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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **March 31, 2003**

OR

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

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

Commission File No. **000-29961**

**ALLIANCE CAPITAL MANAGEMENT L.P.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-4064930**  
(I.R.S. Employer Identification No.)

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

**(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 ☐

250,319,726 units of limited partnership interests in Alliance Capital Management L.P. were outstanding as of March 31, 2003.

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ALLIANCE CAPITAL MANAGEMENT L.P.

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Part I

FINANCIAL INFORMATION

Item 1.    [Financial Statements](#)

ALLIANCE CAPITAL MANAGEMENT L.P.  
AND SUBSIDIARIES  
Condensed Consolidated Statements of Financial Condition

(unaudited)  
(in thousands)

	<u>3/31/03</u>	<u>12/31/02</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 148,479	\$ 159,991
Cash and securities segregated, at market (cost: \$1,054,496 and \$1,174,215)	1,054,529	1,174,323
Receivables:		
Brokers and dealers	1,024,210	957,318
Brokerage clients	218,989	218,783
Fees, net	255,792	274,225
Investments	275,661	312,685
Furniture, equipment and leasehold improvements, net	244,112	249,688
Goodwill, net	2,876,657	2,876,657
Intangible assets, net	362,250	367,425
Deferred sales commissions, net	469,285	500,890
Other investments	25,202	29,233
Other assets	111,233	96,752
Total assets	<u>\$ 7,066,399</u>	<u>\$ 7,217,970</u>
<b><u>LIABILITIES AND PARTNERS' CAPITAL</u></b>		
Liabilities:		
Payables:		
Brokers and dealers	\$ 708,466	\$ 588,524
Brokerage clients	1,425,707	1,578,677
Alliance Mutual Funds	116,359	119,910
Accounts payable and accrued expenses	188,816	234,133
Accrued compensation and benefits	312,472	298,485
Debt	423,011	426,907
Minority interests in consolidated subsidiaries	8,009	7,883
Total liabilities	<u>3,182,840</u>	<u>3,254,519</u>
Commitments and Contingencies (See Note 6)		
Partners' capital	3,883,559	3,963,451
Total liabilities and partners' capital	<u>\$ 7,066,399</u>	<u>\$ 7,217,970</u>

ALLIANCE CAPITAL MANAGEMENT L.P.  
AND SUBSIDIARIES  
Condensed Consolidated Statements of Income

(unaudited)  
(in thousands, except per Unit amounts)

	<b>Three Months Ended</b>	
	<u>3/31/03</u>	<u>3/31/02</u>
<b>Revenues:</b>		
Investment advisory and services fees	\$ 412,281	\$ 486,283
Distribution revenues	100,024	129,179
Institutional research services	57,885	71,810
Shareholder servicing fees	23,857	24,624
Other revenues, net	8,567	8,627
	<u>602,614</u>	<u>720,523</u>
<b>Expenses:</b>		
Employee compensation and benefits	218,169	237,282
Promotion and servicing:		
Distribution plan payments	89,077	105,320
Amortization of deferred sales commissions	53,019	57,002
Other	36,540	51,204
General and administrative	79,181	80,603
Interest	6,349	7,212
Amortization of intangible assets	5,175	5,175
	<u>487,510</u>	<u>543,798</u>
Income before income taxes	115,104	176,725
Income taxes	6,043	8,837
Net income	<u>\$ 109,061</u>	<u>\$ 167,888</u>
<b>Net income per Unit:</b>		
Basic	<u>\$ 0.43</u>	<u>\$ 0.67</u>
Diluted	<u>\$ 0.43</u>	<u>\$ 0.66</u>

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)

	<b>Three Months Ended</b>	
	<u>3/31/03</u>	<u>3/31/02</u>
Partners' capital - beginning of period	\$ 3,963,451	\$ 3,988,160
<b>Comprehensive income:</b>		
Net income	109,061	167,888
Other comprehensive income:		
Unrealized (loss) on investments, net	(210)	(1,137)
Foreign currency translation adjustment, net	818	(1,137)
Comprehensive income	<u>109,669</u>	<u>166,560</u>
Capital contributions from General Partner	235	156
Cash distributions to General Partner and Alliance Capital Unitholders	(148,504)	(187,696)
Purchase of Alliance Holding Units to fund deferred compensation plans, net	(67,210)	(75,717)
Compensatory unit options expense	718	—
Amortization of deferred compensation expense	22,908	18,160
Proceeds from options for Alliance Holding Units exercised	2,292	9,016
Partners' capital - end of period	<u>\$ 3,883,559</u>	<u>\$ 3,918,639</u>

ALLIANCE CAPITAL MANAGEMENT L.P.  
AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows

(unaudited)  
(in thousands)

	Three Months Ended	
	3/31/03	3/31/02
Cash flows from operating activities:		
Net income	\$ 109,061	\$ 167,888
Adjustments to reconcile net income to net cash provided from operating activities:		
Amortization and depreciation	71,016	73,944
Other, net	32,852	23,979
Changes in assets and liabilities:		
Decrease in segregated cash and securities	119,794	316,974
(Increase) in receivable from brokers and dealers	(66,902)	(70,228)
(Increase) in receivable from brokerage clients	(426)	(95,719)
Decrease in fees receivables	18,893	34,949
(Increase) in deferred sales commissions	(21,418)	(34,992)
(Increase) decrease in trading and other investments	(27,457)	15,537
(Increase) in other assets	(14,705)	(2,121)
(Decrease) increase in payable to Alliance Mutual Funds	(3,544)	1,558
Increase in payable to brokers and dealers	120,006	140,008
(Decrease) in payable to brokerage clients	(152,992)	(437,703)
(Decrease) in accounts payable and accrued expenses	(45,467)	(6,552)
Increase in accrued compensation and benefits, less deferred compensation	5,231	14,861
Net cash provided from operating activities	143,942	142,383
Cash flows from investing activities:		
Purchase of investments	(369,164)	(1,340,772)
Proceeds from sale of investments	436,769	1,355,984
Additions to furniture, equipment and leasehold improvements, net	(6,960)	(14,651)
Net cash provided from investing activities	60,645	561
Cash flows from financing activities:		
Proceeds from issuance of debt	1,063,945	6,618,413
Repayment of debt	(1,068,000)	(6,528,091)
Cash distributions to General Partner and Alliance Capital Unitholders	(148,504)	(187,696)
Capital contributions from General Partner	235	156
Proceeds from options for Alliance Holding Units exercised	2,292	9,016
Purchase of Alliance Holding Units to fund deferred compensation plans, net	(67,210)	(75,717)
Net cash (used) in financing activities	(217,242)	(163,919)
Effect of exchange rate changes on cash and cash equivalents	1,143	(1,141)
Net (decrease) in cash and cash equivalents	(11,512)	(22,116)
Cash and cash equivalents at beginning of period	159,991	220,127
Cash and cash equivalents at end of period	\$ 148,479	\$ 198,011

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCE CAPITAL MANAGEMENT L.P.  
AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements  
March 31, 2003

(unaudited)

1. Organization and Bernstein Acquisition

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. Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940.

