Agreement.

"Other Federated Cash Management Vehicle" means a Cash Management Vehicle created, distributed, advised, managed, sold, administered or promoted by Federated*; provided*, that ***"Other Federated Cash Management Vehicle"*** shall not include a Cash Management Vehicle that is (a) distributed, sold, administered or promoted for a third party in a manner similar to which Federated currently provides such services to third parties, and (b) not created, advised or managed by Federated or any Affiliated Person of Federated.

"Parties" means Alliance and Federated.

"Payment Differential" means an amount equal to (a) seventy percent (70%) of the Net Revenue earned by Federated with respect to Transferred Assets relating to Final Closing Fund Assets attributable to Tracked Clients for the period beginning on the first day following the Fifth Anniversary Date and ending on the Final Closing Anniversary Date, plus (b) for each Interim Transfer, seventy percent (70%) of the Net Revenue earned by Federated with respect to Transferred Assets relating to the Interim Period Transferred Assets attributable to Tracked Clients associated with such Interim Transfer for the period beginning on the first day following the Fifth Anniversary Date and ending on the Interim Payment Anniversary Date.

"Permitted Liens" means Liens for Taxes or assessments or governmental charges or levies, including those arising by operation of law, which are not yet due or delinquent or are being challenged in good faith. For the avoidance of doubt, with respect to Acquired Assets that cannot be fully transferred at the First Closing or any Interim Transfer because the Acquired

Assets cannot be segregated and transferred to Federated until the earlier of the date that all related Alliance Fund Assets are transferred to a Surviving Fund (or, in the case of Insured Account assets, as contemplated in this Agreement) or the liquidation of the related Alliance Fund, ***"Permitted Liens"*** also shall include the remaining interest of any Investment Company, Alliance Fund or Insured Account in such Acquired Assets until such Acquired Assets are fully transferred to Federated.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, account or any other entity, whether acting in an individual, fiduciary or other capacity.

"Plan of Reorganization" is defined in the recitals to this Agreement.

"Regulated Investment Company" is as defined under Section 851 of the Code.

"Reorganization Agreements" is defined in the recitals to this Agreement.

"Restricted Activity" is defined in Section 5.8.2(b)(i).

"Restricted Period" means the period beginning on the First Closing Date and ending on the Seventh Anniversary Date.

"Retained Assets" is defined in Section 2.1 of this Agreement.

"Retained Alliance Fund Liabilities" means any Liabilities of or relating to (a) any Alliance Fund or Investment Company, or (b) the Insured Accounts prior to the transfer of the Insured Accounts as contemplated herein, or (c) any officer, director or trustee of any Alliance Fund or Investment Company to the extent relating to them in their capacity as such, or (d) the Alliance Fund Assets. For the avoidance of doubt, and without limiting the foregoing, ***"Retained Alliance Fund Liabilities"*** includes any Liabilities (other than Alliance Retained Liabilities) resulting from or relating to (i) the Alliance Fund Assets prior to transfer to a Surviving Fund, or, in the case of the Insured Account assets, as contemplated in this Agreement, (ii) any assets of an Alliance Fund or Insured Account not transferred to a Surviving Fund or, in the case of the Insured Account assets, as contemplated in this Agreement, (iii) the operation of the Alliance Funds or Investment Companies, (iv) the operation of the Insured Accounts prior to the assets of the Insured Accounts being transferred as contemplated in this Agreement, (v) the Alliance SEC Settlement (to the extent of any Liability of any Alliance

Fund or Investment Company), (vi) the Alliance NYAG Settlement (to the extent of any Liability of any Alliance Fund or Investment Company), (vii) any Taxes due, owing or payable by or in respect of any Alliance Fund, Investment Company or Insured Account and (viii) any Litigation against or involving any Person specified in the first sentence of this definition to the extent relating to any Alliance Fund, Investment Company or Insured Account (prior to the assets of such Insured Accounts being transferred as contemplated in this Agreement) or the Alliance Fund Assets. In the case of any Alliance Fund reorganized through an "F reorganization" under the Code with and into a Surviving Fund pursuant to Reorganization Agreement at the Final Closing, ***"Retained Alliance Fund Liabilities"*** shall not include any Assumed Alliance Fund Liabilities.

"Retained Alliance Liabilities" means any Liabilities of or relating to (a) Alliance, or (b) any officer, director or trustee of Alliance to the extent relating to them in their capacity as such, or (c) the Business. For the avoidance of doubt, and without limiting the foregoing, ***"Retained Alliance Liabilities"*** includes any Liabilities (other than Retained Alliance Fund Liabilities) resulting from or relating to (i) the Acquired Assets prior to transfer to Federated, (ii) the Retained Assets and any other assets of Alliance not transferred to Federated, (iii) the management of the Alliance Funds or Investment Companies, (iv) the servicing of the Insured Accounts prior to the assets of the Insured Accounts being transferred as contemplated in this Agreement, (v) the Alliance SEC Settlement (to the extent of any Liability of Alliance or relating to the Business), (vi) the Alliance NYAG Settlement (to the extent of any Liability of Alliance or relating to the Business), (vii) any Taxes due, owing or payable by or in respect of Alliance or the Business, (viii) any Litigation against or involving any Person specified in the first sentence of this definition to the extent relating to Alliance or the Business, (ix) any employee or agent of Alliance or the Business in their capacities as such, and (x) the WARN Act.

"Run Rate Multiplier" shall mean eighty percent (80%) of the lower of the Annualized Pre-First Closing Run Rate Measurement or the Annualized 8/31/04 Run Rate Measurement.

"SAI" means the statement of additional information of an Alliance Fund or Surviving Fund, as the case may be.

"Second Anniversary Date" means the date which is two (2) Fiscal Years after the First Closing Date.

"Second Anniversary Payment" means an amount equal to seventy percent (70%) of the Net Revenue earned by Federated on the Transferred Assets attributable to Tracked Clients for the Fiscal Year beginning on the day after the First Anniversary Date.

"Seventh Anniversary Date" means the date which is seven (7) Fiscal Years after the Final Closing Date.

"Shared Use Asset" means any asset (other than a Retained Asset) of Alliance that is (a) used in connection with the operation of the Business, (b) used in connection with the operation of one or more businesses that are not part of the Business, and (c) not reasonably capable of being segregated and transferred to Federated. For the avoidance of doubt, ***"Shared Use Assets"*** shall not include (i) any software or other asset that is readily available to

Federated in the market (such as "off the shelf" or non-proprietary software) or (ii) any asset of Alliance used exclusively in connection with the operation of the Business.

"Sixth Anniversary Date" means the date which is six (6) Fiscal Years after the First Closing Date.

"Surviving Fund" is defined in the recitals to this Agreement.

"Sweep Accounts" is defined in the recitals to this Agreement.

"Taxes" is defined in Section 3.2.5 of this Agreement.

"Tax Returns" is defined in Section 3.2.5 of this Agreement.

"Third Anniversary Date" means the date which is three (3) Fiscal Years after the First Closing Date.

"Third Anniversary Payment" means an amount equal to seventy percent (70%) of the Net Revenue earned by Federated on the Transferred Assets attributable to Tracked Clients for the Fiscal Year beginning on the day after the Second Anniversary Date.

"Total Alliance Fund Assets" shall mean the total, aggregate Alliance Fund Assets measured as of the First Closing Date.

"Total Payment" means the aggregate amount of the First Closing Payment, any Interim Payments, and the Final Closing Payment, which shall equal, in all events (subject to the terms hereof), twenty-five million dollars ($25,000,000).

"Tracked Client Determination Date" means the close of business on the day that is three (3) Business Days prior to the First Closing Date.

"Tracked Clients" means those clients of Alliance that have $5,000,000 or more invested in the Alliance Funds and/or deposited in the Insured Accounts as of the Tracked Client Determination Date, and certain other clients of Alliance sourced through correspondents of clearing firms as mutually agreed between Alliance and Federated prior to the First Closing Date, and certain clients (including certain Former Alliance Clients) of Alliance with $0 balances as of the Tracked Client Determination Date as mutually agreed between Alliance and Federated.

"Transactions" means the transactions contemplated by this Agreement, the Reorganization Agreements and the other Transaction Documents.

"Transaction Costs" is defined in Section 5.5(a) of this Agreement.

"Transaction Documents" shall mean this Agreement, the Reorganization Agreements, and any other certificate, filing, agreement, instrument or document executed or delivered in connection with the foregoing documents, and any amendments, modifications, supplements or restatements of any of the foregoing documents.

"Transferred Accounts" shall mean (a) Alliance clients (and successors of such clients as contemplated in this Agreement) whose assets are transferred in whole or in part (i) to the Surviving Funds or any Other Federated Cash Management Vehicle through the Negative Consent Process, the Offshore Redemption in Kind Process or a Reorganization Agreement, or otherwise in accordance with this Agreement, either on the First Closing Date, any Interim Transfer Date, or on the Final Closing Date as contemplated by this Agreement, and (ii) in the case of Insured Account assets, as contemplated in this Agreement through the Deutsche Bank Assignment Documents either on the First Closing Date, any Interim Transfer Date or on the Final Closing Date, and (b) any Former Alliance Clients (and successors of such Former Alliance Clients as contemplated in this Agreement).

"Transferred Assets" shall mean the total assets from time to time of the Transferred Accounts (including increases or decreases therein) as measured on any day after the Final Closing Date in accordance with Section 2.7 whether such assets are in the Surviving Funds, the Insured Accounts or any Other Federated Cash Management Vehicle.

"Trust Company" is defined in the recitals to this Agreement.

"Trust Insured Accounts" is defined in the recitals to this Agreement.

"Valuation Process" is defined in Section 5.8.2(c)(i)(C) of this Agreement.

"WARN Act" means the Worker Adjustment and Retraining Notification Act, as amended, and the rules, regulations and interpretations promulgated by any Governmental Authority thereunder, and any similar state Applicable Law, providing for notification to employees affected by closing, relocation, sale of a business, mass layoff or similar event.

1.2 Construction. The language used in this Agreement, and the other Transaction Documents, shall be deemed to be the language chosen by the Parties hereto to express their mutual intent, and no rule of construction under which a document is to be construed against the drafter of such document shall apply. Whenever the words "include," "includes" or "including" are used in this Agreement, or any other Transaction Document, they shall be deemed to be followed by the words "without limitation." Whenever the context may require, any nouns and pronouns used in this Agreement, or any other Transaction Document, shall include the corresponding masculine, feminine or neuter forms and the singular form of nouns and pronouns shall include the plural and vice versa. The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the first paragraph of this Agreement. The same principle shall be applied with respect to the other Transaction Documents as well. The paragraph headings in this Agreement, and in the other Transaction Documents, are for convenience of reference only and shall not be deemed to alter or affect any provision of this Agreement, or the other Transaction Documents.

ARTICLE II
PURCHASE AND SALE OF ASSETS; THE NEGATIVE CONSENT PROCESS; THE OFFSHORE REDEMPTION IN KIND PROCESS; THE REORGANIZATIONS

Subject to the other provisions of this Agreement:

2.1 Sale and Purchase of the Acquired Assets.

(a) At the First Closing, upon each Interim Transfer and at the Final Closing, if any, Alliance shall sell, transfer, convey, assign and deliver to Federated, and Federated shall purchase or acquire from Alliance all right, title and interest of Alliance in and to the Business, including: (i) all goodwill of Alliance, as well as workforce in place (as applicable), customer relationships and other customer-based intangibles, and other going concern value related exclusively to that portion of the Business being transferred to Federated at such Closing or upon such Interim Transfer (as applicable) and (ii) the other assets specified on ***Schedule 2.1*** to this Agreement related to that portion of the Business being transferred to Federated at such Closing

or upon such Interim Transfer (the assets described in the preceding clauses (i) and (ii) each being an ***"Acquired Asset"*** and collectively, the "***Acquired Assets***"). For the avoidance of doubt, the Acquired Assets being transferred to Federated at any Closing or upon any Interim Transfer shall not include any assets constituting property, plant or equipment, or trademarks, trade names, company names or web-site domain names (collectively, ***"Retained Assets"***) or any Shared Use Asset, but shall otherwise include all assets used to operate the portion of the Business being transferred, except, until the Final Closing Date, as contemplated in the definition of Permitted Liens in Section 1.1 above.

(b) Each such sale, transfer, conveyance, assignment and delivery described in this Section 2.1 shall be made to Federated free and clear of any Liens (except for Permitted Liens).

2.2 Negative Consents, Offshore Redemptions in Kind and Interim Transfers.

Without limitation of the other covenants of Alliance or Federated herein:

(a) from the execution of this Agreement through the earlier of (i) the First Closing or (ii) any termination pursuant to Section 8.1 hereof, Alliance shall use commercially reasonable efforts to cause the Negative Consent Process to be undertaken with respect to the Sweep Accounts invested in the Alliance Funds as further described in Section 5.1.2; and

(b) from the execution of this Agreement through the earlier of (i) the First Closing or (ii) any termination pursuant to Section 8.1 hereof, Alliance shall use commercially reasonable efforts to cause the Offshore Redemption in Kind Process to be undertaken with respect to Alliance Fund Assets in the Offshore Alliance Funds as further described in Section 5.1.2; and

(c) from the First Closing through the earlier of (i) any termination pursuant to Section 8.1 or 8.2 hereof, or (ii) the Final Closing Date, Alliance shall use commercially reasonable efforts to effect Interim Transfers from time to time as soon as reasonably possible as contemplated in this Agreement; it being understood and agreed that unless either Party shall have given the other Party written notice of the failure of any condition precedent to its obligations to consummate an Interim Closing to have been satisfied, the consummation of an Interim Transfer shall be deemed to be a certification by Alliance of the satisfaction of the conditions precedent set forth in Section 6.3.1, 6.3.5 and 6.3.6 and by Federated of the conditions precedent set forth in Section 6.4.1 and 6.4.2. Without limiting the foregoing, the Parties acknowledge that such reasonable efforts may include, in the case of Offshore Alliance Funds, amending the Governing Documents of such Offshore Alliance Funds, obtaining the Consents

required for and convening an extraordinary general meeting of the shareholders of the Offshore Alliance Funds and obtaining Offshore Alliance Fund approval.

2.3 The Reorganizations. Without limitation of the other covenants of Alliance or Federated herein, and to the extent mutually deemed necessary by the Parties, from the execution of this Agreement through the earlier of (i) the Final Closing Date or (ii) any termination pursuant to Section 8.1 or 8.2 hereof, Alliance and Federated shall use commercially reasonable efforts to cause each Alliance Fund to be reorganized into the applicable Surviving Funds as contemplated on ***Exhibit A*** attached hereto pursuant to the Reorganization Agreements on such date or dates as mutually agreed to by Federated and Alliance.

2.4 Assignment of the Deutsche Bank Agreements. Without limitation of the other covenants of Alliance or Federated herein, from the execution of this Agreement through the earlier of (a) the Final Closing or (b) any termination pursuant to Sections 8.1 or 8.2 hereof, Alliance and Federated shall use commercially reasonable efforts to cause the Deutsche Bank Agreement to be assigned from Alliance to Federated.

2.5 Payments.

(a) As consideration for the Acquired Assets, Federated shall pay to Alliance, and Alliance shall receive, the Consideration Amount in such amounts and at such times as set forth below:

(i) On the First Closing Date, Federated shall pay the First Closing Payment to Alliance.

(ii) On each Interim Payment Date, Federated shall pay an Interim Payment to Alliance.

(iii) On the Final Closing Date, Federated shall pay the Final Closing Payment, and the Non-Tracked Client Payment to Alliance.

(iv) Within the thirty (30) day period following the First Anniversary Date, Federated shall pay the First Anniversary Payment to Alliance.

(v) Within the thirty (30) day period following the Second Anniversary Date, Federated shall pay the Second Anniversary Payment to Alliance.

(vi) Within the thirty (30) day period following the Third Anniversary Date, Federated shall pay the Third Anniversary Payment to Alliance.

(vii) Within the thirty (30) day period following the Fourth Anniversary Date, Federated shall pay the Fourth Anniversary Payment to Alliance.

(viii) Within the thirty (30) day period following the Fifth Anniversary Date, Federated shall pay the Fifth Anniversary Payment to Alliance.

(ix) Within the thirty (30) day period following the Final Closing Anniversary Date, Federated shall pay the Payment Differential to Alliance.

(x) If Net Revenue attributable to Transferred Assets of the Tracked Clients for the Fiscal Year ending on the Fifth Anniversary Date is equal to or greater than the Run Rate Multiplier, then Federated shall pay Alliance the Contingent Payment within thirty (30) days of the Fifth Anniversary Date.

(b) All payments required to be made under this Section 2.5, Section 2.8 below, or the definition of Dispute Resolution Process in Section 1.1 above shall be payable in U.S. dollars, by wire transfer of immediately available funds to an account designated in writing by the Party that is to receive payment to the Party that is to make payment at least three (3) Business Days in advance of any payment date. If any payment required to be made under this Section 2.5 or Section 2.8 below is subject to a Calculation Dispute, the payment shall be made as contemplated in the definition of Dispute Resolution Process in Section 1.1 above. If any payment required to be made under this Section 2.5, Section 2.8 below or the definition of Dispute Resolution Process in Section 1.1 above is due to be paid on a payment date that is not a Business Day, the payment date for such payment shall be deemed to be the next Business Day.

2.6 Calculation of Assets for Payment Purposes.

(a) As soon as reasonably possible following the close of business on the day which is three (3) Business Days prior to a Closing, Alliance shall deliver to Federated a statement of the Alliance Fund Assets (as of the close of business on such Business Day) relating to specific clients that are to be transferred to a Surviving Fund (or, in the case of the Insured Accounts, as contemplated in this Agreement) on the applicable Closing Date (each, a ***"Closing Date Statement"***). Such Closing Date Statements shall segregate assets attributable to Tracked Clients and Non-Tracked Clients.

(b) Alliance shall deliver to Federated a statement of the Interim Period Transferred Assets that were transferred to a Surviving Fund (or, in the case of the Insured Accounts, as contemplated in this Agreement) during each calendar month between the First Closing Date and the Final Closing Date no later than three (3) Business Days following the last day of each such calendar month (or three (3) Business Days prior to the Final Closing Date in the case of the calendar month that includes the Final Closing Date) (each, an ***"Interim Period Statement"***). Such Interim Period Statements shall segregate assets attributable to Tracked Clients and Non-Tracked Clients.

(c) Alliance shall make available to Federated and its representatives such books, records, work papers, schedules and other documents, and employees of Alliance, or any of its Affiliated Persons to the extent reasonably requested by Federated in connection with its review of a Closing Date Statement or Interim Period Statement. Federated, Alliance and their respective representatives shall work together in good faith to agree upon each Closing Date Statement and Interim Period Statement, and any changes thereto, on or before each relevant Closing Date or Interim Payment Date. To the extent Federated and Alliance are unable to agree upon any Closing Date Statement or Interim Period Statement, either Party may invoke the Dispute Resolution Process by providing notice to the other Party.

2.7 Calculation of Transferred Assets for Purposes of Calculating Deferred Payments.

It is the intention of the Parties to calculate Net Revenue and Transferred Assets on a per client basis in accordance with the provisions of this Section 2.7.

(a) Alliance has delivered to Federated a schedule listing Alliance's client relationships and the anticipated Client Splits resulting from the application of the methodology described in this Section 2.7 (***"Client Statement"***), which Client Statement has been reviewed and accepted by the Parties. On the day that is two Business Days prior to the First Closing Date, Alliance shall update the Client Statement. Such updated Client Statement shall identify those clients that Alliance believes are Tracked Clients and Non-Tracked Clients.

(b) As soon as reasonably possible after receiving such updated Client Statement from Alliance, Federated shall identify, and provide reasonable supporting evidence establishing, each client on the Client Statement with whom Federated, any Surviving Fund or other investment company advised by Federated or any Affiliated Person of Federated also has a client

relationship. Federated also shall notify Alliance of any disagreements that Federated has with respect to Alliance's designation of a client as a Tracked Client or Non-Tracked Client, and of the proposed Client Split applicable to each Tracked Client that should be included in the Client Statement.

(c) Federated, Alliance and their respective representatives shall work together in good faith to agree upon the Client Statement, and any changes thereto, on or before the First Closing Date.

(d) Notwithstanding any other provision in this Agreement:

(i) assets that (A) are attributable to Non-Tracked Clients, or (B) are transferred to or exchanged for an investment vehicle other than a Cash Management Vehicle, or (B) any other Federated product identified on ***Schedule 2.7(d)***, shall no longer be included in calculating Transferred Assets and Net Revenue for purposes of determining the First Anniversary Payment, Second Anniversary Payment, Third Anniversary Payment, Fourth Anniversary Payment, Fifth Anniversary Payment and Payment Differential; and

(ii) subject to Section 2.7(d)(i) above, assets that are attributable to Tracked Clients or Non-Tracked Clients included in Transferred Accounts that transfer or exchange into an Other Federated Cash Management Vehicle shall continue to be deemed to be Transferred Assets for all purposes of this Agreement.

(e) For purposes of determining the appropriate Client Split to be included in the Client Statement, the following methodology shall be utilized by the Parties:

(i) If a Tracked Client is a client of Alliance on the Tracked Client Determination Date, but is not also a client of Federated on the Tracked Client Determination Date (or other appropriate date specified in Section 2.7(f) below), then (A) such Tracked Client will be assigned a unique dealer number(s) that will be used to calculate Transferred Assets, and (B) subject to Section 2.7(f) below, the Client Split for such Tracked Client shall be 100% for Alliance, meaning that Alliance shall get credit for all assets associated with that dealer number(s) for such Tracked Client for purposes of determining Transferred Assets attributable to such Tracked Client;

(ii) If a Tracked Client is a client of Alliance on the Tracked Client Determination Date, and a client of Federated on the Tracked Client Determination Date (or

other appropriate date specified in Section 2.7(f) below), and Alliance's relationship with such Tracked Client is distinct from, and mutually exclusive of, Federated's relationship with such Tracked Client, then (A) Alliance's business with such Tracked Client and Federated's business with such Tracked Client shall each be assigned separate unique dealer number(s), (B) the dealer number(s) assigned to Alliance's business with such Tracked Client shall be used to calculate Transferred Assets, and (C) subject to Section 2.7(f) below, the Client Split for such Tracked Client will be 100% with respect to Alliance's business with such Tracked Client, meaning that Alliance shall get credit for all assets associated with Alliance's dealer number(s) for such Tracked Client for purposes of determining Transferred Assets attributable to that Tracked Client.

(iii) If a Tracked Client is a client of Alliance and a client of Federated on the Tracked Client Determination Date, and Alliance's relationship with such Tracked Client is not distinct from, and not mutually exclusive of, Federated's relationship with such Tracked Client, then (A) such Tracked Client will be assigned a unique dealer number(s), and (B) subject to Section 2.7(f) below, the Client Split for such Tracked Client shall be allocated *pro rata* between Alliance and Federated based on the mutually agreed upon annualized projected Net Revenue for such Tracked Client determined using the assets of such Tracked Client included in the First Closing Fund Assets and the mutually agreed upon annualized projected Net Revenue for such Tracked Client determined using the assets of such Tracked Client already invested with Federated as of the Tracked Client Determination Date (or other appropriate date specified in Section 2.7(f) below), meaning that Alliance shall get credit for a percentage (equal to the portion of the Client Split allocated to Alliance) of the assets associated with the dealer number(s) for such Tracked Client for purposes of determining Transferred Assets attributable to that Tracked Client.

For purposes of Sections 2.7(e)(i), (ii) and (iii), as applicable, and determining the appropriate Client Split for a Tracked Client that is a Former Alliance Client, the assets of such Former Alliance Client that transferred to Federated between the date of this Agreement and the First Closing shall be considered Transferred Assets as of the Tracked Client Determination Date (such that Alliance gets credit for such assets).

(f) The Client Splits for Tracked Clients determined in accordance with Section 2.7(e) above, shall be mutually redetermined by the Parties at the following times, and any changes in the Client Splits shall be effective only from and after the time as of when such redeterminations are made:

(i) With respect to any Client Split determined in accordance with Section 2.7(e)(iii), such Client Split shall be mutually redetermined by the Parties as of the close of business on the date that is three (3) Business Days prior to the Final Closing Date; in such case, the Client Split for such Tracked Client shall be reallocated *pro rata* between Alliance and Federated based on the mutually agreed upon annualized projected Net Revenue for such Tracked Client determined using the assets of such Tracked Client included in the First Closing Fund Assets, Interim Period Transferred Assets and Final Closing Fund Assets (as applicable), on the one hand, and the mutually agreed upon annualized projected Net Revenue for such Tracked Client determined using the assets of such Tracked Client already invested with Federated as of the Tracked Client Determination Date, on the other hand, meaning that Alliance shall get credit going forward for a percentage (equal to the portion of the Client Split allocated to Alliance) of the assets associated with the dealer number(s) for such Tracked Client for purposes of determining Transferred Assets attributable to that Tracked Client;

(ii) With respect to any Client Split determined in accordance with Section 2.7(e), such Client Split shall be mutually redetermined by the Parties as of the close of business on any date on which Federated acquires (other than pursuant to the Transactions contemplated by this Agreement) assets attributable to a Tracked Client either (A) through a reorganization, negative consent process, asset purchase, or redemption and exchange transaction similar to the Offshore Redemption In Kind Process, or (B) through a transaction involving Federated making an up-front payment to acquire such assets; in such case, the Client Split for such Tracked Client shall be mutually redetermined by the Parties consistent with the applicable methodology outlined in Section 2.7(e)(ii) or (iii) above, as applicable (it being understood that the level of assets attributable to such Tracked Client shall be mutually determined by the Parties as of the date of any such acquisition consistent with the methodology demonstrated in the example for "Client K" on ***Schedule 2.7(i)***); and

(iii) With respect to any Client Split determined in accordance with Section 2.7(e), such Client Split shall be mutually redetermined by the Parties as of any date on which dealer number(s) for a Tracked Client are consolidated or changed due to operational needs of a Tracked Client or there is another change in a Tracked Client relationship as a result of merger, consolidation, reorganization, or other change in name or control of such Tracked Client; in such case, the Client Split for such Tracked Client shall be mutually redetermined by the Parties consistent with the applicable methodology

outlined in this Section 2.7 (it being understood that the level of assets attributable to such Tracked Client shall be mutually determined by the Parties as of the date that any such consolidation of dealer number(s), or merger, consolidation, reorganization or other change in name or control of such Tracked Client is consummated).

