ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 12, 2015

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2014

OR

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

For the transition period from to

Commission file number 001-09818

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

Delaware (State or other jurisdiction of incorporation or organization)	13-3434400 (I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, N.Y. (Address of principal executive offices)	10105 (Zip Code)

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

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

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

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

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

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

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

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

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

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

(Check one):

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

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

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2014 was approximately $2.3 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2014 was 100,756,999. (This figure includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

DOCUMENTS INCORPORATED BY REFERENCE

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

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Glossary of Certain Defined Terms

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

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

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

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

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

"AB Units" – units of limited partnership interest in AB.

"AXA" – AXA (société anonyme organized under the laws of France), the holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses. AXA's operations are diverse geographically, with major operations in Europe, North America and the Asia/Pacific regions and, to a lesser extent, in other regions including the Middle East, Africa and Latin America. AXA has five operating business segments: life and savings, property and casualty, international insurance, asset management and banking.

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

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

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

"Exchange Act" – the Securities Exchange Act of 1934, as amended.

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

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

"Investment Advisers Act" – the Investment Advisers Act of 1940, as amended.

"Investment Company Act" – the Investment Company Act of 1940, as amended.

"NYSE" – the New York Stock Exchange, Inc.

"Partnerships" – AB and AB Holding together.

"SEC" – the United States Securities and Exchange Commission.

"Securities Act" – the Securities Act of 1933, as amended.

"WPS Acquisition" – on December 12, 2013, AB acquired W.P. Stewart & Co., Ltd. ("WPS"), a concentrated growth equity investment manager.

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PART I

Item 1. Business

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

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

We use “emerging markets” in this Form 10-K to refer to countries included in the Morgan Stanley Capital International (“MSCI”) emerging markets index, which are, as of December 31, 2014, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey.

Clients

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

As of December 31, 2014, 2013 and 2012, our client assets under management (“AUM”) were $474 billion, $450 billion and $430 billion, respectively, and our net revenues for the years ended December 31, 2014, 2013 and 2012 were $3.0 billion, $2.9 billion and $2.7 billion, respectively. AXA, our parent company, and its subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 23%, 23% and 25% of our AUM as of December 31, 2014, 2013 and 2012, respectively, and we earned approximately 5%, 5% and 4% of our net revenues from services we provided to our affiliates in 2014, 2013 and 2012, respectively. See “Distribution Channels” below and “Assets Under Management” and “Net Revenues” in Item 7 for additional information regarding our AUM and net revenues.

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

Research

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

Investment Services

Our broad range of investment services includes:

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

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

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

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Our AUM by client domicile and investment service as of December 31, 2014, 2013 and 2012 were as follows:

By Client Domicile ($ in billions):

By Investment Service ($ in billions):

Distribution Channels

Institutions

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

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

AXA and its subsidiaries together constitute our largest institutional client. Their AUM accounted for approximately 32%, 31% and 35% of our institutional AUM as of December 31, 2014, 2013 and 2012, respectively, and approximately 22%, 22% and 17% of our institutional revenues for 2014, 2013 and 2012, respectively. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2014.

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As of December 31, 2014, 2013 and 2012, Institutional Services represented approximately 50%, 50% and 51%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 14%, 15% and 18% of our net revenues for 2014, 2013 and 2012, respectively. Our AUM and revenues are as follows:

Institutional Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in millions)				
Equity Actively Managed:					
U.S.	$9,631	$8,438	$5,748	14.1 %	46.8 %
Global & Non-US	19,522	21,100	25,797	(7.5)	(18.2)
Total	29,153	29,538	31,545	(1.3)	(6.4)
Equity Passively Managed[1]:					
U.S.	16,196	14,111	11,494	14.8	22.8
Global & Non-US	5,818	6,555	6,131	(11.2)	6.9
Total	22,014	20,666	17,625	6.5	17.3
Total Equity	51,167	50,204	49,170	1.9	2.1
Fixed Income Taxable:					
U.S.	84,079	81,823	90,727	2.8	(9.8)
Global & Non-US	64,086	58,647	53,841	9.3	8.9
Total	148,165	140,470	144,568	5.5	(2.8)
Fixed Income Tax-Exempt:					
U.S.	1,796	1,611	1,385	11.5	16.3
Global & Non-US	—	—	—	—	—
Total	1,796	1,611	1,385	11.5	16.3
Fixed Income Passively Managed[1]:					
U.S.	67	63	62	6.3	1.6
Global & Non-US	185	194	334	(4.6)	(41.9)
Total	252	257	396	(1.9)	(35.1)
Total Fixed Income	150,213	142,338	146,349	5.5	(2.7)
Other[2]:					
U.S.	2,268	1,211	471	87.3	157.1
Global & Non-US	33,393	32,237	23,829	3.6	35.3
Total	35,661	33,448	24,300	6.6	37.6
Total:					
U.S.	114,037	107,257	109,887	6.3	(2.4)
Global & Non-US	123,004	118,733	109,932	3.6	8.0
Total	$237,041	$225,990	$219,819	4.9	2.8

Affiliated	$75,241	$69,619	$77,569	8.1	(10.2)
Non-affiliated	161,800	156,371	142,250	3.5	9.9
Total	$237,041	$225,990	$219,819	4.9	2.8

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

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Revenues from Institutional Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in thousands)				
Equity Actively Managed:					
U.S.	$54,176	$48,328	$43,400	12.1 %	11.4 %
Global & Non-US	88,777	98,552	143,108	(9.9)	(31.1)
Total	142,953	146,880	186,508	(2.7)	(21.2)
Equity Passively Managed[1]:					
U.S.	2,841	2,720	2,334	4.4	16.5
Global & Non-US	4,333	5,359	5,533	(19.1)	(3.1)
Total	7,174	8,079	7,867	(11.2)	2.7
Total Equity	150,127	154,959	194,375	(3.1)	(20.3)
Fixed Income Taxable:					
U.S.	92,250	96,125	94,679	(4.0)	1.5
Global & Non-US	125,596	117,041	104,803	7.3	11.7
Total	217,846	213,166	199,482	2.2	6.9
Fixed Income Tax-Exempt:					
U.S.	2,250	1,993	1,742	12.9	14.4
Global & Non-US	—	—	—	—	—
Total	2,250	1,993	1,742	12.9	14.4
Fixed Income Passively Managed[1]:					
U.S.	69	76	78	(9.2)	(2.6)
Global & Non-US	142	227	48	(37.4)	372.9
Total	211	303	126	(30.4)	140.5
Fixed Income Servicing[2]:					
U.S.	11,468	14,051	9,172	(18.4)	53.2
Global & Non-US	2,011	1,789	4,696	12.4	(61.9)
Total	13,479	15,840	13,868	(14.9)	14.2
Total Fixed Income	233,786	231,302	215,218	1.1	7.5
Other[3]:					
U.S.	18,643	11,952	46,400	56.0	(74.2)
Global & Non-US	30,551	39,895	28,722	(23.4)	38.9
Total	49,194	51,847	75,122	(5.1)	(31.0)
Total Investment Advisory and Services Fees:					
U.S.	181,697	175,245	197,805	3.7	(11.4)
Global & Non-US	251,410	262,863	286,910	(4.4)	(8.4)
	433,107	438,108	484,715	(1.1)	(9.6)
Distribution Revenues	340	305	574	11.5	(46.9)

Shareholder Servicing Fees	634	533	362	18.9	47.2
Total	$434,081	$438,946	$485,651	(1.1)	(9.6)
Affiliated	$95,231	$96,729	$82,930	(1.5)	16.6
Non-affiliated	338,850	342,217	402,721	(1.0)	(15.0)
Total	$434,081	$438,946	$485,651	(1.1)	(9.6)

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

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Retail

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

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

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

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

The mutual funds we sub-advise for AXA and its subsidiaries together constitute our largest retail client. They accounted for approximately 21%, 23% and 20% of our retail AUM as of December 31, 2014, 2013 and 2012, respectively, and approximately 3%, 2% and 3% of our retail net revenues for 2014, 2013 and 2012, respectively.

Certain subsidiaries of AXA, including AXA Advisors, LLC (“AXA Advisors”), a subsidiary of AXA Financial, were responsible for approximately 3%, 2% and 4% of total sales of shares of open-end AB Funds in 2014, 2013 and 2012, respectively. During 2014, UBS AG was responsible for approximately 11% of our open-end AB Fund sales. Neither our affiliates nor UBS AG are under any obligation to sell a specific amount of AB Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations. No other entity accounted for 10% or more of our open-end AB Fund sales.