Alliance Holding Units are publicly traded on the New York Stock Exchange (“NYSE”). Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

At March 31, 2003, Alliance Holding owned approximately 76.9 million, or 30.7%, of the issued and outstanding Alliance Capital Units. ACMC owns 100,000 general partnership Units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. At March 31, 2003, AXA Financial was the beneficial owner of approximately 1.9% of the outstanding Alliance Holding Units and approximately 54.7% of the outstanding Alliance Capital Units which, including the general partnership interests in the Operating Partnership and Alliance Holding, represent an economic interest of approximately 55.7% in the Operating Partnership. At March 31, 2003, SCB Partners Inc., a wholly-owned subsidiary of SCB Inc., was the beneficial owner of approximately 13.0% of the 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 affiliates such as AXA and its insurance company subsidiaries, by means of separate accounts, sub-advisory relationships resulting from the efforts of the institutional marketing department, structured products, group trusts, mutual funds, and investment vehicles sold exclusively to institutional investors and high net worth individuals, (b) private clients, consisting of high net worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations and other entities, by means of separate accounts, hedge funds and certain other vehicles, (c) individual investors by means of retail mutual funds sponsored by the Operating Partnership, its subsidiaries and affiliated joint venture companies including cash management products such as money market funds and deposit accounts and sub-advisory relationships in respect of mutual funds sponsored by third parties resulting from the efforts of the mutual fund marketing department (“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 shareholder and administrative services to the Alliance Mutual Funds.

## 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 Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of (a) the

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Operating Partnership’s financial position at March 31, 2003, (b) the Operating Partnership’s results of operations for the three months ended March 31, 2003 and 2002, and (c) the Operating Partnership’s cash flows for the three months ended March 31, 2003 and 2002, have been made. The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 consolidated financial statements for the year ended December 31, 2002.

### Reclassifications

Prior period amounts reflect the reclassification of certain distribution plan payments to financial intermediaries from distribution plan payments to other promotion and servicing expense and the reclassification of certain expenses associated with deferred compensation owed to employees from interest expense to employee compensation and benefits expense.

### Goodwill, Net

Goodwill represents the excess of the purchase price over the fair value of identifiable assets of acquired companies. Prior to 2002, goodwill was amortized over estimated useful lives ranging from twenty to forty years. The Operating Partnership adopted Statement of Financial Accounting Standards No. 142 (“SFAS No. 142”), “*Goodwill and Other Intangible Assets*”, on January 1, 2002. Under SFAS No. 142, goodwill is no longer 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 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 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 receipts are recorded as reductions in unamortized deferred sales commissions when received.

Management tests intangible and deferred sales commission assets for impairment quarterly, or more often 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 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 discounted future cash flows.

The gross carrying amount and accumulated amortization of intangible assets subject to amortization totaled \$414.0 million and \$51.8 million at March 31, 2003, respectively. Amortization expense was \$5.2 million for the three months ended March 31, 2003 and 2002, respectively, and estimated amortization expense for each of the next five years is approximately \$20.7 million.

The gross carrying amount of deferred sales commissions, accumulated amortization and cumulative CDSC received were \$2.2 billion, \$1.3 billion and \$0.4 billion, respectively, at March 31, 2003, resulting in a net balance of \$0.5 billion.

#### Revenue Recognition

Investment advisory and services base fees, generally calculated as a small percentage of assets under management for clients, are recorded as revenue as the related services are performed. Certain investment advisory contracts provide for a performance fee, in addition to or in lieu of a base fee, that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance fees are recorded as revenue at the end of the measurement period. Investment advisory and services fees include brokerage transaction charges of 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, for services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Distribution revenues and shareholder servicing fees are accrued as earned.

#### Compensatory Option Plans

The Operating Partnership adopted in 2002 the fair value method of recording compensation expense, on a prospective basis and 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.

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

At March 31, 2003, \$1.1 billion in United States Treasury Bills was 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.

#### 5. Net Income Per Unit

Basic net income per Unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the basic weighted average number of Units outstanding. 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. (In thousands, except per Unit amounts):

	<u>Three Months Ended</u>	
	<u>3/31/03</u>	<u>3/31/02</u>
Net income	\$ 109,061	\$ 167,888
Weighted average Units outstanding - Basic	250,196	248,995
Dilutive effect of compensatory options	2,169	4,707
Weighted average Units outstanding - Diluted	252,365	253,702
Basic net income per Unit	\$ 0.43	\$ 0.67
Diluted net income per Unit	\$ 0.43	\$ 0.66

#### 6. Commitments and Contingencies

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") (formerly Alliance Fund Distributors, Inc.) at the time of sale. ABIRM in turn pays sales commissions to the financial intermediaries distributing the funds from the front-end sales charge paid by 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 receives higher ongoing distribution fees from the funds. Payments of sales commissions made to financial intermediaries in connection with the sale of Back-End Load Shares under the System, net of CDSC received, totaled approximately \$21.4 million during the first quarter of 2003.

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 and amortized over periods not exceeding five and one-half years, the periods of time during which deferred sales commissions are expected to be recovered from distribution fees received from those funds and from CDSC received from shareholders of those funds upon redemption of their shares. CDSC receipts are recorded as reductions of unamortized deferred sales commissions when received. The recorded amount of the deferred sales commission asset was \$469.3 million at March 31, 2003.

Management tests the deferred sales commission asset for recoverability quarterly, or more often when events or changes in circumstances occur that could significantly increase the risk of impairment of the asset. Management determines recoverability by estimating undiscounted future cash flows to be realized from this asset, as compared to its recorded amount, as well as the estimated remaining life of the deferred sales commission asset over which undiscounted future cash flows are expected to be received. Undiscounted future cash flows consist of ongoing distribution fees and CDSC. Distribution fees are calculated as a percentage of average assets under management related to Back-End Load Shares. CDSC is based on the lower of cost or current value, at the time of redemption, of Back-End Load Shares redeemed and the point at which redeemed during the applicable minimum holding period under the System.

Significant assumptions utilized to estimate future average assets under management of 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 March 31, 2003, management used assumptions of 7% for fixed income and ranging from 9% to 10% for equity, respectively, 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 March 31, 2003. Management determined that a range of

assumed average annual redemption rates of 15% to 18%, calculated as a percentage of average assets under management, should be used at March 31, 2003. 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 updated periodically. Estimates of undiscounted future cash flows and the remaining life of the deferred sales commission asset are made from these assumptions. Management considers the results of these analyses performed at various dates. As of March 31, 2003, management determined that the deferred sales commission asset was not impaired. If management determines in the future that the deferred sales commission asset is not recoverable, an impairment condition would exist and a loss would be measured as the amount by which the recorded amount of the asset exceeds its estimated fair value. Estimated fair value is determined using management's best estimate of future cash flows discounted to a present value amount.