(g) Federated shall provide a report to Alliance as soon as reasonably possible (but in no event later than the thirtieth (30) day after the end of each month) between the First Closing and the Fifth Anniversary Date identifying the amount of Transferred Assets attributable to Tracked Clients and calculating Net Revenue with respect to the Transferred Assets attributable to Tracked Clients for such month.

(h) Alliance and Federated shall make available to the other Party and its representatives such books, records, work papers, schedules and other documents, and employees of Alliance or Federated (as applicable), or any Affiliated Persons of Alliance of Federated (as applicable) to the extent reasonably requested by the other Party in connection with its review of the Client Statement or any of the determinations required to be made under this Section 2.7. Federated, Alliance and their respective representatives shall work together in good faith to agree upon the Client Statement, and any changes thereto, on or before the First Closing Date, and on any changes to any Client Split promptly after the times set forth in Section 2.7(f) above. To the extent Federated and Alliance are unable to agree upon all or a portion of the Client Statement or other determination required under this Section 2.7, such dispute shall be resolved pursuant to the Dispute Resolution Process.

(i) For illustration purposes only, ***Schedule 2.7(i)*** sets forth various examples of how this Section 2.7 is intended to operate. The Parties agree that any determinations pursuant to Section 2.7 shall be made consistent with the methodology outlined in this Section 2.7 and demonstrated on ***Schedule 2.7(i)***.

(j) Alliance acknowledges and agrees that no guarantees can be made or given regarding the level of Net Revenues that Federated will earn and receive and nothing in this Section 2.7 is intended to give Alliance or the Alliance Funds, or any Affiliated Person of Alliance or the Alliance Funds, any responsibility for control or decision-making with respect to the post-Closing management and operation of the Business or the Surviving Funds. Subject to the foregoing, Federated agrees not to take any actions that are designed to negatively impact Net Revenues.

2.8 Clawback.

(a) If, for the Clawback Measurement Period, average daily Transferred Assets are:

(i) equal to or more than fifty percent (50%) of the aggregate amount of all Closing Fund Assets, but less than seventy-five percent (75%) of such aggregate Closing Fund Assets, Alliance shall pay Federated five million dollars ($5,000,000); or

(ii) less than fifty percent (50%) of the amount of either (i) Alliance Fund Assets as of August 31, 2004; or (ii) the aggregate amount of all Closing Fund Assets (as finally determined pursuant to Section 2.6 of this Agreement), Alliance shall pay Federated seven million five hundred thousand dollars ($7,500,000).

(b) Any such payment required pursuant to Sections 2.8(a)(i) or 2.8(a)(ii) (the ***"Clawback Payment"***) shall be made within thirty (30) days after the delivery of the Clawback Measurement Period Statement.

(c) As promptly as practicable after the Clawback Measurement Period, but in no event later than thirty (30) days after the Clawback Measurement Period, Federated shall cause to be prepared and delivered to Alliance a statement (the ***"Clawback Measurement Period Statement"***) setting forth the amount of the applicable Closing Fund Assets and the average daily Transferred Assets for the Clawback Measurement Period, and the amount of the Clawback Payment.

(d) Each Party shall make available to the other Party and its representatives such books, records, work papers, schedules and the other documents, and employees, of such Party, or any of its Affiliated Persons, and cooperate with the other Party in such other reasonable respects, as may be necessary for Federated's preparation of the Clawback Measurement Period Statement. Alliance and its representatives shall have the right to review the work papers, schedules, memoranda and other documents and information prepared or reviewed by Federated

and to communicate with the Persons who conducted the preparation and review of the Clawback Measurement Period Statement. Federated and Alliance and their respective representatives, shall work together in good faith to agree upon the Clawback Measurement Period Statement before the sixtieth (60th) day following the end of the Clawback Measurement Period. To the extent Federated and Alliance are unable to agree upon the Clawback Measurement Period Statement by such sixtieth (60th) day, either Party may invoke the Dispute Resolution Process by providing written notice to the other Party.

(e) In addition to any other remedy that Federated may have under this Agreement, any other Transaction Document, at law, in equity or otherwise, Alliance agrees that Federated shall have an express right (but not obligation), with notice to Alliance, to set-off against, and to appropriate and apply, any payment under Section 2.5 of this Agreement to satisfy (in whole or in part) any obligation or portion thereof of Alliance which has been finally determined under this Section 2.8.

2.9 Allocation Among Acquired Assets.

For financial reporting and income Tax purposes, Federated and Alliance hereby agree to allocate the Total Payment consistent with ***Exhibit C***, which will be mutually agreed to by the Parties and attached to this Agreement prior to the Final Closing. Such allocation shall be made in accordance with Code Section 1060 and the regulations thereunder. The Parties shall report, act and file Tax Returns (including Internal Revenue Service Form 8594) in all respects and for all purposes consistent with such allocation. The Parties will not take any position (whether in audits, Tax Returns or otherwise) which is inconsistent with such allocation unless required to do so by Applicable Law.

2.10 Closing Dates.

(a) **The First Closing.** The consummation of the transfer of the Alliance Fund Assets pursuant to the transactions contemplated by Section 2.2 and Section 2.4 of this Agreement, and any related Acquired Assets pursuant to the transactions contemplated in Section 2.1 of this Agreement (the ***"First Closing"***), shall take place at the offices of Ropes & Gray LLP, 45 Rockefeller Plaza, New York, New York 10111, on such date and at such time as the Parties may agree, promptly following the date contemplated in the applicable notices constituting part of the Negative Consent Process and the satisfaction or waiver of all conditions to the consummation of the transactions contemplated to be consummated on the First Closing Date pursuant to this Agreement and the other Transaction Documents (other than those

conditions which are not intended to be fulfilled at the First Closing) (the "***First Closing Date***"). The Parties agree to exercise commercially reasonable efforts to cause the conditions to the other Party's obligation to effect the First Closing to be satisfied as soon as reasonably practicable. Reference is made to Section 8.1 for the rights of the Parties under certain circumstances if the First Closing shall not have been consummated.

(b) **The Final Closing.** The consummation of the transfer of the Alliance Fund Assets pursuant to the transactions contemplated by Section 2.3 of this Agreement, and any related Acquired Assets pursuant to the transactions contemplated in Section 2.1 of this Agreement (the ***"Final Closing"***), shall take place at the offices of Ropes & Gray LLP, 45 Rockefeller Plaza, New York, New York 10111, on such date and at such time as the Parties may agree promptly following the satisfaction or waiver of all conditions to the consummation of the transactions contemplated to be consummated on the Final Closing Date pursuant to this Agreement, the Reorganization Agreements, and the other Transaction Documents (the ***"Final Closing Date"***). If the Final Closing does not occur before August 31, 2005, the Parties will no longer be obligated to affect the Final Closing or any additional Interim Transfers.

2.11 Retained Alliance Liabilities and Retained Alliance Fund Liabilities. Except, in the case of a Final Closing through a "F reorganization," for any Assumed Alliance Fund Liabilities, nothing in this Agreement or any other Transaction Document shall be construed to transfer any Retained Alliance Fund Liability or Retained Alliance Liability to any Surviving Fund, Federated or any Affiliated Person, officer, director or trustee of any of them. If the Final Closing occurs with respect to any Alliance Fund through a reorganization, Alliance shall use commercially reasonable efforts to cause such Alliance Fund to discharge all of its known Liabilities as of the Final Closing Date. Neither Federated, the Surviving Funds nor any Affiliated Person, officer, director or trustee of any of them, shall assume, or otherwise become liable for, any Retained Alliance Liabilities or any Retained Alliance Fund Liabilities (except, in the case of a Final Closing through a "F reorganization," for any Assumed Alliance Fund Liabilities).

2.12 Transfer of Transfer Agent Records. Alliance and Federated shall use commercially reasonable efforts to transfer or cause the transfer of, as necessary, on or before each Closing Date or Interim Transfer Date (as applicable), any shareholder records or similar information from the transfer agent for the Alliance Funds reasonably requested by Federated as being necessary to provide transfer agency services to that portion of the Business being transferred on such Closing Date or Interim Transfer Date (as applicable) to the transfer agent for the Surviving Funds. Contemporaneously with obtaining the Consents for the Transactions

under this Agreement, subject to any fiduciary duties to which a Party may be subject, Alliance and Federated will use commercially reasonable efforts to submit, file, give or obtain the Consents required to consummate such transfers contemplated by this Section 2.12.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF ALLIANCE

3.1 Representations and Warranties Regarding Alliance. Alliance represents and warrants to Federated as follows:

3.1.1 Organization and Qualification.

(a) Alliance is a limited partnership duly organized and presently existing under the laws of the State of Delaware. Alliance has the requisite power and authority to conduct its business (including the Business) as currently conducted and to own, lease and operate the properties and assets (including the Acquired Assets) used in connection therewith. Alliance is duly qualified or licensed to do business and is in good standing in every jurisdiction where its business (including the Business) so requires, except for such failures to be so qualified, licensed or in good standing as would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition or operation of the Business, the Alliance Funds or the Insured Accounts.

(b) Except as set forth on ***Schedule 3.1.1(b)***, Alliance does not own or control, directly or indirectly, capital stock or other equity interests representing more than fifty percent (50%) of the outstanding voting stock or other equity interests of any entity, engaged in the business of providing investment advisory or investment management services to registered investment companies, off-shore mutual funds or accounts similar to the Insured Accounts.

3.1.2 Authority. Alliance has full power and authority to enter into this Agreement and the other Transaction Documents to which it is a party, to perform its obligations hereunder or thereunder, and to carry out the Transactions contemplated hereby or thereby. Alliance has taken all actions necessary to be taken by it to authorize the execution, delivery, and performance of this Agreement and the other Transaction Documents to which it is a party, including approval of the Transactions by the Board of General Partner. This Agreement and the other Transaction Documents to which it is a party have been (or will be) duly executed and delivered by Alliance, and are (or will be) valid and legally binding agreements and obligations of Alliance, enforceable against it in accordance with their respective terms, except as may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or other similar

laws affecting the enforcement of creditors' rights generally, and subject to general principles of equity.

3.1.3 No Violations. The execution, delivery and performance of this Agreement and the other Transaction Documents to which Alliance is a party will not breach or violate any provision of any Governing Document of Alliance, nor the terms of any material Contract or Applicable Law to which Alliance or the Business is subject or by which any of them is obligated, other than breaches and violations that would not, individually or in the

aggregate, (a) prevent or materially delay performance (or enforcement) of this Agreement or any other material Transaction Document by (or against) Alliance or (b) have a material adverse effect on the Business, the Alliance Funds or the Insured Accounts.

3.1.4 Governmental/Regulatory Authorities; Stockholder Approval. Except for Consents deemed to have been given through the Negative Consent Process or the Offshore Redemption in Kind Process and by the holders of a majority of the outstanding shares of the Alliance Funds, and the approval of this Agreement, the other Transaction Documents to which Alliance or any Investment Company is a party and the Transactions by the Board of Alliance or the Investment Companies, as applicable, and any Consents identified on ***Schedule 3.1.4*** as are required for the transfer of the Insured Accounts, Acquired Assets, any Interim Period Transferred Assets or Final Closing Fund Assets (the ***"Alliance Consents"***), none of Alliance, the Investment Companies, the Alliance Funds, or the Insured Accounts or any Affiliated Person of any of them, are required to submit, file, give or obtain any Consent to or from any Governmental Authority or the shareholders or Board of the Alliance Funds or holders of the Insured Accounts or other Person in connection with the execution, delivery and performance by it of this Agreement, or the other Transaction Documents to which Alliance, any Investment Company, any Alliance Fund, or any Insured Account, as applicable, is a party, or the consummation of the Transactions.

3.1.5 Litigation or Proceedings. Except as set forth on ***Schedule 3.1.5***, no Litigation is pending or, to Alliance's Knowledge, threatened against Alliance in connection with the Business, or relating to this Agreement, the Transaction Documents or the Transactions, or that seeks to delay, hinder, or prohibit the execution, delivery, or performance of this Agreement or the other Transaction Documents or the consummation of the Transactions.

3.1.6 Regulatory Compliance. Except as set forth in the Alliance SEC Documents, Alliance has complied, and is in compliance, in all material respects with all Applicable Law relating to the Business, and with the provisions of all applicable Contracts,

Governing Documents, investment policies and restrictions of or relating to Alliance or the Business or to which Alliance, any Alliance Fund, any Insured Account or any Investment Company is a designated party; and Alliance possesses all requisite business Consents required under any Applicable Law to conduct the Business and manage and service the Alliance Funds and Insured Accounts as currently conducted and to transact business with the Alliance Funds and Insured Accounts, and is in material compliance with all such Consents and Applicable Law. Alliance does not have Knowledge of any information that is reasonably likely to result in any material non-compliance with Applicable Law not already described in the Alliance SEC Documents.

3.1.7 No Undisclosed Liabilities. Except as disclosed in the Alliance SEC Documents, to Alliance's Knowledge, neither Alliance nor any Alliance Fund has any Liabilities arising out of or relating to the Business or the Alliance Funds or Insured Accounts, or the Alliance Funds or Insured Accounts, other than Liabilities that (i) were incurred, after the date of the last audited financial statements of Alliance or the Alliance Funds (as applicable) available prior to the date of this Agreement, in the ordinary course of business consistent with past practice, (ii) individually and in the aggregate are not material to the Business, and have not had or resulted in, and will not have or result in, a material adverse effect on the Business, or (iii) do not and will not materially impair the ability of Alliance, the Investment Companies or the Alliance Funds to perform their respective obligations hereunder or under the Reorganization Agreements or any other Transaction Document.

3.1.8 Title and Sufficiency of Assets.

(a) Except as set forth on ***Schedule 3.1.8***, Alliance has, and will transfer to Federated, good and valid title to all of the Acquired Assets, free and clear of all Liens, other than Permitted Liens. The Acquired Assets constitute all of the assets, tangible and intangible, of any nature whatsoever used by Alliance to conduct the Business as currently conducted (except for the Retained Assets and Shared Use Assets); and

(b) At each Closing and in connection with the transfer of Interim Period Transferred Assets (as applicable), upon the terms and subject to the conditions set forth in this Agreement, Alliance will sell, transfer, convey, assign and deliver to Federated all right, title and interest in and to each of the Acquired Assets transferred free and clear of all Liens, other than Permitted Liens.

3.1.9 Intellectual Property. To Alliance's Knowledge, Alliance or an Alliance Fund (or an Affiliated Person of Alliance) owns, licenses or otherwise has a right to use all Alliance Intellectual Property. To Alliance's Knowledge, neither the Alliance Intellectual Property nor Alliance's operation and management of the Business, infringe or otherwise conflict with any rights of any Person in respect of any Intellectual Property. None of the Alliance Intellectual Property is subject to any outstanding injunction, judgment, order, decree, ruling, charge or other Lien (except Permitted Liens). No Litigation is pending or, to Alliance's Knowledge, threatened, which challenges the legality, validity, enforceability, use, license or ownership (as applicable) of the Alliance Intellectual Property.

3.1.10 Brokers and Finders. Alliance will pay any financial advisory fees, brokerage fees, commission or finder's fees incurred with respect to the use of any broker or finder which has acted, directly or indirectly, for Alliance (or any of Alliance's officers, directors or employees), in connection with this Agreement or the Transactions. Except for such fees and commissions paid by Alliance, no amount is required to be paid by Alliance, the Investment Companies, the Alliance Funds or the Insured Accounts to any such financial adviser, broker or finder.

3.2 Representations and Warranties Regarding the Domestic Alliance Funds. Alliance represents and warrants to Federated as follows:

3.2.1 Regulation of Each Domestic Alliance Fund. To Alliance's Knowledge, each Domestic Alliance Fund has been, and is, in compliance in all material respects with all Applicable Laws and has been, and is, duly registered or licensed and in good standing under the laws of each jurisdiction in which qualification is necessary, except where the failure to be in compliance, or so registered, licensed or in good standing, would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition of such Domestic Alliance Fund.

3.2.2 No Convictions, Sanctions or Other Violations. Except as disclosed in Alliance's current Form ADV or otherwise in writing by Alliance to Federated prior to the date of this Agreement, to Alliance's Knowledge, no Person "associated" (as defined under the Advisers Act) with Alliance has for a period of five (5) years prior to the date hereof (and each Closing Date) been convicted of any crime or is or has been subject to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the 1934 Act, and no Affiliated Person of Alliance has during a period of

five (5) years prior to the date hereof been convicted of any crime or is or has been subject to any disqualification that would be a basis for disqualification as an investment adviser for any investment company pursuant to Section 9(a) of the 1940 Act; and, to Alliance's Knowledge, there is no basis for, or Litigation that is reasonably likely to become the basis for, any such disqualification, denial, suspension or revocation.

3.2.3 Regulatory Compliance. To Alliance's Knowledge, each Domestic Alliance Fund has complied, and is in compliance, in all material respects with the terms and conditions of its Governing Documents and the investment policies and restrictions set forth in its registration statement currently in effect for the past three (3) fiscal years. The value of the net assets of each Domestic Alliance Fund has been determined and is being determined using portfolio valuation methods that comply in all material respects with the requirements of the 1940 Act. There is no Litigation pending or, to Alliance's Knowledge, threatened against any Domestic Alliance Fund that would question the right, power, or capacity of (i) the Domestic Investment Companies or the Domestic Alliance Funds to conduct their businesses as now conducted, or (ii) the Domestic Investment Companies or the Domestic Alliance Funds to enter into any Transaction Document to which any of them is party or to consummate the Transactions. Alliance does not have Knowledge of any information that is reasonably likely to result in any material non-compliance with Applicable Law by a Domestic Alliance Fund.

3.2.4 Tax Qualification. To Alliance's Knowledge, each Domestic Alliance Fund is qualified, and has been qualified for all taxable years during which it has conducted business, as a Regulated Investment Company.

3.2.5 Taxes. To Alliance's Knowledge, all returns, reports or statements required to be filed with any Governmental Authority with respect to Taxes (as defined herein) **(*"Tax Returns"*)** of each Domestic Alliance Fund that are or have been required to be filed have been duly and timely filed. To Alliance's Knowledge, all taxes of any kind, including those on or measured by or referred to as income, gross receipts, sales, use, ad valorem, franchise, profits, license, value added, property or windfall profits taxes, customs, duties or similar fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Authority, domestic or foreign (***"Taxes"***), for all periods covered by such Tax Returns or portions thereof ending through the date hereof (or any Closing Date or Interim Transfer Date, as applicable) have been duly and timely paid in full (or adequate provision for such has been made in its financial statements in accordance with GAAP).

3.2.6 Changes. To Alliance's Knowledge, since the dates of the most recent audited financial statements of each Domestic Alliance Fund, each Domestic Alliance Fund has not, except for such actions expressly required under this Agreement or any other Transaction Document to be taken in connection with the Transactions contemplated hereby or thereby:

(a) declared, set aside, made or paid any dividend or other distribution in respect of its equity interests or otherwise purchased or redeemed, directly or indirectly, any of its equity interests, except in the ordinary course of its business;

(b) to the extent applicable, adopted, or amended in any material respect, any deferred compensation or other plan, agreement, trust, fund or arrangement for the benefit of any trustees/directors;

(c) amended its Governing Documents;

(d) changed in any significant respect its accounting practices, policies or principles, except as may be required under Applicable Law or GAAP; or

(e) operated its business in any manner other than in the ordinary course.

3.2.7 Affiliate Contracts. Except for the Contracts identified on *Schedule 3.2.7*, neither the Domestic Investment Companies nor the Domestic Alliance Funds are party to or subject to any Contract with Alliance or any Affiliated Person thereof. To Alliance's Knowledge, there does not exist under such Contracts any violation, breach or event of default, or event or condition that would constitute a violation, breach or event of default thereunder, on the part of a Domestic Investment Company, a Domestic Alliance Fund or any other Person. All investment advisory, administrative and related services have been rendered by Alliance or its Affiliated Persons to the Domestic Investment Companies and the Domestic Alliance Funds pursuant to Contracts that were approved by the Board of each Domestic Alliance Fund and, to the extent required by Applicable Law, the holders of shares of beneficial interest in each Domestic Alliance Fund in accordance with all Applicable Law.

3.2.8 Third Party Contracts. ***Schedule 3.2.8*** sets forth a list of all material Contracts to which any Domestic Investment Company or Domestic Alliance Fund is a party (except for any Contracts with Alliance or any Affiliated Person thereof identified on ***Schedule 3.2.7***). Except as set forth on ***Schedule 3.2.8***, to Alliance's Knowledge, neither any Domestic Investment Company nor any Domestic Alliance Fund is a party to or subject to any material Contract with a third party which is in violation, breach or event of default, or event or condition

that, after notice or lapse of time or both, would constitute a violation, breach or event of default thereunder, on the part of a Domestic Investment Company, a Domestic Alliance Fund or any other Person.

3.2.9 Litigation. No Litigation is pending or, to Alliance's Knowledge, threatened against any Domestic Investment Company or any Domestic Alliance Fund, or the properties, assets or business of any Domestic Investment Company or any Domestic Alliance Fund (including the Alliance Fund Assets) before any Governmental Authority.

3.3 Representations and Warranties Regarding Each Offshore Alliance Fund. Alliance represents and warrants to Federated as follows**:**

3.3.1 Regulation of Each Offshore Alliance Fund. To Alliance's Knowledge, each Offshore Alliance Fund has been, and is, in compliance in all material respects with all Applicable Laws and has been, and is, duly authorized under the laws of each jurisdiction in which qualification is necessary, except where failure to be in compliance, or so registered, licensed or in good standing, would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition of an Offshore Alliance Fund or the Business.

3.3.2 Regulatory Compliance. To Alliance's Knowledge, each Offshore Alliance Fund has complied, and is in compliance, in all material respects with the terms and conditions of its Governing Documents and the investment policies and restrictions set forth in its prospectus currently in effect for the past three (3) fiscal years. The value of the net assets of each Offshore Alliance Fund has been determined and is being determined using portfolio valuation methods that comply in all material respects with the requirements of Applicable Law. There is no Litigation pending or, to Alliance's Knowledge, threatened against any Offshore Alliance Fund that would question the right, power, or capacity of (i) the Offshore Alliance Funds to conduct their businesses as now conducted, or (ii) the Offshore Alliance Funds to enter into any Transaction Document to which any of them is party or to consummate the Transactions. Alliance does not have Knowledge of any information that is reasonably likely to result in any material non-compliance with Applicable Law by an Offshore Alliance Fund.

3.3.3 Tax Qualifications. To Alliance's Knowledge, ACM International Reserves is registered as an exempted company under Cayman Islands law and has obtained an undertaking from the Cayman Islands authorities that, for a period of twenty years from 2 June 1998 (being the date of issue of such undertaking), no law which is enacted in the Cayman

Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the company or its operations; and in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations of the company or by way of withholding in whole or in part of any payment of dividend or other distribution of income or of capital by the company to its shareholders or any payment of principal or interest or other sums due under a debenture or other obligation of the company. To Alliance's Knowledge, ACM International Reserves II is exempt from Irish tax on its income and gains as an investment company within the meaning of 739B(1) of the Taxes Consolidation Act, 1997.

3.3.4 Taxes. To Alliance's Knowledge, all Tax Returns of each Offshore Alliance Fund that are or have been required to be filed have been duly and timely filed. To Alliance's Knowledge, all Taxes for all periods covered by such Tax Returns or portions thereof ending through the date hereof (or any Closing Date or Interim Transfer Date, as applicable) have been duly and timely paid in full (or adequate provision for such has been made in its financial statements in accordance with applicable generally accepted accounting standards).

3.3.5 Changes. To Alliance's Knowledge, since the dates of the most recent audited financial statements of each Offshore Alliance Fund, each Offshore Alliance Fund has not, except for such actions expressly required under (or otherwise contemplated by) this Agreement or any other Transaction Document to be taken in connection with the Transactions contemplated hereby or thereby:

(i) declared, set aside, made or paid any dividend or other distribution in respect of its equity interests or otherwise purchased or redeemed, directly or indirectly, any of its equity interests, except in the ordinary course of its business;

(ii) to the extent applicable, adopted, or amended in any material respect, any deferred compensation or other plan, agreement, trust, fund or arrangement for the benefit of any trustees/directors;

(iii) amended its Governing Documents;

(iv) changed in any significant respect its accounting practices, policies or principles, except as may be required under Applicable Law; or

(v) operated its business in any manner other than in the ordinary course.

3.3.6 Affiliate Contracts. Except for the Contracts identified on ***Schedule 3.3.6***, no Offshore Alliance Fund is a party to or subject to any Contract with Alliance or any Affiliated Person thereof. To Alliance's Knowledge, there does not exist under such Contracts any violation, breach or event of default, or event or condition that would constitute a violation, breach or event of default thereunder, on the part of an Offshore Alliance Fund or any other Person. All investment advisory, administrative and related services have been rendered by Alliance or its Affiliated Persons to the Offshore Alliance Funds pursuant to Contracts that were approved by each Offshore Alliance Fund and, to the extent required by Applicable Law, the holders of shares of beneficial interest in each Offshore Alliance Fund in accordance with all Applicable Law.

