

ALLIANCEBERNSTEIN HOLDING L.P.  
Form 10-Q  
October 25, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

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

Commission File No. 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.

(Exact name of registrant as specified in its charter)

Delaware

13-3434400

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

1345 Avenue of the Americas, New York, NY 10105

(Address of principal executive offices)

(Zip Code)

(212) 969-1000

(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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



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

Yes  No

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of September 30, 2017 was 93,626,313.\*

\*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.

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ALLIANCEBERNSTEIN HOLDING L.P.

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## Part I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

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

|  | September 30,<br>2017 | December 31,<br>2016 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Investment in AB   | \$ 1,441,672          | \$ 1,540,508         |
| Total assets   | \$ 1,441,672          | \$ 1,540,508         |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>   |                       |                      |
| Liabilities:   |                       |                      |
| Other liabilities  | \$ 224                | \$ 619               |
| Total liabilities  | 224                   | 619                  |
| Commitments and contingencies (See Note 8)   |                       |                      |
| Partners' capital:   |                       |                      |
| General Partner: 100,000 general partnership units issued and outstanding                    | 1,379                 | 1,405                |
| Limited partners: 93,526,313 and 96,552,190 limited partnership units issued and outstanding | 1,489,933             | 1,592,240            |
| AB Holding Units held by AB to fund long-term incentive compensation plans                   | (17,011               | ) (11,731            |
| Accumulated other comprehensive loss   | (32,853               | ) (42,025            |
| Total partners' capital  | 1,441,448             | 1,539,889            |
| Total liabilities and partners' capital  | \$ 1,441,672          | \$ 1,540,508         |

See Accompanying Notes to Condensed Financial Statements.

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## ALLIANCEBERNSTEIN HOLDING L.P.

## Condensed Statements of Income

(in thousands, except per unit amounts)

(unaudited)

|   | Three Months<br>Ended September<br>30, |          | Nine Months Ended<br>September 30, |           |
|---|--|----------|------------------------------------|-----------|
|   | 2017                                   | 2016     | 2017                               | 2016      |
| Equity in net income attributable to AB Unitholders | \$49,055                               | \$55,925 | \$146,668                          | \$160,759 |
| Income taxes  | 5,877                                  | 5,667    | 17,839                             | 16,837    |
| Net income  | \$43,178                               | \$50,258 | \$128,829                          | \$143,922 |
| Net income per unit:                                |  |          |                                    |           |
| Basic   | \$0.46                                 | \$0.52   | \$1.35                             | \$1.47    |
| Diluted   | \$0.46                                 | \$0.52   | \$1.35                             | \$1.47    |

See Accompanying Notes to Condensed Financial Statements.

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

|  | Three Months<br>Ended September<br>30, |          | Nine Months Ended<br>September 30, |           |
|--|--|----------|------------------------------------|-----------|
|  | 2017                                   | 2016     | 2017                               | 2016      |
| Net income   | \$43,178                               | \$50,258 | \$128,829                          | \$143,922 |
| Other comprehensive income (loss):   |  |          |                                    |           |
| Foreign currency translation adjustments, before reclassification and tax              | 2,672                                  | 320      | 8,514                              | 715       |
| Less: reclassification adjustment for (losses) included in net income upon liquidation | —                                      | (2)      | —                                  | (2)       |
| Foreign currency translation adjustments, before tax                                   | 2,672                                  | 322      | 8,514                              | 717       |
| Income tax (expense) benefit   | (2)                                    | ) 29     | 50                                 | 86        |
| Foreign currency translation adjustments, net of tax                                   | 2,670                                  | 351      | 8,564                              | 803       |
| Unrealized (losses) gains on investments:  |  |          |                                    |           |
| Unrealized (losses) gains arising during period  | (2)                                    | ) 5      | 2                                  | (2)       |
| Less: reclassification adjustments for (losses) included in net income                 | —                                      | (3)      | —                                  | (4)       |
| Changes in unrealized (losses) gains on investments                                    | (2)                                    | ) 8      | 2                                  | 2         |
| Income tax benefit (expense)   | 2                                      | (2)      | ) 4                                | 2         |
| Unrealized gains on investments, net of tax  | —                                      | 6        | 6                                  | 4         |
| Changes in employee benefit related items:   |  |          |                                    |           |
| Amortization of prior service cost   | 2                                      | 5        | 12                                 | 41        |
| Recognized actuarial loss  | 88                                     | 265      | 621                                | 608       |
| Changes in employee benefit related items  | 90                                     | 270      | 633                                | 649       |
| Income tax benefit (expense)   | —                                      | 7        | (31)                               | ) (23)    |
| Employee benefit related items, net of tax   | 90                                     | 277      | 602                                | 626       |
| Other comprehensive income   | 2,760                                  | 634      | 9,172                              | 1,433     |
| Comprehensive income   | \$45,938                               | \$50,892 | \$138,001                          | \$145,355 |