During the first quarter of 2003, equity markets declined by approximately 3% as measured by the change in the Standard & Poor's 500 Stock Index while fixed income markets increased by approximately 1% as measured by the change in the Lehman Brothers' Aggregate Bond Index. The redemption rate for domestic Back-End Load Shares exceeded 22% during the first quarter of 2003. Continued declines in financial markets or continued higher redemption levels, or both, as compared to the assumptions used to estimate undiscounted future cash flows, as described above, could result in the impairment of the deferred sales commission asset. Due to the volatility of the capital markets and changes in redemption rates, management is unable to predict whether or when a future impairment of the deferred sales commission asset will occur. Should an impairment occur, any loss would reduce materially the recorded amount of the asset with a corresponding charge to expense.

On April 25, 2001, an amended class action complaint entitled *Miller, et al. v. Mitchell Hutchins Asset Management, Inc., et al.* ("Miller Complaint"), was filed in federal district court in the Southern District of Illinois against Alliance Capital, Alliance Fund Distributors, Inc. (now known as AllianceBernstein Investment Research and Management, Inc. "ABIRM"), and other defendants alleging violations of the federal Investment Company Act of 1940, as amended ("ICA") and breaches of common law fiduciary duty. The allegations in the Miller Complaint concern six mutual funds with which Alliance Capital has investment advisory agreements, including Alliance Premier Growth Fund ("Premier Growth Fund"), Alliance Health Care Fund, Alliance Growth Fund, Alliance Quasar Fund, Alliance Fund, and Alliance Disciplined Value Fund. The principal allegations of the Miller Complaint are that (i) certain advisory agreements concerning these funds were negotiated, approved, and executed in violation of the ICA, in particular because certain directors of these funds should be deemed interested under the ICA; (ii) the distribution plans for these funds were negotiated, approved, and executed in violation of the ICA; and (iii) the advisory fees and distribution fees paid to Alliance Capital and ABIRM, respectively, are excessive and, therefore, constitute a breach of fiduciary duty. Plaintiffs seek a recovery of certain fees paid by these funds to Alliance Capital. On March 12, 2002, the court issued an order granting defendants' joint motion to dismiss the Miller Complaint. The court allowed plaintiffs up to and including April 1, 2002 to file an amended complaint comporting with its order. On April 1, 2002, plaintiffs filed an amended complaint. The allegations and relief sought in the amended complaint are virtually identical to the Miller Complaint. On May 1, 2002, defendants filed a motion to dismiss the amended complaint. In an order dated March 6, 2003, the court denied in part, and granted in part, defendants' motion to dismiss. The court declined to dismiss plaintiffs' claims that certain advisory and distribution fees paid to Alliance Capital and ABIRM, respectively, were excessive in violation of section 36 (b) of the ICA. The court dismissed plaintiffs' claims that certain distribution plans were adopted in violation of the ICA.

Alliance Capital and ABIRM believe that plaintiffs' allegations in the amended complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital and ABIRM are unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

On December 7, 2001, a complaint entitled *Benak v. Alliance Capital Management L.P. and Alliance Premier Growth Fund* ("Benak Complaint") was filed in federal district court in the District of New Jersey against Alliance Capital and Premier Growth Fund alleging violation of the ICA. The principal allegations of the Benak Complaint are that Alliance Capital breached its duty of loyalty to Premier Growth Fund because one of the directors of the General Partner of Alliance Capital served as a director of Enron Corp. ("Enron") when Premier Growth Fund purchased shares of Enron and as a consequence thereof the investment advisory fees paid to Alliance Capital by Premier Growth Fund should be returned as a means of recovering for Premier Growth Fund the losses plaintiff alleges were caused by the alleged breach of the duty of loyalty. Plaintiff seeks recovery of certain fees paid by Premier Growth Fund to Alliance Capital. Subsequently, between December 21, 2001, and July 11, 2002, five complaints making substantially the same allegations and seeking substantially the same relief as the Benak Complaint were filed against Alliance Capital and Premier Growth Fund. All of those actions were consolidated in federal district court in the District of New Jersey. On January 6, 2003, a consolidated amended complaint entitled *Benak v.*

*Alliance Capital Management L.P.* was filed containing allegations similar to those in the individual complaints and alleging violation of the ICA. While the Benak Consolidated Amended Complaint seeks relief similar to that requested in the individual actions, it does not name Premier Growth Fund as a defendant. On February 7, 2003, Alliance Capital moved to dismiss the Benak Consolidated Amended Complaint. That motion is pending.

Alliance Capital believes the plaintiffs' allegations in the Benak Consolidated Amended Complaint are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of these actions may have on Alliance Capital's results of operations or financial condition.

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, as amended ("Securities Act") with respect to a registration statement filed by 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 who was and remains 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 rescissory measure of damages. The Enron Complaint specifically states that "[n]o allegations of fraud are made against or directed at" Alliance Capital. 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.

Alliance Capital believes the allegations of the Enron Complaint as to it are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

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 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, and the case is currently in discovery.

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Alliance Capital believes the SBA's allegations in the SBA Complaint are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

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 federal district court in the Southern District of New York against Alliance Capital, Alfred Harrison and Premier Growth Fund alleging violation of the ICA. The Jaffe Complaint alleges that the defendants breached their fiduciary duties of loyalty, care and good faith to Premier Growth Fund by causing Premier Growth Fund to invest in the securities of Enron and that the agreements between Premier Growth Fund and Alliance Capital violated the ICA because all of the directors of Premier Growth Fund should be deemed interested under the ICA. 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 to be consolidated with the *Benak v. Alliance Capital Management L.P.* action already pending there.

Alliance Capital and Alfred Harrison believe that plaintiff's allegations in the Jaffe Complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

On December 13, 2002, a complaint entitled *Patrick J. Goggins et al., v. Alliance Capital Management L.P. et al.* ("Goggins Complaint") was filed in federal district court in the Southern District of New York against Alliance Capital, Premier Growth Fund and individual directors and certain officers of Premier Growth Fund. The Goggins Complaint alleges that defendants violated the Securities Act because Premier Growth Fund's registration statements and prospectuses allegedly were materially misleading, contained untrue statements of material fact and omitted material facts in describing the strategic objectives and investment strategies of Premier Growth Fund in relation to its investments, including its investments in Enron securities. Plaintiffs seek rescissory relief or an unspecified amount of compensatory damages. Alliance Capital's time to move, answer or otherwise respond to the Goggins Complaint is currently stayed.