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

As of December 31, 2014, retail U.S. Fund AUM were approximately $49 billion, or 30% of retail AUM, as compared to $47 billion, or 31%, as of December 31, 2013, and $45 billion, or 31%, as of December 31, 2012. Non-U.S. Fund

AUM, as of December 31, 2014, totaled $57 billion, or 36% of retail AUM, as compared to $56 billion, or 36%, as of December 31, 2013, and $60 billion, or 42%, as of December 31, 2012.

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Our Retail Services represented approximately 34% of our AUM as of each of December 31, 2014, 2013 and 2012, and the fees we earned from providing these services represented approximately 46%, 47% and 44% of our net revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Our AUM and revenues are as follows:

Retail Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in millions)				
Equity Actively Managed:					
U.S.	$29,449	$27,656	$17,738	6.5 %	55.9 %
Global & Non-US	15,920	13,997	16,415	13.7	(14.7)
Total	45,369	41,653	34,153	8.9	22.0
Equity Passively Managed[(1)]:					
U.S.	21,268	21,514	16,716	(1.1)	28.7
Global & Non-US	6,600	6,615	5,491	(0.2)	20.5
Total	27,868	28,129	22,207	(0.9)	26.7
Total Equity	73,237	69,782	56,360	5.0	23.8
Fixed Income Taxable:					
U.S.	5,934	4,597	2,738	29.1	67.9
Global & Non-US	55,059	56,304	65,990	(2.2)	(14.7)
Total	60,993	60,901	68,728	0.2	(11.4)
Fixed Income Tax-Exempt:					
U.S.	10,432	8,243	8,532	26.6	(3.4)
Global & Non-US	14	14	—	—	—
Total	10,446	8,257	8,532	26.5	(3.2)
Fixed Income Passively Managed[(1)]:					
U.S.	4,917	4,531	2,385	8.5	90.0
Global & Non-US	4,483	4,179	4,730	7.3	(11.6)
Total	9,400	8,710	7,115	7.9	22.4
Total Fixed Income	80,839	77,868	84,375	3.8	(7.7)
Other[(2)]:					
U.S.	5,349	3,208	1,981	66.7	61.9
Global & Non-US	2,072	2,132	1,676	(2.8)	27.2
Total	7,421	5,340	3,657	39.0	46.0
Total:					
U.S.	77,349	69,749	50,090	10.9	39.2
Global & Non-US	84,148	83,241	94,302	1.1	(11.7)
Total	$161,497	$152,990	$144,392	5.6	6.0

Affiliated	$34,693	$35,194	$28,535	(1.4)	23.3
Non-affiliated	126,804	117,796	115,857	7.6	1.7
Total	$161,497	$152,990	$144,392	5.6	6.0

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

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Revenues from Retail Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in thousands)				
Equity Actively Managed:					
U.S.	$182,008	$134,311	$92,423	35.5 %	45.3 %
Global & Non-US	94,491	96,338	114,220	(1.9)	(15.7)
Total	276,499	230,649	206,643	19.9	11.6
Equity Passively Managed[1]:					
U.S.	10,066	10,957	11,952	(8.1)	(8.3)
Global & Non-US	6,924	4,670	2,162	48.3	116.0
Total	16,990	15,627	14,114	8.7	10.7
Total Equity	293,489	246,276	220,757	19.2	11.6
Fixed Income Taxable:					
U.S.	20,680	16,074	13,252	28.7	21.3
Global & Non-US	429,409	483,171	405,208	(11.1)	19.2
Total	450,089	499,245	418,460	(9.8)	19.3
Fixed Income Tax-Exempt:					
U.S.	38,317	35,993	28,906	6.5	24.5
Global & Non-US	78	78	—	—	—
Total	38,395	36,071	28,906	6.4	24.8
Fixed Income Passively Managed[1]:					
U.S.	2,836	2,153	1,144	31.7	88.2
Global & Non-US	8,438	8,605	7,056	(1.9)	22.0
Total	11,274	10,758	8,200	4.8	31.2
Total Fixed Income	499,758	546,074	455,566	(8.5)	19.9
Other[2]:					
U.S.	64,452	22,819	14,306	182.4	59.5
Global & Non-US	9,277	9,785	7,424	(5.2)	31.8
Total	73,729	32,604	21,730	126.1	50.0
Total Investment Advisory and Services Fees:					
U.S.	318,359	222,307	161,983	43.2	37.2
Global & Non-US	548,617	602,647	536,070	(9.0)	12.4
	866,976	824,954	698,053	5.1	18.2
Distribution Revenues	440,961	461,944	406,467	(4.5)	13.6
Shareholder Servicing Fees	89,198	89,472	88,375	(0.3)	1.2
Total	$1,397,135	$1,376,370	$1,192,895	1.5	15.4
Affiliated	$47,910	$43,264	$31,089	10.7	39.2

Non-affiliated	1,349,225	1,333,106	1,161,806	1.2	14.7
Total	$1,397,135	$1,376,370	$1,192,895	1.5	15.4

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

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Private Wealth Management

To our private wealth clients, which include high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities (including most institutions for which we manage accounts with less than $25 million in AUM), we offer separately-managed accounts, hedge funds, mutual funds and other investment vehicles (“Private Wealth Services”).

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

As of December 31, 2014, 2013 and 2012, Private Wealth Services represented approximately 16%, 16% and 15%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 22%, 20% and 21% of our net revenues for 2014, 2013 and 2012, respectively. Our AUM and revenues are as follows:

Private Wealth Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in millions)				
Equity Actively Managed:					
U.S.	$22,842	$21,620	$16,506	5.7 %	31.0 %
Global & Non-US	15,125	15,003	13,222	0.8	13.5
Total	37,967	36,623	29,728	3.7	23.2
Equity Passively Managed(1):					
U.S.	172	83	67	107.2	23.9
Global & Non-US	402	397	371	1.3	7.0
Total	574	480	438	19.6	9.6
Total Equity	38,541	37,103	30,166	3.9	23.0
Fixed Income Taxable:					
U.S.	7,396	7,468	8,962	(1.0)	(16.7)
Global & Non-US	2,871	2,128	1,755	34.9	21.3
Total	10,267	9,596	10,717	7.0	(10.5)
Fixed Income Tax-Exempt:					
U.S.	19,401	18,843	20,835	3.0	(9.6)
Global & Non-US	3	2	—	50.0	—
Total	19,404	18,845	20,835	3.0	(9.6)
Fixed Income Passively Managed(1):					
U.S.	5	11	31	(54.5)	(64.5)
Global & Non-US	402	357	355	12.6	0.6
Total	407	368	386	10.6	(4.7)

Total Fixed Income	30,078	28,809	31,938	4.4	(9.8)
Other[(2)]:					
U.S.	1,902	1,375	804	38.3	71.0
Global & Non-US	4,968	4,144	2,898	19.9	43.0
Total	6,870	5,519	3,702	24.5	49.1
Total:					
U.S.	51,718	49,400	47,205	4.7	4.6
Global & Non-US	23,771	22,031	18,601	7.9	18.4
Total	$75,489	$71,431	$65,806	5.7	8.5

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

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Revenues From Private Wealth Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in thousands)				
Equity Actively Managed:					
U.S.	$250,415	$211,927	$209,263	18.2 %	1.3 %
Global & Non-US	169,472	153,062	149,732	10.7	2.2
Total	419,887	364,989	358,995	15.0	1.7
Equity Passively Managed[1]:					
U.S.	695	316	65	119.9	386.2
Global & Non-US	1,839	1,800	1,666	2.2	8.0
Total	2,534	2,116	1,731	19.8	22.2
Total Equity	422,421	367,105	360,726	15.1	1.8
Fixed Income Taxable:					
U.S.	39,811	44,260	48,906	(10.1)	(9.5)
Global & Non-US	15,778	13,029	12,319	21.1	5.8
Total	55,589	57,289	61,225	(3.0)	(6.4)
Fixed Income Tax-Exempt:					
U.S.	102,509	104,867	117,035	(2.2)	(10.4)
Global & Non-US	27	18	—	50.0	—
Total	102,536	104,885	117,035	(2.2)	(10.4)
Fixed Income Passively Managed[1]:					
U.S.	9	88	26	(89.8)	238.5
Global & Non-US	3,446	3,105	1,184	11.0	162.2
Total	3,455	3,193	1,210	8.2	163.9
Total Fixed Income	161,580	165,367	179,470	(2.3)	(7.9)
Other[2]:					
U.S.	16,566	12,699	9,592	30.5	32.4
Global & Non-US	57,600	40,872	31,919	40.9	28.0
Total	74,166	53,571	41,511	38.4	29.1
Total Investment Advisory and Services Fees:					
U.S.	410,005	374,157	384,887	9.6	(2.8)
Global & Non-US	248,162	211,886	196,820	17.1	7.7
Total	658,167	586,043	581,707	12.3	0.7
Distribution Revenues	3,669	3,175	2,447	15.6	29.8
Shareholder Servicing Fees	2,488	2,140	1,637	16.3	30.7
Total	$664,324	$591,358	$585,791	12.3	1.0