See Accompanying Notes to Condensed Financial Statements.

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## ALLIANCEBERNSTEIN HOLDING L.P.

## Condensed Statements of Cash Flows

(in thousands)

(unaudited)

|   | Nine Months Ended<br>September 30, |            |
|---|------------------------------------|------------|
|   | 2017                               | 2016       |
| Cash flows from operating activities:   |                                    |            |
| Net income  | \$ 128,829                         | \$ 143,922 |
| Adjustments to reconcile net income to net cash provided by operating activities:             |                                    |            |
| Equity in net income attributable to AB Unitholders   | (146,668 )                         | (160,759 ) |
| Cash distributions received from AB   | 173,025                            | 143,982    |
| Changes in assets and liabilities:  |                                    |            |
| (Increase) in other assets  | —                                  | (223 )     |
| (Decrease) increase in other liabilities  | (395 )                             | 81         |
| Net cash provided by operating activities   | 154,791                            | 127,003    |
| Cash flows from investing activities:   |                                    |            |
| Investments in AB with proceeds from exercise of compensatory options to buy AB Holding Units | (17,672 )                          | (2,371 )   |
| Net cash used in investing activities   | (17,672 )                          | (2,371 )   |
| Cash flows from financing activities:   |                                    |            |
| Cash distributions to Unitholders   | (155,056 )                         | (127,348 ) |
| Capital contributions from AB   | 265                                | 345        |
| Proceeds from exercise of compensatory options to buy AB Holding Units                        | 17,672                             | 2,371      |
| Net cash used in financing activities   | (137,119 )                         | (124,632 ) |
| Change in cash and cash equivalents   | —                                  | —          |
| Cash and cash equivalents as of beginning of period   | —                                  | —          |
| Cash and cash equivalents as of end of period   | \$—                                | \$—        |

See Accompanying Notes to Condensed Financial Statements.



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ALLIANCEBERNSTEIN HOLDING L.P.  
Notes to Condensed Financial Statements  
September 30, 2017  
(unaudited)

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

1. Business Description, Organization and Basis of Presentation

Business Description

AB Holding’s principal source of income and cash flow is attributable to its investment in AB limited partnership interests. The condensed financial statements and notes of AB Holding should be read in conjunction with the condensed consolidated financial statements and notes of AB included as an exhibit to this quarterly report on Form 10-Q and with AB Holding’s and AB’s audited financial statements included in AB Holding’s Form 10-K for the year ended December 31, 2016.

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

**Institutional Services** – servicing its institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as AXA S.A. (“AXA”) and its subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

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

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

**Bernstein Research Services** – servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

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

AB’s high-quality, in-depth research is the foundation of its business. AB’s research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, AB has experts focused on multi-asset strategies, wealth management and alternative investments.

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

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;
- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;
- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct real estate investing and direct lending); and
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

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AB’s 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.

Organization

As of September 30, 2017, AXA, a société anonyme organized under the laws of France and the holding company for the AXA Group, a worldwide leader in financial protection, through certain of its subsidiaries (“AXA and its subsidiaries”) owns approximately 2.7% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AB Holding (“AB Holding Units”). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, “General Partner”) is the general partner of both AB Holding and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB.

As of September 30, 2017, the ownership structure of AB, including limited partnership units outstanding as well as the general partner's 1% interest, is as follows:

|                          |        |
|--------------------------|--------|
| AXA and its subsidiaries | 64.0 % |
| AB Holding               | 34.9   |
| Unaffiliated holders     | 1.1    |
|                          | 100.0% |

Including both the general partnership and limited partnership interests in AB Holding and AB, AXA and its subsidiaries have an approximate 64.9% economic interest in AB as of September 30, 2017.

