



ALLIANCE CAPITAL
2000 ANNUAL REPORT



PROGRESS

Alliance Capital Management L.P. (“Alliance Capital” or the “Operating Partnership”) provides investment management services for many of the largest U.S. pension plans, institutional investors, and high-net-worth individuals worldwide. Alliance Capital is also one of the largest mutual fund sponsors, with a diverse family of globally distributed mutual fund portfolios. As one of the world’s leading global investment management organizations, Alliance Capital is able to compete for virtually any portfolio assignment in any developed capital market in the world. It offers a full spectrum of investment capabilities and products in terms of investment style, geography, and market capitalization. At December 31, 2000 assets under management reached \$454 billion dollars. Alliance Capital Management Holding L.P. (“Alliance Holding”) owns approximately 30% of the outstanding Alliance Capital units.

ON THE COVER

(FRONT LEFT): SUSAN KEENAN, *Head, Municipal Bond Investing*
AND RANJI NAGASWAMI, *Head, Fixed Income Risk Management*
(MIDDLE): VICKI FULLER, *Head, Fixed Income Retail & Private Client*
Investment Services **(BACK): JEANNE GOETZ**, *Head, Sector Rotation*
Portfolio Management

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A SALUTE TO THE WOMEN OF ALLIANCE

IT'S HARDLY A SECRET THAT OVER THE LAST 20 YEARS
WOMEN HAVE COME TO PLAY AN INCREASINGLY
IMPORTANT ROLE IN THE SECURITIES
AND INVESTMENT COMMUNITY.

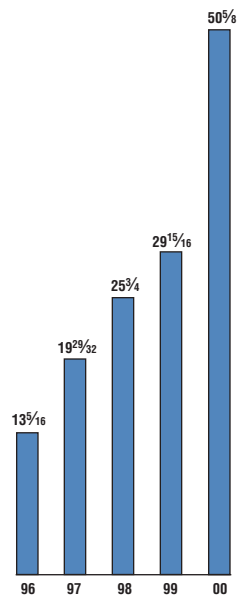
ALLIANCE IS NO EXCEPTION.

IN THE PAGES OF THIS REPORT YOU WILL FIND

A PICTORIAL SALUTE TO THE WOMEN OF ALLIANCE —

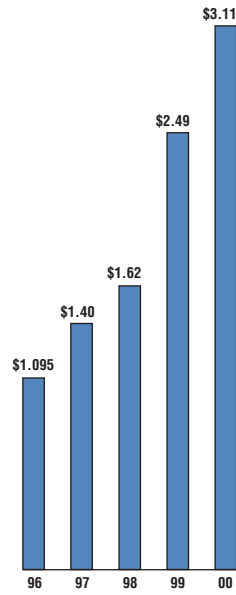
TALENTED, TOP-LEVEL PROFESSIONALS WHO MAKE
CRITICAL CONTRIBUTIONS TO
THIS ORGANIZATION'S CONTINUED SUCCESS.

UNIT PRICE*
(\$ as of December 31)



* Unit prices for all periods prior to the two-for-one split in 1998 have been restated.

CASH DISTRIBUTIONS*
(\$ as of December 31)



* Distributions for all periods prior to the two-for-one split in 1998 have been restated.

A L L I A N C E
H O L D I N G

2000 FINANCIAL HIGHLIGHTS

ALLIANCE CAPITAL (THE OPERATING PARTNERSHIP)

(in thousands, except per Unit and employee data)	Years Ended December 31,		
	2000	1999 ⁽¹⁾	1998 ⁽¹⁾
Revenues	\$2,522,099	\$1,869,305	\$1,324,056
Net Income	\$ 668,749	\$ 494,753	\$ 323,516
Amortization of Intangibles	46,252	3,852	4,172
Non-recurring Items, Net	(779)	—	—
Net Operating Earnings ⁽²⁾	\$ 714,222	\$ 498,605	\$ 327,688
Base Fee Earnings	677,519	432,829	302,697
Performance Fee Earnings	36,703	65,776	24,991
Net Operating Earnings per Unit ⁽³⁾	\$3.42	\$2.80	\$1.85
Employees	4,438	2,396	2,075

⁽¹⁾ Amounts assume the Alliance Holding Reorganization occurred on January 1, 1998.