Alliance Capital, Premier Growth Fund and the other defendants believe the plaintiffs' allegations in the Goggins Complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital'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. Compensatory Unit Award and Option Plans

The Operating Partnership adopted in 2002 the fair value method of recording compensation expense, on a prospective basis and using a straight-line amortization policy, relating to compensatory option awards of Alliance Holding Units as permitted by SFAS 123 and as amended by SFAS 148. Compensation expense relating to unit option awards granted after 2001 totaled approximately \$.7 million for the three months ended March 31, 2003.



The Operating Partnership applies APB 25 for compensatory unit option awards made prior to 2002 and, accordingly, no compensation expense has been recognized for those options since they were granted with exercise prices equal to the fair market value on the date of grant. Had the Operating Partnership recorded compensation expense for those options based on the fair value at their grant date under SFAS 123, the Operating Partnership's net income for the three months ended March 31, 2003 and 2002 would have been reduced to the pro forma amounts indicated below (in thousands, except per Unit amounts):

	Three Months Ended	
	3/31/03	3/31/02
<b>SFAS 123 pro forma net income:</b>		
Net income as reported	\$ 109,061	\$ 167,888
Add: stock-based compensation expense included in net income, net of tax	682	—
Deduct: total stock-based compensation expense determined under fair value method for all awards, net of tax	(2,801)	(4,681)
<b>SFAS 123 pro forma net income</b>	<b>\$ 106,942</b>	<b>\$ 163,207</b>
<b>Net income per Unit:</b>		
Basic net income per unit as reported	\$ 0.43	\$ 0.67
Basic net income per unit pro forma	\$ 0.42	\$ 0.65
Diluted net income per unit as reported	\$ 0.43	\$ 0.66
Diluted net income per unit pro forma	\$ 0.42	\$ 0.64

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected Alliance Holding Unit price volatility. Because compensatory employee options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of compensatory options.

During the first quarter of 2003, management classified the Century Club Plan ("the Plan") as a compensatory unit award plan rather than non-compensatory and \$1.5 million was recorded as the value of the unvested portion of the Alliance Holding Units awarded under the Plan. There was no net cumulative effect on partners' capital of the Operating Partnership and accordingly, no opening adjustment was required. Unvested awards under the Plan are being amortized prospectively over the applicable vesting periods.

## 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 ("UBT"). 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 corporate 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	
	3/31/03	3/31/02
Interest	\$ 16,074	\$ 20,509
Income taxes	1,100	5,889

## 10. Cash Distribution

On April 29, 2003, the General Partner declared a distribution of \$108,725,000 or \$0.43 per Alliance Capital Unit representing a distribution from Available Cash Flow (as defined in the Alliance Capital Partnership Agreement) of the Operating Partnership for the three months ended March 31, 2003. The distribution is payable on May 22, 2003 to holders of record at close of business on May 9, 2003.

## 11. Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 is effective for exit or disposal activities initiated after December 31, 2002. Management adopted this Statement on January 1, 2003 and the adoption of SFAS 146 did not have a material effect on the Operating Partnership's results of operations, liquidity or capital resources.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities". FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements", for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Although the analysis of FIN 46 has not yet been completed, management

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

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with Alliance Capital's unaudited condensed consolidated financial statements and notes contained in Item 1 of this Form 10-Q and management's discussion and analysis of financial condition and results of operations included in Alliance Capital's Annual Report on Form 10-K for the year ended December 31, 2002.

**ASSETS UNDER MANAGEMENT(1)**

(Dollars in billions)	3/31/03	3/31/02	\$ Change	% Change
Retail	\$ 134.0	\$ 169.5	\$ (35.5)	(20.9)%
Institutional investment management	212.5	242.1	(29.6)	(12.2)
Private client	39.8	40.6	(0.8)	(2.0)
Total	\$ 386.3	\$ 452.2	\$ (65.9)	(14.6)%

**ASSETS UNDER MANAGEMENT BY INVESTMENT ORIENTATION (1)(3)**

(Dollars in billions)	3/31/03	3/31/02	\$ Change	% Change
Active equity & balanced - Growth				
U.S.	\$ 85.1	\$ 136.3	\$ (51.2)	(37.6)%
Global & international	18.5	29.4	(10.9)	(37.1)
Active equity & balanced - Value				
U.S.	72.8	83.8	(11.0)	(13.1)
Global & international	24.5	24.4	0.1	0.4
Total active equity & balanced	200.9	273.9	(73.0)	(26.7)
Active fixed income				
U.S.	127.6	115.5	12.1	10.5
Global & international	36.0	31.4	4.6	14.6
Passive				
U.S.	17.6	24.9	(7.3)	(29.3)
Global & international	4.2	6.5	(2.3)	(35.4)
Total	\$ 386.3	\$ 452.2	\$ (65.9)	(14.6)%

**AVERAGE ASSETS UNDER MANAGEMENT (1) (2)**

(Dollars in billions)	Three Months Ended		% Change
	3/31/03	3/31/02	
Retail	\$ 134.5	\$ 168.7	(20.3)%
Institutional investment management	210.0	239.6	(12.4)
Private client	39.7	39.7	n/a
Total	\$ 384.2	\$ 448.0	(14.2)%

**ANALYSIS OF ASSETS UNDER MANAGEMENT(1)**

(Dollars in billions)	2003				2002			
	Retail	Institutional Investment Mgmt	Private Client	Total	Retail	Institutional Investment Mgmt	Private Client	Total
Balance at January 1,	\$ 135.9	\$ 211.0	\$ 39.7	\$ 386.6	\$ 171.5	\$ 241.5	\$ 39.2	\$ 452.2
Sales/new accounts	6.3	6.4	1.7	14.4	9.3	6.3	1.9	17.5
Redemptions/terminations	(6.5)	(3.3)	(0.7)	(10.5)	(6.9)	(3.2)	(0.7)	(10.8)
Net cash management sales	(0.4)	—	—	(0.4)	(1.5)	—	—	(1.5)
Cash flow/Unreinvested dividends	(0.5)	1.2	(0.1)	0.6	(0.2)	0.4	(0.3)	(0.1)
Net asset inflows (outflows)	(1.1)	4.3	0.9	4.1	0.7	3.5	0.9	5.1
Market appreciation (depreciation)	(0.8)	(2.8)	(0.8)	(4.4)	(2.7)	(2.9)	0.5	(5.1)
Net change	(1.9)	1.5	0.1	(0.3)	(2.0)	0.6	1.4	—
Balance at March 31,	\$ 134.0	\$ 212.5	\$ 39.8	\$ 386.3	\$ 169.5	\$ 242.1	\$ 40.6	\$ 452.2

- (1) Assets under management ("AUM") exclude certain non-discretionary relationships and assets managed by unconsolidated affiliates.
- (2) Average monthly AUM.
- (3) Includes a transfer, due to a change in investment orientation, of approximately \$9.7 billion to active equity and balanced - growth U.S. from active equity and balanced - growth global and international.