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

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Bernstein Research Services

We offer high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options to institutional investors, such as pension fund, hedge fund and mutual fund managers, and other institutional investors ("Bernstein Research Services"). We serve our clients, which are based in the United States, Europe, Asia, the Middle East and Canada, through various subsidiaries, including Sanford C. Bernstein & Co., LLC ("SCB LLC"), Sanford C. Bernstein Limited and Sanford C. Bernstein (Hong Kong) Limited (collectively, "SCB"). Our sell-side analysts, who provide fundamental company and industry research along with quantitative research into securities valuation and factors affecting stock-price movements, are consistently among the highest ranked research analysts in industry surveys conducted by third-party organizations.

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing SCB to execute brokerage transactions on their behalf, for which we earn commissions. These services accounted for approximately 16%, 15% and 15% of our net revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

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

Our Bernstein Research Services revenues are as follows:

Revenues From Bernstein Research Services

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in thousands)				
Bernstein Research Services	$482,538	$445,083	$413,707	8.4%	7.6 %

Custody

SCB LLC acts as custodian for the majority of our Private Wealth Management AUM and some of our Institutions AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or custodians.

Employees

As of December 31, 2014, our firm had 3,487 full-time employees, representing a 5.8% increase compared to the end of 2013. We consider our employee relations to be good.

Service Marks

We have registered a number of service marks with the U.S. Patent and Trademark Office and various foreign trademark offices, including the mark "AllianceBernstein". The [A/B] logo and "Ahead of Tomorrow" are service marks of AB.

In January 2015, we established two new brand identities. Although the legal names of our corporate entities have not changed, our company, and our Institutions and Retail businesses, now are referred to as "AB". Private Wealth Management and Bernstein Research Services now are referred to as "AB Bernstein". Also, we adopted the [A/B] logo and "Ahead of Tomorrow" service marks described above.

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

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

Regulation

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

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

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

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

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

Iran Threat Reduction and Syria Human Rights Act

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

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

AXA has reported to us that six insurance policies underwritten by one of AXA's European insurance subsidiaries, AXA France IARD ("AXA France"), that were in-force at times during 2014 and potentially came within the scope of the disclosure requirements of the Iran Act, were terminated during 2014. Each of these insurance policies related to property and casualty insurance (homeowners, auto, accident, liability and/or fraud policies) covering property located in France where the insured is a company or other entity that may have direct or indirect ties to the Government of Iran, including Iranian entities designated under Executive Orders 13224 and 13382. AXA France is a French company, based in Paris, which is licensed to operate in France. The annual aggregate revenue AXA derived from these policies was approximately $6,500 and the related net profit, which was difficult to calculate with precision, is estimated to have been $3,250.

AXA has informed us that AXA Konzern AG ("AXA Konzern"), a subsidiary of AXA organized under the laws of Germany, has a German client designated under Executive Order 13382. This client has a pension savings contract with AXA Konzern with an annual premium of approximately $15,000. The related annual net profit arising from this contract, which is difficult to calculate with precision, is estimated to be $7,500. This contract will end in March 2015. In addition, a subsidiary of the same German client has a life insurance contract (which includes a savings element) with AXA Konzern, with an annual premium of approximately $1,400. The related annual net profit arising from this contract, which is difficult to calculate with precision, is estimated to be $700. AXA Konzern intends to leave these contracts in place as there is no legal basis that would allow a German company to cancel such a contract.

AXA also has informed us that AXA Konzern provides car insurance to two diplomats based at the Iranian embassy in Berlin, Germany. The total annual premium of these policies is approximately $600 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $300. These policies were underwritten by a broker who specializes in providing insurance coverage for diplomats. Provision of motor vehicle insurance is mandatory in Germany and cannot be cancelled until the policies expire.

AXA previously informed us that AXA Konzern had taken actions to terminate property insurance provided to Industrial Commercial Services ("ICS") for an office building in Hamburg, Germany. ICS is a company that some reports suggest may be owned by the Iranian Mines and Mining Industries Development and Renovation Organization, an entity designated as a Specially Designated National and Blocked Person (an "SDN") by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC") with the identifier [IRAN]. As of the date of this report, AXA Konzern has confirmed that this policy has been terminated. The annual premium in respect of this policy was approximately $2,500. The related annual net profit arising from this policy, which was difficult to calculate with precision, is estimated to have been $1,250.

In addition, AXA has informed us that AXA Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four separate policies to the Iranian Embassy in Dublin, Ireland. AXA has informed us that compliance with the Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the cover. The total annual premium for these policies is approximately $6,000 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $3,000.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of Turkey, provides car insurance coverage for the vehicle pools of the Iranian General Consulate and the Iranian embassy in Istanbul, Turkey. The total annual premium in respect of these policies is approximately $5,100 and the annual net profit, which is difficult to calculate with precision, is estimated to be $2,550. These policies will expire in 2015.

Lastly, AXA has informed us about a pension contract in place between a subsidiary in Hong Kong, AXA China Region Trustees Limited ("AXA CRT"), and Hong Kong Intertrade Ltd ("HKIL"), an entity that OFAC has designated an SDN with the identifier [IRAN]. There is only one employee of HKIL ("Employee") enrolled in this pension contract, who himself also has been designated an SDN with the identifier [IRAN]. The pension contract with HKIL was entered into, and the enrollment of the Employee took place, in May 2012. HKIL was first designated an SDN in July 2012 and the Employee was first designated an SDN in May 2013. Local authorities have informed AXA CRT that the pension contract cannot be cancelled. The annual pension contributions received under this pension contract total approximately $7,800 and the related net profit, which is difficult to calculate with precision, is estimated to be $3,900.

The aggregate annual premiums for the above-referenced insurance policies and pension contracts is approximately $44,900, representing approximately 0.00003% of AXA's 2014 consolidated revenues, which are likely to be approximately $100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be $22,450, representing approximately 0.0003% of AXA's 2014 aggregate net profit.

History and Structure

We have been in the investment research and management business for more than 40 years. Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with the investment advisory business of Moody's Investor Services, Inc. Bernstein was founded in 1967.

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

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

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

As of December 31, 2014, the condensed ownership structure of AB is as follows (for a more complete description of our ownership structure, see "Principal Security Holders" in Item 12):

The General Partner owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including these general partnership interests, AXA, through certain of its subsidiaries (see "Principal Security Holders" in Item 12), had an approximate 62.7% economic interest in AB as of December 31, 2014.

Competition

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

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

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

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

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

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Available Information

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

W.P. Stewart

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

As of December 31, 2014, the Assets Under Management are approximately $2.6 billion. As noted above, payment pursuant to the CVRs is triggered if Assets Under Management exceed $5 billion on or prior to December 12, 2016, subject to certain measurement procedures and limitations. See the definition of AUM Milestone in Exhibit 4.01 for additional information regarding the circumstances that trigger payment pursuant to the CVRs.

Management has determined that the AUM Milestone did not occur during the fourth quarter of 2014.

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Item 1A. Risk Factors

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

Business-related Risks

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

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

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

- Market Factors. Reductions in stock and/or bond prices, such as those we experienced at times during 2014, particularly during early October 2014 (largely due to investor anxiety over geopolitical and global economic factors, including the direction of interest rates), cause the value of our AUM to decrease and may cause our clients to redeem their investments, which would further reduce our AUM and revenues. Additionally, increases in interest rates, particularly if rapid, as well as uncertainty pertaining to the future direction of interest rates, likely would decrease the total return of many bond investments due to lower market valuations of existing bonds. These factors could have a significant adverse effect on our revenues and results of operations as our AUM in fixed income investments have become a larger component of our AUM.