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The condensed statement of financial condition as of December 31, 2016 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

2. Cash Distributions

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

discretion, should be released from previously retained cash flow.

Available Cash Flow typically is 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, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

On October 25, 2017, the General Partner declared a distribution of \$0.51 per unit, representing a distribution of Available Cash Flow for the three months ended September 30, 2017. Each general partnership unit in AB Holding is entitled to receive

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distributions equal to those received by each AB Holding Unit. The distribution is payable on November 16, 2017 to holders of record at the close of business on November 6, 2017.

3. Long-term Incentive Compensation Plans

AB maintains several unfunded, non-qualified long-term incentive compensation plans, under which the company grants awards of restricted AB Holding Units and options to buy AB Holding Units to its employees and members of the Board of Directors, who are not employed by AB or by any of AB's affiliates ("Eligible Directors").

AB funds its restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping all of these AB Holding Units in a consolidated rabbi trust until delivering them or retiring them. In accordance with the AB Holding Partnership Agreement, when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

During the three and nine months ended September 30, 2017, AB purchased 0.3 million and 5.9 million AB Holding Units for \$6.9 million and \$134.6 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 0.3 million and 5.2 million AB Holding Units for \$6.8 million and \$117.1 million, respectively, with the remainder relating to purchases of AB Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards. During the three and nine months ended September 30, 2016, AB purchased 2.0 million and 5.8 million AB Holding Units for \$45.2 million and \$129.2 million, respectively (on a trade date basis). These amounts reflect open-market purchases of 2.0 million and 5.7 million AB Holding Units for \$45.1 million and \$127.1 million, respectively, with the remainder relating to purchases of AB Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards.

Each quarter, AB considers whether to implement a plan 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 selected by AB has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on AB's behalf in accordance with the terms of the plan. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the second quarter of 2017 expired at the close of business on July 26, 2017. AB did not adopt a plan during the third quarter of 2017. 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 its incentive compensation award program and for other corporate purposes.

During the first nine months of 2017 and 2016, AB granted to employees and Eligible Directors 2.2 million and 0.7 million restricted AB Holding Unit awards, respectively. AB used AB Holding Units repurchased during the period and newly-issued AB Holding Units to fund the restricted AB Holding Unit awards.

During the first nine months of 2017 and 2016, AB Holding issued 1.0 million and 0.1 million AB Holding Units, respectively, upon exercise of options to buy AB Holding Units. AB Holding used the proceeds of \$17.7 million and \$2.4 million, respectively, received as payment in cash for the exercise price to purchase the equivalent number of newly-issued AB Units.

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## 4. Net Income per Unit

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

|   | Three Months<br>Ended September<br>30,  |          | Nine Months Ended<br>September 30, |           |
|---|---|----------|------------------------------------|-----------|
|   | 2017                                    | 2016     | 2017                               | 2016      |
|   | (in thousands, except per unit amounts) |          |                                    |           |
| Net income – basic  | \$43,178                                | \$50,258 | \$128,829                          | \$143,922 |
| Additional allocation of equity in net income attributable to AB resulting from assumed dilutive effect of compensatory options | 136                                     | 221      | 450                                | 581       |
| Net income – diluted  | \$43,314                                | \$50,479 | \$129,279                          | \$144,503 |
| Weighted average units outstanding – basic  | 93,374                                  | 95,890   | 95,218                             | 97,643    |
| Dilutive effect of compensatory options   | 400                                     | 590      | 455                                | 554       |
| Weighted average units outstanding – diluted  | 93,774                                  | 96,480   | 95,673                             | 98,197    |
| Basic net income per unit   | \$0.46                                  | \$0.52   | \$1.35                             | \$1.47    |
| Diluted net income per unit   | \$0.46                                  | \$0.52   | \$1.35                             | \$1.47    |

For the three and nine months ended September 30, 2017, we excluded 2,427,527 options from the diluted net income computation due to their anti-dilutive effect. For the three and nine months ended September 30, 2016, we excluded 2,873,106 options from the diluted net income computation due to their anti-dilutive effect.