⁽²⁾ Net Operating Earnings: Net income excluding amortization of intangibles and non-recurring items.

⁽³⁾ Net Operating Earnings per Unit: Diluted net income per Unit excluding amortization of intangibles and non-recurring items.

Assets Under Management by Investment Vehicle

at December 31, 2000 (\$ millions)	Retail	Institutional Investment Management	Private Client	Total
Separately Managed Accounts				
Parent	\$ —	\$ 28,694	\$ —	\$ 28,694
Other ⁽¹⁾	14,514	209,954	25,156	249,624
Mutual Funds				
Parent	—	272	—	272
Other	148,792	14,619	11,678	175,089
Total	\$163,306	\$253,539	\$36,834	\$453,679

⁽¹⁾ Retail separately managed accounts represent assets managed in wrap products.

Assets Under Management by Investment Orientation

at December 31, 2000 (\$ millions)	Retail	Institutional Investment Management	Private Client	Total
Equity				
Domestic Growth	\$ 76,760	\$ 86,856	\$ 3,302	\$166,918
Global & International Growth	18,096	12,342	10	30,448
Domestic Value	11,456	41,213	19,878	72,547
Global & International Value	330	12,478	5,531	18,339
Fixed Income				
Domestic	43,149	58,603	7,394	109,146
Global & International	10,480	10,139	293	20,912
Passive	3,035	31,908	426	35,369
Total	\$163,306	\$253,539	\$36,834	\$453,679

ALLIANCE HOLDING (THE PUBLICLY TRADED PARTNERSHIP)

(in thousands, except per Unit data)	Years Ended December 31,		
	2000	1999 ⁽¹⁾	1998 ⁽¹⁾
Equity in Earnings of Operating Partnership	\$244,922	\$204,338	\$132,457
Income Taxes	20,952	18,217	12,528
Net Income	\$223,970	\$186,121	\$119,929
Net Income per Unit	\$2.93	\$2.53	\$1.66
Amortization of Intangibles per Unit	0.22	0.02	0.02
Non-recurring Items, Net per Unit	—	—	—
Net Operating Earnings per Unit ⁽²⁾	\$3.15	\$2.55	\$1.68
Base Fee Earnings per Unit	\$3.00	\$2.22	\$1.55
Performance Fee Earnings per Unit	0.15	0.33	0.13
Net Operating Earnings per Unit ⁽²⁾	\$3.15	\$2.55	\$1.68
Distributions per Unit	\$3.11	\$2.49	\$1.62

⁽¹⁾ Amounts assume the Alliance Holding Reorganization occurred on January 1, 1998.

⁽²⁾ Net Operating Earnings per Unit: Diluted net income per Unit excluding Alliance Holding's proportionate share of Alliance Capital's amortization of intangibles and non-recurring items.



LEADERSHIP IS ABOUT

BRINGING THE BEST PEOPLE TOGETHER
IN A COHESIVE FASHION.





BENJI BAER



SUSAN KEENAN



SIOBHAN MCMANUS



JEANNE GOETZ



ROSANNE PERESS



STEPHANIE SIMON



KATHLEEN CORBET



SALLIE KRAWCHECK



CHRIS FULLER



SHARON FAY



DIANNE LOB



GINA GRIFFIN



NKU NYEMBEZI-HEITA



GAIL LANDIS



JOAN DICAPUA

**TALENTED TOP-LEVEL PROFESSIONALS
WHO MAKE CRITICAL CONTRIBUTIONS...**



JANE GOULD



SUSAN MATTESON



CYNTHIA FRICK



LIZ SMITH



VICKI FULLER



RANJI NAGASWAMI



DENISE BERNARDO



WENDY LUHABE



MARILYN FEDAK



PATRICIA STUART



LESLIE MANOOKIAN



CARTER REYNOLDS



6

SUCCESS HINGES ON
MORE THAN SERVICES OFFERED
AND MARKETS COVERED.

SUCCESS IS BASED UPON
A COMBINATION
OF COMMON VISION AND
SHARED VALUES.