- Client Preferences. Generally, our clients may withdraw their assets at any time and on short notice. Also, changing market dynamics and investment trends, particularly with respect to sponsors of defined benefits plans choosing to invest in less risky investments, may reduce interest in some of the investment products we offer, and/or clients and prospects may seek investment products that we may not currently offer, such as retail money market funds. Loss of, or decreases in, AUM will reduce our investment actively managed advisory and services fees and revenues.

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

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

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

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

Our business is based on the trust and confidence of our clients. Damage to our reputation can reduce substantially our AUM and impair our ability to maintain or grow our business.

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

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

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Standard & Poor's Rating Service, Moody's Investors Service, Inc. and Fitch Ratings each affirmed AB's long-term and short-term credit ratings in 2014 and also affirmed its stable outlook. Future changes in our credit ratings are possible and any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets. If this occurs, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

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

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

Similarly, the selling and distribution agreements with securities firms, brokers, banks and other financial intermediaries (including our agreement with UBS AG, with respect to which UBS AG was responsible for approximately 11% of our open-end AB Fund sales in 2014) are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. These intermediaries generally offer their clients investment products that compete with our products. In addition, certain institutional investors rely on consultants to advise them about choosing an investment adviser and, in previous years, some of our equities services have not been considered among the best choices by consultants. As a result, a number of investment consultants advised their clients to move their assets invested with us to other investment advisers, which contributed to significant net outflows in such years. This trend may continue.

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

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

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

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

Also, a decline in revenues may limit our ability to pay our employees at competitive levels, and maintaining (or increasing) compensation without a revenue increase, in order to retain key personnel, may adversely affect our adjusted operating margin. As a result, we will continue to be vigilant about aligning our cost structure (including headcount) with our revenue base. For additional information regarding our compensation practices, see "Compensation Discussion and Analysis" in Item 11.

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

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

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We are eligible to earn performance-based fees on approximately 10% of the assets we manage for institutional clients, approximately 4% of the assets we manage for private wealth clients and approximately 1% of the assets we manage for retail clients (in total, approximately 6% of our AUM). If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2014, 2013 and 2012 were $53.2 million, $53.6 million and $66.6 million (including $39.6 million pertaining to winding up the Public-Private Investment Program ("PPIP") fund we managed; see "Net Revenues" in Item 7), respectively.

An impairment of goodwill may occur.

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

We may engage in strategic transactions that could pose risks.

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

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

Acquisitions also pose the risk that any business we acquire may lose customers or employees or could underperform relative to expectations. Additionally, the acquisition of investment personnel poses the risk that we may lose the AUM we expected to manage, which could adversely affect our results of operations. Furthermore, strategic transactions may require us to increase our leverage or, if we issue AB Units or AB Holding Units to fund an acquisition, would dilute the holdings of our existing Unitholders.

Because many of our subsidiary operations are located outside of the United States and have functional currencies other than the U.S. dollar, changes in exchange rates to the U.S. dollar affect our reported financial results from one period to the next.

Although significant portions of our net revenues and expenses, as well as our AUM, presently are derived from the United States, we have subsidiaries outside of the United States with functional currencies other than the U.S. dollar. As a result, fluctuations in exchange rates to the U.S. dollar affect our reported financial results from one period to the next. For example, the recent significant appreciation in the value of the U.S. dollar has reduced the value of our revenues generated in other currencies. We may not be successful in our efforts to hedge our exposure to such fluctuations, which could have a negative effect on our reported financial results.

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

We have a seed investment program for the purpose of sponsoring new products. As our new product launches have increased in recent years, so too has our use of seed capital for investment purposes. These seed capital investments are subject to market risk. Our risk management team oversees a seed hedging program that attempts to minimize this risk, subject to practical and cost considerations. Also, not all seed investments are deemed appropriate to hedge, and in those cases we are exposed to market risk. As a result, volatility in the capital markets may cause significant changes in our period-to-period financial and operating results.

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

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

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

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

We rely on various third party counterparties and other vendors to fulfill their obligations to us, whether specified by contract, course of dealing or otherwise. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress. Furthermore, disruptions in the financial markets and other economic challenges, like those presented by market volatility in October 2014, may cause our counterparties and other vendors to experience significant cash flow problems or even render them insolvent, which may expose us to significant costs.

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

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

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

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

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

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

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

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

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

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

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

War, terrorist attack, political unrest in the Middle East, the Pacific Rim and elsewhere, power failure, climate change, natural disaster and rapid spread of infectious diseases could interrupt our operations by:

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

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

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

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

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

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

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

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

Weaknesses or failures in our internal processes or systems could lead to disruption of our operations, liability to clients, exposure to disciplinary action or harm to our reputation. Our business is highly dependent on our ability to process, on a daily basis, large numbers of transactions, many of which are highly complex, across numerous and diverse markets. These transactions generally must comply with client investment guidelines, as well as stringent legal and regulatory standards.

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

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

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

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

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

Moreover, regulators sometimes change their policies or laws in a manner that may make compliance more expensive and/or restrict or otherwise impede our ability to register, market and distribute our investment products.

Also, the Financial Supervisory Commission in Taiwan ("FSC") has approved new limits on the degree to which local investors can own an offshore investment product, which limits are effective January 1, 2016. While certain exemptions may be available to us, should we not qualify, the FSC's new rules could force some of our local resident investors to redeem their investments in our funds sold in Taiwan (and/or prevent further sales of those funds in Taiwan), some of which funds have local ownership levels substantially above the new FSC limits. This may lead to significant declines in our investment advisory and services fees and revenues earned from these funds.

In addition, there is uncertainty associated with the regulatory environments in which we operate, including uncertainty created by the enactment and ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and regulations currently under consideration by the European Securities and Markets Authority, including Markets in Financial Instruments Directive II ("MiFID II"). Both the Dodd-Frank Act and MiFID II may impose additional restrictions and limitations on our business.

Changes to the rules governing Rule 12b-1 Fees may affect the revenues we derive from our Retail Services.

In July 2010, the SEC proposed a new rule and rule amendments that would alter Rule 12b-1 Fees. The new rule and amendments would continue to allow funds to bear promotional costs within certain limits and would also preserve the ability of funds to provide investors with alternatives for paying sales charges (e.g., at the time of purchase, at the time of redemption or through a continuing fee charged to fund assets). Unlike the current Rule 12b-1 framework, however, the proposed rules would limit the cumulative sales charges each investor pays, regardless of how they are imposed.

If rules are adopted as proposed, changes in Rule 12b-1 Fees for a number of share classes offered by our U.S. Funds would be required, which would reduce the net fund distribution revenues we receive from our U.S. Funds. The impact of this rule change is dependent upon the final rules adopted by the SEC, any phase-in or grandfathering period, and any other changes made with respect to share class distribution arrangements.

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

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

The financial services industry is intensely competitive.

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

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

Structure-related Risks

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

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

AB Units are illiquid and subject to significant transfer restrictions.

There is no public trading market for AB Units and AB does not anticipate that a public trading market will develop. The AB Partnership Agreement restricts our ability to participate in a public trading market or anything substantially equivalent to one by providing that any transfer which may cause AB to be classified as a "publicly traded partnership" ("PTP") as defined in Section 7704 of the Internal Revenue Code of 1986, as amended ("Code"), shall be deemed void and shall not be recognized by AB. In addition, AB Units are subject to significant restrictions on transfer, such as obtaining the written consent of AXA Equitable and the General Partner pursuant to the AB Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AB would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program that requires a seller to locate a purchaser and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our Corporate Secretary (corporate_secretary@abglobal.com). Also, we have filed the transfer program as Exhibit 10.06 to this Form 10-K.

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

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

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

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

In addition, recent decisions by members of Congress and their staffs regarding the need for fundamental tax reform and possible tax law changes to raise additional revenue have included suggestions that all large partnerships (which would include both AB and AB Holding) be taxed as corporations. However, we cannot predict whether, or in what form, tax legislation will be proposed in the future and are unable to determine what effect any new legislation might have on us. If AB Holding and AB were to lose their federal tax status as partnerships, they would be subject to corporate income tax, which would reduce materially their net income and quarterly distributions to Unitholders.