## 5. Investment in AB

Changes in AB Holding’s investment in AB during the nine-month period ended September 30, 2017 are as follows (in thousands):

|  |             |
|--|-------------|
| Investment in AB as of December 31, 2016   | \$1,540,508 |
| Equity in net income attributable to AB Unitholders  | 146,668     |
| Changes in accumulated other comprehensive income (loss)   | 9,172       |
| Additional investments with proceeds from exercise of compensatory options to buy AB Holding Units | 17,672      |
| Cash distributions received from AB  | (173,025 )  |
| Capital contributions from AB  | (265 )      |
| AB Holding Units retired   | (138,954 )  |
| AB Holding Units issued to fund long-term incentive compensation plans                             | 45,176      |
| Change in AB Holding Units held by AB for long-term incentive compensation plans                   | (5,280 )    |
| Investment in AB as of September 30, 2017  | \$1,441,672 |

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## 6. Units Outstanding

Changes in AB Holding Units outstanding during the nine-month period ended September 30, 2017 are as follows:

|                                      |              |
|--------------------------------------|--------------|
| Outstanding as of December 31, 2016  | 96,652,190   |
| Options exercised                    | 1,039,632    |
| Units issued                         | 1,944,310    |
| Units retired                        | (6,009,819 ) |
| Outstanding as of September 30, 2017 | 93,626,313   |

## 7. Income Taxes

AB Holding is a “grandfathered” publicly-traded partnership (“PTP”) for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holding is subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AB, and to a 3.5% federal tax on 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, multiplied by the 3.5% tax rate. AB Holding Units in AB’s consolidated rabbi trust (containing undistributed restricted unit awards allocated to employees) are not considered outstanding for purposes of calculating AB Holding’s ownership interest in AB.

|   | Three Months Ended<br>September 30, |            |             | Nine Months Ended<br>September 30, |              |             |
|---|-------------------------------------|------------|-------------|------------------------------------|--------------|-------------|
|   | 2017                                | 2016       | %<br>Change | 2017                               | 2016         | %<br>Change |
|   | (in thousands)                      |            |             | (in thousands)                     |              |             |
| Net income attributable to AB Unitholders                                     | \$ 140,954                          | \$ 158,035 | (10.8)%     | \$ 415,994                         | \$ 448,820   | (7.3 )%     |
| Multiplied by: weighted average equity ownership interest                     | 34.8                                | % 35.4     | %           | 35.3                               | % 35.8       | %           |
| Equity in net income attributable to AB Unitholders                           | \$ 49,055                           | \$ 55,925  | (12.3)      | \$ 146,668                         | \$ 160,759   | (8.8 )      |
| AB qualifying revenues  | \$ 581,410                          | \$ 531,856 | 9.3         | \$ 1,714,065                       | \$ 1,565,294 | 9.5         |
| Multiplied by: weighted average equity ownership interest for calculating tax | 28.3                                | % 29.8     | %           | 29.2                               | % 30.1       | %           |
| Multiplied by: federal tax  | 3.5                                 | % 3.5      | %           | 3.5                                | % 3.5        | %           |
| Federal income taxes  | 5,767                               | 5,549      |             | 17,517                             | 16,494       |             |
| State income taxes  | 110                                 | 118        |             | 322                                | 343          |             |
| Total income taxes  | \$ 5,877                            | \$ 5,667   | 3.7         | \$ 17,839                          | \$ 16,837    | 6.0         |
| Effective tax rate  | 12.0                                | % 10.1     | %           | 12.2                               | % 10.5       | %           |

To preserve AB Holding’s status as a “grandfathered” PTP for federal income tax purposes, management seeks to ensure that AB Holding does not directly or indirectly (through AB) enter into a substantial new line of business. If AB Holding were to lose its status as a “grandfathered” PTP, it would be subject to corporate income tax, which would reduce materially AB Holding’s net income and its quarterly distributions to AB Holding Unitholders.





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8. Commitments and Contingencies

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

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

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

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

AB Holding's principal source of income and cash flow is attributable to its investment in AB Units. AB Holding's interim condensed 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 included as an exhibit to this Form 10-Q. They also should be read in conjunction with AB's audited financial statements and notes and MD&A included in AB Holding's Form 10-K for the year ended December 31, 2016.