The Operating Partnership's revenues are largely dependent on the total value and composition of assets under its management.

Assets under management were \$386.3 billion at March 31, 2003, a decrease of 14.6% from March 31, 2002, primarily as a result of significant market depreciation due to global equity market declines and net asset outflows. Active equity and balanced assets under management, which comprise approximately 52% of total assets under management, were 26.7% lower. Active fixed income assets under management including cash management products, which comprise approximately 42% of total assets under management, increased by 11.4%. Assets under management at March 31, 2003 decreased

\$0.3 billion from December 31, 2002 due to market depreciation offset by net asset inflows. Retail assets under management at March 31, 2003 were \$134.0 billion, a decrease of \$1.9 billion or 1.4% from December 31, 2002, due to net asset outflows of \$1.1 billion and market depreciation of \$0.8 billion. Institutional investment management assets under management at March 31, 2003 were \$212.5 billion, an increase of \$1.5 billion or 0.7% from December 31, 2002. This increase was due to net asset inflows of \$4.3 billion offset by market depreciation of \$2.8 billion. Private client assets under management at March 31, 2003 were \$39.8 billion, an increase of \$0.1 billion or 0.3% from December 31, 2002. This increase was due to net asset inflows of \$0.9 billion offset by market depreciation of \$0.8 billion.

Assets under management at March 31, 2002 were \$452.2 billion, unchanged from December 31, 2001. Retail assets under management at March 31, 2002 were \$169.5 billion, a decrease of \$2.0 billion or 1.2% from December 31, 2001, due to market depreciation of \$2.7 billion offset by net asset inflows of \$0.7 billion. Institutional investment management assets under management at March 31, 2002 were \$242.1 billion, an increase of \$0.6 billion or 0.2% from December 31, 2001. This increase was due to net asset inflows of \$3.5 billion offset by market depreciation of \$2.9 billion. Private client assets under management at March 31, 2002 were \$40.6 billion, an increase of \$1.4 billion or 3.6% from December 31, 2001. This increase was due to net asset inflows of \$0.9 billion and market appreciation of \$0.5 billion.

## CONSOLIDATED RESULTS OF OPERATIONS

(Dollars in millions, except per Unit amounts)	Three Months Ended		% Change
	3/31/03	3/31/02	
Revenues	\$ 602.6	\$ 720.5	(16.4)%
Expenses	487.5	543.8	(10.4)
Income before income taxes	115.1	176.7	(34.9)
Income taxes	6.0	8.8	(31.8)
Net income	\$ 109.1	\$ 167.9	(35.0)
Diluted net income per Unit	\$ 0.43	\$ 0.66	(34.8)
Base fee earnings	\$ 106.2	\$ 164.0	(35.2)
Performance fee earnings	2.9	3.9	(25.6)
Net Income	\$ 109.1	\$ 167.9	(35.0)
Base fee earnings per Unit	\$ 0.42	\$ 0.64	(34.4)
Performance fee earnings per Unit	0.01	0.02	(50.0)
Diluted net income per Unit	\$ 0.43	\$ 0.66	(34.8)
Distributions per Unit	\$ 0.43	\$ 0.67	(35.8)
Total revenues	\$ 602.6	\$ 720.5	(16.4)
Less: Distribution revenues	(100.0)	(129.2)	(22.6)
Net revenues	502.6	591.3	(15.0)
Total expenses	487.5	543.8	(10.4)
Less: distribution revenues	(100.0)	(129.2)	(22.6)
Net expenses	387.5	414.6	(6.5)
Pre-tax income	\$ 115.1	\$ 176.7	(34.9)%
Pre-tax margin (GAAP)(1)	19.1%	24.5%	
Adjustment(2)	3.8	5.4	
Pre-tax margin (non-GAAP)(3)	22.9%	29.9%	

- (1) Pre-tax income as a percentage of total revenues.
- (2) Amount of difference between GAAP and non-GAAP pre-tax margin resulting from reducing total revenues and total expenses by the amount of distribution revenues, which revenues represent a partial reimbursement of distribution expenses. Management believes this presentation provides a measure of financial performance that is more comparable to other asset management companies.
- (3) Pre-tax margin (non-GAAP), pre-tax income as a percentage of net revenues, is presented as a non-GAAP financial measure and the table provides a reconciliation to GAAP.

Net income for the three months ended March 31, 2003 decreased \$58.8 million or 35.0% to \$109.1 million from net income of \$167.9 million for the three months ended March 31, 2002. Diluted net income per Unit for the three months ended March 31, 2003 decreased \$0.23 or 34.8% to \$0.43 from diluted net income per Unit of \$0.66 for the three months ended March 31, 2002. The decrease was principally due to a decrease in revenues, primarily investment advisory fees, distribution and institutional research services revenues, resulting in a decrease in net income, notwithstanding a decrease in expenses, primarily promotion and servicing and employee compensation and benefits.

## REVENUES

(Dollars in millions)	Three Months Ended		% Change
	3/31/03	3/31/02	
Investment advisory and services fees:			

Retail	\$	172.5	\$	217.9	(20.8)%
Institutional investment management		142.7		165.7	(13.9)
Private client		97.1		102.7	(5.5)
Subtotal		412.3		486.3	(15.2)
Distribution revenues		100.0		129.2	(22.6)
Institutional research services		57.9		71.8	(19.4)
Shareholder servicing fees		23.9		24.6	(2.9)
Other revenues, net		8.5		8.6	(1.2)
Total	\$	602.6	\$	720.5	(16.4)%

## INVESTMENT ADVISORY AND SERVICES FEES

Investment advisory and services fees, the largest component of the Operating Partnership's revenues, are generally calculated as a small percentage of the value of assets under management and vary with the type of account managed. Fee income is therefore 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., LLC ("SCB LLC"), a wholly-owned subsidiary of the Operating Partnership, for substantially all private client transactions and certain institutional investment management client transactions. Investment advisory and services fees for the three months ended March 31, 2003 decreased 15.2% from first quarter 2002 primarily due to market depreciation of assets under management and net asset outflows.

Certain investment advisory contracts provide for a performance fee, in addition to or in lieu of a base fee, that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance fees are recorded as 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. Performance fees aggregated \$4.0 million for the three months ended March 31, 2003 and \$6.2 million in the first quarter of 2002.

Retail investment advisory and services fees for the three months ended March 31, 2003 decreased by \$45.4 million or 20.8% from the three months ended March 31, 2002 primarily as a result of a 20.3% decrease in average retail assets under management and a \$0.3 million decrease in performance fees.