3.3.7 Third Party Contracts. ***Schedule 3.3.7*** sets forth a list of all material Contracts to which any Offshore Alliance Fund is a party (except for any Contracts with Alliance or any Affiliated Person thereof identified on ***Schedule 3.3.6***). Except as set forth on ***Schedule 3.3.7***, to Alliance's Knowledge, no Offshore Alliance Fund is a party to or subject to any Contract with a third party which is in violation, breach or event of default, or event or condition that, after notice or lapse of time or both, would constitute a violation, breach or event of default thereunder, on the part of an Offshore Alliance Fund or any other Person.

3.3.8 Litigation. No Litigation is pending or, to Alliance's Knowledge, threatened against any Offshore Alliance Fund, or the properties, assets or business of any Offshore Alliance Fund (including the Alliance Fund Assets) before any Governmental Authority.

3.3.9 Non-U.S. Employees. Neither Alliance, any Offshore Alliance Fund nor any Affiliated Person of any of them have employees located in the Republic of Ireland or the Cayman Islands.

3.4 Representations and Warranties Regarding Insured Accounts. Alliance represents and warrants to Federated as follows:

3.4.1 Regulation of the Insured Accounts. To Alliance's Knowledge (without regard to any duty of inquiry), the Insured Accounts have been, and are, in compliance in all material respects with all Applicable Laws and, if applicable, have been, and are, duly authorized under the laws of each jurisdiction where necessary, except where failure to be in compliance, or so authorized, would not, individually or in the aggregate, be reasonably expected

to have a material adverse effect on the financial condition of the Insured Accounts or the Business.

3.4.2 Regulatory Compliance. To Alliance's Knowledge (with regard to any duty of inquiry), each Insured Account has complied, and is in compliance, in all material respects with the terms and conditions of its Governing Documents. To Alliance's Knowledge (with regard to any duty of inquiry), the value of the Insured Accounts has been determined and is being determined using methods that comply in all material respects with Applicable Law. There is no Litigation pending, or to Alliance's Knowledge (with regard to any duty of inquiry), threatened against Alliance or any of its Affiliated Persons before any Governmental Authority relating to or involving the Insured Accounts (including the assets therein). To Alliance's Knowledge (with regard to any duty of inquiry), there is no Litigation pending or threatened against any other Person before any Governmental Authority that otherwise relates to or involves the Insured Accounts (including the assets therein). Alliance does not have Knowledge (with regard to any duty of inquiry) of any information that is reasonably likely to result in any material non-compliance with Applicable Law by an Insured Account.

3.4.3 Effectiveness; No Default. ***Schedule 3.4.3*** sets forth a list of all of the Deutsche Bank Agreements. Alliance has provided a copy to Federated of the Deutsche Bank Agreements as in effect on the date hereof. Neither Alliance nor, to Alliance's Knowledge, any other party to the Deutsche Bank Agreements is in default under, or in breach or violation of, any Deutsche Bank Agreement, other than such defaults, breaches and violations as would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition or operation of the Insured Accounts, the Alliance Funds or the Business.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF FEDERATED

4.1 Representations and Warranties of Federated. Federated represents and warrants to Alliance as follows:

4.1.1 Incorporation and Qualification. Federated is a corporation duly incorporated and presently subsisting under the laws of the Commonwealth of Pennsylvania. Federated has the requisite corporate power and authority to conduct its business as currently conducted and to own, lease, and operate the properties and assets used in connection therewith. Federated is duly qualified or licensed to do business and is in good standing in every jurisdiction where its respective business so requires, except for such failures to be so qualified,

licensed or in good standing as would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition or business operations of Federated.

4.1.2 Authority. Federated has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which it is a party, to perform its obligations hereunder or thereunder, and to carry out the Transactions contemplated hereby or thereby. Federated has taken all corporate or other actions necessary to be taken by it to authorize the execution, delivery, and performance of this Agreement and the other Transaction Documents to which it is a party, including approval of the Transactions by Federated's Board. This Agreement and the other Transaction Documents to which it is a party have been (or will be) duly executed and delivered by Federated, and are (or will be) the valid and binding agreements and obligations of Federated enforceable against it in accordance with their respective terms, except as may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights generally, and subject to general principles of equity.

4.1.3 No Violations. The execution, delivery and performance of this Agreement and the other Transaction Documents to which Federated is a party will not breach or violate any provision of any Governing Document of Federated, nor the terms of any material Contract or Applicable Law to which Federated is subject or by which it is obligated, other than breaches and violations that would not, individually or in the aggregate, prevent or materially delay performance (or enforcement) of this Agreement or any other material Transaction Documents by (or against) Federated.

4.1.4 Governmental/Regulatory Authorities. Federated is not required to submit, file, give or obtain any Consent to or from any Governmental Authority or the shareholders or trustees of the Surviving Funds in connection with the execution, delivery, and performance of this Agreement (other than as contemplated by Section 5.1.4(b) of this Agreement) or the consummation of the Transactions, other than Consents of the Board of Federated, of the Boards of the Surviving Funds and under the HSR Act.

4.1.5 Litigation or Proceedings. Except as set forth on ***Schedule 4.1.5***, no Litigation is pending or, to Federated's Knowledge, threatened against Federated in connection with the management of the Surviving Funds or relating to this Agreement, the Transaction Documents or the Transactions, or that seeks to delay, hinder, or prohibit the execution, delivery

or performance of this Agreement or the other Transaction Documents or the consummation of the Transactions.

4.1.6 Regulatory Compliance. Except as set forth in the Federated SEC Documents, Federated has complied, and is in compliance, in all material respects with all Applicable Law relating to the management of the Surviving Funds, and with the material provisions of applicable Contracts, Governing Documents, investment policies, and restrictions of or relating to Federated or the Surviving Funds or to which Federated or any Surviving Fund is a designated party; and Federated possesses all requisite business Consents required under any Applicable Law to manage the Surviving Funds as currently conducted and to transact business with the Surviving Funds, and is in material compliance with all such Consents and Applicable Law. Federated does not have Knowledge of any information that is reasonably likely to result in any material non-compliance with Applicable Law not already described in the Federated SEC Documents.

4.1.7 Financial Ability. Federated has the financial resources to enable it to perform its obligations under this Agreement and the other Transaction Documents.

4.1.8 Brokers and Finders. Federated will pay any financial advisory fees, brokerage fees, commission or finder's fees incurred with respect to the use of any broker or finder which has acted, directly or indirectly, for Federated (or any of Federated's officers, directors or employees), in

connection with this Agreement or the Transactions. Except for such fees and commissions paid by Federated, no amount is required to be paid by Federated or the Surviving Funds to any such financial adviser, broker or finder.

4.2 Representations and Warranties Regarding Each Surviving Fund. For avoidance of doubt, the Parties understand and agree that, if a Surviving Fund is a shell fund that became effective prior to the execution of this Agreement, the representations and warranties in this Section 4.2 will be deemed to have been made, as to such shell fund, as of the date of this Agreement, each Closing Date and each Interim Transfer Date (as applicable), and that, if a Surviving Fund is a shell fund that becomes effective after the execution of this Agreement and prior to the First Closing, the representations and warranties in this Section 4.2 will be deemed to have been made, as to such shell fund, as of the effective date of its registration statement, each Closing Date and each Interim Transfer Date (as applicable).

Subject to the foregoing, Federated represents and warrants to Alliance as of the date of this Agreement, each Closing Date and each Interim Transfer Date as follows:

4.2.1 Regulation of Each Surviving Fund. To Federated's Knowledge, each Surviving Fund has been, and is, in compliance in all material respects with all Applicable Laws and has been, and is, duly registered or licensed and in good standing under the laws of each jurisdiction in which qualification is necessary, except where the failure to be in compliance, or so registered, licensed or in good standing, would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the financial condition of a Surviving Fund.

4.2.2 No Convictions, Sanctions or Other Violations. Except as otherwise disclosed in writing by Federated to Alliance prior to the date of this Agreement, to Federated's Knowledge, no Person "associated" (as defined under the Advisers Act) with Federated has for a period of five (5) years prior to the date hereof (and each Closing Date) been convicted of any crime or is or has been subject to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the 1934 Act, and no Affiliated Person of Federated has during a period of five (5) years prior to the date hereof been convicted of any crime or is or has been subject to any disqualification that would be a basis for disqualification as an investment adviser for any investment company pursuant to Section 9(a) of the 1940 Act; and, to Federated's Knowledge, there is no basis for, or Litigation that is reasonably likely to become the basis for, any such disqualification, denial, suspension or revocation.

4.2.3 Regulatory Compliance. To Federated's Knowledge, each Surviving Fund has complied, and is in compliance, in all material respects with the terms and conditions of its Governing Documents and the investment policies and restrictions set forth in its registration statement currently in effect for the past three (3) fiscal years. The value of the net assets of each Surviving Fund has been determined and is being determined using portfolio valuation methods that comply in all material respects with the requirements of the 1940 Act. There is no Litigation pending or, to Federated's Knowledge, threatened against any Surviving Fund that would question the right, power, or capacity of the Surviving Funds (i) to conduct their businesses as conducted now or at any time in the past, or (ii) to enter into any Transaction Document to which any of them are parties or to consummate the Transactions. Federated does not have Knowledge of any information that is reasonably likely to result in any material non-compliance with Applicable Law by a Surviving Fund.

4.2.4 Tax Qualification. To the Knowledge of Federated, each Surviving Fund is qualified, and has been qualified for all taxable years during which it has conducted business, as a Regulated Investment Company.

4.2.5 Taxes. To the Knowledge of Federated, all Tax Returns of each Surviving Fund that are or have been required to be filed have been duly and timely filed. To the Knowledge of Federated, all Taxes for all periods covered by such Tax Returns or portions thereof ending through the date hereof (or any Closing Date or Interim Transfer Date, as applicable) have been duly and timely paid in full (or adequate provision for such has been made in its financial statements in accordance with GAAP).

4.2.6 Changes. To the Knowledge of Federated, since the dates of the most recent audited financial statements of each Surviving Fund, each Surviving Fund has not, except for such actions expressly required under this Agreement or any other Transaction Document to be taken in connection with the Transactions contemplated hereby or thereby:

(a) declared, set aside, made or paid any dividend or other distribution in respect of its equity interests or otherwise purchased or redeemed, directly or indirectly, any of its equity interests, except in the ordinary course of its business;

(b) to the extent applicable, adopted, or amended in any material respect, any deferred compensation or other plan, agreement, trust, fund or arrangement for the benefit of any trustees/directors;

(c) amended its Governing Documents;

(d) changed in any significant respect its accounting practices, policies or principles, except as may be required under Applicable Law or GAAP; or

(e) operated its business in any manner other than in the ordinary course.

4.2.7 Litigation. No Litigation is pending or, to Federated's Knowledge, threatened against any Surviving Fund, or the properties, assets or business of any Surviving Fund, before any Governmental Authority, that, if adversely decided, would, individually or in the aggregate, be reasonably expected to have a material adverse effect on the ability of a Surviving Fund to consummate the Transactions contemplated by any Transaction Document to which it is a party.

ARTICLE V
COVENANTS AND AGREEMENTS

5.1 Covenants With Respect to the Alliance Funds and Insured Accounts.

5.1.1 Conduct of Business. From the date of this Agreement through the earlier of the Final Closing Date or termination of this Agreement, Alliance shall, to the extent consistent with its fiduciary duties: (a) conduct the Business only in the ordinary course and in a manner consistent with its past practices, except to the extent otherwise specifically provided in this Agreement or any other Transaction Document or after agreement in writing by Federated (such agreement not to be unreasonably withheld or delayed by Federated); (b) use commercially reasonable efforts to cause each Alliance Fund not to implement any changes in its respective investment policies and practices set forth in its registration statement or other Governing Documents without prior consultation with Federated; (c) promptly notify Federated of any changes in the policies and practices of each Alliance Funds' investment adviser or Insured Accounts, including any changes in the personnel responsible for the day-to-day management or servicing of such Alliance Funds' portfolios or the Insured Accounts, as applicable, (d) not sell, transfer, lease, pledge, or otherwise dispose of any Acquired Assets, (e) not allow any of the Acquired Assets or the Alliance Fund Assets to become subject to any Lien of any nature that will not be discharged in full prior to the transfer thereof under this Agreement (other than Permitted Liens); and (f) not change any fee waiver or expense reimbursement practice or policy with respect to the Alliance Funds without providing prior notice to Federated.

5.1.2 Negative Consent Process; Offshore Redemption in Kind Process. Without limiting the generality of Section 2.2, Alliance and Federated shall cooperate with each other in preparing required notices and other shareholder communications, setting relevant dates and deadlines and resolving objections received in connection with the Negative Consent Process or Offshore Redemption in Kind Process. Each Party shall keep the other Party informed as to the status of the Negative Consent Process and the Offshore Redemption in Kind Process, and shall consult with the other Party regarding such matters.

5.1.3 Board Approvals; Shareholder Approvals; Prospectus and Statement of Additional Information Supplements; Information in Registration Statement on Form N-14; Other Consents. To the extent that the Transactions contemplated by Section 2.3 of this Agreement are mutually deemed necessary by the Parties:

(a) Alliance shall take all commercially reasonable actions necessary to submit, file, give and obtain all Consents necessary for the Alliance Funds to implement the Reorganization Agreements and the Transactions contemplated thereby and by the other Transaction Documents.

(b) Federated shall, in cooperation with Alliance, with regard to each Domestic Alliance Fund and Surviving Fund, prepare and file with the Commission a proxy statement and registration statement on Form N-14 in order to (i) solicit shareholders of the Domestic Alliance Funds to approve the Reorganization Agreements and the Transactions contemplated thereby and by the other Transaction Documents, all as consistent with all requirements of the 1940 Act and the 1934 Act applicable to such proxy materials, and (ii) to register on behalf of each Surviving Fund the shares of such Surviving Fund to be issued pursuant to the Reorganization Agreements. Regarding Commission comments in response to such filings on Form N-14, (A) Federated shall provide to Alliance copies of any written comments received by Federated from the Commission, and (B) if the Commission provides comments orally to Federated, Federated will record the oral comments and provide Alliance with a summary of such oral comments, and (C) in any event, Federated shall provide Alliance with the opportunity to participate in any subsequent session to clarify or respond to, or written response to, any written or oral Commission comments.

(c) The Parties shall agree on a mutually acceptable timetable for taking the actions contemplated in Sections 5.1.3(a) and (b) above. Each Party shall keep the other Party informed as to the status of, and any matters relating to or affecting, the Consents and Form N-14 matters addressed in Sections 5.1.3(a) and (b) above of which such Party becomes aware, and shall consult with the other Party regarding such matters.

(d) Alliance covenants that any information or data provided by Alliance that describes Alliance or the Domestic Alliance Funds or their Affiliated Persons or any of their business operations or plans in any prospectus or SAI supplements or in the registration statement on Form N-14 or any post-effective amendment thereto filed with the Commission after the date of this Agreement, and required for the Domestic Alliance Funds' shareholders meeting called for the purpose of obtaining shareholder approval of the Reorganization

Agreements and the Transactions contemplated thereby and by the other Transaction Documents, and in any other document filed with the Commission or the NASD or any other regulatory body, shall not contain, at the time any such supplements or registration statement on Form N-14 or post-effective amendments thereto become effective, or at the time of such meeting, or at the time such document is furnished to the Commission or the NASD or any other regulatory body, any untrue statement of material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

(e) Federated covenants that any information or data that describes Federated or any Surviving Fund or their Affiliated Persons or any of their business operations or plans which is included in any prospectus or SAI supplements or in any Surviving Fund's registration statement on Form N-14 or a post-effective amendment thereto filed with the Commission after the date of this Agreement and required for the Domestic Alliance Fund's shareholders meeting called for the purpose of obtaining shareholder approval of the Reorganization Agreements and the Transactions contemplated thereby and by the other Transaction Documents, and in any other document filed with the Commission or the NASD or any other regulatory body, shall not contain, at the time any such supplements or registration statement on Form N-14 or post-effective amendments thereto become effective, or at the time of such meeting, or at the time such document is furnished to the Commission or the NASD or any other regulatory body, any untrue statement of material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

(f) Federated acknowledges that Alliance intends that the Transactions shall satisfy the applicable requirements of Section 15(f) of the 1940 Act. Federated agrees that, with respect to each domestic Surviving Fund (including, for avoidance of doubt, each registered investment company for which Federated or an Affiliated Person thereof serves as investment adviser and/or principal underwriter and into which Alliance Fund Assets are invested pursuant to the Transactions contemplated by this Agreement), it shall (subject to its fiduciary duties) use commercially reasonable efforts to, and to cause the Board of each such domestic Surviving Fund to, meet the conditions for the safe harbor set forth in Section 15(f) of the 1940 Act from the First Closing Date through and including the time periods set forth in such Section 15(f), such time periods to be measured by reference to the Final Closing Date. The Parties agree that, if Federated is required under this Section 5.1.3(f) to use commercially reasonable efforts to meet the conditions for the safe harbor set forth in Section 15(f) of the 1940 Act, then, without

limiting the actions Federated may take, such commercially reasonable efforts can include (and Federated will consider taking the following actions or other appropriate actions under the circumstances): (i) requesting a resignation from the Board of any domestic Surviving Fund from any Person that is an Affiliated Person of Federated or any Affiliated Person thereof; (ii) seeking to add additional members to the Board of any domestic Surviving Fund to the extent that an additional member or members would cause the conditions to the safeharbor in Section 15(f) of the 1940 Act to be satisfied; (iii) seeking an exemptive order which, if obtained, would result in the conditions to the safeharbor set forth in Section 15(f) of the 1940 Act being satisfied; or (iv) ceasing the use of any broker or dealer that would cause a member of the Board of any domestic Surviving Fund to be an "interested person" of Federated or an Affiliated Person of Federated to the extent that such Board member being such an "interested person" causes the conditions for the safeharbor set forth in Section 15(f) of the 1940 Act not to be satisfied.

5.1.4 Alliance Fund Taxes. Alliance shall file, or cause to be filed, any and all Tax Returns (including Internal Revenue Service Forms 1120-RIC and 1099 and comparable returns and reports required by any jurisdiction) which, to Alliance's Knowledge, are required to be filed by each Alliance Fund with respect to any period ending on or prior to the applicable Closing Date, as well as any final Tax Returns required to be filed prior to, upon or after any liquidation of the Alliance Funds, and shall ensure, to the best of Alliance's Knowledge, that all Taxes shall have been paid so far as due or provision has been made for the payment thereof. To the best of Alliance's Knowledge, no such Tax Return is currently under audit and no assessment has been proposed or asserted with respect to such Tax Returns. Federated agrees that it shall file, or cause to be filed, any and all Tax Returns (also including Internal Revenue Service Forms 1120-RIC and 1099 and comparable returns and reports required by any jurisdiction), which, to the Knowledge of Federated, are required to be filed by the Surviving Funds with respect to any period ending after the applicable Closing Date and to ensure (i) that all Taxes shown as payable on such Tax Returns are timely paid by the Surviving Funds and (ii) that the Surviving Funds organized in any jurisdiction of the United States continue to qualify as Regulated Investment Companies after the Final Closing Date. Federated and Alliance shall each assist the other, as may reasonably be requested by the other Party, with the preparation of any Tax Return, any Tax audit, or any other Litigation relating to any Tax in respect of the Alliance Funds. In addition, each Party shall retain (except to the extent transferred to Federated) and provide the other with access upon reasonable notice and during normal business hours to such records or information in respect of the Alliance Funds as may be relevant to such Tax Return, Tax audit, or other Litigation.

5.1.5 Insured Account Covenants. Alliance shall use commercially reasonable efforts to submit, file, give and obtain all Consents necessary for Alliance to assign the Deutsche Bank Agreements from Alliance to Federated on or after the First Closing. Without limiting the generality of the foregoing, Alliance and Federated shall cooperate with each other preparing required Deutsche Bank Assignment Documents for the Insured Accounts, setting relevant dates and deadlines and resolving objections received in connection with such contemplated assignments. Each Party shall keep the other Party informed as to the status of such contemplated assignments, and shall consult with the other Party regarding such matters.

5.2 Covenants With Respect to the Surviving Funds and Transferred Insured Accounts.

(a) Federated shall use reasonable commercial efforts to submit, file, give and obtain all Consents (including the registration (as required under Applicable Law) of shares of the Surviving Funds) necessary for Federated and the Surviving Funds (as applicable) to implement the Reorganization Agreements and the Transactions contemplated thereby and by the other Transaction Documents, and to effect the assignments of the Deutsche Bank Agreement from Alliance to Federated.

(b) Federated shall provide Alliance with reasonable access, for the period beginning on the First Closing Date through, inclusive of and ending on the Sixth Anniversary Date, and upon advance notice and during normal business hours, to the Surviving Funds', and their successor funds' or Other Federated Cash Management Vehicle's, if applicable, books and records relating to the Surviving Funds (or such successor funds' or Other Federated Cash Management Vehicle's, if applicable) and/or the Insured Accounts (to the extent transferred as contemplated herein) for the period beginning on the date of the First Closing Date and ending on the Final Closing Anniversary Date.

5.3 [Intentionally Omitted.]

5.4 Covenant With Respect to Cash Management Assets. Subject to Alliance's fiduciary duties, Alliance shall use commercially reasonable efforts to transfer, and to encourage its Affiliated Persons to transfer, to the Surviving Funds, certain cash management assets as mutually agreed by the Parties. Federated acknowledges and agrees that Alliance and Affiliated Persons of Alliance have sole discretion in determining whether to transfer cash management assets to the Surviving Funds.

5.5 Covenants With Respect to Expenses.

(a) Except as otherwise provided in this Section 5.5, Section 5.12 and Section 5.13, each Party shall bear fifty percent (50%) of the Transaction Costs. For purposes of this Agreement and the other Transaction Documents, ***"Transaction Costs"*** means: (i) all fees, expenses and costs of agents, representatives, outside counsel, accountants, and proxy solicitors incurred in connection with the drafting, filing, printing and mailing of the proxy/registration statements (or similar documents contemplated herein or in the other Transaction Documents, but excluding, for the avoidance of doubt, fees, expenses and costs associated with the drafting and initial filings of Form N-1A, and blue sky filings for, the Surviving Funds), and related materials to shareholders; (ii) all fees, expenses and costs incurred by the Parties as a result of undertaking the actions contemplated in Section 2.12 of this Agreement; (iii) all fees, expenses and costs associated with the preparation, filing and review of required Consents under the HSR Act; (iv) all fees, expenses and costs associated with the Negative Consent Process and Offshore Redemption in Kind Process; (v) all fees, expenses and costs incurred by the Parties in connection with the engagement of the investment banker contemplated in Section 5.15(c); and (vi) other mutually agreed upon third-party related costs.

(b) Notwithstanding Section 5.5(a) above, Federated shall be responsible for expenses incurred by Federated and each Surviving Fund, and Alliance shall be responsible for expenses incurred by Alliance, each Alliance Fund and the Insured Accounts, in connection with due diligence and the negotiation, execution, delivery and performance of this Agreement and the other Transaction Documents (except for those fees, expenses and costs shared by the Parties pursuant to Section 5.5(a)(i) above). For the avoidance of doubt, and notwithstanding any other contrary provision in this Agreement or any other Transaction Document (and except for those fees, expenses and costs shared by the Parties pursuant to Section 5.5(a)(i) above), transaction expenses relating

to the negotiation and signing of this Agreement and the other Transaction Documents (including expenses consisting of outside counsel or accountant fees and due diligence expenses) incurred by Federated and any Surviving Fund or Alliance, any Alliance Funds and the Insured Accounts will be the sole responsibility of the Person that incurred such transaction expenses, and all federal and state registration fees in connection with the sale of shares of the Surviving Funds shall not be the responsibility of Alliance, the Alliance Funds or any Affiliated Person of any of them.

5.6 Covenants With Respect to Litigation and Changes in Condition.

(a) From the date of this Agreement through the earlier of the Final Closing Date or termination of this Agreement pursuant to its terms, Federated shall notify Alliance promptly of any Litigation as to which Federated becomes aware that (i) is commenced against Federated, the Federated Investment Companies or the Surviving Funds and would reasonably be expected to have a material adverse effect on the Surviving Funds, the Transactions, or this Agreement or any other Transaction Document, or (ii) would delay, restrain, or enjoin the consummation of, or declare unlawful, the Transactions, or cause the Transactions to be rescinded or delay, restrain, or enjoin the performance of this Agreement or any other Transaction Document.

(b) From the date of this Agreement through the earlier of the third anniversary of the date of this Agreement or the termination of this Agreement pursuant to its terms, Alliance shall notify Federated promptly of any Litigation as to which Alliance becomes aware that (i) is commenced against Alliance, the Business, the Alliance Funds or the Insured Accounts, and would reasonably be expected to have a material adverse effect on the Business, the Transactions, or this Agreement or any other Transaction Document, or (ii) would delay, restrain, or enjoin the consummation of, or declare unlawful, the Transactions, or cause the Transactions to be rescinded or delay, restrain, or enjoin the performance of this Agreement or any other Transaction Document.

5.7 Covenants With Respect to Publicity and Third Party Communications. Alliance and Federated agree that all public announcements prior to the Final Closing Date relating to this Agreement, any other Transaction Document or the Transactions shall only be made after each Party has submitted, reasonably in advance, the text of such announcement to the other Party at the addresses set forth in Article X and such other Party has had a reasonable opportunity to comment thereon and has consented to the release of such public announcement (which consent shall not be unreasonably withheld); *provided*, *however,* that any Party may make such disclosures as are required by Applicable Law after making commercially reasonable efforts under the circumstances to consult in advance with the other Party. Except as permitted by the preceding sentence, the Parties shall not, and shall direct their Affiliated Persons, legal and financial advisers and other representatives not to, disclose this Agreement or any other Transaction Document, its or their existence, or any of the terms and conditions hereof or thereof to any Person without the prior written consent of the other Party to this Agreement.