## Results of Operations

|  | Three Months Ended<br>September 30,        |            |             | Nine Months Ended<br>September 30,         |            |             |
|--|--|------------|-------------|--|------------|-------------|
|  | 2017                                       | 2016       | %<br>Change | 2017                                       | 2016       | %<br>Change |
|  | (in thousands, except per<br>unit amounts) |            |             | (in thousands, except per<br>unit amounts) |            |             |
| Net income attributable to AB Unitholders              | \$ 140,954                                 | \$ 158,035 | (10.8)%     | \$ 415,994                                 | \$ 448,820 | (7.3 )%     |
| Weighted average equity ownership interest             | 34.8                                       | % 35.4     | %           | 35.3                                       | % 35.8     | %           |
| Equity in net income attributable to AB<br>Unitholders | 49,055                                     | 55,925     | (12.3)      | 146,668                                    | 160,759    | (8.8 )      |
| Income taxes   | 5,877                                      | 5,667      | 3.7         | 17,839                                     | 16,837     | 6.0         |
| Net income of AB Holding                               | \$43,178                                   | \$50,258   | (14.1)      | \$128,829                                  | \$143,922  | (10.5)      |
| Diluted net income per AB Holding Unit                 | \$0.46                                     | \$0.52     | (11.5)      | \$1.35                                     | \$1.47     | (8.2 )      |
| Distribution per AB Holding Unit                       | \$0.51                                     | \$0.45     | 13.3        | \$1.46                                     | \$1.25     | 16.8        |

Net income for the three and nine months ended September 30, 2017 decreased \$7.1 million and \$15.1 million, respectively, due to lower net income attributable to AB Unitholders and lower weighted average equity ownership interest.

AB Holding's partnership gross income is derived from its interest in AB. AB Holding's income taxes, which reflect a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business, are computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees and brokerage commissions) by AB Holding's ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding's effective tax rate was 12.0% in the third quarter of 2017 compared to 10.1% during the third quarter of 2016. AB Holding's effective tax rate during the nine months ended September 30, 2017 was 12.2% compared to 10.5% during the nine months ended September 30, 2016. See Note 7 to the condensed financial statements contained in Item 1 for the calculation of income tax expense.

## Management Operating Metrics

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. Management principally uses these metrics in evaluating performance because they present a clearer picture of AB's 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, management believes that these management operating metrics help investors better understand the underlying trends in AB's results and, accordingly, provide a valuable perspective for investors. 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. Further, adjusted diluted net income per AB Holding Unit is not a liquidity measure and should not be used in place of cash flow measures. See AB’s MD&A contained in Exhibit 99.1.

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

|   | Three Months Ended                      |            | Nine Months Ended |             |
|---|---|------------|-------------------|-------------|
|   | September 30,                           |            | September 30,     |             |
|   | 2017                                    | 2016       | 2017              | 2016        |
|   | (in thousands, except per Unit amounts) |            |                   |             |
| AB non-GAAP adjustments, before taxes                         | \$19,892                                | \$(20,957) | \$37,439          | \$(70,597)  |
| Income tax (expense) benefit on non-GAAP adjustments          | (5,641 )                                | 1,310      | (4,642 )          | 5,189       |
| AB non-GAAP adjustments, after taxes                          | 14,251                                  | (19,647 )  | 32,797            | (65,408 )   |
| AB Holding's weighted average equity ownership interest in AB | 34.8 %                                  | 35.4 %     | 35.3 %            | 35.8 %      |
| Impact on AB Holding's net income of AB non-GAAP adjustments  | \$4,960                                 | \$(6,953 ) | \$11,564          | \$(23,428 ) |
| Net income – diluted, GAAP basis                              | \$43,314                                | \$50,479   | \$129,279         | \$144,503   |
| Impact on AB Holding's net income of AB non-GAAP adjustments  | 4,960                                   | (6,953 )   | 11,564            | (23,428 )   |
| Adjusted net income – diluted                                 | \$48,274                                | \$43,526   | \$140,843         | \$121,075   |
| Diluted net income per AB Holding Unit, GAAP basis            | \$0.46                                  | \$0.52     | \$1.35            | \$1.47      |
| Impact of AB non-GAAP adjustments                             | 0.05                                    | (0.07 )    | 0.12              | (0.24 )     |
| Adjusted diluted net income per AB Holding Unit               | \$0.51                                  | \$0.45     | \$1.47            | \$1.23      |

The degree to which AB's non-GAAP adjustments impact AB Holding's net income fluctuates based on AB Holding's ownership percentage in AB.