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

Our principal executive offices at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease expiring in 2019 with options to extend to 2029 (for more information regarding this lease, see Exhibit 10.07 to this Form 10-K). At this location, we currently lease 1,033,984 square feet of space, within which we currently occupy approximately 629,258 square feet of space and have sub-let approximately 404,726 square feet of space. We also lease space at two other locations in New York City; we acquired one of these leases in connection with the WPS Acquisition.

In addition, we lease approximately 263,083 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021 with options to extend to 2031. At this location, we currently occupy approximately 102,751 square feet of space and have sub-let (or are seeking to sub-let) approximately 160,332 square feet of space.

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

We also lease space in 19 other cities in the United States.

Our subsidiaries lease space in 27 cities outside the United States, the most significant of which are in London, England under leases expiring in 2022, and in Tokyo, Japan under a lease expiring in 2018. In London, we currently lease 98,910 square feet of space, within which we currently occupy approximately 54,746 square feet of space and have sub-let (or are seeking to sub-let) approximately 44,164 square feet of space. In Tokyo, we currently lease and occupy approximately 34,615 square feet of space.

Item 3. Legal Proceedings

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

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

We believe that any losses to Philips resulted from adverse developments in the U.S. housing and mortgage market that precipitated the financial crisis in 2008 and not from any negligence or failure on our part. We believe that we have strong defenses to these claims, which were set forth in our October 12, 2012 response to the Letter of Claim and our June 27, 2014 Statement of Defence in response to the Claim, and will defend this matter vigorously. Currently, we are unable to estimate a reasonably possible range of loss because the matter remains in its early stages.

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

In management’s opinion, an adequate accrual has been made as of December 31, 2014 to provide for any probable losses regarding any litigation matters for which we can reasonably estimate an amount of loss. It is reasonably possible that we could incur additional losses pertaining to these matters, but currently we cannot estimate any such additional losses.

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

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Market for AB Holding Units and AB Units; Cash Distributions

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

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

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

The distributions of Available Cash Flow made by AB and AB Holding during 2014 and 2013 and the high and low sale prices of AB Holding Units reflected on the NYSE composite transaction tape during 2014 and 2013 are as follows:

	Quarters Ended 2014				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit[1]	$0.63	$0.51	$0.50	$0.44	$2.08
Cash distributions per AB Holding Unit[1]	$0.57	$0.45	$0.45	$0.39	$1.86
AB Holding Unit prices:					
High	$27.39	$28.18	$26.69	$26.00	
Low	$22.40	$25.00	$22.71	$20.98	

	Quarters Ended 2013				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit[1]	$0.66	$0.46	$0.44	$0.41	$1.97
Cash distributions per AB Holding Unit[1]	$0.60	$0.40	$0.41	$0.38	$1.79
AB Holding Unit prices:					
High	$23.00	$23.25	$27.38	$23.25	
Low	$19.50	$18.77	$20.05	$17.65	

(1) Declared and paid during the following quarter.

On December 31, 2014, the closing price of an AB Holding Unit on the NYSE was $25.83 per Unit and there were 957 AB Holding Unitholders of record for approximately 80,000 beneficial owners. On December 31, 2014, there were 417 AB Unitholders of record, and we do not believe there are substantial additional beneficial owners.

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

We did not engage in any unregistered sales of our securities during the years ended December 31, 2014, 2013 and 2012.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Each quarter, since the third quarter of 2011, AB has implemented plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Exchange Act. The plan adopted during the fourth quarter of 2014 expired at the close of business on February 11, 2015. AB may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under the firm's incentive compensation award program and for other corporate purposes. For additional information about Rule 10b5-1 plans, see "Units Outstanding" in Item 7.

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AB Holding Units bought by us or one of our affiliates during the fourth quarter of 2014 are as follows:

Issuer Purchases of Equity Securities

Period	Total Number of AB Holding Units Purchased	Average Price Paid Per AB Holding Unit, net of Commissions	Total Number of AB Holding Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Holding Units that May Yet Be Purchased Under the Plans or Programs
10/1/14-10/31/14(1)(2)	119,632	$23.71	—	—
11/1/14-11/30/14	—	—	—	—
12/1/14-12/31/14(1)(3)	3,212,767	26.33	—	—
Total	3,332,399	$26.23	—	—

(1) During the fourth quarter of 2014, we purchased from employees 3,035,519 AB Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) During October 2014, we purchased 119,500 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan, which plan was adopted on July 31, 2014 and expired on October 22, 2014, to help fund anticipated obligations under our incentive compensation award program.

(3) During December 2014, we purchased 177,380 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan, which plan was adopted on October 24, 2014 and expired on February 11, 2015, to help fund anticipated obligations under our incentive compensation award program.

AB Units bought by us or one of our affiliates during the fourth quarter of 2014 are as follows:

Issuer Purchases of Equity Securities

Total Number of AB Units Purchased	Average Price Paid Per AB Unit, net of Commissions	Total Number of AB Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Units that May Yet Be Purchased Under the Plans or Programs

Period				
10/1/14-10/31/14	—	$ —	—	—
11/1/14-11/30/14[1]	6,703	26.61	—	—
12/1/14-12/31/14	—	—	—	—
Total	6,703	$ 26.61	—	—

(1) On November 21, 2014, we purchased 6,703 AB Units in private transactions.

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Item 6. Selected Financial Data

AllianceBernstein Holding L.P.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per unit amounts)				
INCOME STATEMENT DATA:					
Equity in net income (loss) attributable to AB Unitholders	$203,277	$185,912	$70,807	$(65,581)	$162,217
Income taxes	22,463	20,410	19,722	27,687	28,059
Net income (loss)	$180,814	$165,502	$51,085	$(93,268)	$134,158
Basic net income (loss) per unit	$1.87	$1.72	$0.51	$(0.90)	$1.33
Diluted net income (loss) per unit	$1.86	$1.71	$0.51	$(0.90)	$1.32
CASH DISTRIBUTIONS PER UNIT[1]	$1.86	$1.79	$1.23	$1.14	$1.31
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$1,627,892	$1,533,654	$1,566,493	$1,628,984	$1,788,496
Partners' capital	$1,627,510	$1,532,878	$1,560,082	$1,626,173	$1,787,110

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

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AllianceBernstein L.P.

Selected Consolidated Financial Data

	Years Ended December 31,				
	2014	2013[1]	2012[1]	2011[1]	2010[1]
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	$1,958,250	$1,849,105	$1,764,475	$1,907,318	$2,041,264
Bernstein research services	482,538	445,083	413,707	437,414	430,521
Distribution revenues	444,970	465,424	409,488	360,722	349,025
Dividend and interest income	22,322	19,962	21,286	21,499	22,902
Investment gains (losses)	(9,076)	33,339	29,202	(82,081)	(1,410)
Other revenues	108,788	105,058	101,801	107,569	109,803
Total revenues	3,007,792	2,917,971	2,739,959	2,752,441	2,952,105
Less: interest expense	2,426	2,924	3,222	2,550	3,548
Net revenues	3,005,366	2,915,047	2,736,737	2,749,891	2,948,557
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,265,664	1,212,011	1,168,645	1,246,898	1,320,495
Long-term incentive compensation charge	—	—	—	587,131	—
Promotion and servicing:					
Distribution-related payments	413,054	426,824	370,865	306,368	289,456
Amortization of deferred sales commissions	41,508	41,279	40,262	37,675	47,397
Other	224,576	204,568	198,416	215,513	191,042
General and administrative:					
General and administrative	426,960	423,043	507,682	532,896	516,014
Real estate charges	52	28,424	223,038	7,235	101,698
Contingent payment arrangements	(2,782)	(10,174)	682	682	171
Interest on borrowings	2,797	2,962	3,429	2,545	2,078
Amortization of intangible assets	24,916	21,859	21,353	21,417	21,344
Total expenses	2,396,745	2,350,796	2,534,372	2,958,360	2,489,695
Operating income (loss)	608,621	564,251	202,365	(208,469)	458,862
Non-operating income	—	—	—	—	6,760
Income (loss) before income taxes	608,621	564,251	202,365	(208,469)	465,622
Income taxes	37,782	36,829	13,764	3,098	38,523
Net income (loss)	570,839	527,422	188,601	(211,567)	427,099
Net income (loss) of consolidated entities attributable to non-controlling interests	456	9,746	(315)	(36,799)	(15,320)
Net income (loss) attributable to AB Unitholders	$570,383	$517,676	$188,916	$(174,768)	$442,419
Basic net income (loss) per AB Unit	$2.10	$1.89	$0.67	$(0.62)	$1.59
Diluted net income (loss) per AB Unit	$2.09	$1.88	$0.67	$(0.62)	$1.58
Operating margin[2]	20.2%	19.0%	7.4%	n/m	16.1%
CASH DISTRIBUTIONS PER AB UNIT[3]	$2.08	$1.97	$1.36	$1.38	$1.58
BALANCE SHEET DATA AT PERIOD END:					

Total assets	$7,378,453	$7,385,851	$8,115,050	$7,708,389	$7,580,315
Debt	$488,988	$268,398	$323,163	$444,903	$224,991
Total capital	$4,115,861	$4,069,726	$3,803,268	$4,029,487	$4,495,356
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	$474,027	$450,411	$430,017	$405,897	$478,019

(1) Certain prior-year amounts have been reclassified to conform to our 2014 presentation See Note 2 to AB's consolidated financial statements in Item 8 for a discussion of reclassifications.