5.8 Restrictive Covenants.

5.8.1 Non-Solicitation. During the Non-Solicitation Period, neither Alliance, the Investment Companies nor any of their Affiliated Persons shall offer employment to, otherwise solicit, hire or engage as an independent contractor or in any other capacity, nor shall Alliance, the Investment Companies or any of their Affiliated Persons assist any other Person to employ, otherwise solicit, hire or engage as an independent contractor or in any other capacity, any employee of Alliance, the Investment Companies or any of their Affiliated Persons hired by Federated or an Affiliated Person of Federated on or after the First Closing Date and prior to or on the Final Closing Date in connection with the Transactions contemplated by this Agreement.

5.8.2 Covenant Not to Compete.

(a) Alliance acknowledges (i) that it is essential in order to permit Federated to obtain the benefits of the Transactions for Alliance and its Non-Compete Affiliates to agree to the restrictions set forth in this Section 5.8, and (ii) that such restrictions are reasonable in duration and scope.

(b) During the Restricted Period, except as otherwise contemplated in, and pursuant to, this Agreement and the other Transaction Documents, Alliance agrees that neither Alliance, the Investment Companies, nor any of their Non-Compete Affiliates shall:

(i) directly or indirectly (A) create, distribute, advise, manage, sell, administer, or otherwise promote or assist in the establishment or operation of any Cash Management Vehicle, nor (B) distribute or otherwise provide to any party the name(s) of any client of any Alliance Fund or Surviving Fund or any holder of an Insured Account except (in the case of clause (B) only) as required by Applicable Law (any activity within this clause (i) being a ***"Restricted Activity"***), or

(ii) directly or indirectly own or acquire the capital stock or other equity securities of any class of any Person that engages in a Restricted Activity;

(iii) directly or indirectly solicit any Tracked Client or Non-Tracked Client to purchase any shares, products or services of a Cash Management Vehicle.

(c) The covenants in Sections 5.8.2(b)(i) and (ii) shall not prohibit:

(i) Alliance or any Non-Compete Affiliate from either:

(A) creating, distributing, advising, managing, selling, administering or otherwise promoting or assisting (x) the Alliance Funds and Insured Accounts until the applicable Alliance Fund Termination Date or transfer of Alliance Fund Assets relating to such Insured Accounts consistent with this Agreement or (y) any Cash Management Vehicle created, distributed, advised, sold, managed, administered, or otherwise promoted by Alliance or a Non-Compete Affiliate as of the date of this Agreement that is identified on ***Schedule 5.8.2(c***),

(B) acquiring (in one or more transactions) and subsequently distributing, advising, managing, selling, administering, promoting or assisting one or more Cash Management Vehicles that, at the time of their acquisition by Alliance, are Incidental Money Market Funds; *provided*, that the aggregate net revenue of all such Incidental Money Market Funds acquired and subsequently operated by Alliance

and/or its Non-Compete Affiliates at no time exceeds seven million five hundred thousand dollars ($7,500,000) per annum. If such aggregate net revenue of such Incidental Money Market Funds at any time exceeds seven million five hundred thousand dollars ($7,500,000) per annum, then Section 5.2.8(c)(i)(C) shall apply with respect to such Incidental Money Market Funds, or that portion of such Incidental Money Market Funds, that caused such excess, and Alliance shall make a written offer to sell to Federated such Incidental Money Market Fund, or portion thereof, on the terms contemplated in Section 5.2.8(c)(i)(C) below.

(C) acquiring the capital stock or other equity securities of any class of any Person that is engaged in the Restricted Activity, or acquiring all or a portion of the assets of such a Person that include a Restricted Activity, and retaining such Restricted Activity, and providing services in connection with such Restricted Activity, if (1) within thirty (30) days of such acquisition Alliance offers to Federated in writing the right to purchase such Restricted Activity; the Parties agree that such offer will (A) be at a price and on payment terms to be negotiated by the Parties, or determined by an arbitrator, as appropriate, in accordance with the Valuation Process, and (B) provide that such purchase by Federated will be made upon such other commercially reasonable terms and conditions as may be mutually agreed upon between the Parties, and (2) within sixty (60) days after Federated receives such written offer Federated shall not have accepted such offer, and then consummated such transaction within a reasonable period of time thereafter. For purposes of this Section 5.8.2(c)(ii)(C), ***"Valuation Process"*** means the process for agreeing upon the price to be paid for a Restricted Activity involving: (x)

Alliance retaining a reputable investment banking firm (acceptable to Federated, which acceptance will not be unreasonably withheld or delayed) experienced in the cash management industry to value the Restricted Activity using reasonable valuation standards, (y) Federated retaining a reputable investment banking firm (acceptable to Alliance, which acceptance will not be unreasonably withheld or delayed) experienced in the cash management industry to value the Restricted Activity using reasonable valuation standards, and (z) the Parties negotiating in good faith the price (and payment terms) of the Restricted Activity within the range between the prices (and payment terms) recommended by Alliance's investment banking firm and Federated's investment banking firm. If the Parties cannot agree on the price and payment terms within a reasonable period of time, the Parties shall jointly retain a mutually agreeable (such agreement not to be unreasonably withheld or delayed by either Party) arbitrator experienced in the cash management industry to which each Party will submit a proposed price and payment terms (which may or may not be the price and payment terms proposed under the preceding sentence). The Parties shall request that such arbitor select the proposal of one of the Parties (which the arbitor believes is most reasonable in light of the circumstances) without modification within thirty (30) days of the proposals being submitted to such arbitor.

(ii) Alliance or any Non-Compete Affiliate from creating, distributing, advising, selling, administering or otherwise promoting or assisting any Cash Management Vehicle used to accommodate cash balances in accounts of investment advisory clients of Alliance or its Non-Compete Affiliates that have given Alliance or such Non-Compete Affiliates investment mandates other than cash management (*e.g.*, an equity, bond or asset allocation mandate). For the avoidance of doubt, such Cash Management Vehicles may include (i) Cash Management Vehicles used for investment of cash collateral derived from securities lending, (ii) Cash Management Vehicles for private clients and (iii) Cash Management Vehicles for wrap account investment advisory clients with such mandates other than cash management.

(i) Alliance or any Non-Compete Affiliate from, in the aggregate, acquiring, whether through acquisition of capital stock or other equity securities, and owning, not for the purposes of exercising control or influencing the management or policies of a Person, a passive interest in any amount less than 25% in any Person.

(iv) Alliance or any Non-Compete Affiliate from, in the aggregate, creating and operating no more than three (3) Cash Management Vehicles that are the functional

equivalent of, and operated in a manner similar to the Alliance/Bernstein Exchange Reserves in terms of purpose and clients, if Alliance offers to Federated the ability to act as subadviser, and Federated is approved as subadviser by the Boards, for such funds for an initial two year term (if permitted by Applicable Law); *provided, however*, that if Federated declines to accept such offer, Alliance may nevertheless operate the fund; and *provided, further, however*, if Federated is approved by the Boards of such funds for an initial two year term but not at any time re-approved as subadviser, Alliance may only continue to operate the funds if Alliance pays Federated an amount equal to the annual supervisory fee that Federated would have earned over the Restricted Period (less amounts previously earned and paid to Federated) as if Federated's subadvisory contract had been continued.

(d) Nothing in Section 5.8.2(c) shall relieve Alliance and its Non-Compete Affiliates from the restriction set forth in Section 5.8.2(b)(iii).

(e) At any time from and after the First Closing Date under this Agreement, Alliance will not, directly or indirectly, either for Alliance or for any other Person except for Federated, solicit the proxy or vote of any shareholders of Federated, any registered investment company for which Federated or any Affiliated Person thereof serves as investment advisor, administrator or distributor, including the Surviving Funds, for any reason or purpose.

5.8.3 Enforcement.

(a) Alliance acknowledges that the mere existence of a claim against Federated, whether based on this Agreement, any other Transaction Document or otherwise, shall not in and of itself prevent the enforcement of the covenants set forth in Section 5.8.1 or 5.8.2. Alliance and Federated agree that Federated's remedies at law for any breach or threat of breach by Alliance or any Affiliate of Alliance of the provisions of Sections 5.8.1 and 5.8.2 will be inadequate, and that Federated shall be entitled to obtain an injunction or injunctions to prevent breaches of the provisions of Sections 5.8.1 and 5.8.2 and to enforce specifically the terms and provisions of such sections, in addition to any other remedy to which Federated may be entitled at law or equity. Should any provision of the restrictive covenants in Section 5.8.1 and 5.8.2 be adjudged to any extent invalid by any competent tribunal, such provision shall be deemed modified to the extent necessary to make it enforceable, and any such invalidity shall not effect the validity or enforceability of such provision as so modified or any other provision of this Agreement or any other Transaction Document.

(b) If (and only if) (i) Federated notifies Alliance in writing within a reasonable period of time after becoming aware of activity on the part of Alliance or a Non-Compete Affiliate of Alliance that Federated believes violates Section 5.8.2, and (ii) a court of competent jurisdiction determines in a final non-appealable order that Alliance or a Non-Compete Affiliate of Alliance violated Section 5.8.2 at any time during the Restricted Period by engaging in such activity, and (iii) such court determines that (A) the damages to Federated resulting from such violation equal or exceed ten million dollars ($10,000,000) and (B) the revenues to Alliance and its Non-Compete Affiliates from the violative activity equal or exceed ten million dollars ($10,000,000), then (and only then) the length of time for which the covenant in Section 5.8.2 shall be in force shall be extended by the period of time as to which Alliance or any of its Non-Compete Affiliates shall have been found to be in violation of Section 5.8.2 by such court.

5.9 Covenants With Respect to Further Actions. At the reasonable request of Federated or Alliance after the First Closing Date, and upon mutual agreement of the Parties, but without further payment of additional consideration, each Party, as applicable, shall from time to time execute and deliver or cause their Affiliated Persons to execute and deliver, as applicable, such further instruments of transfer, assignment, or consent or other document as may be reasonably necessary or appropriate to consummate the Transactions.

5.10 Covenants With Respect to Access. Prior to the Final Closing Date, and subject to (and without limiting) any other provision of this Agreement, each Party hereto shall afford the other Party hereto access to its personnel, properties, Contracts, books and records, and all other documents and data reasonably necessary or appropriate to carry out the responsibilities of the Party contemplated by this Agreement or any other Transaction Document or to verify or confirm the accuracy of information or data provided to that Party by the other Party to this Agreement. Alliance agrees that it shall retain all books and records relating to the Business, the Alliance Funds and the Insured Accounts that are not delivered to Federated or a Surviving Fund pursuant to the Transaction in accordance with Applicable Law and its respective record retention policies as presently in effect. Without limiting the foregoing, until the Second Anniversary Date, Alliance will use commercially reasonable efforts to prevent the disposal of any such books and records that are not required to be retained under Applicable Law or such policies without first providing Federated with not less than sixty (60) days prior written notice of such destruction and offering to surrender the same to Federated at Federated's expense.

5.11 Covenant With Respect to Liquidation of Alliance Funds. As promptly as reasonably possible following an Alliance Fund Termination Date with respect to an Alliance

Fund, Alliance shall (a) take such commercially reasonable actions to cause such Alliance Fund to terminate all of its contractual relationships, and (b) liquidate such Alliance Fund and file on behalf of such Alliance Fund any required Form N-8F filing, and the final Form 24F-2 or Form 24E-2 filing, Form N-SAR and any other required federal or state filings (or similar foreign document), as required by and within the time periods required by Applicable Law and in a manner (after consultation with Federated) that is intended to maximize the economic benefit of redemptions attributable to such Fund(s) for the benefit of the Surviving Funds (it being understood that it is possible that redemptions attributable to such Fund(s) may be used for the benefit of Federated to the extent that Federated has incurred 24F-2 filing fees on behalf of such Surviving Fund).

5.12 Covenant With Respect to Employees. Federated will be given reasonable access to and the opportunity to hire Alliance employees as identified in writing by Alliance prior to the First Closing. All Liabilities associated with any employee not hired by Federated shall remain the obligation of Alliance.

5.13 Covenant With Respect to Retention Pool. Federated and Alliance shall establish a mutually agreeable retention program for the benefit of mutually agreed employees of the Alliance, and each Party will bear fifty percent (50%) of the costs of such retention program.

5.14 NAV Catch-Up Payment. Immediately prior to any Closing or Interim Transfer, Alliance shall contribute to each Alliance Fund any NAV Catch-Up Payment by wire transfer of immediately available funds.

5.15 Security Transfer Methodology. In light of their respective fiduciary duties, Alliance shall assist the Alliance Funds in honoring all redemptions of Alliance Fund shares contemplated by this Agreement, and Federated shall assist the Surviving Funds in investing the securities and cash received by the Surviving Funds pursuant to the Transactions contemplated by this Agreement. In furtherance of the foregoing, and to the extent that portfolio securities are transferred in connection with the Transctions contemplated by this Agreement, the intention of the Parties is that the following transactions be effected sequentially:

(a) for each broker maintaining one or more client accounts in the Alliance Fund that are being transferred at the First Closing or Interim Transfer (as applicable) pursuant to the Transactions contemplated by this Agreement, the Alliance Fund shall accept a redemption

order for all of the Alliance Fund shares held in all such accounts and shall establish an account payable to each broker in the amount of $1.00 per share redeemed;

(b) for each broker maintaining one or more client accounts in the Alliance Fund that are being transferred at the First Closing or Interim Transfer (as applicable) pursuant to the Transactions contemplated by this Agreement, the Surviving Fund shall accept a purchase order for a number of shares of the Surviving Fund equal to the number of shares of the Alliance Fund held in all such accounts and shall establish an account receivable from each broker in the amount of $1.00 per share purchased;

(c) the Surviving Fund shall tender all of the broker accounts receivable created pursuant to subsection (b) above to the Alliance Fund. As compensation therefor, the Alliance Fund shall tender: (i) securities, which, for purposes of this transaction, shall be valued at market price as determined by a mutually acceptable (which acceptance shall not be unreasonably withheld or delayed by either Party) reputable investment banking firm (taking into account any value deemed attributable to a bulk transfer of securities and the make up of the portfolio), and (ii) cash, such that the aggregate value of such securities and cash equals the face amount of the accounts receivable being transferred;

(d) the Surviving Fund shall issue shares to each broker account in the amount corresponding to the purchase order accepted previously pursuant to subsection (b), above;

(e) the Alliance Fund shall offset and cancel each broker account payable established pursuant to subsection (a) above against the corresponding broker account receivable transferred to it by the Surviving Funds pursuant to subsection (c) above, and the Alliance Fund shall cancel all shares for which it accepted redemption orders pursuant to subsection (a) above.

Each Alliance Fund, each Surviving Fund, and Alliance shall execute or deliver any documents, including financing statements or other documents of transfer under the applicable sections of the Uniform Commercial Code as adopted in the relevant state or states, that may be reasonably necessary or desirable to accomplish the transactions described in this Section 5.15. Each Alliance Fund and each Surviving Fund may require the brokers placing orders to consent in writing to the process described in this Section 5.15 and waive their right to receive cash upon redemption.

5.16 Shared Use Assets. Upon a reasonable request of Federated, and mutual agreement by Alliance (which agreement shall not be unreasonably withheld or delayed), Alliance and Federated shall use commercially reasonable efforts to grant rights to Federated or permit Federated to enjoy the benefits of (whether by transitional services agreement, license agreement, or otherwise), any Shared Use Assets necessary for Federated to own or operate the Business, or any portion thereof, after the Business, or portion thereof, is transferred pursuant to the Transactions contemplated by this Agreement. Unless the Parties mutually agree in writing otherwise, any such transfer, grant or permission shall be made or given without payment (a) by Federated of any additional compensation to Alliance, any Alliance Fund, any Investment Company or Insured Account, or any Affiliated Person of any of them or (b) by Alliance, any Alliance Fund, any Investment Company or Insured Account of any Affiliated Person of any of them to any other Person. The intention of the Parties in this Section 5.16 is to make available, to the extent possible, any such Shared Use Asset to Federated to same extent as if such Shared Use Asset had been included in the Acquired Assets.

ARTICLE VI
CONDITIONS PRECEDENT TO CLOSING

6.1 Conditions Precedent to First Closing. Consummation by the Parties of the Transactions to be consummated upon the First Closing are subject to the fulfillment of the following conditions on or before the First Closing Date:

6.1.1 Consents. All applicable Alliance Consents for Alliance Fund Assets transferring to a Surviving Fund, Acquired Assets transferring to Federated and Insured Account assets transferring as contemplated in this Agreement on the First Closing Date and any applicable Federated Consents for Federated, the Surviving Funds and the Federated Investment Companies shall have been obtained prior to the First Closing Date and shall remain in full force and effect as of the First Closing Date.

6.1.2 Satisfaction of All Requirements Relating to the Negative Consent Process. All requirements required by Applicable Law relating to, and any objections received in response to, the negative consent letters have been dealt with in a manner mutually acceptable to the Parties, completing the Negative Consent Process.

6.1.3 Expiration of Waiting Period under HSR Act. Any waiting period and any extension thereof applicable to the consummation of the First Closing under the HSR Act shall have terminated or expired.

6.1.4 No Legal Obstruction. No injunction, restraining order or order of any nature shall have been issued by or be pending before any Governmental Authority challenging the validity or legality of the Transactions or restraining or prohibiting the consummation of the Transactions; *provided, however*, that, in the case of a matter pending before a Governmental Authority, the applicable Closing shall be postponed until such time as such matter is resolved by the applicable Governmental Authority.

6.1.5 Legal Opinions. The delivery of the opinion of Ropes & Gray LLP, counsel for Alliance, addressed to Federated as of the applicable Closing Date, in substantially the form set forth on ***Exhibit D***. The delivery of the opinion of Reed Smith LLP, counsel for Federated, addressed to Alliance as of the applicable Closing Date, in substantially the form set forth on ***Exhibit E***. Alliance shall have received an opinion of outside counsel in the form required by Alliance's Amended and Restated Agreement of Limited Partnership.

6.2 Conditions Precedent to Final Closing. Consummation by the Parties of the Transactions to be consummated upon the Final Closing is subject to the fulfillment of the following conditions on or before the Final Closing Date:

6.2.1 Consents. All applicable Alliance Consents for Alliance Fund Assets transferring to the Surviving Funds and Acquired Assets transferring to Federated on the Final Closing Date and any applicable Federated Consents for the Surviving Funds and the Federated Investment Companies shall have been obtained prior to the Final Closing Date and shall remain in full force and effect as of the Final Closing Date.

6.2.2 No Legal Obstruction. No injunction, restraining order or order of any nature shall have been issued by or be pending before any Governmental Authority challenging the validity or legality of the Transactions or restraining or prohibiting the consummation of the Transactions; provided, however, that, in the case of a matter pending before a Governmental Authority, the applicable Closing shall be postponed until such time as such matter is resolved by the applicable Governmental Authority.

6.2.3 Continuing Effectiveness of Prior Consents. All Alliance Consents and Federated Consents obtained prior to the Final Closing Date shall remain in full force and effect as of the Final Closing Date.

6.2.4 Legal Opinion. The delivery of the opinion of Ropes & Gray LLP, counsel for Alliance, addressed to Federated as of the applicable Closing Date, in substantially the form set forth on ***Exhibit D***, or confirmation from Ropes & Gray LLP that any previously issued opinion is still valid. The delivery of the opinion of Reed Smith LLP, counsel for Federated, addressed to Alliance as of the applicable Closing Date, in substantially the form set forth on ***Exhibit E***, or confirmation from Reed Smith LLP that any previously issued opinion is still valid. Alliance shall have received an opinion of

outside counsel in the form required by Alliance's Amended and Restated Agreement of Limited Partnership, or confirmation from such outside counsel that any previously issued opinion is still valid.

6.3 Conditions Precedent to Obligations of Federated With Respect to All Closings and Interim Transfers. In addition to the conditions set forth in Sections 6.1 and 6.2 (as applicable), the obligations of Federated under this Agreement and the other Transaction Documents to consummate the Transactions are subject to the satisfaction, at or prior to the applicable Closing (and, in the case of Section 6.3.1, 6.3.5 or 6.3.6 below, each Interim Transfer) of the following conditions, any one or more of which may be waived at the option of Federated:

6.3.1 No Breach of Covenants; True and Correct Representations and Warranties. In connection with each Closing and Interim Transfer, (a) there shall have been no intentional, grossly negligent or repeated material breach by Alliance in the performance of any of its covenants in any Transaction Document to which it is a party, or by any Alliance Fund in the performance of its covenants in the applicable Reorganization Agreement, to be performed in whole or in part prior to such Closing or Interim Transfer (as applicable) relating to those Transactions being consummated upon such Closing or Interim Transfer (as applicable), and (b) each of the representations and warranties of Alliance contained in Section 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5 and 3.1.8 shall be true and correct in all material respects as of each Closing Date and Interim Transfer Date (as applicable), except for any such representations or warranties that are made by their terms as of a specified date, which shall be true and correct in all material respects as of the specified date and except for representations and warranties that already contain a materiality qualifier which shall be true and correct in all respects. At each Closing, Federated shall receive a certificate of Alliance executed by an authorized executive officer of Alliance certifying to the fulfillment of the foregoing conditions.

Alliance agrees that it will use commercially reasonable efforts to remedy (or cause to be remedied) any breach of any covenant, representation or warranty of Alliance (or any Alliance Fund) set forth in this Agreement or other Transaction Document to the extent such covenant, representation or warranty is not true and correct in all material respects as of such Closing Date

or Interim Transfer Date (except for any such representations or warranties that are made by their terms as of a specified date, which shall have failed to be true and correct in all material respects as of the specified date, or covenants, representations or warranties that already contain a materiality qualifier which shall have failed to be true and correct in all respects).

6.3.2 Delivery of Documents.

(a) At each Closing and Interim Transfer Date, Federated shall have received from Alliance all documents, certificates and agreements necessary to transfer to Federated good and valid title to the Acquired Assets, free and clear of any Liens thereon, other than Permitted Liens, including a bill of sale, assignment and general conveyance, dated as of the applicable Closing Date or Interim Transfer Date (as applicable), with respect to the Acquired Assets.

(b) At each Closing, such other customary closing certificates and instruments as may be reasonably requested by Federated.

6.3.3 Satisfaction of Conditions under the Reorganization Agreements. Solely in connection with the Final Closing, the Reorganization Agreements shall have been executed and delivered by the Alliance Funds, and all conditions to the applicable Closing under the Reorganization Agreements shall have been satisfied and all documents shall have been delivered that are required thereunder to be delivered to Federated.

6.3.4 No Litigation. No Litigation shall be pending or threatened in writing against any Investment Company, Alliance, the Business, any Alliance Fund, any Insured Account, or any Affiliated Person of any of them, or against or relating to this Agreement, any other Transaction Document or the Transactions, which, either individually or in the aggregate with all such Litigation, is reasonably likely to have a material adverse effect upon Federated, the Business, any Alliance Fund or any Insured Account, if the Transactions were consummated.

6.3.5 Access to and Copies of Books and Records. The Alliance Funds shall have taken any necessary steps to provide Federated full and complete access to or copies of, as reasonably requested, (i) the Alliance Funds' shares and transfer agency records, (ii) the Alliance Funds' custodial records, and (iii) all such other assets, records, documents and Contracts as is appropriate to permit the Surviving Funds, Federated and their designated Affiliated Persons and service providers to render ongoing services with respect to the Alliance Funds' shareholders who become shareholders of the Surviving Funds in connection with the applicable Closing or Interim Transfer.

6.3.6 No MAC. From the date of this Agreement through the applicable Closing or Interim Transfer, there has not been a MAC (within the meaning of paragraph (a) of the definition of "MAC" in Section 1.1 of this Agreement).

6.4 Conditions Precedent to Obligations of Alliance With Respect to All Closings and Interim Transfers. In addition to the conditions set forth in Section 6.1 and 6.2 (as applicable), the obligations of Alliance under this Agreement to consummate the Transactions shall be subject to the satisfaction, at or prior to each Closing (and, in the case of Section 6.4.1 and 6.4.2 below, each Interim Transfer), of the following condition, which may be waived at the option of Alliance:

6.4.1 No Breach of Covenants; True and Correct Representations and Warranties. In connection with each Closing and Interim Transfer, (a) there shall have been no intentional, grossly negligent or repeated material breach by Federated in the performance of any of its covenants in any Transaction Document to which it is a party, or by any Surviving Fund in the performance of its covenants in the applicable Reorganization Agreement, to be performed in whole or in part prior to such Closing or Interim Transfer (as applicable) relating to those Transactions being consummated upon such Closing or Interim Transfer (as applicable), and (b) each of the representations and warranties of Federated contained in Section 4.1.1, 4.1.2, 4.1.3, 4.1.4 and 4.1.5 shall be true and correct in all material respects as of each Closing Date and Interim Transfer Date (as applicable), except for any such representations or warranties that are made by their terms as of a specified date, which shall be true and correct in all material respects as of the specified date and except for representations and warranties that already contain a materiality qualifier which shall be true and correct in all respects. At each Closing, Alliance shall receive a certificate of Federated executed by an authorized executive officer of Federated certifying to the fulfillment of the foregoing conditions.

Federated agrees that it will use commercially reasonable efforts to remedy (or cause to be remedied) any breach of any covenant, representation or warranty of Federated (or any Surviving Fund) set forth in this Agreement or other Transaction Document to the extent such covenant, representation or warranty is not true and correct in all material respects as of such Closing Date or Interim Transfer Date (except for any such representations or warranties that are made by their terms as of a specified date, which shall have failed to be true and correct in all material respects as of the specified date, or covenants, representations or warranties that already contain a materiality qualifier which shall have failed to be true and correct in all respects).