## 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). Available Cash Flow typically is 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, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to the condensed financial statements contained in Item 1 for a description of Available Cash Flow.

## Capital Resources and Liquidity

During the nine months ended September 30, 2017, net cash provided by operating activities was \$154.8 million, compared to \$127.0 million during the corresponding 2016 period. The increase primarily resulted from higher cash distributions received from AB of \$29.0 million.

During the nine months ended September 30, 2017, net cash used in investing activities was \$17.7 million, compared to \$2.4 million during the corresponding 2016 period. The increase reflects higher investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units.

During the nine months ended September 30, 2017, net cash used in financing activities was \$137.1 million, compared to \$124.6 million during the corresponding 2016 period. The increase primarily was due to higher cash distributions to Unitholders of \$27.7 million, offset by higher proceeds from exercise of compensatory options to buy AB Holding Units of \$15.3 million.

Management believes that AB Holding will have the resources it needs to meet its financial obligations as a result of the cash flow AB Holding realizes from its investment in AB.

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Commitments and Contingencies

See Note 8 to the condensed financial statements contained in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AB's Form 10-Q attached hereto as Exhibit 99.1 are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately-managed accounts, general economic conditions, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, see "Risk Factors" in Part I, Item 1A of our Form 10-K for the year ended December 31, 2016 and Part II, Item 1A in this Form 10-Q. Any or all of the forward-looking statements that we make in our Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in "Risk Factors" and those listed below also could affect adversely our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph, most of which directly affect AB but also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding's cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding's ability to meet its financial obligations is dependent on AB's cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm's credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.

The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect any pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a pending or future legal proceeding could be significant, and could have such an effect.

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The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.

Our determination that adjusted employee compensation expense should not exceed 50% of our adjusted net revenues: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in AB Holding's market risk from the information provided under "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of AB Holding's Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the third quarter of 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



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## Part II

## OTHER INFORMATION

## Item 1. Legal Proceedings

See Note 8 to the condensed financial statements contained in Part I, Item 1.

## Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in AB Holding's Form 10-K for the year ended December 31, 2016.

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

There were no AB Holding Units sold by AB Holding in the period covered by this report that were not registered under the Securities Act.

Each quarter, since the third quarter of 2011, AB has considered whether to implement a plan to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Exchange Act. The plan adopted during the second quarter of 2017 expired at the close of business on July 26, 2017. AB did not adopt a plan during the third quarter of 2017. 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. See Note 3 to the condensed financial statements contained in Part 1, Item 1.

The following table provides information relating to any AB Holding Units bought by AB in the quarter covered by this report:

## ISSUER PURCHASES OF EQUITY SECURITIES

| Period                             | Total<br>Number<br>of AB<br>Holding<br>Units<br>Purchased | Average<br>Price<br>Paid Per<br>AB Holding<br>Unit, net of<br>Commissions | Total<br>Number of<br>AB<br>Holding<br>Units<br>Purchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plans<br>or<br>Programs | Maximum<br>Number<br>(or<br>Approximate<br>Dollar Value)<br>of<br>AB Holding<br>Units that<br>May Yet<br>Be Purchased<br>Under<br>the Plans or<br>Programs |
|------------------------------------|---|---|--|--|
| 7/1/17 - 7/31/17 <sup>(1)(2)</sup> | 286,024   | \$ 24.01  | —  | —  |
| 8/1/17 - 8/31/17                   | —   | —   | —  | —  |
| 9/1/17 - 9/30/17                   | —   | —   | —  | —  |
| Total                              | 286,024   | \$ 24.01  | —  | —  |

(1)

During the third quarter of 2017, AB purchased from employees 2,864 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 the third quarter of 2017, AB purchased 283,160 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan to help fund anticipated obligations under our incentive compensation award program.