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

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

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

Executive Overview

Our total assets under management ("AUM") as of December 31, 2014 were $474.0 billion, up $23.6 billion, or 5.2%, during 2014. The increase in AUM was driven by market appreciation of $17.2 billion and net inflows of $5.1 billion (Institutional inflows of $5.5 billion and Private Wealth Management inflows of $0.1 billion, offset by Retail outflows of $0.5 billion).

Institutional AUM increased $11.0 billion, or 4.9%, to $237.0 billion during 2014, primarily due to market appreciation of $6.2 billion and net inflows of $5.5 billion, offset by our AUM adjustment of $1.1 billion (to exclude AUM for which we provide administrative services but not investment management services). Redemptions and terminations decreased $7.8 billion, or 42.0%, from $18.5 billion in 2013 to $10.7 billion in 2014. However, gross sales decreased $1.0 billion, or 4.1%, from $24.9 billion to $23.9 billion.

Retail AUM increased $8.5 billion, or 5.6%, to $161.5 billion during 2014, primarily due to market appreciation of $7.1 billion and $2.8 billion of new assets from acquisitions, offset by net outflows of $0.5 billion and our AUM adjustment of $0.5 billion (to exclude AUM consisting of seed capital invested in Retail funds for which we do not charge an investment management fee). Redemptions and terminations decreased $12.6 billion, or 25.3%, from $50.1 billion in 2013 to $37.5 billion in 2014. However, gross sales decreased $7.0 billion, or 14.4%, from $49.1 billion to $42.1 billion.

Private Wealth Management AUM increased $4.1 billion, or 5.7%, to $75.5 billion during 2014, primarily due to market appreciation of $3.9 billion and net inflows of $0.1 billion. Gross sales increased $0.1 billion, or 2.5%, from $6.4 billion in 2013 to $6.5 billion in 2014. Additionally, redemptions and terminations decreased $3.0 billion, or 34.5%, from $8.5 billion to $5.5 billion.

Bernstein Research Services revenue increased $37.4 million, or 8.4%, to $482.5 million in 2014, as a result of strong growth across all regions and trading services.

Our 2014 revenues increased $90.4 million, or 3.1%, to $3.0 billion from $2.9 billion in 2013. The most significant contributors to the increase were higher base advisory fees of $109.5 million and higher Bernstein Research Services revenue of $37.4 million, offset by lower investment gains and losses of $42.3 million and lower distribution revenues of $20.4 million. Our operating expenses of $2.4 billion in 2014 increased $46.0 million, or 2.0%. The increase was primarily due to higher employee compensation and benefits expenses of $53.7 million and higher other promotion and servicing expenses of $20.0 million, offset by lower real estate charges of $28.3 million. Our operating income increased $44.4 million, or 7.9%, to $608.6 million from $564.2 million in 2013 and our operating margin increased from 19.0% (24.1% on an adjusted basis) in 2013 to 20.2% (24.2% on an adjusted basis) in 2014.

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AB Holding

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

Results of Operations

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in thousands, except per unit amounts)				
Net income attributable to AB Unitholders	$570,383	$517,676	$188,916	10.2%	174.0 %
Weighted average equity ownership interest	35.6 %	35.9 %	37.5 %		
Equity in net income attributable to AB Unitholders	$203,277	$185,912	$70,807	9.3	162.6
Income taxes	22,463	20,410	19,722	10.1	3.5
Net income of AB Holding	$180,814	$165,502	$51,085	9.3	224.0
Diluted net income per AB Holding Unit	$1.86	$1.71	$0.51	8.8	235.3
Distributions per AB Holding Unit [1]	$1.86	$1.79	$1.23	3.9	45.5

(1) 2014 and 2013 distributions reflect the impact of AB's non-GAAP adjustments; 2012 distributions exclude the impact of AB's $207.0 million non-cash real estate charges recorded in the third and fourth quarters of 2012.

AB Holding had net income of $180.8 million in 2014 as compared to $165.5 million in 2013. The increase reflects higher net income attributable to AB Unitholders. AB Holding had net income of $165.5 million in 2013 as compared to $51.1 million in 2012. The increase reflects higher net income attributable to AB Unitholders, primarily resulting from lower real estate charges in 2013.

AB Holding's income taxes represent a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business. AB Holding's partnership gross income is derived from its interest in AB. AB Holding's income tax is computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding's ownership interest in AB (adjusted for AB Holding Units owned by AB's consolidated rabbi trust), multiplied by the 3.5% tax rate. AB Holding's effective tax rate was 11.1% in 2014, 11.0% in 2013 and 27.9% in 2012. See Note 6 to AB Holding's financial statements in Item 8 for a further description.

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As supplemental information, AB provides the performance measures “adjusted net revenues”, “adjusted operating income” and “adjusted operating margin”, which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AB. Such measures are not based on generally accepted accounting principles (“non-GAAP measures”). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both the GAAP and non-GAAP measures in evaluating the company’s financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AB’s revenues and expenses. See “Management Operating Metrics” in this Item 7.

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

	Years Ended December 31,		
	2014	2013	2012
	(in thousands, except per unit amounts)		
AB non-GAAP adjustments, before taxes	$(665)	$20,552	$221,530
Income tax credit (expense) on non-GAAP adjustments	610	(1,514)	(11,576)
AB non-GAAP adjustments, after taxes	(55)	19,038	209,954
AB Holding’s weighted average equity ownership interest in AB	35.6%	35.9%	37.5%
Impact on AB Holding’s net income of AB non-GAAP adjustments	$(20)	$6,837	$78,692
Net income - diluted, GAAP basis	$182,350	$166,668	$51,085
Impact on AB Holding’s net income of AB non-GAAP adjustments	(20)	6,837	78,692
Adjusted net income - diluted	$182,330	$173,505	$129,777
Diluted net income per AB Holding Unit, GAAP basis	$1.86	$1.71	$0.51
Impact of AB non-GAAP adjustments	—	0.07	0.77
Adjusted diluted net income per AB Holding Unit	$1.86	$1.78	$1.28

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

Proposed Tax Legislation

For a discussion of proposed tax legislation, see “Risk Factors” in Item 1A.

Capital Resources and Liquidity

During the year ended December 31, 2014, net cash provided by operating activities was $180.9 million, compared to $155.5 million during the corresponding 2013 period. The increase was primarily due to higher cash distributions received from AB of $37.6 million, offset by a decrease in working capital of $10.1 million. During the year ended December 31, 2013, net cash provided by operating activities was $155.5 million, compared to $99.9 million during the corresponding 2012 period. The increase was primarily due to higher cash distributions received from AB of $45.4 million.

During the years ended December 31, 2014, 2013 and 2012, net cash used in investing activities was $19.0 million, $29.2 million and $11.6 million, respectively, reflecting investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units (in 2014 and 2013) and from cash distributions paid to the AB consolidated rabbi trust (in 2013 and 2012).

During the year ended December 31, 2014, net cash used in financing activities was $162.0 million, compared to $126.2 million during the corresponding 2013 period. The increase was primarily due to higher cash distributions paid to Unitholders of $39.8 million. During the year ended December 31, 2013, net cash used in financing activities was $126.2 million, compared to $88.3 million during the corresponding 2012 period. The increase was primarily due to higher cash distributions paid to Unitholders of $54.6 million, offset by proceeds from the exercise of compensatory options to buy AB Holding Units of $15.1 million in 2013.

Management believes that the cash flow realized from its investment in AB will provide AB Holding with the resources to meet its financial obligations.

Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders (including the General Partner). Since the third quarter of 2012, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. Management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines that one or more of the non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to AB Holding's financial statements in Item 8 for a description of Available Cash Flow.

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Commitments and Contingencies

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

AB

Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in billions)				
Institutions	$237.0	$226.0	$219.8	4.9 %	2.8 %
Retail	161.5	153.0	144.4	5.6	6.0
Private Wealth Management	75.5	71.4	65.8	5.7	8.5
Total	$474.0	$450.4	$430.0	5.2	4.7

Assets under management by investment service are as follows:

	As of December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in billions)				
Equity					
Actively Managed	$112.5	$107.8	$95.4	4.3 %	13.0 %
Passively Managed [1]	50.4	49.3	40.3	2.4	22.4
Total Equity	162.9	157.1	135.7	3.7	15.8
Fixed Income					
Actively Managed					
Taxable	219.4	211.0	224.0	4.0	(5.8)
Tax-exempt	31.6	28.7	30.8	10.2	(6.6)
	251.0	239.7	254.8	4.8	(5.9)
Passively Managed [1]	10.1	9.3	7.9	7.7	18.2
Total Fixed Income	261.1	249.0	262.7	4.9	(5.2)
Other [2]	50.0	44.3	31.6	12.7	40.0
Total	$474.0	$450.4	$430.0	5.2	4.7

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

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Changes in assets under management during 2014 and 2013 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth Management	Total
	(in billions)			
Balance as of December 31, 2013	$226.0	$153.0	$ 71.4	$450.4
Long-term flows:				
Sales/new accounts	23.9	42.1	6.5	72.5
Redemptions/terminations	(10.7)	(37.5)	(5.5)	(53.7)
Cash flow/unreinvested dividends	(7.7)	(5.1)	(0.9)	(13.7)
Net long-term inflows (outflows)	5.5	(0.5)	0.1	5.1
Acquisitions	0.1	2.8	—	2.9
Transfers	0.3	(0.4)	0.1	—
AUM adjustment[3]	(1.1)	(0.5)	—	(1.6)
Market appreciation	6.2	7.1	3.9	17.2
Net change	11.0	8.5	4.1	23.6
Balance as of December 31, 2014	$237.0	$161.5	$ 75.5	$474.0
Balance as of December 31, 2012	$219.8	$144.4	$ 65.8	$430.0
Long-term flows:				
Sales/new accounts	24.9	49.1	6.4	80.4
Redemptions/terminations	(18.5)	(50.1)	(8.5)	(77.1)
Cash flow/unreinvested dividends	(7.4)	(6.5)	(1.7)	(15.6)
Net long-term (outflows) inflows	(1.0)	(7.5)	(3.8)	(12.3)
Acquisitions	0.3	0.7	1.1	2.1
Market appreciation	6.9	15.4	8.3	30.6
Net change	6.2	8.6	5.6	20.4
Balance as of December 31, 2013	$226.0	$153.0	$ 71.4	$450.4

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	Investment Service						
	Equity Actively Managed (in billions)	Equity Passively Managed[(1)]	Fixed Income Actively Managed - Taxable	Fixed Income Actively Managed - Tax-Exempt	Fixed Income Passively Managed[(1)]	Other[(2)]	Total
Balance as of December 31, 2013	$107.8	$ 49.3	$ 211.0	$ 28.7	$ 9.3	$ 44.3	$450.4
Long-term flows:							
Sales/new accounts	15.2	1.7	43.3	4.6	0.6	7.1	72.5
Redemptions/terminations	(14.9)	(1.0)	(29.4)	(3.4)	(0.7)	(4.3)	(53.7)
Cash flow/unreinvested dividends	(5.0)	(3.4)	(7.4)	0.1	0.6	1.4	(13.7)
Net long-term (outflows) inflows	(4.7)	(2.7)	6.5	1.3	0.5	4.2	5.1
Acquisitions	2.9	—	—	—	—	—	2.9
AUM adjustment[(3)]	(0.1)	—	(1.4)	—	—	(0.1)	(1.6)
Market appreciation	6.6	3.8	3.3	1.6	0.3	1.6	17.2
Net change	4.7	1.1	8.4	2.9	0.8	5.7	23.6
Balance as of December 31, 2014	$112.5	$ 50.4	$ 219.4	$ 31.6	$ 10.1	$ 50.0	$474.0
Balance as of December 31, 2012	$95.4	$ 40.3	$ 224.0	$ 30.8	$ 7.9	$ 31.6	$430.0
Long-term flows:							
Sales/new accounts	15.9	3.4	49.5	4.9	1.4	5.3	80.4
Redemptions/terminations	(22.4)	(0.7)	(46.9)	(5.1)	(0.7)	(1.3)	(77.1)
Cash flow/unreinvested dividends	(6.0)	(4.7)	(7.9)	(1.4)	0.9	3.5	(15.6)
Net long-term (outflows) inflows	(12.5)	(2.0)	(5.3)	(1.6)	1.6	7.5	(12.3)
Acquisitions	2.1	—	—	—	—	—	2.1
Market appreciation (depreciation)	22.8	11.0	(7.7)	(0.5)	(0.2)	5.2	30.6
Net change	12.4	9.0	(13.0)	(2.1)	1.4	12.7	20.4
Balance as of December 31, 2013	$107.8	$ 49.3	$ 211.0	$ 28.7	$ 9.3	$ 44.3	$450.4

(1) Includes index and enhanced index services.

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

(3) Excludes Institutional assets for which we provide administrative services but not investment management services and seed capital invested in Retail funds for which we do not charge an investment management fee from AUM.

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

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in billions)				
Distribution Channel:					
Institutions	$234.3	$225.4	$218.9	4.0 %	2.9 %
Retail	159.6	149.4	128.2	6.8	16.5
Private Wealth Management	73.6	67.9	68.9	8.4	(1.3)
Total	$467.5	$442.7	$416.0	5.6	6.4
Investment Service:					
Equity Actively Managed	$111.2	$100.0	$109.8	11.2 %	(8.9)%
Equity Passively Managed[(1)]	49.6	45.1	36.1	9.9	25.1
Fixed Income Actively Managed – Taxable	219.5	221.4	202.0	(0.9)	9.6
Fixed Income Actively Managed – Tax-exempt	30.4	30.1	31.1	1.3	(3.4)
Fixed Income Passively Managed[(1)]	9.7	8.6	5.9	12.6	46.3
Other[(2)]	47.1	37.5	31.1	25.5	20.8
Total	$467.5	$442.7	$416.0	5.6	6.4

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

During 2014, our Institutions channel average AUM of $234.3 billion increased by $8.9 billion, or 4.0%, compared to 2013, primarily due to our Institutional AUM increasing $11.0 billion, or 4.9%, over the last twelve months to $237.0 billion at December 31, 2014. The $11.0 billion increase in AUM over the last twelve months primarily was due to market appreciation of $6.2 billion and $5.5 billion of net inflows (consisting of inflows of $6.4 billion in fixed income services and $1.4 billion in other services, offset by outflows of $2.3 billion in equity services), offset by the AUM adjustment we made in the third quarter for $1.1 billion. During 2013, Institutional channel average AUM of $225.4 billion increased by $6.5 billion, or 2.9%, compared to 2012, primarily due to our Institutional channel AUM increasing $6.2 billion, or 2.8%, during 2013 to $226.0 billion at December 31, 2013. The $6.2 billion increase in AUM during 2013 primarily was due to $6.9 billion of market appreciation and $0.3 billion of new assets from our acquisition of W.P. Stewart & Co. Ltd. ("WPS Acquisition"), offset by net outflows of $1.0 billion (consisting of outflows of $9.5 billion in equity services, offset by inflows of $5.0 billion in other services and $3.5 billion in fixed income services). The net outflows primarily were due to the loss of $6.8 billion of fixed income assets in October 2013 as a result of AXA's sale of MONY Life Insurance Company.