Institutional investment management investment advisory and services fees for the three months ended March 31, 2003 decreased by \$23.0 million or 13.9% from the three months ended March 31, 2002 due primarily to a 12.4% decrease in average assets under management, a decrease in transaction charges and a decrease in performance fees of \$1.8 million.

Private client investment advisory and services fees for the three months ended March 31, 2003 decreased by \$5.6 million or 5.5% from the three months ended March 31, 2002 due primarily to a decrease in transaction charges.

## DISTRIBUTION REVENUES

The Operating Partnership's subsidiary, AllianceBernstein Investment Research and Management, Inc. ("ABIRM") (formerly Alliance Fund Distributors, Inc.), acts as distributor of the Alliance Mutual Funds and receives distribution plan fees from those funds in reimbursement of distribution expenses it incurs. Distribution revenues for the three months ended March 31, 2003 decreased 22.6% compared to the three months ended March 31, 2002 principally due to lower average mutual fund assets under management attributable to market depreciation and net asset outflows.

## INSTITUTIONAL RESEARCH SERVICES

Institutional research services revenue consists principally of brokerage transaction charges related to services provided to institutional investors by SCB LLC, in New York, and Sanford C. Bernstein Limited ("SCBL"), a wholly-owned subsidiary of the Operating Partnership, in London. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Revenues from institutional research services for the three months ended March 31, 2003 were \$57.9 million, a decrease of 19.4% from the three months ended March 31, 2002 due to addressable, non-program trading, market declines.

## 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 months ended March 31, 2003 decreased 2.9% from the three months ended March 31, 2002. The number of shareholder accounts serviced were approximately 7.2 million as of March 31, 2003 compared to approximately 7.6 million as of March 31, 2002.

## OTHER REVENUES, NET

Other revenues, net consist principally of fees earned for administration and recordkeeping services provided to the Alliance Mutual Funds and the General Accounts of The Equitable Life Assurance Society of the United States ("ELAS"), a wholly-owned subsidiary of AXA Financial, and its insurance subsidiary. Investment income and changes in market value of investments are also included. Subsequent to the Bernstein Acquisition, other revenues, net also includes net interest income earned on securities loaned to and borrowed from brokers and dealers. Other revenues, net for the three months ended March 31, 2003 decreased 1.2% from the three months ended March 31, 2002.

## EXPENSES

(Dollars in millions)	Three Months Ended		% Change
	3/31/03	3/31/02	
Employee compensation and benefits	\$ 218.1	\$ 237.3	(8.1)%
Promotion and servicing	178.7	213.5	(16.3)
General and administrative	79.2	80.6	(1.7)
Interest	6.3	7.2	(12.5)
Amortization of intangible assets	5.2	5.2	n/a
Total	\$ 487.5	\$ 543.8	(10.4)%

## **EMPLOYEE COMPENSATION AND BENEFITS**

Employee compensation and benefits include salaries, commissions, fringe benefits and cash and deferred incentive compensation based on profitability. Provisions for future payments to be made under certain deferred compensation arrangements are also included.

Employee compensation and benefits for the three months ended March 31, 2003 decreased 8.1% from the three months ended March 31, 2002 primarily as a result of lower commissions, base compensation, incentive compensation and fringe benefits. The overall decrease in incentive compensation was due to lower cash compensation from lower operating earnings offset partially by higher deferred compensation primarily attributable to a deferred compensation plan entered into in connection with the Bernstein acquisition. The Operating Partnership had 4,145 employees at March 31, 2003 compared to 4,475 at March 31, 2002.

## **PROMOTION AND SERVICING**

Promotion and servicing expenses 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 under the System. See "Capital Resources and Liquidity" and "Note 6. Commitments and Contingencies" of the unaudited condensed consolidated financial statements contained in Item 1 of this Form 10-Q. Also included in this expense category are travel and entertainment, advertising, promotional materials, and investment meetings and seminars for financial intermediaries that distribute the Operating Partnership's mutual fund products.

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Promotion and servicing expenses for the three months ended March 31, 2003 decreased 16.3% from the three months ended March 31, 2002 primarily due to lower distribution plan payments and a decrease in other promotion and servicing. Other promotion and servicing expenses decreased primarily as a result of lower printing, mailing and travel and entertainment costs.

## **GENERAL AND ADMINISTRATIVE**

General and administrative expenses are costs related to operations, including technology, professional fees, occupancy, communications, equipment and similar expenses. General and administrative expenses for the three months ended March 31, 2003 decreased 1.7% from the three months ended March 31, 2002 principally as a result of lower office and technology related services offset by higher legal fees for litigation.

## **INTEREST**

Interest expense is incurred on the Operating Partnership's borrowings. Interest expense for the three months ended March 31, 2003 decreased 12.5% from the three months ended March 31, 2002 primarily as a result of lower short-term debt.

## **GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets are attributable to acquisitions made by the Operating Partnership, including the Bernstein Acquisition and the acquisition of ACMC, Inc., the predecessor of both Alliance Holding and the Operating Partnership, by ELAS during 1985.

The Operating Partnership's unaudited condensed consolidated statement of financial condition as of March 31, 2003 includes net goodwill, the excess of the purchase price over the fair value of identifiable assets of acquired companies, of approximately \$2.9 billion and intangible assets, the costs assigned to investment management contracts of businesses acquired, of approximately \$362 million. As a result of the adoption of SFAS 142, net goodwill is tested for impairment annually. Intangible assets are amortized on a straight-line basis over estimated useful lives of twenty years and tested for impairment periodically.

Significant assumptions are required in performing goodwill and intangible assets impairment tests. For goodwill, such tests include determining whether the Operating Partnership's estimated fair value exceeds its book value. There are several methods of estimating the reporting unit's fair values, which includes 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. For intangible assets, such tests include determining whether expected undiscounted future cash flows exceed its book value. Market growth, asset attrition and fee rates as well as expense assumptions are applied over the estimated useful life of the intangible assets. As of March 31, 2003, management believed that goodwill and intangible assets were not impaired. However, future tests may be based upon different assumptions, which may or may not result in an impairment of these assets.

## **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 generally included in the filing of a consolidated federal income tax return; separate state and local income tax returns are filed. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located.

Income tax expense of \$6.0 million for the three months ended March 31, 2003 decreased \$2.8 million from the three months ended March 31, 2002 primarily as a result of lower pre-tax income.