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The following table provides information relating to any AB Units bought by AB in the quarter covered by this report:

## ISSUER PURCHASES OF EQUITY SECURITIES

| Period                          | Total<br>Number<br>of AB<br>Holding<br>Units<br>Purchased | Average<br>Price<br>Paid Per<br>AB Holding<br>Unit, net of<br>Commissions | Total<br>Number of<br>AB<br>Holding<br>Units<br>Purchased<br>as<br>Part of<br>Publicly<br>Announced<br>Plans<br>or<br>Programs | Maximum<br>Number<br>(or<br>Approximate<br>Dollar Value)<br>of<br>AB Holding<br>Units that<br>May Yet<br>Be Purchased<br>Under<br>the Plans or<br>Programs |
|---------------------------------|---|---|--|--|
| 7/1/17 - 7/31/17                | —   | \$ —  | —  | —  |
| 8/1/17 - 8/31/17                | —   | —   | —  | —  |
| 9/1/17 - 9/30/17 <sup>(1)</sup> | 13,200  | 23.41   | —  | —  |
| Total                           | 13,200  | \$ 23.41  | —  | —  |

<sup>(1)</sup> During September 2017, AB purchased 13,200 AB Units in private transactions.

## Item 3. Defaults Upon Senior Securities

None.

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Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Submission of Matters to a Vote of Security Holders

A special meeting (“Special Meeting”) of Unitholders of AB Holding was held at 9:30 a.m. (NY time) on September 29, 2017 pursuant to due notice. At the Special Meeting, AB Holding Unitholders voted to adopt the AB 2017 Long Term Incentive Plan, which was the sole proposal considered at the Special Meeting. The final voting results from the Special Meeting are as follows:

| For        | Against/Withheld | Abstain | Broker Non-Votes |
|------------|------------------|---------|------------------|
| 41,451,543 | 15,286,131       |         | 997,1000         |

Iran Threat Reduction and Syria Human Rights Act

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

The non-U.S.-based subsidiaries of AXA operate in compliance with applicable laws and regulations of the various jurisdictions in which they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, see Note 1 to the condensed financial statements in Part 1, Item 1.

AXA has informed us that AXA Konzern AG, an AXA insurance subsidiary organized under the laws of Germany, provides car, accident and health insurance to diplomats based at the Iranian Embassy in Berlin, Germany. The total annual premium of these policies is approximately \$176,000 before tax and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$26,400. 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 policy expires.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four separate policies to the Iranian Embassy in Dublin, Ireland. AXA has informed us that compliance with the Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the coverage. The total annual premium for these policies is approximately \$6,094 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$914.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of Turkey, provides car insurance coverage for vehicle pools of the Iranian General Consulate and the Iranian Embassy in Istanbul, Turkey. Motor liability insurance coverage is mandatory in Turkey and cannot be cancelled unilaterally. The total annual premium in respect of these policies is approximately \$3,150 and the annual net profit, which is difficult to calculate

with precision, is estimated to be \$473.

Additionally, AXA has informed us that AXA Ukraine, an AXA insurance subsidiary, provides car insurance for the Attaché of the Iranian Embassy in Ukraine. Motor liability insurance coverage cannot be cancelled under Ukrainian law. The total annual premium in respect of this policy is approximately \$1,000 and the annual net profit, which is difficult to calculate with precision, is estimated to be \$150.

Lastly, AXA has informed us that AXA Winterthur, an AXA insurance subsidiary organized under the laws of Switzerland, provides Naftiran Intertrade, a wholly-owned subsidiary of the Iranian state-owned National Iranian Oil Company, with life, disability and accident coverage for its employees. The provision of these forms of coverage is mandatory for employees in Switzerland. The total annual premium of these policies is approximately \$373,668 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be \$56,000.

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The aggregate annual premium for the above-referenced insurance policies is approximately \$559,912, representing approximately 0.0004% of AXA's 2016 consolidated revenues, which exceed \$100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be \$83,937, representing approximately 0.0008% of AXA's 2016 aggregate net profit.

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Item 6. Exhibits

- 31.1 Certification of Mr. Bernstein furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Mr. Weisenseel furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Mr. Bernstein furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Mr. Weisenseel furnished for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Part I, Items 1 through 4 of the AllianceBernstein L.P. Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101.LAB XBRL Taxonomy Extension Label Linkbase.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase.

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SIGNATURE

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

Date: October 25, 2017 ALLIANCEBERNSTEIN  
HOLDING L.P.

By:/s/ John C. Weisenseel  
John C. Weisenseel  
Chief Financial Officer

By:/s/ Edward J. Farrell  
Edward J. Farrell  
Chief Accounting  
Officer