6.4.2 No MAC. From the date of this Agreement through the applicable Closing or Interim Transfer, there has not been a MAC (within the meaning of paragraph (b) of the definition of "MAC" in Section 1.1 of this Agreement).

6.4.3 Delivery of Documents. At each Closing, such other customary closing certificates and instruments as may be reasonably requested by Alliance.

ARTICLE VII
SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS, AND THE ABILITY TO ASSERT CLAIMS

7.1 Survival of Covenants. Unless otherwise limited by the terms of this Agreement, covenants of Alliance and Federated shall survive each Closing and Interim Transfer indefinitely.

7.2 Survival of Representation and Warranties.

(a) Unless otherwise provided by Sections 7.2(b), 7.2(c), (d) or (e) below, the representations and warranties of Alliance and Federated shall survive each Closing and Interim Transfer until the Second Anniversary Date.

(b) the representations and warranties relating to Taxes and Tax Returns contained in Sections 3.2.4, 3.2.5, 3.3.3, 3.3.4, 4.2.4 and 4.2.5 shall survive each Closing and Interim Transfer for the applicable statute of limitations period measured from the Final Closing Date.

(c) the representations and warranties contained in Sections 3.1.10, 3.2.7, 3.3.6 and 4.1.8 shall survive each Closing and Interim Transfer until the Third Anniversary Date.

(d) the representations and warranties contained in Sections 3.2.2, 4.1.7 and 4.2.2 shall survive each Closing and Interim Transfer until the Sixth Anniversary Date.

(e) the representations and warranties contained in Sections 3.1.1, 3.1.2, 3.1.8 (except for the second sentence of Section 3.1.8(a)), 3.1.9, 4.1.1 and 4.1.2 shall survive each Closing and Interim Transfer indefinitely.

7.3 Survival of Ability to Assert Claims.

(a) A claim may be made or suit instituted at any time, without limitation, in the case of a claim or suit based on fraud.

(b) A claim may be made or suit instituted seeking indemnification pursuant to Article IX at any time, without limitation, in the case of a claim or suit pursuant to Sections 9.1(b), (c) or (d) or 9.2(b), (c) or (d) of this Agreement, or in the case of a claim or suit pursuant to Sections 9.1(a) or 9.2(a) based on the breach or violation of a representation, warranty or covenant that survives indefinitely.

(c) A claim may be made or suit instituted seeking indemnification pursuant to Article IX at any time during the applicable survival period in the case of a claim or suit pursuant to Sections 9.1(a) or 9.2(a) based on a breach or violation of a representation, warranty or covenant that does not survive indefinitely.

(d) A claim or suit shall be considered made or instituted for purposes of this Agreement upon a Party providing a written notice to the other Party describing a claim in reasonable detail in light of the facts and/or circumstances then known to the Indemnified Party.

ARTICLE VIII
TERMINATION

8.1 Termination of Agreement. Federated or Alliance may terminate this Agreement by written notice to the other after 5:00 p.m., New York time, on March 31, 2005, if the First Closing shall not have occurred, unless such date is extended by the mutual written consent of the Parties hereto prior to such date. Such termination shall be without liability of one Party to the other, except as provided below. This Agreement may be terminated prior to the First Closing Date (a) by the written consent of the Parties hereto, (b) by Federated if Alliance is in material breach of any representation, warranty, covenant, or agreement set forth herein and such breach is not cured within thirty (30) days of receipt of notice identifying such breach, (c) by Federated (but only on or prior to the thirtieth (30th) day following the date of this Agreement) if Federated is not satisfied with the results of its financial, business, legal and regulatory due diligence regarding Alliance, the Business, the Alliance Funds or the Insured Accounts, or (d) by

Alliance if Federated is in material breach of any representation, warranty, covenant, or agreement set forth herein and such breach is not cured within thirty (30) days of receipt of notice identifying such breach. Any such termination shall be without prejudice to the non-breaching Parties' rights to seek damages for such breach.

8.2 Termination of Obligations Relating to Final Closing. The Parties obligation to consummate any Interim Transfer or the Final Closing may be terminated prior to the Final Closing Date (a) by the written consent of the Parties hereto, (b) by Federated, if Alliance is in material breach of any representation, warranty, covenant, or agreement set forth herein and such breach is not cured within thirty (30) days of receipt of notice identifying such breach, or (c) by Alliance, if Federated is in material breach of any representation, warranty, covenant, or agreement set forth herein and such breach is not

cured within thirty (30) days of receipt of notice identifying such breach; provided that the Parties' obligation to consummate the Interim Transfers and the Final Closing shall automatically terminate on August 31, 2005 and, to the extent not previously liquidated, Alliance shall liquidate the Alliance Funds as contemplated in Section 2.10(c) and 5.11 of this Agreement. Any such termination shall (i) not relieve Federated of its obligation to pay the Consideration Amount under this Agreement, (ii) be without liability of one Party to the other, except as provided above, and (iii) be without prejudice to the non-breaching Party's rights to seek damages for such breach.

8.3 Survival upon Termination. Articles I, VII, IX and XII shall survive any termination of this Agreement.

ARTICLE IV
INDEMNIFICATION

9.1 Indemnification of Federated by Alliance. From and after the First Closing Date, Alliance shall indemnify, defend, and hold harmless Federated, the Surviving Funds, and their respective directors, trustees, officers, controlling persons and other Affiliated Persons, and their respective successors and assigns (collectively, the ***"Federated Indemnitees"***) against any and all claims, demands, Liabilities, obligations, losses, fines, costs, expenses, royalties, Litigation, deficiencies, amounts paid in settlement or damages (whether absolute, accrued, conditional or otherwise and whether or not resulting from third party claims), including interest and penalties with respect thereto and out-of-pocket expenses and reasonable attorneys' and accountants' fees and expenses incurred in the investigation or defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder (collectively,

"Losses"), that any of them may become subject to, or shall incur or suffer, that arise out of, result from, or relate to:

(a) any breach of, inaccuracy in, or failure by Alliance to perform, any of its representations and warranties, covenants, or agreements in this Agreement or any other Transaction Document delivered or to be delivered to Federated by Alliance under this Agreement or any other Transaction Document;

(b) any untrue or allegedly untrue statement of a material fact, or any omission to state a material fact required to be stated or necessary to make the statements therein not misleading, contained in any prospectus or SAI supplement of the Alliance Fund's or the Surviving Fund's registration statement on Form N-14 (or similar document) or any post-effective amendments thereto filed with the Commission after the date of this Agreement in connection with obtaining shareholder approval, or any marketing or advertising material; *provided, however,* that such indemnification shall relate only to any statement or fact relating to Alliance, its Affiliated Persons or the Alliance Funds included in any such prospectus or SAI supplement, registration statement (or similar document) or post-effective amendment or to any omission to state a material fact required to be stated or necessary to make any of such statements not misleading in light of the circumstances;

(c) any action undertaken by Alliance or any party acting at its direction to implement the Transactions; and

(d) any Retained Asset, Retained Alliance Liability or Retained Alliance Fund Liability.

9.2 Indemnification of Alliance by Federated. From and after each Closing Date, Federated shall indemnify, defend, and hold harmless Alliance, any Investment Company, and their respective directors, trustees, officers, controlling persons and other Affiliated Persons, and their respective successors and assigns (collectively, the ***"Alliance Indemnitees"***) against any Losses that any of them may become subject to, or shall incur or suffer, that arise out of, result from, or relate to:

(a) any breach of, inaccuracy in, or failure by Federated to perform, any of its representations, warranties, covenants, or agreements contained in this Agreement or any other Transaction Document delivered or to be delivered to Alliance under this Agreement or any other Transaction Document;

(b) any untrue or allegedly untrue statement of a material fact, or any omission to state a material fact required to be stated or necessary to make the statements therein not misleading, contained in any prospectus or SAI supplement of the Alliance Funds or the Surviving Fund's registration statement on Form N-14 (or similar document) or any post-effective amendments thereto filed with the Commission after the date of this Agreement in connection with obtaining shareholder approval, or any marketing or advertising material; *provided, however,* that such indemnification shall relate only to any statement or fact relating to Federated, its Affiliated Persons or the Surviving Funds included in any such prospectus or SAI supplement, registration statement (or similar document) or post-effective amendment or to any omission to state a material fact required to be stated or necessary to make any of such statements not misleading in light of the circumstances;

(c) any action undertaken by Federated or any party acting at its direction to implement the Transactions; or

(d) post-Closing management and operation of the Business.

9.3 Indemnification Procedures. In the case of any claim asserted by a third party against a Party that may be entitled to indemnification under this Agreement (the ***"Indemnified Party"***), notice shall promptly be given by the Indemnified Party to the Party required to provide indemnification (the ***"Indemnifying Party"***), and the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume the defense of any Litigation resulting therefrom, *provided*, that (i) counsel for the Indemnifying Party who shall conduct the defense of such Litigation shall be reasonably satisfactory to the Indemnified Party, and the Indemnified Party may participate in such defense at such Indemnified Party's expense, and (ii) the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except to the extent that such Indemnifying Party is materially prejudiced as a result of such failure to give notice. Except with the prior written consent of the Indemnified Party, no Indemnifying Party, in the defense of any such Litigation, shall consent to entry of any judgment or enter into any settlement that provides for injunctive or other nonmonetary relief affecting the Indemnified Party or that does not include as an unconditional term thereof the giving by each claimant or plaintiff to such Indemnified Party of a release from all liability with respect to such Litigation. In the event that any claim subject to indemnification hereunder or any proposed settlement of any such claim by the Indemnifying Party will materially adversely affect the Indemnified Party's Tax liability, the Indemnifying Party shall not settle such Litigation without the written consent of the Indemnified Party. In each case, such consent will not be unreasonably withheld.

In the event that the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with one or more of those that may be available to the Indemnifying Party in respect of such Litigation relating thereto, the Indemnified Party shall have the right to take over and assume control over the defense, settlement, negotiations or Litigation relating to any such claim at the sole cost of the Indemnifying Party, provided, that if the Indemnified Party does so take over and assume control, the Indemnified Party shall not settle such Litigation without the written consent of the Indemnifying Party, such consent not to be unreasonably withheld. In the event that the Indemnifying Party does not accept the defense of any matter as above provided, the Indemnified Party shall have the full right to defend against any such Litigation, and shall be entitled to settle or agree to pay in full such Litigation; it being understood that the result of any such Litigation or any settlement or payment shall not be evidence with respect to the right to receive indemnification under this Agreement. Alliance and Federated shall reasonably cooperate with one another, and provide access to books and records in their possession or control that is reasonable under the circumstances, in connection with the defense of any claim under this Section 9.3.

9.4 Right of Set-Off. In addition to, and without limiting, any remedy that either Party may have under this Agreement, at law, in equity or otherwise, to the extent that an amount owing to such Party by the other Party under this Article IX has been finally determined by a court of competent jurisdiction in a judgment not subject to appeal, each Party agrees that such Party shall have an express right (but not obligation), with notice to the other Party, to set-off against, and to appropriate and apply, any payment under Section 2.5 or 2.8 of this Agreement or other amount that such Party may have an obligation to pay to the other Party under this Agreement or any other Transaction Document to satisfy (in whole or in part) such payment obligation of the other Party under this Article IX.

9.5 Exclusive Remedy. From and after the First Closing Date, in the absence of fraud, or violation of Applicable Law (where such Applicable Law provides for statutory damages or other remedies not specified herein), and except for the right of set-off, and specific performance, injunctive or other equitable remedies, the sole and exclusive remedy of each Party as against any Person, with respect to any and all claims of any kind whatsoever relating to this Agreement or certificates delivered pursuant to this Agreement, shall be governed by the provisions of this Article IX.

9.6 Treatment of Indemnification Payments. All indemnification payments made under this Article IX shall be deemed adjustments to the Consideration Amount.

ARTICLE X
NOTICES

All notices and other communications under this Agreement must be in writing and shall be deemed to have been duly given or delivered when delivered by hand (including by Federal Express or similar express courier) or three (3) days after being mailed by prepaid registered or certified mail, return receipt requested:

To Alliance:

Alliance Capital Management L.P.
1345 Avenue of the Americas
New York, New York 10105
Attn: General Counsel

Copy to:

Joseph B. Kittredge, Jr., Esq.
Ropes & Gray LLP
One International Place
Boston, Massachusetts 02110

To Federated:

Federated Investors, Inc.
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, PA 15222-3779
Attn: Chief Financial Officer

With a copy to:

Reed Smith LLP
Federated Investors Tower
1001 Liberty Avenue
Pittsburgh, PA 15222-3779
Attn: George F. Magera, Esq. / Gregory P. Dulski, Esq.

or to any other address that a Party to this Agreement shall have last designated by notice given in accordance with this Article X.

ARTICLE XI
ENTIRE AGREEMENT; MODIFICATION

This Agreement, together with its Exhibits and Schedules, and the other Transaction Documents, contains the entire agreement and all understandings, and supersedes all prior agreements and understandings, both written and oral, between the Parties with respect to the Transactions. This Agreement and the other Transaction Documents shall not be modified, supplemented, changed, or amended except by an instrument in writing signed by, or on behalf of, all Parties to this Agreement or the other Transaction Documents (as applicable), making specific reference to this Agreement or the other Transaction Documents (as applicable).

Notwithstanding the foregoing, the Exclusivity Letter Agreement, dated September 21, 2004, between Federated and Alliance, the Nondisclosure Letter Agreement, dated October 1, 2004, between Federated and Alliance relating to Federated proprietary information, and the Nondisclosure Letter Agreement, dated March 26, 2004, between Federated and Alliance relating to Alliance confidential information, each shall remain in full force and effect in accordance with their terms.

ARTICLE XII
MISCELLANEOUS

12.1 Governing Law. This Agreement and, unless otherwise specified therein, each Transaction Document, and any statements, actions, claims or Losses relating hereto and thereto (whether for breach of contract, tort, specific performance or otherwise, and whether at law, in equity or otherwise), shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to contracts entered into and to be performed solely in the State of New York, without regard to the principles of conflicts of laws that would result in the application of the Applicable Laws of another jurisdiction; *provided* that nothing herein shall be construed in a manner inconsistent with the 1940 Act or the Advisers Act.

12.2 Jurisdiction. The Parties each hereby irrevocably submit to the exclusive jurisdiction of the (a) United States District Court for the Western District of Pennsylvania, located in Pittsburgh, Pennsylvania (or, if, and only if, such court will not exercise jurisdiction over any claim, the Pennsylvania Court of Common Pleas, located in Pittsburgh, Pennsylvania with respect to such claim), with respect to any claim by Alliance arising under or relating to this

Agreement and (b) United States District Court for the Southern District of New York, located in New York, New York (or, if, and only if, such court will not exercise jurisdiction over any claim, any New York State court located in New York, New York with respect to such claim), with respect to any claim by Federated, in each case arising under or relating to this Agreement and hereby waive, and agree not to assert, as a defense in any proceeding that it is not subject thereto or that such proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any other Transaction Document may not be enforced in or by said courts, and the Parties hereto irrevocably agree that all claims with respect to such proceeding shall be heard and determined in such a Federal (or, if necessary, state) court. The Parties hereto also hereby consent to and grant any such Federal (or, if necessary) state court jurisdiction over the person of such Parties and over the subject matter of any such dispute and agree that mailing of process or other papers in connection with any such proceeding in the manner provided in Article X, or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof.

12.3 Waiver of Jury Trial. Each Party hereby waives to the fullest extent permitted by Applicable Law all rights to trial by jury in any Litigation (whether based upon contract, tort or otherwise) arising out of or relating to this Agreement, the Transaction Documents or any of the transactions contemplated herein or therein.

12.4 Assignment; Successors. No Party shall delegate its obligations hereunder without the prior written consent of the other Party. No Party shall assign or otherwise transfer its rights under this Agreement (including by operation of law) without the prior written consent of the other Party; and *provided further*, that no consent shall be required in respect of (a) the assignment and delegation of this Agreement to an acquirer of all or substantially all of the assets of the assigning Party who agrees in writing to be bound by all of the obligations of the assigning Party hereunder (including any obligation under Sections 2.5, 2.8 and 5.8 and Article IX of this Agreement), or (b) the merger of a Party with another Person, *provided* the other Person agrees in writing to be bound by all of the obligations of the Party hereunder (including any obligation under Sections 2.5, 2.8 and 5.8 and Article IX of this Agreement. Any purported assignment or delegation other than as permitted by the express terms of this Agreement shall be void and unenforceable. This Agreement shall bind and inure to the benefit of the Parties hereto and their legal representatives and respective successors and permitted assigns.

12.5 Waiver. No waiver by any Party to this Agreement of its rights under any provisions of this Agreement shall be effective unless it shall be made in writing. No failure by any Party to this Agreement to take any action with regard to any breach of this Agreement or

default by the other Party to this Agreement shall constitute a waiver of such Party's right to enforce any provision of this Agreement or to take action with regard to the breach or default or any subsequent breach or default by the other Party.

12.6 Further Assurances. From time to time after the First Closing, each Party shall cooperate and take such actions as may be reasonably requested by the other Party hereto (at the expense of such other Party) in order to carry out the Transactions with respect to that portion of the Transactions that have theretofore been consummated**.**

12.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Once each Party to this Agreement has executed a copy of this Agreement, this Agreement shall be considered fully executed and effective, notwithstanding that all Parties have not executed the same copy.

12.8 Severability. In the event that any one or more of the provisions contained in this Agreement, or the application thereof in any circumstances, is held invalid, illegal, or unenforceable in any respect for any reason, then (a) the validity, legality, and enforceability of any such provision in every other respect and in any other case or circumstance and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Parties hereto shall be enforceable to the fullest extent permitted by Applicable Law, and (b) any such provision shall be ineffective in such case or circumstance only to the extent of such invalidity, illegality or unenforceability, and shall be enforced in such case or circumstance to the greatest extent permitted by law in such case or circumstance.

12.9 Third Parties. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Alliance Fund, the shareholders of any Alliance Fund or any other Persons, other than the Parties hereto and their respective successors, or permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third parties to any Party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any Party to this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties to this Agreement have executed this Agreement as of the date first written above.

FEDERATED INVESTORS, INC.

By: /s/ Thomas R. Donahue

Name: Thomas R. Donahue

Title: Vice President and Chief Financial Officer

ALLIANCE CAPITAL MANAGEMENT L.P.
BY: Alliance Capital Management Corporation, its general partner

By: /s/ Gerald M. Lieberman

Name: Gerald M. Lieberman

Title: Chief Operating Officer

Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIANCE CAPITAL MANAGEMENT L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(in thousands)

	9/30/04 (unaudited)	12/31/03
ASSETS		
Cash and cash equivalents	$ 855,094	$ 502,858
Cash and securities segregated, at market (cost: $1,181,381 and $1,285,632)	1,181,369	1,285,801
Receivables:		
Brokers and dealers	1,667,301	1,617,882
Brokerage clients	328,399	334,482
Fees, net	306,220	337,711
Investments	359,383	121,871
Furniture, equipment and leasehold improvements, net	210,452	226,121
Goodwill, net	2,876,657	2,876,657
Intangible assets, net	331,200	346,725
Deferred sales commissions, net	280,692	387,218
Other investments	20,665	28,547
Other assets	113,572	105,796
Total assets	$ 8,531,004	$ 8,171,669
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	$ 936,484	$ 1,127,183
Brokerage clients	1,994,354	1,899,458
Alliance Mutual Funds	149,304	114,938
Accounts payable and accrued expenses	250,637	524,703
Accrued compensation and benefits	546,557	311,075
Debt	406,851	405,327
Minority interests in consolidated subsidiaries	172,466	10,516
Total liabilities	4,456,653	4,393,200
Commitments and Contingencies (See Note 6)		
Partners' capital	4,074,351	3,778,469
Total liabilities and partners' capital	$ 8,531,004	$ 8,171,669

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCE CAPITAL MANAGEMENT L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(unaudited)
(in thousands, except per Unit amounts)

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Revenues:				
Investment advisory and services fees	$ 498,676	$ 479,589	$ 1,520,863	$ 1,335,550
Distribution revenues	108,673	112,627	336,911	321,312
Institutional research services	74,223	72,407	224,627	198,904
Shareholder servicing fees	20,867	23,945	67,981	73,481
Other revenues, net	16,775	10,829	50,661	34,509
	719,214	699,397	2,201,043	1,963,756
Expenses:				
Employee compensation and benefits	261,133	200,058	797,836	644,898
Promotion and servicing:				
Distribution plan payments	90,415	94,642	280,333	275,669

Amortization of deferred sales commissions	43,262	52,460	138,475	157,794
Other	44,168	41,101	132,787	119,322
General and administrative	107,172	84,555	312,144	245,142
Interest	6,339	6,302	19,138	18,937
Amortization of intangible assets	5,175	5,175	15,525	15,525
Charge for mutual fund matters and legal proceedings	—	190,000	—	190,000
	557,664	674,293	1,696,238	1,667,287
Income before income taxes	161,550	25,104	504,805	296,469
Income taxes	8,882	5,916	27,860	20,162
Net income	$ 152,668	$ 19,188	$ 476,945	$ 276,307
Net income per Unit:				
Basic	$ 0.60	$ 0.08	$ 1.87	$ 1.09
Diluted	$ 0.59	$ 0.07	$ 1.86	$ 1.08

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Partners' capital - beginning of period	$ 4,061,017	$ 3,960,232	$ 3,778,469	$ 3,963,451
Comprehensive income:				
Net income	152,668	19,188	476,945	276,307
Other comprehensive income:				
Unrealized gain (loss) on investments, net	(432)	(161)	(1,240)	515
Foreign currency translation adjustment, net	(1,943)	(1,014)	719	10,410
Comprehensive income	150,293	18,013	476,424	287,232
Capital contributions from General Partner	643	403	4,524	874
Cash distributions to General Partner and Alliance Capital Unitholders	(156,046)	(146,884)	(231,901)	(404,420)
Amortization of deferred compensation expense	13,014	17,952	45,348	59,009
Purchases of Alliance Holding Units to fund deferred compensation plans, net	498	—	(37,939)	(66,596)
Compensatory unit options expense	541	627	1,799	2,063
Proceeds from exercise of options for Alliance Holding Units	4,391	4,059	37,627	12,789
Partners' capital - end of period	$ 4,074,351	$ 3,854,402	$ 4,074,351	$ 3,854,402

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCE CAPITAL MANAGEMENT L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Nine Months Ended	
	9/30/04	9/30/03
Cash flows from operating activities:		
Net income	$ 476,945	$ 276,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred sales commissions	138,475	157,794
Amortization of deferred compensation	80,047	95,961
Other depreciation and amortization	51,304	54,253
Other, net	29,825	(6,182)
Changes in assets and liabilities:		
Decrease (increase) in segregated cash and securities	104,432	(194,244)

(Increase) in receivable from brokers and dealers	(43,889)	(451,309)
Decrease (increase) in receivable from brokerage clients	2,423	(49,340)
Decrease (increase) in fees receivables, net	30,110	(2,101)
(Increase) in trading investments	(25,286)	(34,006)
(Increase) in deferred sales commissions, net	(31,946)	(80,128)
Decrease in other investments	9,793	18,612
(Increase) in other assets	(6,237)	(14,144)
(Decrease) increase in payable to brokers and dealers	(189,457)	301,245
Increase in payable to brokerage clients	91,742	446,737
Increase (decrease) in payable to Alliance Mutual Funds	33,588	(10,479)
(Decrease) increase in accounts payable and accrued expenses	(340,944)	125,491
Increase in accrued compensation and benefits, less deferred compensation	202,580	100,750
Net cash provided by operating activities	613,505	735,217
Cash flows from investing activities:		
Purchases of investments	(21,561)	(41,491)
Proceeds from sales of investments	20,054	3,711
Additions to furniture, equipment and leasehold improvements, net	(33,849)	(20,571)
Net cash used in investing activities	(35,356)	(58,351)
Cash flows from financing activities:		
Proceeds from issuance of debt	2,005,907	1,277,923
Repayments of debt	(2,006,000)	(1,300,000)
Cash distributions to General Partner and Alliance Capital Unitholders	(231,901)	(404,420)
Capital contributions from General Partner	4,524	874
Proceeds from exercise of options for Alliance Holding Units	37,627	12,789
Purchases of Alliance Holding Units to fund deferred compensation plans, net	(37,939)	(66,596)
Net cash used in financing activities	(227,782)	(479,430)
Effect of exchange rate changes on cash and cash equivalents	1,869	5,976
Net increase in cash and cash equivalents	352,236	203,412
Cash and cash equivalents at beginning of period	502,858	417,758
Cash and cash equivalents at end of period	$ 855,094	$ 621,170

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCE CAPITAL MANAGEMENT L.P.
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 2004
(unaudited)

1. Organization

Alliance Capital Management Corporation ("ACMC"), an indirect wholly-owned subsidiary of AXA Financial, Inc. ("AXA Financial"), is the general partner of both Alliance Capital Management Holding L.P. ("Alliance Holding") and Alliance Capital Management L.P. ("Alliance Capital" or the "Operating Partnership"). AXA Financial is an indirect wholly-owned subsidiary of AXA, which is a holding company for an international group of insurance and related financial services companies ("AXA"). Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940 ("Advisers Act"). Alliance Holding Units are publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "AC". Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

ACMC owns 100,000 general partnership units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. As of September 30, 2004, AXA, AXA Financial, AXA Equitable Life Insurance Company (a wholly-owned subsidiary of AXA Financial and formerly known as The Equitable Life Assurance Society of the United States, "AXA Equitable") and certain subsidiaries of AXA Equitable beneficially owned approximately 57.8% of the issued and outstanding Alliance Capital Units (including those held indirectly through its ownership of approximately 1.8% of the issued and outstanding Alliance Holding Units) which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 58.3% in the Operating Partnership.