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## **CAPITAL RESOURCES AND LIQUIDITY**

Partners' capital of the Operating Partnership was \$3,883.6 million at March 31, 2003, a decrease of \$79.9 million or 2.0% from \$3,963.5 million at December 31, 2002. The decrease is primarily due to cash distributions in respect of the Operating Partnership's Available Cash Flow (as defined in the Alliance Capital Partnership Agreement) for the fourth quarter of 2002 paid in the first quarter of 2003, and the purchase of Alliance Holding Units to fund deferred compensation plans, partially offset by net income for the three months ended March 31, 2003. During the first quarter of 2003, management classified the Century Club Plan, a compensatory unit award plan, as a deferred compensation plan, which resulted in no net effect on the Operating Partnership's partners' capital at March 31, 2003.

Cash flow from operations, proceeds from borrowings and proceeds from the issuance of Operating Partnership Units to AXA Financial and its subsidiaries have been the Operating Partnership's principal sources of working capital.

The Operating Partnership's cash and cash equivalents decreased \$11.5 million during the three months ended March 31, 2003. Cash inflows for the first three months included \$143.9 million provided from operations and net proceeds from sales of investments of \$67.6 million. Cash outflows included cash distributions of \$148.5 million, purchases of Alliance Holding Units to fund deferred compensation plans of \$67.2 million and capital expenditures of \$7.0 million.

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 paid by 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 receives higher ongoing distribution fees from the funds. 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 under the System, net of CDSC received, totaled approximately \$21.4 million for the three months ended March 31, 2003.

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. 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 March 31, 2003.

The Operating Partnership maintains 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") in a public offering. 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 the agreement, the Operating Partnership guarantees various obligations of Sanford C. Bernstein Limited ("SCBL") incurred in the ordinary course of its business in the event SCBL is unable to meet those obligations. At March 31, 2003, 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 March 31, 2003 and 2002 were as follows:

(Dollars in millions)	March 31,					
	2003			2002		
	Total Available	Amount Outstanding	Interest Rate	Total Available	Amount Outstanding	Interest Rate
Senior Notes	\$ 600.0	\$ 398.5	5.9%	\$ 600.0	\$ 398.1	5.9%
Commercial paper	425.0	18.0	1.4	425.0	314.4	1.9
Revolving credit facility	375.0(1)	—	—	450.0	—	—
Extendible Commercial Notes	100.0	—	—	100.0	—	—
Other	n/a	6.5	2.9	n/a	6.5	4.4
Total	\$ 1,500.0	\$ 423.0	5.7%	\$ 1,575.0	\$ 719.0	4.1%

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

The Operating Partnership's substantial equity base and access to public and private debt, at competitive terms, should provide adequate liquidity for its general business needs. Management believes that cash flow from operations and the issuance of debt and Alliance Capital or Alliance Holding Units will provide the Operating Partnership with the financial resources to meet its capital requirements for mutual fund sales and its other working capital requirements.

## COMMITMENTS AND CONTINGENCIES

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

See "Note 6. Commitments and Contingencies" of the unaudited condensed consolidated financial statements contained in Item 1 of this Form 10-Q for a discussion of the Operating Partnership's mutual fund distribution system and related deferred sales commission asset and of certain legal proceedings to which the Operating Partnership is a party.

## ACCOUNTING PRONOUNCEMENTS



In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 (“SFAS 146”), “*Accounting for Costs Associated with Exit or Disposal Activities*”. SFAS 146 is effective for exit or disposal activities initiated after December 31, 2002. Management adopted this Statement on January 1, 2003 and the adoption of SFAS 146 did not have a material effect on the Operating Partnership’s results of operations, liquidity or capital resources.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (“FIN 46”), “*Consolidation of Variable Interest Entities*”. FIN 46 clarifies the application of Accounting Research Bulletin No. 51, “*Consolidated Financial Statements*”, for certain entities in which equity investors do not have

the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Although the analysis of FIN 46 has not yet been completed, management does not believe, at the present time, the application of FIN 46 will have a material effect on the Operating Partnership’s results of operations, liquidity or capital resources.

## 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 months ended March 31, 2003 and 2002, respectively, was as follows:

	Three Months Ended	
	3/31/03	3/31/02
Available Cash Flow (in thousands)	\$ 108,725	\$ 168,728
Distribution per Unit	\$ 0.43	\$ 0.67

## 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.

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

There have been no material changes to the Operating Partnership’s market risk for the quarterly period ended March 31, 2003.

### Item 4. Controls and Procedures

Alliance Capital’s Chief Financial Officer and Chief Executive Officer have concluded that Alliance Capital’s disclosure controls and procedures are effective. There have been no significant changes in Alliance Capital’s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

## Part II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

On April 25, 2001, an amended class action complaint entitled *Miller, et al. v. Mitchell Hutchins Asset Management, Inc., et al.* (“Miller Complaint”), was filed in federal district court in the Southern District of Illinois against Alliance Capital Management L.P. (“Alliance Capital”), Alliance Fund Distributors, Inc. (now known as AllianceBernstein Investment Research and Management, Inc. “ABIRM”), and other defendants alleging violations of the federal Investment Company Act of 1940, as amended (“ICA”) and breaches of common law fiduciary duty. The allegations in the Miller Complaint concern six mutual funds with which Alliance Capital has investment advisory agreements, including Alliance Premier Growth Fund (“Premier Growth Fund”), Alliance Health Care Fund, Alliance Growth Fund, Alliance Quasar Fund, Alliance Fund, and Alliance Disciplined Value Fund. The principal allegations of the Miller Complaint are that (i) certain advisory agreements concerning these funds were negotiated, approved, and executed in violation of the ICA, in particular because certain directors of these funds should be deemed interested under the ICA; (ii) the distribution plans for these funds were negotiated, approved, and executed in violation of the ICA; and (iii) the advisory fees and distribution fees paid to Alliance Capital and ABIRM, respectively, are excessive and, therefore, constitute a breach of fiduciary duty. Plaintiffs seek a recovery of certain fees paid by these funds to Alliance Capital. On March 12, 2002, the court issued an order granting defendants’ joint motion to dismiss the Miller Complaint. The court allowed plaintiffs up to and including April 1, 2002 to file an amended complaint comporting with its order. On April 1, 2002, plaintiffs filed an amended complaint. The allegations and relief sought in the amended complaint are virtually identical to the Miller Complaint. On May 1, 2002, defendants filed a motion to dismiss the amended complaint. In an order dated March 6, 2003, the court denied in part, and granted in part, defendants’ motion to dismiss. The court declined to dismiss plaintiffs’ claims that certain advisory and distribution fees paid to Alliance Capital and ABIRM, respectively, were excessive in violation of section 36 (b) of the ICA. The court dismissed plaintiffs’ claims that certain distribution plans were adopted in violation of the ICA.