During 2014, our Retail channel average AUM of $159.6 billion increased by $10.2 billion, or 6.8%, compared to 2013, primarily due to our Retail AUM increasing $8.5 billion, or 5.6%, over the last twelve months to $161.5 billion at December 31, 2014. The $8.5 billion increase in AUM over the last twelve months primarily was due to market appreciation of $7.1 billion and $2.8 billion of new assets from acquisitions, offset by net outflows of $0.5 billion (consisting of outflows of $4.0 billion in equity services, offset by inflows of $1.9 billion in fixed income services and $1.6 billion in other services) and the AUM adjustment we made in the fourth quarter for $0.5 billion. During 2013, Retail channel average AUM of $149.4 billion increased by $21.2 billion, or 16.5%, compared to 2012, primarily due to our Retail channel AUM increasing $8.6 billion, or 6.0%, during 2013 to $153.0 billion at December 31, 2013, as well as AUM at December 31, 2012 of $144.4 billion having been significantly higher than 2012 average AUM of $128.2 billion due to the significant growth in the Retail channel throughout 2012. The $8.6 billion increase in AUM during 2013 primarily was due to market appreciation of $15.4 billion and $0.7 billion of new assets from the WPS Acquisition, offset by net outflows of $7.5 billion (consisting of outflows of $5.8 billion in fixed income services and

$2.8 billion in equity services, offset by inflows of $1.1 billion in other services).

During 2014, our Private Wealth Management channel average AUM of $73.6 billion increased by $5.7 billion, or 8.4%, compared to 2013, primarily due to our Private Wealth Management AUM increasing $4.1 billion, or 5.7%, over the last twelve months to $75.5 billion at December 31, 2014. The $4.1 billion increase in AUM over the last twelve months was primarily due to $3.9 billion of market appreciation and net inflows of $0.1 billion (consisting of inflows of $1.2 billion in other services, offset by outflows of $1.1 billion in equity services). During 2013, Private Wealth Management average AUM of $67.9 billion declined by $1.0 billion, or 1.3%, compared to 2012, while our Private Wealth Management AUM increased $5.6 billion, or 8.5%, during 2013 to $71.4 billion at December 31, 2013. The $5.6 billion increase in AUM during 2013 primarily was due to market appreciation of $8.3 billion and approximately $1.1 billion of new assets from the WPS Acquisition, offset by net outflows of $3.8 billion (consisting of outflows of $2.9 billion in fixed income services and $2.2 billion in equity services, offset by inflows of $1.3 billion in other services). The increase in AUM of $5.6 billion during 2013 as compared to the decrease of $1.0 billion in year-to-year average AUM was due to the AUM at December 31, 2012 of $65.8 billion having been lower than 2012 average AUM of $68.9 billion as a result of a $2.3 billion decrease in AUM in the fourth quarter of 2012.

Absolute investment composite returns, gross of fees, and relative performance as of December 31, 2014 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	1-Year	3-Year	5-Year
Global High Income (fixed income)			
Absolute return	3.6 %	9.7 %	9.8 %
Relative return (vs. Barclays Global High Yield Index)	3.6	1.0	1.0
Global Fixed Income (fixed income)			
Absolute return	(0.2)	(0.4)	3.5
Relative return (vs. CITI WLD GV BD-USD/JPM GLBL BD)	0.3	0.6	1.9
Intermediate Municipal Bonds (fixed income)			
Absolute return	4.6	2.5	3.7
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	0.7	0.4	0.7
U.S. Strategic Core Plus (fixed income)			
Absolute return	7.2	3.8	5.6
Relative return (vs. Barclays U.S. Aggregate Index)	1.2	1.1	1.2
Emerging Market Debt (fixed income)			
Absolute return	5.7	6.2	8.0
Relative return (vs. JPM EMBI Global/JPM EMBI)	0.2	0.9	0.7
Global Plus (fixed income)			
Absolute return	1.0	1.1	3.6
Relative return (vs. Barclays Global Aggregate Index)	0.4	0.3	1.0
Emerging Markets Value			
Absolute return	1.9	3.3	(0.1)
Relative return (vs. MSCI EM Index)	4.0	(0.7)	(1.8)
Global Strategic Value			
Absolute return	7.0	18.0	8.6
Relative return (vs. MSCI ACWI Index)	2.8	3.9	(0.6)
U.S. Small & Mid Cap Value			
Absolute return	10.1	22.4	16.7
Relative return (vs. Russell 2500 Value Index)	3.0	3.0	1.2
U.S. Strategic Value			
Absolute return	13.3	22.3	13.9
Relative return (vs. Russell 1000 Value Index)	(0.2)	1.4	(1.6)
Growth & Income			
Absolute return	9.9	21.0	16.6
Relative return (vs. Russell 1000 Value Index)	(3.5)	0.1	1.1
U.S. Small Cap Growth			
Absolute return	(0.6)	19.2	19.8
Relative return (vs. Russell 2000 Growth Index)	(6.2)	(1.0)	3.0
U.S. Large Cap Growth			
Absolute return	15.0	23.1	15.2
Relative return (vs. Russell 1000 Growth Index)	2.0	2.8	(0.6)
U.S. Small & Mid Cap Growth			
Absolute return	3.8	19.0	20.0
Relative return (vs. Russell 2500 Growth Index)	(3.2)	(1.5)	2.7
Select U.S. Equity			
Absolute return	14.3	21.0	17.9
Relative return (vs. S&P 500 Index)	0.6	0.6	2.4

International Style Blend – Developed			
Absolute return	(6.5)	9.9	2.7
Relative return (vs. MSCI EAFE Index)	(1.6)	(1.1)	(2.6)
Strategic Equities (inception June 30, 2012)			
Absolute return	13.3	N/A	N/A
Relative return (vs. S&P 500 Index)	(0.4)	N/A	N/A

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Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2014	2013	2012	2014-13	2013-12
	(in millions, except per unit amounts)				
Net revenues	$3,005.4	$2,915.0	$2,736.7	3.1 %	6.5 %
Expenses	2,396.8	2,350.8	2,534.4	2.0	(7.2)
Operating income	608.6	564.2	202.3	7.9	178.8
Income taxes	37.8	36.8	13.7	2.6	167.6
Net income	570.8	527.4	188.6	8.2	179.6
Net income (loss) of consolidated entities attributable to non-controlling interests	0.4	9.7	(0.3)	(95.3)	n/m
Net income attributable to AB Unitholders	$570.4	$517.7	$188.9	10.2	174.0
Diluted net income per AB Unit	$2.09	$1.88	$0.67	11.1	180.6
Distributions per AB Unit[1]	$2.08	$1.97	$1.36	5.6	44.9
Operating margin[2]	20.2 %	19.0 %	7.4 %		

(1) 2014 and 2013 distributions reflect the impact of non-GAAP adjustments; 2012 distributions exclude the impact of $207.0 million of non-cash real estate charges recorded in the third and fourth quarters of 2012.

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

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

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

Net income attributable to AB Unitholders for the year ended December 31, 2013 increased $328.8 million from the year ended December 31, 2012. The increase is primarily due to (in millions):

Lower real estate charges	$194.6
Higher base advisory fees	97.7
Lower general and administrative (excluding real estate charges)	84.6
Higher Bernstein Research Services revenues	31.4
Higher employee compensation and benefits	(43.4)
Higher income taxes	(23.1)
Lower performance-based fees	(13.0)
	$328.8

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Real Estate Charges

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

During 2012, we recorded pre-tax real estate charges of $223.0 million, comprising new real estate charges of $172.8 million, $41.4 million for the write-off of leasehold improvements, furniture and equipment and $8.8 million from a change in estimates related to previously recorded real estate charges.

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

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

Units Outstanding

Each quarter, we implement plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (“Exchange Act”). A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2014 expired at the close of business on February 11, 2015. We may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

Effective July 1, 2013, management retired all unallocated AB Holding Units in AB’s consolidated rabbi trust. To retire such units, AB delivered the unallocated AB Holding Units held in the rabbi trust to AB Holding in exchange for the same number of AB Units. Each entity then retired its units. As a result, on July 1, 2013, each of AB’s and AB Holding’s units outstanding decreased by approximately 13.1 million units. AB and AB Holding intend (subject to compliance with applicable safe harbor rules to avoid AB being treated as a publicly-traded partnership) to retire additional units as AB purchases AB Holding Units on the open market or from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards, if such units are not required to fund new employee awards in the near future. If a sufficient number of AB Holding Units is not available in the rabbi trust to fund new awards, AB will purchase newly-issued AB Holding Units from AB Holding. When AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units.

Cash Distributions

AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and the General Partner. Since the third quarter of 2012, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines that one or more non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to AB’s consolidated financial statements contained in Item 8 for a description of Available Cash Flow.

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Management Operating Metrics

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

These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both the accounting principles generally accepted in the United States of America ("US GAAP") and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of our revenues and expenses.

Years Ended December 31,		
2014	2013	2012
(in thousands)		