As of September 30, 2004, Alliance Holding owned approximately 31.6% of the issued and outstanding Alliance Capital Units. As of September 30, 2004, SCB Partners Inc., a wholly-owned subsidiary of SCB Inc. (formerly known as Sanford C. Bernstein Inc.), owned approximately 9.7% of the issued and outstanding Alliance Capital Units.

2. Business Description

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including: (a) institutional investors (consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and of affiliates such as AXA and its insurance company subsidiaries) by means of separately managed accounts, institutional sub-advisory relationships, structured products, group trusts, mutual funds and other investment vehicles; (b) private clients (consisting of high net-worth individuals, trusts, 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; (c) individual investors by means of retail mutual funds sponsored by the

Operating Partnership, its subsidiaries and affiliated joint venture companies, which include cash management products (money market funds and deposit accounts), as well as sub-advisory relationships in respect of mutual funds sponsored by third parties and other investment vehicles ("Alliance Mutual Funds") and managed account products; and (d) institutional investors desiring institutional research services by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating Partnership and its subsidiaries provide investment management, distribution and/or shareholder and administrative services to Alliance Mutual Funds. Alliance Capital uses internal fundamental and quantitative research as the basis of its investment process across all its investment disciplines.

3. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited interim condensed consolidated financial statements of the Operating Partnership included herein have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the interim results have been made. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These statements should be read in conjunction with the Operating Partnership's audited consolidated financial statements for the year ended December 31, 2003.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation. These include separate disclosure of changes in trading investments and other investments in the Condensed Consolidated Statements of Cash Flows and the reclassification of certain money market funds with average maturities of less than three months from Investments to Cash and cash equivalents in the Condensed Consolidated Statements of Financial Condition.

Goodwill, Net

Goodwill, net represents the excess of the purchase price over the fair value of identifiable assets of acquired companies. Goodwill is not amortized but is tested annually for impairment. Possible goodwill impairment is indicated if the net recorded value of the Operating Partnership's assets and liabilities exceeds estimated fair value, which would then require the measurement of the Operating Partnership's assets and liabilities as if the Operating Partnership had been acquired. This measurement may or may not result in goodwill impairment. Any goodwill deemed impaired is reduced to estimated fair value with a corresponding charge to expense.

Intangible Assets, Net and Deferred Sales Commissions, Net

Intangible assets, net consist of costs assigned to investment contracts of businesses acquired. These costs are being amortized on a straight-line basis over estimated useful lives of twenty years.

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

Management tests intangible assets and deferred sales commissions for impairment quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of these assets. Undiscounted future cash flows estimated by management to be realized from each of these assets are compared to their respective recorded amounts. Management assesses the results of these analyses, and other relevant factors, to determine if these assets are recoverable. If management determines these assets are not recoverable, an impairment condition would exist and the impairment loss would be measured as the amount by which the recorded amount of those assets exceeds their estimated fair value. Estimated fair value is determined using management's best estimate of future cash flows discounted to a present value amount.

The gross carrying amount and accumulated amortization of intangible assets subject to amortization totaled $414.0 million and $82.8 million at September 30, 2004, respectively. Amortization expense was $5.2 million and $15.5 million for the three and nine months ended September 30, 2004, respectively, and estimated annual amortization expense for each of the next five years is approximately $20.7 million.

At September 30, 2004, the gross carrying amount of deferred sales commissions, accumulated amortization and cumulative CDSC received were approximately $2.4 billion, $1.6 billion and $0.5 billion, respectively, resulting in a net balance of $280.7 million.

Stock Exchange Memberships

The cost of stock exchange memberships is recorded in other assets on the condensed consolidated statement of financial condition. Management tests stock exchange memberships for impairment when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. The Operating Partnership owns four New York Stock Exchange memberships and one Chicago Stock Exchange membership with a cost basis of approximately $8.3 million. Based on the latest sale prices available when management performed its impairment test, these memberships have a fair value of approximately $4.8 million. Management believes that the excess of the carrying value of these assets over its fair value is not recoverable. Accordingly, during the third quarter of 2004, the Operating Partnership recorded an impairment loss of approximately $3.5 million in general and administrative expenses.

Revenue Recognition

Investment advisory and services fees, the largest component of the Operating Partnership's revenues, are generally calculated as a percentage, referred to as "basis points" or "base fees", of assets under management for clients, and are recorded as revenue as the related services are performed. In addition to or in lieu of a base fee, certain investment advisory contracts provide for a performance fee that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance fees are recorded as revenue at the end of each measurement period. Investment advisory and services fees include brokerage transaction charges received by Sanford C. Bernstein & Co., LLC ("SCB LLC"), a wholly-owned subsidiary of the Operating Partnership, for substantially all private client transactions and certain institutional investment management client transactions. Institutional research services revenue consists of brokerage transaction charges received by SCB LLC and Sanford C. Bernstein Limited ("SCBL"), a wholly-owned subsidiary of the Operating Partnership operating in London, for in-depth research and other services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Distribution revenues and shareholder servicing fees are accrued as earned.

Compensation Plans

In 2002, the Operating Partnership adopted the fair value method of recording compensation expense on a prospective basis, using a straight-line amortization policy, relating to compensatory option awards of Alliance Holding Units as permitted by Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "*Accounting for Stock-Based Compensation*", as amended by Statement of Financial Accounting Standards No. 148 ("SFAS 148"), *"Accounting for Stock-Based Compensation — Transition and Disclosure"*. Under the fair value method, compensation expense is measured at the grant date based on the estimated fair value of the award and is recognized over the vesting period. Fair value is determined using the Black-Scholes option-pricing model. Compensation expense, relating to compensatory unit option awards granted after 2001, totaled approximately $0.5 million and $1.8 million for the three and nine month periods ended September 30, 2004, respectively, and $0.6 million and $2.1 million for the three and nine month periods ended September 30, 2003, respectively.

For compensatory option awards granted prior to 2002, the Operating Partnership applies the provisions of Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*", under which compensation expense is recognized only if the market value of the underlying Alliance Holding Units exceeds the exercise price at the date of grant. The Operating Partnership did not record compensation expense for option

awards granted prior to 2002 because those options were granted with exercise prices equal to the market value of the underlying Alliance Holding Units on the date of grant. Had the Operating Partnership recorded compensation expense for those options based on their fair value at grant date under SFAS 123, the Operating Partnership's net income for the three and nine month periods ended September 30, 2004 and 2003 would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
	(in thousands, except per Unit amounts)			
SFAS 123 pro forma net income:				
Net income as reported	$ 152,668	$ 19,188	$ 476,945	$ 276,307
Add: stock-based compensation expense included in net income, net of tax	511	596	1,700	1,960
Deduct: total stock-based compensation expense determined under fair value method for all awards, net of tax	(1,164)	(2,644)	(3,847)	(8,378)
SFAS 123 pro forma net income	$ 152,015	$ 17,140	$ 474,798	$ 269,889
Net income per unit:				
Basic net income per Unit as reported	$ 0.60	$ 0.08	$ 1.87	$ 1.09
Basic net income per Unit pro forma	$ 0.59	$ 0.07	$ 1.86	$ 1.07
Diluted net income per Unit as reported	$ 0.59	$ 0.07	$ 1.86	$ 1.08
Diluted net income per Unit pro forma	$ 0.59	$ 0.07	$ 1.85	$ 1.06

The Operating Partnership maintains several unfunded, non-qualified deferred compensation plans. Compensation expense is recorded as the awards vest. During the third quarter of 2004, management completed the conversion to a new deferred compensation administration system. As a result of this conversion, discrepancies between various plan liabilities as reflected in the new administration system and recorded in the general ledger were noted. Adjusting entries were recorded during the third quarter of 2004 to bring the Operating Partnership's general ledger account balances into agreement with the underlying records. These adjusting entries were not material to the employee compensation and benefits expense or accrued compensation and benefits liability as reflected in the Operating Partnership's condensed consolidated financial statements. The estimated impact of the adjustments on the results of operations and financial position in any prior reporting period is immaterial.

4. Cash and Securities Segregated Under Federal Regulations and Other Requirements

At September 30, 2004, approximately $1.2 billion of United States Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of brokerage customers of SCB LLC under rule 15c3-3 of the SEC. Statutory rules require Alliance Capital to perform a customer reserve calculation at September 30, 2004, which resulted in an additional $0.1 billion in United States Treasury Bills deposited in a special reserve account in October 2004.

5. Net Income Per Alliance Capital Unit

Basic net income per Unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the basic weighted average number of Units outstanding for each period. Diluted net income per Unit is derived by reducing net income for the 1% general

partnership interest and dividing the remaining 99% by the total of the basic weighted average number of Units outstanding and the dilutive Unit equivalents resulting from outstanding compensatory options:

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
	(in thousands, except per Unit amounts)			
Net income	$ 152,668	$ 19,188	$ 476,945	$ 276,307
Weighted average Units outstanding - Basic	253,350	250,804	252,941	250,489
Dilutive effect of compensatory options	1,324	2,894	1,588	2,488
Weighted average Units outstanding - Diluted	254,674	253,698	254,529	252,977
Basic net income per Unit	$ 0.60	$ 0.08	$ 1.87	$ 1.09
Diluted net income per Unit	$ 0.59	$ 0.07	$ 1.86	$ 1.08

Out-of-the-money options on 4,742,300 and 6,359,500 Alliance Holding Units for the three months ended September 30, 2004 and 2003, respectively, and out-of-the-money options on 4,742,300 and 8,626,500 Alliance Holding Units for the nine months ended September 30, 2004 and 2003, respectively, have been excluded from the diluted net income per Alliance Capital Unit computation due to their anti-dilutive effect.

6. Commitments and Contingencies

Deferred Sales Commissions

The Operating Partnership's mutual fund distribution system (the "System") includes a multi-class share structure. The System permits the Operating Partnership's open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including the purchase of Front-End Load Shares and Back-End Load Shares. The Front-End Load Shares are subject to a conventional front-end sales charge paid by investors to AllianceBernstein Investment Research and Management, Inc. ("ABIRM"), a wholly owned subsidiary of the Operating Partnership, at the time of sale. ABIRM in turn pays sales commissions to the financial intermediaries distributing the funds from the front-end sales charge it receives from investors. For Back-End Load Shares, investors do not pay a front-end sales charge although, if there are redemptions before the expiration of the minimum holding period (which ranges from one year to four years), investors pay CDSC to ABIRM. While ABIRM is obligated to pay sales commissions to the financial intermediaries at the time of the purchase of Back-End Load Shares, it recovers these commissions from receipt of the aforementioned CDSC from investors and from ongoing distribution services fees from the mutual funds, which are higher for Back-End Load Shares than for Front-End Load Shares.

The Operating Partnership's payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares under the System are capitalized as deferred sales commissions ("deferred sales commission asset") and amortized over periods not exceeding five and one-half years, the periods of time during which the deferred sales commission asset is expected to be recovered. CDSC cash recoveries are recorded as reductions of unamortized deferred sales commissions when received. The amount recorded for the net deferred sales commission asset was $280.7 million at September 30, 2004. Payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares under the System during the nine months ended September 30, 2004 and 2003, net of CDSC received of $26.1 million and $26.6 million, respectively, totaled approximately $31.9 million and $80.1 million, respectively.

Management tests the deferred sales commission asset for recoverability quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Significant assumptions utilized to estimate the Operating Partnership's future average assets under management and undiscounted future cash flows from Back-End Load Shares include expected future market levels and redemption rates. Market assumptions are selected using a long-term view of expected average market returns based on historical returns of broad market indices. At September 30, 2004, management used average market return assumptions of 5% for fixed income and 8% for equity to estimate annual market returns. Higher actual average market returns would increase undiscounted future cash flows, while lower actual average market returns would

decrease undiscounted future cash flows. Future redemption rate assumptions were determined by reference to actual redemption experience over the three-year and five-year periods ended September 30, 2004. Based on the actual redemption rates, including increased redemption rates experienced more recently, management used a range of expected annual redemption rates of 16% to 20% at September 30, 2004, calculated as a percentage of average assets under management. An increase in the actual rate of redemptions would decrease undiscounted future cash flows, while a decrease in the actual rate of redemptions would increase undiscounted future cash flows. These assumptions are reviewed and updated quarterly, or monthly when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions and the aggregate estimated undiscounted future cash flows are compared to the recorded value of the deferred sales commission asset. The Operating Partnership's management considers the results of these analyses performed at various dates.

As of September 30, 2004, management determined that the deferred sales commission asset was not impaired. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using management's best estimate of future cash flows discounted to a present value amount.

Equity markets decreased by approximately 2% during the three months ended September 30, 2004 and increased by approximately 2% for the nine months ended September 30, 2004, as measured by the change in the Standard & Poor's 500 Stock Index. Fixed income markets increased by approximately 3% during the three and nine month periods ending September 30, 2004, as measured by the change in the Lehman Brothers' Aggregate Bond Index. The redemption rate for domestic Back-End Load Shares was 23.8% and 25.1% during the three and nine month periods ended September

30, 2004, respectively. Declines in financial markets or higher redemption levels, or both, as compared to the assumptions used to estimate undiscounted future cash flows could result in the impairment of the deferred sales commission asset. Due to the volatility of the capital markets and changes in redemption rates, management is unable to predict whether or when a future impairment of the deferred sales commission asset might occur. Should impairment occur, any loss would reduce materially the recorded amount of the asset with a corresponding charge to expense.

Legal Proceedings

On April 8, 2002, in *In re Enron Corporation Securities Litigation*, a consolidated complaint ("Enron Complaint") was filed in the district court in the Southern District of Texas, Houston Division, against numerous defendants, including Alliance Capital. The principal allegations of the Enron Complaint, as they pertain to Alliance Capital, are that Alliance Capital violated Sections 11 and 15 of the Securities Act of 1933 ("Securities Act") with respect to a registration statement filed by Enron Corp. ("Enron") and effective with the SEC on July 18, 2001, which was used to sell $1.9 billion Enron Corp. Zero Coupon Convertible Notes due 2021. Plaintiffs allege that Frank Savage, who was at that time an employee of Alliance Capital and a director of the General Partner of Alliance Capital, signed the registration statement at issue. Plaintiffs allege that the registration statement was materially misleading. Plaintiffs further allege that Alliance Capital was a controlling person of Frank Savage. Plaintiffs therefore assert that Alliance Capital is itself liable for the allegedly misleading registration statement. Plaintiffs seek rescission or a rescissionary measure of damages. On June 3, 2002, Alliance Capital moved to dismiss the Enron Complaint as the allegations therein pertain to it. On March 12, 2003, that motion was denied. A First Amended Consolidated Complaint ("Enron Amended Consolidated Complaint"), with substantially similar allegations as to Alliance Capital, was filed on May 14, 2003. Alliance Capital filed its answer on June 13, 2003. On May 28, 2003, plaintiffs filed an Amended Motion for Class Certification. On October 23, 2003, following the completion of class discovery, Alliance Capital filed its opposition to class certification. Alliance Capital's motion is pending. The case is currently in discovery.

Alliance Capital believes that plaintiffs' allegations in the Enron Amended Consolidated Complaint as to it are without merit and intends to vigorously defend against these allegations.

On May 7, 2002, a complaint entitled *The Florida State Board of Administration v. Alliance Capital*

Management L.P. ("SBA Complaint") was filed in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida against Alliance Capital. The SBA Complaint alleges breach of contract relating to the Investment Management Agreement between The Florida State Board of Administration ("SBA") and Alliance Capital, breach of the covenant of good faith and fair dealing contained in the Investment Management Agreement, breach of fiduciary duty, negligence, gross negligence and violation of the Florida Securities and Investor Protection Act, in connection with purchases and sales of Enron common stock for the SBA investment account. The SBA Complaint seeks more than $300 million in compensatory damages and an unspecified amount of punitive damages. On June 10, 2002, Alliance Capital moved to dismiss the SBA Complaint. On September 12, 2002, the court denied Alliance Capital's motion to dismiss the SBA Complaint in its entirety. On November 13, 2003, the SBA filed an amended complaint ("Amended SBA Complaint"). The Amended SBA Complaint contains similar Enron-related claims and also alleges that Alliance Capital breached its contract with the SBA by investing in or continuing to hold stocks for the SBA's investment portfolio that were not "1-rated," the highest rating that Alliance Capital's research analysts could assign. The Amended SBA Complaint also added claims for negligent supervision and common law fraud. The Amended SBA Complaint seeks rescissionary damages for all purchases of stocks that were not 1-rated, as well as damages for those that were not sold on a downgrade. During the third quarter of 2004, the SBA asserted in discovery that its Enron-related and 1-rated stock-related damages (including statutory interest) are approximately $2.9 billion. On December 13, 2003, Alliance Capital moved to dismiss the fraud and breach of fiduciary duty claims in the Amended SBA Complaint. On January 27, 2004, the court denied that motion. Discovery continues. Trial is scheduled to commence on March 7, 2005.

Alliance Capital believes that the SBA's allegations in the Amended SBA Complaint are without merit and intends to vigorously defend against these allegations.

On September 12, 2002, a complaint entitled Lawrence E. Jaffe Pension Plan, Lawrence E. Jaffe Trustee U/A 1198 v. Alliance Capital Management L.P., Alfred Harrison and Alliance Premier Growth Fund, Inc. ("Jaffe Complaint") was filed in the United States District Court in the Southern District of New York against Alliance Capital, Alfred Harrison and the AllianceBernstein Premier Growth Fund ("Premier Growth Fund") alleging violation of the Investment Company Act of 1940 ("Investment Company Act"). Plaintiff seeks damages equal to Premier Growth Fund's losses as a result of Premier Growth Fund's investment in shares of Enron and a recovery of all fees paid to Alliance Capital beginning November 1, 2000. On March 24, 2003, the court granted Alliance Capital's motion to transfer the Jaffe Complaint to the United States District Court for the District of New Jersey for coordination with the now dismissed Benak v. Alliance Capital Management L.P. and Alliance Premier Growth Fund action then pending. On December 5, 2003, plaintiff filed an amended complaint ("Amended Jaffe Complaint") in the United States District Court for the District of New Jersey. The Amended Jaffe Complaint alleges violations of Section 36(a) of the Investment Company Act, common law negligence, and negligent misrepresentation. Specifically, the Amended Jaffe Complaint alleges that: (i) the defendants breached their fiduciary duties of loyalty, care and good faith to Premier Growth Fund by causing Premier Growth Fund to invest in securities of Enron, (ii) the defendants were negligent for investing in securities of Enron, and (iii) through prospectuses and other documents defendants misrepresented material facts related to Premier Growth Fund's investment objective and policies. On January 23, 2004, defendants moved to dismiss the Amended Jaffe Complaint. That motion is pending.

Alliance Capital and Alfred Harrison believe that plaintiff's allegations in the Amended Jaffe Complaint are without merit and intend to vigorously defend against these allegations.

On December 13, 2002, a putative class action complaint entitled *Patrick J. Goggins, et al. v. Alliance Capital Management L.P., et al.* ("Goggins Complaint") was filed in the United States District Court for the Southern District of New York against Alliance Capital, Premier Growth Fund and individual directors and certain officers of Premier Growth Fund. On August 13, 2003, the court granted Alliance Capital's motion to transfer the Goggins Complaint to the United States District Court for the District of New Jersey. On December 5, 2003, plaintiffs filed an amended complaint ("Amended Goggins Complaint") in the United States District Court for the District of New Jersey. The Amended Goggins Complaint alleges that defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act because the Fund's registration statements and prospectuses contained untrue statements of material fact and omitted material facts. More specifically, the Amended Goggins Complaint

alleges that the Fund's investment in Enron was inconsistent with the Fund's stated strategic objectives and investment strategies. Plaintiffs seek rescissionary relief or an unspecified amount of compensatory damages on behalf of a class of persons who purchased shares of Premier Growth Fund during the period October 31, 2000 through February 14, 2002. On January 23, 2004, Alliance Capital moved to dismiss the Amended Goggins Complaint. That motion is pending.

Alliance Capital, Premier Growth Fund and the other defendants believe that plaintiffs' allegations in the Amended Goggins Complaint are without merit and intend to vigorously defend against these allegations.

On August 9, 2003, the Securities and Exchange Board of India ("SEBI") ordered that Samir C. Arora, a former research analyst/portfolio manager of Alliance Capital, refrain from buying, selling or dealing in Indian equity securities. Until August 4, 2003, when Mr. Arora announced his resignation from Alliance Capital, he served as head of Asian emerging markets equities and a fund manager of Alliance Capital Asset Management (India) Pvt. Ltd. ("ACAML"), a fund management company 75% owned by Alliance Capital. The order states that Mr. Arora relied on unpublished price sensitive information in making certain investment decisions on behalf of certain clients of ACAML and Alliance Capital, that there were failures to make required disclosures regarding the size of certain equity holdings and that Mr. Arora tried to influence the sale of Alliance Capital's stake in ACAML. On March 31, 2004, SEBI issued a final order against Mr. Arora barring him from dealing directly or indirectly in the Indian equity securities markets for a period of five years commencing from August 9, 2003. On October 15, 2004, the Securities Appellate Tribunal ("SAT") allowed Mr. Arora's appeal and set aside SEBI's order, which effectively dismissed all of the charges against Mr. Arora. SEBI has appealed the SAT's decision to the Supreme Court of India. On October 18, 2004, ACAML agreed to transfer the management rights with respect to its local Indian mutual funds to Birla Sun Life, an Indian asset management company.

At the present time, Alliance Capital does not believe the outcome of this matter will have a material impact on Alliance Capital's results of operations or financial condition.

On September 8, 2003, SEBI issued to Alliance Capital a show cause notice and finding of investigation (the "Notice"). The Notice requires Alliance Capital to explain its failure to make disclosure filings as to the acquisition of shares of five Indian equity securities held at various times by Alliance Capital (through sub-accounts under foreign institutional investor licenses), ACAML and Alliance Capital's local Indian mutual fund as required under the SEBI (Insider Trading) Regulations, 1992 and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 inter alia when the holdings of the said entities in the relevant equity securities crossed 5%, which could make Alliance Capital liable to pay penalties prescribed under Section 15A of the SEBI Act, 1992, which requires that disclosure be made when the holdings of an investor (or a group of investors acting in concert) in an Indian security either exceeds five percent (5%) of the outstanding shares or changes by more than two percent (2%). On May 12, 2004, SEBI issued an Order of Adjudicating Officer in respect of Alliance Capital, ACAML and its local Indian mutual fund whereby it levied a fine, jointly and severally, against Alliance Capital and ACAML in an amount of approximately $630,000 for not filing the required notices in a timely manner. On June 29, 2004, Alliance Capital and ACAML filed an appeal with respect to such order with SAT, which is pending.

Alliance Capital recorded a charge to income of approximately $630,000 in general and administrative expenses on the condensed consolidated statement of income during the second quarter of 2004.

On August 18, 2004, SEBI entered an order of adjudication against ACAML, its local Indian mutual fund and Alliance Capital for violations of Section 15G and 15HA of the SEBI Act. The order states that a portfolio manager of ACAML relied upon unpublished price sensitive information in making certain investment decisions on behalf of certain clients of ACAML and Alliance Capital and that during various time periods he engaged in manipulative trading activity with respect to certain other securities. SEBI imposed a penalty of R.S. 150,000,000 (approximately $3,200,000) jointly and severally against Alliance Capital and ACAML. Alliance Capital and ACAML filed an appeal with respect to the order with SAT on or about October 6, 2004 and a hearing before SAT has been scheduled for November 29, 2004.

The allegations against Alliance Capital and ACAML contained in these orders of adjudication were largely based on the alleged actions of Mr. Arora, for which Alliance Capital and ACAML were allegedly responsible. These alleged actions were the subject of SEBI's order against Mr. Arora, which has now been set aside. Alliance Capital believes that if the setting aside of SEBI's order against Mr. Arora is not overturned on appeal, it should substantially strengthen Alliance Capital's legal position in its appeal of the SEBI orders against Alliance Capital and ACAML.

At the present time, Alliance Capital does not believe the outcome of these matters will have a material impact on Alliance Capital's results of operations or financial condition.

On October 1, 2003, a class action complaint entitled *Erb, et al. v. Alliance Capital Management L.P.* ("Erb Complaint") was filed in the Circuit Court of St. Clair County, Illinois, against Alliance Capital. The plaintiff, purportedly a shareholder in Premier Growth Fund, alleges that Alliance Capital breached unidentified provisions of Premier Growth Fund's prospectus and subscription and confirmation agreements that allegedly required that every security bought for Premier Growth Fund's portfolio must be a "1-rated" stock, the highest rating that Alliance Capital's research analysts could assign. Plaintiff alleges that Alliance Capital impermissibly purchased shares of stocks that were not 1-rated. On November 25, 2003, Alliance Capital removed the Erb action to the United States District Court for the Southern District of Illinois on the basis that plaintiffs' alleged breach of contract claims are preempted under the Securities Litigation Uniform Standards Act ("SLUSA"). On February 25, 2004, the District Court granted plaintiffs' motion and remanded the action to the Circuit Court. On June 24, 2004, plaintiff filed an amended complaint ("Amended Erb Complaint") in the Circuit Court of St. Clair County, Illinois. The Amended Erb Complaint allegations are substantially similar to those contained in the previous complaint, however, the Amended Erb Complaint adds a new plaintiff and seeks to allege claims on behalf of a purported class of persons or entities holding an interest in any portfolio managed by Alliance Capital's Large Cap Growth Team. The Amended Erb Complaint alleges that Alliance Capital breached its contracts with these persons or entities by impermissibly purchasing shares of stocks that were not 1-rated. Plaintiffs seek rescission of all purchases of any non-1-rated stocks Alliance Capital made for Premier Growth Fund and other Large Cap Growth Team clients' portfolios over the past eight years, as well as an unspecified amount of damages. On July 13, 2004, Alliance Capital removed the Erb action to the United States District Court for the Southern District of Illinois on the basis that plaintiffs' claims are preempted under SLUSA. On August 30, 2004, the District Court remanded the action to the Circuit Court. On September 15, 2004, Alliance Capital filed a notice of appeal with respect to the District Court's order. That motion is pending.