Alliance Capital and ABIRM believe that plaintiffs' allegations in the amended complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital and ABIRM are unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

On December 7, 2001, a complaint entitled *Benak v. Alliance Capital Management L.P. and Alliance Premier Growth Fund* ("Benak Complaint") was filed in federal district court in the District of New Jersey against Alliance Capital and Premier Growth Fund alleging violation of the ICA. The principal allegations of the Benak Complaint are that Alliance Capital breached its duty of loyalty to Premier Growth Fund because one of the directors of the General Partner of Alliance Capital served as a director of Enron Corp. ("Enron") when Premier Growth Fund purchased shares of Enron and as a consequence thereof the investment advisory fees paid to Alliance Capital by Premier Growth Fund should be returned as a means of recovering for Premier Growth Fund the losses plaintiff alleges were caused by the alleged breach of the duty of loyalty. Plaintiff seeks recovery of certain fees paid by Premier Growth Fund to Alliance Capital. Subsequently, between December 21, 2001, and July 11, 2002, five complaints making substantially the same allegations and seeking substantially the same relief as the Benak Complaint were filed against Alliance Capital and Premier Growth Fund. All of those actions

were consolidated in federal district court in the District of New Jersey. On January 6, 2003, a consolidated amended complaint entitled *Benak v. Alliance Capital Management L.P.* was filed containing allegations similar to those in the individual complaints and alleging violation of the ICA. While the Benak Consolidated Amended Complaint seeks relief similar to that requested in the individual actions, it does not name Premier Growth Fund as a defendant. On February 7, 2003, Alliance Capital moved to dismiss the Benak Consolidated Amended Complaint. That motion is pending.

Alliance Capital believes the plaintiffs' allegations in the Benak Consolidated Amended Complaint are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of these actions may have on Alliance Capital's results of operations or financial condition.

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, as amended ("Securities Act") with respect to a registration statement filed by 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 who was and remains 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 rescissory measure of damages. The Enron Complaint specifically states that "[n]o allegations of fraud are made against or directed at" Alliance Capital. 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.

Alliance Capital believes the allegations of the Enron Complaint as to it are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

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 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, and the case is currently in discovery.

Alliance Capital believes the SBA's allegations in the SBA Complaint are without merit and intends to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

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 federal district court in the Southern District of New York against Alliance Capital, Alfred Harrison and Premier Growth Fund alleging violation of the ICA. The Jaffe Complaint alleges that the defendants breached their fiduciary duties of loyalty, care and good faith to Premier Growth Fund by causing Premier Growth Fund to invest in the securities of Enron and that the agreements between Premier Growth Fund and Alliance Capital violated the ICA because all of the directors of Premier Growth Fund should be deemed interested under the ICA. 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 to be consolidated with the *Benak v. Alliance Capital Management L.P.* action already pending there.

Alliance Capital and Alfred Harrison believe that plaintiff's allegations in the Jaffe Complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the



outcome of this action may have on Alliance Capital's results of operations or financial condition.

On December 13, 2002, a complaint entitled *Patrick J. Goggins et al., v. Alliance Capital Management L.P. et al.* ("Goggins Complaint") was filed in federal district court in the Southern District of New York against Alliance Capital, Premier Growth Fund and individual directors and certain officers of Premier Growth Fund. The Goggins Complaint alleges that defendants violated the Securities Act because Premier Growth Fund's registration statements and prospectuses allegedly were materially misleading, contained untrue statements of material fact and omitted material facts in describing the strategic objectives and investment strategies of Premier Growth Fund in relation to its investments, including its investments in Enron securities. Plaintiffs seek rescissory relief or an unspecified amount of compensatory damages. Alliance Capital's time to move, answer or otherwise respond to the Goggins Complaint is currently stayed.

Alliance Capital, Premier Growth Fund and the other defendants believe the plaintiffs' allegations in the Goggins Complaint are without merit and intend to vigorously defend against these allegations. At the present time, management of Alliance Capital is unable to estimate the impact, if any, that the outcome of this action may have on Alliance Capital's results of operations or financial condition.

Alliance Capital and Alliance Capital Management Holding L.P. ("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.

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Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

15 Independent Accountants' Review Report

99.1 Certification of Mr. Calvert pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 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.

(b) Reports on Form 8-K

On May 13, 2003 Alliance Capital and Alliance Holding each filed a Current Report on Form 8-K with respect to a news release dated May 13, 2003.

On May 5, 2003 Alliance Capital and Alliance Holding each filed a Current Report on Form 8-K with respect to a news release dated April 29, 2003 and their First Quarter 2003 Review dated April 29, 2003.

On April 11, 2003 Alliance Capital and Alliance Holding each filed a Current Report on Form 8-K with respect to a news release dated April 11, 2003.

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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 L.P.

Dated: May 12, 2003

By: Alliance Capital Management

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

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#### CERTIFICATIONS

I, Bruce W. Calvert, Chairman of the Board of Directors and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Capital Management L.P.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ Bruce W. Calvert  
Chairman of the Board of Directors  
and Chief Executive Officer  
Alliance Capital Management Corporation

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I, Robert H. Joseph, Jr., Senior Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Capital Management L.P.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ Robert H. Joseph, Jr.  
Senior Vice President and  
Chief Financial Officer  
Alliance Capital Management Corporation

Independent Accountants' Review Report

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

We have reviewed the condensed consolidated statement of financial condition of Alliance Capital Management L.P. and subsidiaries ("Alliance Capital") as of March 31, 2003, and the related condensed consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the three-month periods ended March 31, 2003 and 2002. These condensed consolidated financial statements are the responsibility of the management of Alliance Capital Management Corporation, the General Partner.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of financial condition of Alliance Capital as of December 31, 2002 and the related consolidated statements of income, changes in partners' capital and comprehensive income and cash flows of Alliance Capital for the year ended December 31, 2002 (not presented herein); and in our report dated January 30, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial condition as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

/s/ KPMG LLP

New York, New York  
April 29, 2003

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ALLIANCE CAPITAL MANAGEMENT L.P.

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

In connection with the Quarterly Report of Alliance Capital Management L.P. (the "Company") on Form 10-Q for the period ending March 31, 2003 to be filed with the Securities and Exchange Commission on or about May 14, 2003 (the "Report"), I, Bruce W. Calvert, Chairman of the Board of Directors and 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.

/s/ Bruce W. Calvert

Date: May 8, 2003

Bruce W. Calvert

Chairman of the Board of Directors

and Chief Executive Officer

Alliance Capital Management Corporation

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ALLIANCE CAPITAL MANAGEMENT L.P.

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

In connection with the Quarterly Report of Alliance Capital Management L.P. (the "Company") on Form 10-Q for the period ending March 31, 2003 to be filed with the Securities and Exchange Commission on or about May 14, 2003 (the "Report"), I, Robert H. Joseph, Jr., Senior Vice President and 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.

/s/ Robert H. Joseph, Jr.

Date: May 8, 2003

Robert H. Joseph, Jr.

Senior Vice President and

Chief Financial Officer

Alliance Capital Management Corporation

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