Alliance Capital believes that plaintiff's allegations in the Amended Erb Complaint are without merit and intends to vigorously defend against these allegations.

Market Timing-Related Matters

Regulatory

On September 1, 2004, Alliance Capital and the Attorney General of the State of New York ("NYAG") entered into an Assurance of Discontinuance relating to Alliance Capital's settlement of investigations into trading practices in certain Alliance Capital-sponsored mutual funds ("NYAG Agreement"). Alliance Capital furnished the NYAG Agreement under a Current Report on Form 8-K filed September 2, 2004. Alliance Capital reached settlement terms with the SEC and the NYAG regarding these practices on December 18, 2003. The agreement with the SEC was reflected in an Order of the Commission ("SEC Order"), while the agreement with the NYAG was subject to completion of final, definitive documentation, which was accomplished on September 1, 2004 with the signing of the NYAG Agreement. Alliance Capital's settlement terms with both the SEC and the NYAG were described in a News Release dated December 18, 2003, which Alliance Capital furnished under a Current Report on Form 8-K.

Civil Litigation

On October 2, 2003, a purported class action complaint entitled *Hindo, et al. v. AllianceBernstein Growth & Income Fund, et al.* ("Hindo Complaint") was filed against Alliance Capital, Alliance Holding, ACMC, AXA Financial, the AllianceBernstein family of mutual funds ("AllianceBernstein Funds"), the registrants and issuers of those funds, certain officers of Alliance Capital ("Alliance defendants"), and certain other defendants not affiliated with Alliance Capital, as well as unnamed Doe defendants. The Hindo Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of two of the AllianceBernstein Funds. The Hindo Complaint alleges that certain of the Alliance defendants failed to disclose that they improperly allowed certain hedge funds and other unidentified parties to engage in "late trading" and "market timing" of AllianceBernstein Fund securities, violating Sections 11 and 15 of the Securities Act, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Sections 206 and 215 of the Advisers Act. Plaintiffs seek an unspecified amount of compensatory damages and rescission of their contracts with Alliance Capital, including recovery of all fees paid to Alliance Capital pursuant to such contracts.

Since October 2, 2003, forty-three additional lawsuits making factual allegations generally similar to those in the Hindo Complaint were filed in various federal and state courts against Alliance Capital and certain other defendants, and others may be filed. Such lawsuits have asserted a variety of theories for recovery including, but not limited to, violations of the Securities Act, the Exchange Act, the Advisers Act, the Investment Company Act, the Employee Retirement Income Security Act of 1974 ("ERISA"), certain state securities statutes and common law. All of these lawsuits seek an unspecified amount of damages.

On February 20, 2004, the Judicial Panel on Multidistrict Litigation ("MDL Panel") transferred all federal actions to the United States District Court for the District of Maryland ("Mutual Fund MDL"). On March 3, 2004 and April 6, 2004, the MDL Panel issued orders conditionally transferring the state court cases against Alliance Capital and numerous others to the Mutual Fund MDL. Transfer of all of these actions subsequently became final. Plaintiffs in three of these four actions moved to remand the actions back to state court. On June 18, 2004, the Court issued an interim opinion deferring decision on plaintiffs' motions to remand until a later stage in the proceedings. Subsequently, the plaintiff in the state court individual action moved the Court for reconsideration of that interim opinion and for immediate remand of her case to state court, and that motion is pending. Defendants are not yet required to respond to the complaints filed in the state court derivative actions.

On September 29, 2004, plaintiffs filed consolidated amended complaints with respect to four claim types: mutual fund shareholder claims; mutual fund derivative claims; derivative claims brought on behalf of Alliance Holding; and claims brought under ERISA by participants in the Profit Sharing Plan for Employees of Alliance Capital. All four complaints include substantially identical factual allegations, which appear to be based in large part on the SEC Order. The claims in the mutual fund derivative consolidated amended complaint are generally based on the theory that all fund advisory agreements, distribution agreements and 12b-1 plans between Alliance Capital and the AllianceBernstein Funds should be invalidated, regardless of whether market timing occured in each individual fund, because each was approved by fund trustees on the basis of materially misleading information with respect to the level of market timing permitted in funds managed by Alliance Capital. The claims asserted in the other three consolidated amended complaints are similar to those that the respective plaintiffs asserted in their previous federal lawsuits.

Alliance Capital recorded charges to income totaling $330 million during the second half of 2003 in connection with establishing the $250 million restitution fund (which is discussed in detail under "Item 1. Business - Regulation" of Alliance Holding's Form 10-K for the year ended December 31, 2003) and certain other matters discussed under "Item 3. Legal Proceedings" in that Form 10-K. During the first nine months of 2004, Alliance Capital paid $293 million related to these matters (including $250 million to the restitution fund as described in Form 10-K) and has cumulatively paid $299 million. Management of Alliance Capital, however, cannot determine at this time the eventual outcome, timing or impact of these matters. Accordingly, it is possible that additional charges in the future may be required.

Revenue Sharing-Related Matters

Regulatory

Alliance Capital and approximately twelve other investment management firms were publicly mentioned in connection with the settlement by the SEC of charges that Morgan Stanley violated federal securities laws relating to its receipt of compensation for selling specific mutual funds and the disclosure of such compensation. The SEC has indicated publicly that, among other things, it is considering enforcement action in connection with mutual funds'

disclosure of such arrangements and in connection with the practice of considering mutual fund sales in the direction of brokerage commissions from fund portfolio transactions. The SEC and the National Association of Securities Dealers, Inc. ("NASD") have issued subpoenas to Alliance Capital in connection

with this matter and Alliance Capital has provided documents and other information to the SEC and the NASD, and is cooperating fully with their investigations.

Civil Litigation

On June 22, 2004, a purported class action complaint entitled *Aucoin, et al. v. Alliance Capital Management L.P., et al*. ("Aucoin Complaint") was filed against Alliance Capital, Alliance Holding, ACMC, AXA Financial, ABIRM, certain current and former directors of the AllianceBernstein Funds, and unnamed Doe defendants. The Aucoin Complaint names the AllianceBernstein Funds as nominal defendants. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by an alleged shareholder of the AllianceBernstein Growth & Income Fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from AllianceBernstein Fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with Alliance Capital, including recovery of all fees paid to Alliance Capital pursuant to such contracts, an accounting of all AllianceBernstein Fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

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

With respect to certain matters discussed above under "Legal Proceedings" (other than those referred to under "Market Timing-Related Matters" and those related to SEBI where a charge to income was recorded), management of Alliance Capital and Alliance Holding are unable to estimate the impact, if any, that the outcome of these matters may have on Alliance Capital's or Alliance Holding's results of operations or financial condition.

Alliance Capital and Alliance Holding are involved in various other inquiries, administrative proceedings and litigation, some of which allege substantial damages. While any proceeding or litigation has the element of uncertainty, Alliance Capital and Alliance Holding believe that the outcome of any one of the other lawsuits or claims that is pending or threatened, or all of them combined, will not have a material adverse effect on Alliance Capital's or Alliance Holding's results of operations or financial condition.

7. Employee Benefit Plans

The Operating Partnership and its subsidiaries maintain a number of qualified and non-qualified employee benefit and incentive compensation plans. Except as indicated, the aggregate amount available for annual employee bonuses and contributions to the various employee benefit plans discussed below is based on a percentage of the consolidated operating profits of the Operating Partnership and its subsidiaries.

The Operating Partnership maintains a qualified profit sharing plan (the "Profit Sharing Plan") covering U.S. and certain foreign employees. The amount of the Operating Partnership's annual contribution to the Profit Sharing

Plan is determined by a committee of the Board of Directors of the General Partner. Contributions are generally limited to the maximum amount deductible for federal income tax purposes.

The Operating Partnership maintains a qualified noncontributory defined benefit retirement plan in the U.S. covering U.S. employees except former employees of Bernstein, certain foreign employees and employees hired after October 2, 2000. Benefits are based on years of credited service, average final base salary and primary Social Security benefits. The Operating Partnership's policy is to satisfy its funding obligation for each year in an amount not to exceed the maximum amount that can be deducted for federal income tax purposes. The Operating Partnership is required to contribute $1.4 million to the plan by January 15, 2005. The Operating Partnership expects to make this contribution to the plan during the fourth quarter of 2004. Contribution estimates, which are subject to change, are based on regulatory requirements, future market conditions and assumptions used for actuarial computations of the plan's obligations and assets. The Operating Partnership's management, at the present time, is unable to determine the amount, if any, of additional future contributions.

Net expense under the retirement plan for the three and nine month periods ended September 30, 2004 and 2003 was comprised of (in thousands):

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Service cost	$ 971	$ 1,222	$ 3,955	$ 3,666
Interest cost on projected benefit obligations	939	953	3,171	2,859
Expected return on plan assets	(723)	(441)	(2,129)	(1,323)
Amortization of prior service (credit)	(15)	(15)	(45)	(45)
Amortization of transition (asset)	(36)	(36)	(108)	(108)
Recognized actuarial loss	52	132	386	396
Net pension charge	$ 1,188	$ 1,815	$ 5,230	$ 5,445

8. Income Taxes

The Operating Partnership is a private partnership for federal income tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, the Operating Partnership is subject to the New York City unincorporated business tax. Domestic corporate subsidiaries of the Operating Partnership, which are subject to federal, state and local income taxes, are generally included in the filing of a consolidated federal income tax

return. Separate state and local income tax returns are filed. Foreign subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located.

9. Supplemental Cash Flow Information

Cash payments for interest and income taxes were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	9/30/04	9/30/03	9/30/04	9/30/03
Interest	$ 19,971	$ 16,567	$ 42,085	$ 37,264
Income taxes	5,354	7,103	29,098	23,206

10. Cash Distribution

On October 28, 2004, the General Partner declared a distribution of $151,042,000 or $0.59 per Alliance Capital Unit, representing a distribution from Available Cash Flow of the Operating Partnership (as defined in the Alliance Capital Partnership Agreement) for the three months ended September 30, 2004. The distribution is payable on November 18, 2004 to holders of record at the close of business on November 8, 2004.

11. Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46-R"), "*Consolidation of Variable Interest Entities*", which addresses accounting and disclosure requirements for variable interest entities ("VIEs"). FIN 46-R defines a VIE as a corporation, partnership, limited liability company, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting or similar rights sufficient to enable such investors to make decisions about an entity's activities or (b) has equity investors that do not provide sufficient financial resources to support the entities' activities without additional financial support from other parties. FIN 46-R requires a VIE to be consolidated by a company if the company is subject to, among other things, a majority of the risk or residual returns of the VIE. A company that consolidates a VIE is referred to as the primary beneficiary under FIN 46-R. In addition, FIN 46-R requires disclosure, but not consolidation, of those entities in which the Operating Partnership is not the primary beneficiary but has a significant variable interest. The consolidation and disclosure provisions of FIN 46-R became effective for reporting periods ending after March 15, 2004.

Management of the Operating Partnership has reviewed its investment management agreements and its investments in, and other financial arrangements with, certain entities which hold client assets under management to determine the entities that the Operating Partnership is required to consolidate under FIN 46-R. These include certain mutual fund products domiciled in Luxembourg, India, Japan, Singapore and Australia (collectively "Offshore Funds"), hedge funds, structured products, group trusts and joint ventures.

As a result of its review, the Operating Partnership consolidated an investment in a joint venture and its funds under management. These entities have client assets under management totaling approximately $165 million. The Operating Partnership's maximum exposure to loss is limited to its investments in and prospective investment management fees earned from these entities. Consolidation of these entities resulted in increases in the Operating Partnership's assets, principally trading investments, and liabilities, principally minority interests in consolidated entities, of approximately 2.0% and 3.9% of total consolidated assets and liabilities, respectively, at September 30, 2004.

The Operating Partnership derives no direct benefit from client assets under management of these entities other than investment management fees and cannot utilize those assets in its operations.

The following tables summarize the impact on the condensed consolidated statement of financial condition at September 30, 2004 and the condensed consolidated statements of income for the three and nine month periods ending September 30, 2004 as a result of the consolidation of these entities in accordance with FIN 46-R:

Summary Consolidated Statement of Financial Condition
(in millions)

	September 30, 2004		
	As Reported	FIN 46-R	Before FIN 46-R
Assets:			
Cash and securities segregated	$ 2,036	$ 5	$ 2,031
Investments	359	163	196
Other assets	6,136	—	6,136
Total assets:	$ 8,531	$ 168	$ 8,363
Liabilities and partners' capital:			
Payables and accrued expenses	$ 3,878	$ 4	$ 3,874
Minority interest in consolidated subsidiaries	172	164	8
Debt	407	—	407
Total liabilities	4,457	168	4,289
Partners' capital	4,074	—	4,074
Total liabilities and partners' capital	$ 8,531	$ 168	$ 8,363

Summary Consolidated Statement of Income

(in millions)

	Three Months Ended September 30, 2004			Nine Months Ended September 30, 2004		
	As Reported	FIN 46-R	Before FIN 46-R	As Reported	FIN 46-R	Before FIN 46-R
Revenues:						
Investment advisory and services fees	$ 499	$ 1	$ 498	$ 1,521	$ 2	$ 1,519
Other revenues	220	7	213	680	16	664
	719	8	711	2,201	18	2,183
Expenses:						
Employee compensation and benefits	261	1	260	798	2	796
General and administrative expenses	107	7	100	312	16	296
Other expenses	189	—	189	586	—	586
	557	8	549	1,696	18	1,678
Income before income taxes	162	—	162	505	—	505
Income taxes	9	—	9	28	—	28
Net income	$ 153	$ —	$ 153	$ 477	$ —	$ 477

The Operating Partnership has significant variable interests in certain other structured products and hedge funds with approximately $0.8 billion in client assets under management. However, these VIEs do not require consolidation because management has determined that the Operating Partnership is not the primary beneficiary. The Operating Partnership's maximum exposure to loss in these entities is limited to its nominal investments in, and prospective investment management fees earned from, these entities.

12. Subsequent Events

On October 28, 2004, Alliance Capital and Federated Investors, Inc. ("Federated") reached a definitive agreement under which Federated is to acquire the cash management business of Alliance Capital ("Federated Agreement"). Alliance Capital described the material terms of the Federated Agreement in a Current Report on Form 8-K filed October 29, 2004. Under the Federated Agreement, up to $29 billion in assets from 22 third-party-distributed money market funds of Alliance Capital will be transitioned into Federated money market funds. The boards of directors at both Federated and the general partner of Alliance Capital have approved the transaction, but it is still

subject to certain approvals and other customary closing considerations. This transaction, which is expected to close in phases occurring during the first through third quarters of 2005, includes upfront cash payments to Alliance Capital totaling approximately $26 million due at the transaction closing dates, annual contingent purchase price payments payable over five years and a final contingent $10 million payment. The annual contingent purchase price payments will be calculated as a percentage of revenues, less certain expenses, directly attributed to these assets and certain other assets of former Alliance Capital cash management clients maintained in Federated money market funds. The final contingent $10 million payment is based on comparing applicable revenues during the fifth year following closing to the revenues generated by those assets prior to the closing. At the current asset levels, these additional payments would approximate $103 million over five years.

Alliance Capital estimates that the transaction will result in a capital gain of approximately $0.03-0.06 per Alliance Holding Unit in 2005. The estimated contingent payments received from Federated in the five years following the closing are expected to be similar to the business's anticipated profit contribution over that period. The overall effect on earnings is, therefore, expected to be immaterial.

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

Alliance Capital earns revenues by providing diversified investment management services, which include charging fees for managing the investment assets of clients. Revenues are largely dependent on the total value and composition of assets under management. Accordingly, management is focused on achieving superior investment performance for clients, which over time should lead to an increase in the amount of assets under management ("AUM") by Alliance Capital and its subsidiaries. Increases in AUM result from appreciation in the value of these assets and from inflows of additional assets from new and existing clients. Conversely, the amount of AUM can decline due to depreciation and client redemptions. Moreover, additional asset inflows and redemptions are driven, in part, by investment performance relative to applicable benchmarks.

EXECUTIVE OVERVIEW

Overall investment performance in the third quarter of 2004 for our services was mixed, with continued strong performance in global and international value equity and small cap growth equity services. Accordingly, flows continue to follow the relative performance in these services as Alliance continues to focus on expanding its global presence. Fixed income experienced strong performance, while international, global and emerging style blend services also outperformed benchmarks. Performance for U.S. equity services remained mixed relative to benchmarks.

The institutional investment management channel experienced strong inflows into international and global equity services. Expansion of fixed income mandates from AXA insurance affiliates continued. In addition, blend equity services continued to grow assets at an increasing rate while attrition within U.S. growth equity services continued.

Within the retail channel, redemptions continued to slow; however, new sales remained depressed. Regent-branded managed account services showed continued strength, driven by continued outperformance, particularly in core equity. In addition, AllianceBernstein Wealth Strategies Series has surpassed $1 billion in AUM since its launch in September 2003.

The sale of the cash management business is consistent with Alliance Capital's commitment to focus its resources on those services – value equity, growth equity and fixed income — that provide clients with long-term solutions to their investment objectives, and take advantage of core competencies and leadership in innovative, in-depth research. Alliance Capital estimates that the transaction will result in a capital gain of approximately $0.03-0.06 per Alliance Holding Unit in 2005. The estimated contingent payments received from Federated in the five years following the closing are expected to be similar to the business's anticipated profit contribution over that period. The overall effect on earnings is, therefore, expected to be immaterial.

The private client channel experienced net asset inflows into value equity, growth equity and fixed income services due to increased advisor productivity. Two new private client offices opened in the third quarter of 2004, while a third new office is scheduled to open in the fourth quarter of 2004. Additionally, three new offices have been approved for 2005. Initiatives to restructure pricing were launched in October 2004. Transaction charges for U.S. equity services will be eliminated for many clients, while asset-based fees will be increased. This change will reduce overall costs for these clients as a group, and reduce annual revenues by approximately $10 million.

Revenues from institutional research services increased over prior year's comparable periods due to increased market share partly offset by a decline in NYSE transaction volume and pricing, excluding program trading. The institutional research business was recognized for stellar research performance in a 2004 widely recognized research poll, in which 70% of Sanford C. Bernstein's analysts were acknowledged for research excellence.

ASSETS UNDER MANAGEMENT BY DISTRIBUTION CHANNEL
(in billions)

	9/30/04	9/30/03	$ Change	$ Change
Retail	$ 151.2	$ 145.6	$ 5.6	3.8%
Institutional investment management	279.1	245.4	33.7	13.7
Private client	56.7	46.8	9.9	21.2
Total	$ 487.0	$ 437.8	$ 49.2	11.2%

ASSETS UNDER MANAGEMENT BY INVESTMENT SERVICE
(in billions)

	9/30/04	9/30/03	$ Change	% Change
Active equity & balanced – Growth:				
U.S.	$ 83.7	$ 94.8	$ (11.1)	(11.7)%
Global & international	36.1	24.8	11.3	45.6
	119.8	119.6	0.2	0.2
Active equity & balanced – Value:				
U.S.	110.7	92.3	18.4	19.9
Global & international	61.7	38.2	23.5	61.5
	172.4	130.5	41.9	32.1
Active fixed income:				
U.S.	111.6	119.5	(7.9)	(6.6)
Global & international	56.3	42.9	13.4	31.2
	167.9	162.4	5.5	3.4
Index and enhanced index (passive):				
U.S.	21.8	20.1	1.7	8.5
Global & international	5.1	5.2	(0.1)	(1.9)
	26.9	25.3	1.6	6.3
Total:				
U.S.	327.8	326.7	1.1	0.3
Global & international	159.2	111.1	48.1	43.3
Total	$ 487.0	$ 437.8	$ 49.2	11.2%

CHANGES IN ASSETS UNDER MANAGEMENT BY DISTRIBUTION CHANNEL AND INVESTMENT SERVICE – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(in billions)

	Distribution Channel				Investment Service				
	Retail	Institutional Investment Mgmt	Private Client	Total	Equity Active Growth	Active Equity Value	Fixed Income	Passive	Total
Balance at July 1, 2004	$ 153.7	$ 271.8	$ 55.1	$ 480.6	$ 126.2	$ 165.2	$ 160.9	$ 28.3	$ 480.6
Long-term flows:									
Sales/new accounts	4.7	7.0	1.9	13.6	3.6	6.6	3.2	0.2	13.6
Redemptions/terminations	(5.6)	(6.0)	(0.4)	(12.0)	(5.0)	(2.0)	(3.7)	(1.3)	(12.0)
Cash flow/unreinvested	(1.1)	4.5	(0.2)	3.2	(1.5)	0.3	4.3	0.1	3.2

dividends									
Net new long-term inflows (outflows)	(2.0)	5.5	1.3	4.8	(2.9)	4.9	3.8	(1.0)	4.8
Net cash management redemptions	(0.6)	—	—	(0.6)	—	—	(0.6)	—	(0.6)
Market appreciation (depreciation)	0.1	1.8	0.3	2.2	(3.5)	2.3	3.8	(0.4)	2.2
Net change	(2.5)	7.3	1.6	6.4	(6.4)	7.2	7.0	(1.4)	6.4
Balance at September 30, 2004	$ 151.2	$ 279.1	$ 56.7	$ 487.0	$ 119.8	$ 172.4	$ 167.9	$ 26.9	$ 487.0

CHANGES IN ASSETS UNDER MANAGEMENT BY DISTRIBUTION CHANNEL AND INVESTMENT SERVICE – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(in billions)

	Distribution Channel				Investment Service				
	Retail	Institutional Investment Mgmt	Private Client	Total	Active Equity Growth	Active Equity Value	Fixed Income	Passive	Total
Balance at January 1, 2004	$ 153.8	$ 269.5	$ 51.5	$ 474.8	$ 130.1	$ 151.9	$ 164.3	$ 28.5	$ 474.8
Long-term flows:									
Sales/new accounts	17.6	19.3	6.2	43.1	12.2	19.0	11.1	0.8	43.1
Redemptions/terminations	(19.7)	(18.4)	(1.7)	(39.8)	(18.0)	(6.6)	(13.3)	(1.9)	(39.8)
Cash flow/unreinvested dividends	(1.4)	(0.5)	(0.5)	(2.4)	(5.6)	(0.4)	4.7	(1.1)	(2.4)
Net new long-term inflows (outflows)	(3.5)	0.4	4.0	0.9	(11.4)	12.0	2.5	(2.2)	0.9
Net cash management redemptions	(1.8)	—	—	(1.8)	—	—	(1.8)	—	(1.8)
Market appreciation	2.7	9.2	1.2	13.1	1.1	8.5	2.9	0.6	13.1
Net change	(2.6)	9.6	5.2	12.2	(10.3)	20.5	3.6	(1.6)	12.2
Balance at September 30, 2004	$ 151.2	$ 279.1	$ 56.7	$ 487.0	$ 119.8	$ 172.4	$ 167.9	$ 26.9	$ 487.0

CHANGES IN ASSETS UNDER MANAGEMENT BY DISTRIBUTION CHANNEL AND INVESTMENT SERVICE – TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2004
(in billions)

	Distribution Channel				Investment Service				
	Retail	Institutional Investment Mgmt	Private Client	Total	Active Equity Growth	Active Equity Value	Fixed Income	Passive	Total
Balance at October 1, 2003	$ 145.6	$ 245.4	$ 46.8	$ 437.8	$ 119.6	$ 130.5	$ 162.4	$ 25.3	$ 437.8
Long-term flows:									
Sales/new accounts	23.4	31.3	8.2	62.9	18.6	28.7	14.5	1.1	62.9
Redemptions/terminations	(26.7)	(26.3)	(2.3)	(55.3)	(27.0)	(9.3)	(17.0)	(2.0)	(55.3)
Cash flow/unreinvested dividends	(1.4)	(2.0)	(0.9)	(4.3)	(7.4)	(0.7)	4.9	(1.1)	(4.3)
Net new long-term inflows (outflows)	(4.7)	3.0	5.0	3.3	(15.8)	18.7	2.4	(2.0)	3.3
Net cash management redemptions	(2.8)	—	—	(2.8)	—	—	(2.8)	—	(2.8)
Transfers	—	—	—	—	2.9	(2.9)	—	—	—
Market appreciation	13.1	30.7	4.9	48.7	13.1	26.1	5.9	3.6	48.7
Net change	5.6	33.7	9.9	49.2	0.2	41.9	5.5	1.6	49.2
Balance at September 30, 2004	$ 151.2	$ 279.1	$ 56.7	$ 487.0	$ 119.8	$ 172.4	$ 167.9	$ 26.9	$ 487.0

AVERAGE ASSETS UNDER MANAGEMENT BY DISTRIBUTION CHANNEL
(in billions)

	Three Months Ended			Nine Months Ended		
	9/30/04	9/30/03	% Change	9/30/04	9/30/03	% Change

Retail	$ 151.0	$ 146.2	3.3%	$ 153.9	$ 140.7	9.4%
Institutional investment management	273.5	239.4	14.2	271.5	225.4	20.5
Private client	55.4	45.7	21.2	54.1	42.8	26.4
Total	$ 479.9	$ 431.3	11.3%	$ 479.5	$ 408.9	17.3%

CONSOLIDATED RESULTS OF OPERATIONS
(in millions, except per Unit amounts)

	Three Months Ended			Nine Months Ended		
	9/30/04	9/30/03	% Change	9/30/04	9/30/03	% Change
Revenues	$ 719.2	$ 699.4	2.8%	$ 2,201.0	$ 1,963.7	12.1%
Expenses	557.6	674.3	(17.3)	1,696.2	1,667.2	1.7
Income before income taxes	161.6	25.1	n/m	504.8	296.5	70.3
Income taxes	8.9	5.9	50.8	27.9	20.2	38.1
Net income	$ 152.7	$ 19.2	n/m	$ 476.9	$ 276.3	72.6
Diluted net income per Unit	$ 0.59	$ 0.07	n/m	$ 1.86	$ 1.08	72.2
Distributions per Unit	$ 0.59	$ 0.64	(7.8)%	$ 1.50	$ 1.65	(9.1)%
Pre-tax margin (1)	22.5%	3.6%		22.9%	15.1%	

(1) Income before income taxes as a percentage of revenues.

Net income for the three months ended September 30, 2004 increased $133.5 million to $152.7 million from net income of $19.2 million for the three months ended September 30, 2003. Diluted net income per Unit for the three months ended September 30, 2004 increased $0.52 to $0.59 from diluted net income per Unit of $0.07 for the three months ended September 30, 2003. Net income for the nine months ended September 30, 2004 increased $200.6 million or approximately 72.6% to $476.9 million from net income of $276.3 million for the nine months ended September 30, 2003. Diluted net income per Unit for the nine months ended September 30, 2004 increased $0.78 or approximately 72.2% to $1.86 from diluted net income per Unit of $1.08 for the nine months ended September 30, 2003. The increase in net income for both periods was principally due to the third quarter 2003 charge for market timing matters and increases in revenues, primarily investment advisory fees and institutional research services revenues, partly offset by an increase in expenses, primarily employee compensation and benefits and general and administrative expenses.

The Operating Partnership adopted Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) ("FIN 46-R"), "*Consolidation of Variable Interest Entities*", on March 31, 2004. The adoption of FIN 46-R had no impact on net income or partners' capital for the three and nine months ended September 30, 2004. See "Note 11. Accounting Pronouncements" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q for a discussion of the impact of FIN 46-R on the results of operations and financial condition of the Operating Partnership.

REVENUES
(in millions)

	Three Months Ended			Nine Months Ended		
	9/30/04	9/30/03	% Change	9/30/04	9/30/03	% Change
Investment advisory and services fees:						
Retail	$ 175.5	$ 192.0	(8.6)%	$ 543.0	$ 548.5	(1.0)%
Institutional investment management	184.0	167.8	9.7	561.5	466.7	20.3
Private client	139.1	119.8	16.1	416.3	320.3	30.0
Subtotal	498.6	479.6	4.0	1,520.8	1,335.5	13.9
Distribution revenues	108.7	112.6	(3.5)	336.9	321.3	4.9
Institutional research services	74.2	72.4	2.5	224.6	198.9	12.9
Shareholder servicing fees	20.9	24.0	(12.9)	68.0	73.5	(7.5)
Other revenues, net	16.8	10.8	55.6	50.7	34.5	47.0
Total	$ 719.2	$ 699.4	2.8%	$ 2,201.0	$ 1,963.7	12.1%

INVESTMENT ADVISORY AND SERVICES FEES

Investment advisory and services fees, the largest component of the Operating Partnership's revenues, are generally calculated as a percentage, referred to as "basis points" or "base fees", of the value of assets under management and vary with the type of account managed. Accordingly, fee income generally increases or

decreases as average assets under management increase or decrease and is affected by changes in the amount of assets under management, including market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares and shifts of assets between accounts or products with different fee structures. Investment advisory and services fees include brokerage transaction charges of Sanford C. Bernstein & Co. ("SCB LLC") for substantially all private client transactions and certain institutional investment management client transactions. The Operating Partnership's investment advisory and services fees for the three months ended September 30, 2004 increased approximately 4.0% from the three months ended September 30, 2003, primarily due to an increase of approximately 11.3% in average assets under management, partially offset by a decrease in brokerage transaction charges. For the nine months

ended September 30, 2004, investment advisory and services fees increased approximately 13.9% from the nine months ended September 30, 2003, primarily due to an increase of approximately 17.3% in average assets under management.

Retail investment advisory and services fees for the three months ended September 30, 2004 decreased by $16.5 million or approximately 8.6% from the three months ended September 30, 2003 due to approximately $17 million in revenue reductions from Alliance Capital-sponsored U.S. long-term open-end retail mutual funds in connection with the settlement of market timing-related matters, partly offset by an approximate 3.3% increase in average assets under management. Retail investment advisory and services fees for the nine months ended September 30, 2004 decreased by $5.5 million or approximately 1.0% from the nine months ended September 30, 2003, due to approximately $53 million in revenue reductions as a result of the advisory fee rate reductions discussed above partially offset by an approximate 9.4% increase in average assets under management.

Institutional investment management investment advisory and services fees for the three months ended September 30, 2004 increased by $16.2 million or approximately 9.7% from the three months ended September 30, 2003 primarily as a result of an approximate 14.2% increase in average assets under management, partially offset by a decrease in brokerage transaction charges. For the nine months ended September 30, 2004, institutional investment management investment advisory and services fees increased by $94.8 million or approximately 20.3% from the nine months ended September 30, 2003, due primarily to an approximate 20.5% increase in average assets under management and a $7.1 million performance-based management fee.

Private client investment advisory and services fees for the three months ended September 30, 2004 increased by $19.3 million or approximately 16.1% from the three months ended September 30, 2003 as a result of an approximate 21.2% increase in assets under management, partially offset by a decrease in brokerage transaction charges. For the nine months ended September 30, 2004, private client investment advisory and services fees increased by $96.0 million or approximately 30.0% from the nine months ended September 30, 2003, as a result of an approximate 26.4% increase in assets under management and an increase in brokerage transaction charges due to higher transaction volume.

In addition to or in lieu of a base fee, certain investment advisory contracts provide for a performance fee that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance fees are recorded as a component of investment advisory and services fees revenue at the end of the measurement period and will generally be higher in favorable markets and lower in unfavorable markets, which may increase the volatility of the Operating Partnership's revenues and earnings.

DISTRIBUTION REVENUES

The Operating Partnership's subsidiary, AllianceBernstein Investment Research and Management, Inc. ("ABIRM"), acts as distributor of the Alliance Mutual Funds and receives distribution fees from those funds covering a portion of the distribution expenses it incurs. Distribution revenues for the three months ended September 30, 2004 decreased $3.9 million or approximately 3.5% as compared to the three months ended September 30, 2003, principally due to lower average daily Back-End Load Shares mutual fund assets under management. Distribution revenues for the nine months ended September 30, 2004 increased $15.6 million or approximately 4.9% as compared to the nine months ended September 30, 2003, principally due to higher average mutual fund assets under management.

INSTITUTIONAL RESEARCH SERVICES

Institutional research services revenue consists principally of brokerage transaction charges, which include charges for in-depth research and other services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Revenues from institutional research services for the three and nine months ended September 30, 2004 were $74.2 million and $224.6 million, an increase of $1.8 million and $25.7 million, or approximately 2.5% and 12.9%, respectively, from the three and nine months ended September 30, 2003, due to higher market share and higher revenues from growth in European operations, partly offset by a decrease in NYSE trading volume and pricing.

SHAREHOLDER SERVICING FEES

The Operating Partnership's wholly-owned subsidiaries, Alliance Global Investor Services, Inc. and ACM Global Investor Services S.A., provide transfer agency services to the Alliance Mutual Funds. Shareholder servicing fees for the three and nine months ended September 30, 2004 decreased approximately 12.9% and 7.5%, respectively, from the three and nine months ended September 30, 2003. The number of shareholder accounts serviced declined to approximately 6.8 million as of September 30, 2004 from approximately 7.2 million as of September 30, 2003, due to shareholder account terminations.

OTHER REVENUES, NET

Other revenues, net consist principally of fees earned for administration and record keeping services provided to the Alliance Mutual Funds and the General Accounts of AXA Equitable, a wholly-owned subsidiary of AXA Financial, and its insurance subsidiary. Changes in market value of investments, investment income and net interest income earned on securities loaned to and borrowed from brokers and dealers are also included. Other revenues, net for the three and nine months ended September 30, 2004 increased approximately 55.6% and 47.0%, respectively, from the three and nine months ended September 30, 2003, principally due to interest income and net investment gains recorded in connection with the consolidation of a joint venture and its funds under management as a result of the application of FIN 46-R, as discussed in "Note 11. New Accounting Pronouncements" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q.

EXPENSES

	Three Months Ended			Nine Months Ended		
(in millions)	9/30/04	9/30/03	% Change	9/30/04	9/30/03	% Change
Employee compensation and benefits	$ 261.1	$ 200.1	30.5%	$ 797.8	$ 644.8	23.7%
Promotion and servicing	177.8	188.2	(5.5)	551.6	552.9	(0.2)
General and administrative	107.2	84.5	26.9	312.2	245.1	27.4
Interest	6.3	6.3	—	19.1	18.9	1.1
Amortization of intangible assets	5.2	5.2	—	15.5	15.5	—
Charge for mutual fund matters	—	190.0	n/m	—	190.0	n/m

and legal proceedings						
Total	$ 557.6	$ 674.3	(17.3)%	$ 1,696.2	$ 1,667.2	1.7%

EMPLOYEE COMPENSATION AND BENEFITS

The Operating Partnership had 4,094 full-time employees at September 30, 2004 compared to 4,075 at September 30, 2003. Employee compensation and benefits, which represent approximately 46.8% and 47.0% of total expenses for the three and nine month periods ended September 30, 2004, respectively, include salaries, commissions, fringe benefits and cash and deferred incentive compensation based generally on profitability.

Employee compensation and benefits for the three and nine months ended September 30, 2004 increased $61.0 million and $153.0 million, or approximately 30.5% and 23.7%, respectively, from the three and nine months ended September 30, 2003, primarily as a result of higher incentive compensation reflecting the impact of the charge for mutual fund matters and legal proceedings in the third quarter of 2003 and higher commissions,

primarily in private client.

PROMOTION AND SERVICING

Under the Operating Partnership's mutual fund distribution system (the "System"), promotion and servicing expenses, which represent approximately 31.9% and 32.5% of total expenses for the three and nine month periods ended September 30, 2004, respectively, include distribution plan payments to financial intermediaries for distribution of sponsored mutual funds and cash management services products and amortization of deferred sales commissions paid to financial intermediaries for the sale of Back-End Load Shares through the System. See "Capital Resources and Liquidity" and "Note 6. Commitments and Contingencies" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q. Also included in this expense category are travel and entertainment, advertising, promotional materials, investment meetings and seminars for financial intermediaries that distribute the Operating Partnership's investment products.

Promotion and servicing expenses decreased $10.4 million for the three months ended September 30, 2004, or approximately 5.5% primarily as a result of lower amortization of deferred sales commissions reflecting declines in net amortizable assets due to lower U.S. mutual fund sales. Promotion and servicing expenses decreased $1.3 million for the nine months ended September 30, 2004, or approximately 0.2% from the corresponding period in the prior year, primarily due to lower amortization of deferred sales commissions, partly offset by higher distribution plan payments and travel and entertainment costs.

GENERAL AND ADMINISTRATIVE

General and administrative expenses, which represent approximately 19.2% and 18.4% of total expenses for the three and nine month periods ended September 30, 2004, respectively, are costs related to operations, including technology, professional fees, occupancy, communications and similar expenses. General and administrative expenses for the three months ended September 30, 2004 increased $22.7 million, or approximately 26.9% from the three months ended September 30, 2003 and increased $67.1 million or approximately 27.4% from the nine months ended September 30, 2003. Significant changes include (in millions):

	Period Ended September 30, 2004	
	Three Months	Nine Months
Occupancy costs, primarily for new office space	$ 3.6	$ 8.0
Sarbanes-Oxley 404 costs	1.4	3.8
Write-off of capitalized software costs	(1.3)	10.9
Closing of mutual fund operations facility (write-off of assets and charge for lease termination costs)	3.3	3.3
Exchange memberships impairment loss	3.5	3.5
Minority interests from consolidation of VIEs (FIN46-R)	6.5	15.1
Other	5.7	22.5
	$ 22.7	$ 67.1

INTEREST

Interest expense is incurred on the Operating Partnership's borrowings. Interest expense for the three months ended September 30, 2004 remained unchanged and increased $0.2 million for the nine months ended September 30, 2004, or approximately 1.1% from the nine months ended September 30, 2003.

AMORTIZATION OF INTANGIBLE ASSETS

The Operating Partnership's unaudited condensed consolidated statement of financial condition as of September 30, 2004 includes intangible assets of $331.2 million, which represents the costs assigned to investment management contracts of businesses acquired. Intangible assets are amortized on a straight-line basis over estimated useful lives of twenty years and tested for impairment quarterly. As of September 30, 2004, management believed that intangible assets were not impaired.

TAXES ON INCOME

The Operating Partnership, a private limited partnership, is not subject to federal or state corporate income taxes. However, the Operating Partnership is subject to the New York City unincorporated business tax. Domestic corporate subsidiaries of the Operating Partnership are subject to federal, state and local income taxes, and are included in the filing of a consolidated federal income tax return. Separate state and local income tax returns are filed. Foreign subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located.

Income tax expense of $8.9 million and $27.9 million for the three and nine months ended September 30, 2004 increased $3.0 million and $7.7 million, or approximately 50.8% and 38.1%, respectively, from the three and nine months ended September 30, 2003, as a result of higher pre-tax income, partly offset by a lower effective tax rate, resulting from the mix of pre-tax income between the Operating Partnership and corporate subsidiaries which pay tax at a higher rate.

CAPITAL RESOURCES AND LIQUIDITY

Partners' capital of the Operating Partnership was $4,074.4 million at September 30, 2004, an increase of $13.4 million, or approximately 0.3%, from $4,061.0 million at June 30, 2004, and an increase of $295.9 million or 7.8% from $3,778.5 million at December 31, 2003. These increases are primarily due to net income for the three and nine months ended September 30, 2004, and the amortization of deferred compensation expense, partly offset by cash distributions to the General Partner and Alliance Capital Unitholders.

The Operating Partnership's cash and cash equivalents increased $352.2 million during the nine months ended September 30, 2004. Cash inflows for the first nine months of 2004 included $613.5 million provided from operations and $37.6 million representing proceeds from options for Alliance Holding Units exercised. Cash outflows included cash distributions to the General Partner and Alliance Capital Unitholders of $231.9 million, purchases of Alliance Holding Units by subsidiaries of the Operating Partnership to fund deferred compensation plans of $37.9 million and capital expenditures of $33.8 million.

As a result of charges for market timing–related matters and legal proceedings recorded in the second half of 2003, there were no cash distributions paid to the General Partner or Alliance Capital Unitholders during the first quarter of 2004. The Operating Partnership has cumulatively paid $299 million related to these matters, including $293 million paid during the first nine months of 2004.

The Operating Partnership's mutual fund distribution system (the "System") includes a multi-class share structure. The System permits the Operating Partnership's open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including the purchase of Front-End Load Shares and Back-End Load Shares. The Front-End Load Shares are subject to a conventional front-end sales charge paid by investors to ABIRM at the time of sale. ABIRM in turn pays sales commissions to the financial intermediaries distributing the funds from the front-end sales charge it receives from investors. For Back-End Load Shares, investors do not pay a front-end sales charge although, if there are redemptions before the expiration of the minimum holding period (which ranges from one year to four years), investors pay a contingent deferred sales charge ("CDSC") to ABIRM. While ABIRM is obligated to pay sales commissions to the financial intermediaries at the time of the purchase of Back-End Load Shares, it recovers these commissions from receipt of the aforementioned CDSC from investors and from ongoing distribution services fees from the mutual funds, which are higher for Back-End Load Shares than for Front-End Load Shares. Deferred sales commissions are expected to be recovered over

periods not exceeding five and one-half years. Payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares through the System during the nine months ended September 30, 2004 and 2003, net of CDSC received of $26.1 million and $26.6 million, respectively, totaled $31.9 million and $80.1 million, respectively, reflecting a decline in U.S. mutual fund sales.

In September 2002, the Operating Partnership entered into an $800 million five-year revolving credit facility with a group of commercial banks and other lenders, which replaced three previously existing credit facilities aggregating $875 million. Of the $800 million total, $425 million is intended to provide back-up liquidity for the Operating Partnership's commercial paper program, with the balance available for general purposes of the Operating Partnership, including capital expenditures and the funding of the payment of deferred sales commissions to the financial intermediaries under the System. Under this revolving credit facility, the interest rate, at the option of the Operating Partnership, is a floating rate generally based upon a defined prime rate, a rate related to the London Interbank Offered Rate (LIBOR) or the Federal Funds rate. The credit facility also provides for a facility fee payable on the total facility. In addition, a utilization rate fee is payable in the event the average aggregate daily outstanding balance exceeds $400 million for each calendar quarter. The revolving credit facility contains covenants, which, among other things, require the Operating Partnership to meet certain financial ratios. The Operating Partnership was in compliance with the covenants at September 30, 2004.

At September 30, 2004, the Operating Partnership maintained a $100 million Extendible Commercial Notes ("ECN") program as a supplement to its $425 million commercial paper program. ECNs are short-term uncommitted debt instruments that do not require back-up liquidity support.

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

In February 2002, the Operating Partnership signed a $125 million agreement with a commercial bank, under which it guaranteed certain obligations of Sanford C. Bernstein Limited ("SCBL"), a wholly-owned subsidiary of the Operating Partnership, incurred in the ordinary course of its business, in the event SCBL is unable to meet those obligations. If SCBL is unable to satisfy any guaranteed obligation in full when due, the Operating Partnership will pay such obligation within three days of being notified of SCBL's failure to pay. This agreement is continuous and remains in effect until payment in full of any such obligation has been made by SCBL. At September 30, 2004, the Operating Partnership was not required to perform under the agreement and had no liability outstanding in connection with the agreement.

The Operating Partnership's total available debt, amounts outstanding and weighted average interest rates at September 30, 2004 and 2003 were as follows:

	September 30,					
	2004			2003		
(in millions)	Total Available	Amount Outstanding	Interest Rate	Total Available	Amount Outstanding	Interest Rate
Senior Notes	$ 600.0	$ 399.1	5.6%	$ 600.0	$ 398.7	5.6%
Commercial paper	425.0	—	—	425.0	—	—
Revolving credit facility	375.0(1)	—	—	375.0(1)	—	—
Extendible Commercial Notes	100.0	—	—	100.0	—	—
Other	n/a	7.8	3.5	n/a	6.5	3.4
Total	$ 1,500.0	$ 406.9	5.6%	$ 1,500.0	$ 405.2	5.6%

(1) $425 million of this $800 million facility, which is intended to provide back-up liquidity for the commercial paper program, is excluded from the total available.

The Operating Partnership's substantial equity base, its access to public and private debt at competitive terms and its cash flow from operations should provide adequate liquidity for its general business needs, including capital requirements for mutual fund sales and other working capital requirements.

CASH DISTRIBUTIONS

The Operating Partnership is required to distribute all of its Available Cash Flow (as defined in the Alliance Capital Partnership Agreement) to the General Partner and Alliance Capital Unitholders. The Available Cash Flow of the Operating Partnership for the three and nine months ended September 30, 2004 and 2003, was as follows:

	Three Months Ended		Nine Months Ended	
(in thousands, except per Unit amounts)	**9/30/04**	**9/30/03**	**9/30/04**	**9/30/03**
Available Cash Flow	$ 151,042	$ 162,208	$ 382,941	$ 418,107
Distribution Per Unit	$ 0.59	$ 0.64	$ 1.50	$ 1.65

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 following critical accounting policies and estimates involve additional management judgment due to the sensitivity of the methods and assumptions used.

Deferred Sales Commission

See "Note 6. Commitments and Contingencies" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q.

Goodwill

Significant assumptions are required in performing goodwill and intangible asset impairment tests. For goodwill, such tests include determining whether the estimated fair value of the Operating Partnership, the reporting unit, exceeds its book value. There are several methods of estimating the Operating Partnership's fair values, which include valuation techniques such as market quotations and expected discounted cash flows. In developing estimated fair value using a discounted cash flow valuation technique, business growth rate assumptions are applied over the estimated life of the goodwill asset and the resulting expected cash flows are discounted to arrive at a present value amount that approximates fair value. As of September 30, 2004, management determined that goodwill was not impaired. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Should impairment occur, any loss would reduce materially the recorded amount of the Operating Partnership's asset with a corresponding charge to the Operating Partnership's expense.

Intangible Assets

Acquired intangibles are recognized at fair value and amortized over their estimated useful life. Intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Future cash flow estimates are used to test the intangible assets for recoverability. A present value technique is used to estimate the fair value of intangible assets using future cash flow estimates. The estimates used include estimating attrition factors of customer accounts, asset growth rates, direct expenses and fee rates. Developing these estimates requires highly uncertain assumptions as they are dependent upon historical trends that may or may not occur in the future. As of September 30, 2004, management determined that intangible assets were not impaired. However, future tests may be based upon different assumptions which may or may not result in an impairment of this asset. Should impairment occur, any loss would reduce materially the recorded amount of the Operating Partnership's asset with a corresponding charge to the Operating Partnership's expense.

COMMITMENTS AND CONTINGENCIES

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

See "Note 6. Commitments and Contingencies" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q.

ACCOUNTING PRONOUNCEMENTS

See "Note 11. Accounting Pronouncements" of the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Form 10-Q.

FORWARD-LOOKING STATEMENTS

Certain statements provided by Alliance Capital and Alliance Holding 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, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of such factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions and government regulations, including changes in tax rates. Alliance Capital and Alliance Holding caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which

such statements are made; Alliance Capital and Alliance Holding 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, please refer to the Risk Factors section in Part I of Form 10-K for the year ended December 31, 2003. Any or all of the forward-looking statements that we make in Form 10-Q, Form 10-K or any other public statements we issue may turn out to be wrong. It is important to remember that other factors besides those listed in the Risk Factors section could also adversely affect our business, operating results or financial condition.

The forward-looking statements referred to in the preceding paragraph include statements regarding the outcome of litigation and the overall effect on earnings of the sale of Alliance Capital's cash management business to Federated. Litigation is inherently unpredictable, and excessive judgments do occur. Though we have stated that we do not expect certain legal proceedings to have a material adverse effect on results of operations or financial condition, and though we have taken a charge in respect of "market timing-related matters", any settlement or judgment on the merits of a legal proceeding could be significant, and could have a material adverse effect on Alliance Capital's and Alliance Holding's results of operations or financial condition. The effect of the sale on earnings resulting from contingent payments in future periods will depend on the amount of net revenue earned by Federated during these periods on assets under management maintained in Federated's funds by Alliance Capital's former cash management clients. The amount of capital gain realized upon closing the transaction depends on an initial payment by Federated, some of which, in certain circumstances, would need to be returned to Federated.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Operating Partnership's market risk for the three and nine month periods ended September 30, 2004.

Item 4. Controls and Procedures

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

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

In addition, management evaluated Alliance Capital's internal control over financial reporting and there have been no changes that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

EXHIBIT 15

Report of Independent Registered Public Accounting Firm

The General Partner and Unitholders
Alliance Capital Management Holding L.P.

We have reviewed the condensed statement of financial condition of Alliance Capital Management Holding L.P. ("Alliance Holding") as of September 30, 2004, and the related condensed statements of income, changes in partners' capital and comprehensive income for the three-month and nine-month periods ended September 30, 2004 and 2003 and the condensed statements of cash flows for the nine-month periods ended September 30, 2004 and 2003. These condensed financial statements are the responsibility of the management of Alliance Capital Management Corporation, the General Partner.

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

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

We have previously audited, in accordance with standards established by the Public Company Accounting Oversight Board (United States), the statement of financial condition of Alliance Holding as of December 31, 2003 and the related statements of income, changes in partners' capital and comprehensive income and cash flows of Alliance Holding for the year ended December 31, 2003 (not presented herein); and in our report dated January 29, 2004, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed statement of financial condition as of December 31, 2003, is fairly stated, in all material respects, in relation to the statement of financial condition from which it has been derived.

/s/ KPMG LLP
KPMG LLP
New York, New York
November 5, 2004

EXHIBIT 31.1

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

1. I have reviewed this quarterly report on Form 10-Q of Alliance Capital Management Holding 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

   (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: November 4, 2004

/s/ Lewis A. Sanders
Lewis A. Sanders
Chief Executive Officer
Alliance Capital Management
Corporation, General Partner of
Alliance Capital Management Holding L.P.

EXHIBIT 31.2

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

1. I have reviewed this quarterly report on Form 10-Q of Alliance Capital Management Holding 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)) 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

   (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: November 4, 2004

/s/ Robert H. Joseph, Jr.
Robert H. Joseph, Jr.
Chief Financial Officer
Alliance Capital Management
Corporation, General Partner of
Alliance Capital Management Holding L.P.

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Capital Management Holding L.P. (the "Company") on Form 10-Q for the period ending September 30, 2004 to be filed with the Securities and Exchange Commission on or about November 5, 2004 (the "Report"), I, Lewis A. Sanders, Chief Executive Officer of Alliance Capital Management Corporation, general partner of the Company, certify, pursuant to 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 Securities Exchange Act of 1934; 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: November 4, 2004

/s/ Lewis A. Sanders
Lewis A. Sanders
Chief Executive Officer
Alliance Capital Management Corporation

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alliance Capital Management Holding L.P. (the "Company") on Form 10-Q for the period ending September 30, 2004 to be filed with the Securities and Exchange Commission on or about November 5, 2004 (the "Report"), I, Robert H. Joseph, Jr., Chief Financial Officer of Alliance Capital Management Corporation, general partner of the Company, certify, pursuant to 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 Securities Exchange Act of 1934; 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: November 4, 2004

/s/ Robert H. Joseph, Jr.
Robert H. Joseph, Jr.
Chief Financial Officer
Alliance Capital Management Corporation