LETTER TO UNITHOLDERS

TO OUR UNITHOLDERS:

By almost any measure, 2000 was a remarkable year for Alliance Capital. Despite turbulent markets, the firm reported record financial results while achieving competitive investment performance for its clients. Financial results for the year ending December 31, 2000 — which includes the business of Sanford C. Bernstein Inc., acquired in early October — reflect the underlying strength, balance and soundness of Alliance:

- Revenues of Alliance Capital, the operating partnership, reached \$2.5 billion, 35% higher than 1999 revenues.
- Net operating earnings — net income excluding the amortization of intangibles and non-recurring items — rose 43% to \$714 million or \$3.42 per unit.

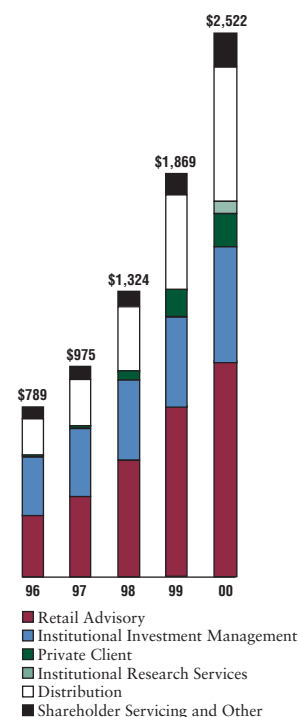
Alliance Holding, the publicly traded partnership, also achieved record results:

- Net operating earnings were \$3.15 per Unit, up 24% from \$2.55 in 1999.
- Cash distributions per Unit rose 25% to \$3.11 from \$2.49.

While these full-year results are gratifying, business conditions became more difficult as the year progressed. In the fourth quarter, the sharp decline in the equity markets — and in growth stocks in particular — led to a market-driven decline in assets under management as well as a sharp drop in performance fees as compared to unusually high levels in the prior year. As a result, earnings declined in the fourth quarter. Longer-term metrics remained positive, however, as we continued to outperform client benchmarks in all our major investment disciplines and achieved positive net asset flows.

Even more important, upon completion of the acquisition of Bernstein on October 2, 2000, we moved rapidly to take advantage of the combined organizations' strengths. Bernstein increased our assets under management by

REVENUES
(\$ millions)



\$86 billion, on October 2, 2000, and gave Alliance a significant presence in two new client markets — investment management for high net worth individuals and institutional research services. As important, the Bernstein acquisition brought greater balance to Alliance's product array, adding a full suite of value-oriented investment products to Alliance's predominantly growth-oriented strategies.

The benefits of such balance were apparent in fourth quarter financial results, as rising market valuations of Bernstein "value" portfolios helped offset the decline in Alliance's "growth" portfolios. Thus, in the fourth quarter Bernstein added about \$0.06 per Unit to Alliance Holding's net operating earnings.

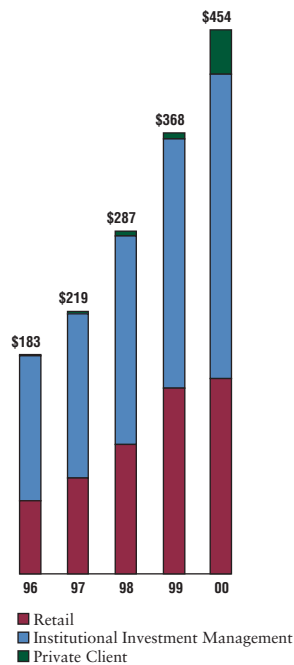
ALLIANCE TODAY Today, Alliance Capital is well positioned in the top-tier of an increasingly global industry. At year end 2000, we had \$454 billion in assets under management, over 4,400 employees worldwide — of which over 600 are investment professionals.

We are ranked as a leading growth investor and a leading value investor in the U.S. We are a major factor in all segments of fixed income asset management, for both taxable and tax exempt clients. Our product line covers the full spectrum of risk/return choices in all of these investment disciplines — from hedge funds to money market funds — capabilities we apply to the capital markets around the world. These services are supported by one of the largest commitments to investment research in the industry with a staff of 292 professionals.

Our strength in both growth and value investing positions us, uniquely, to offer products that combine the benefits of each discipline in a single service. These products hold the promise to deliver superior long-term investment performance with higher short-term reliability.

In sum, the firm is now positioned to meet virtually any client mandate, defined by asset class, risk tolerance, tax status, and currency reference.

ASSETS UNDER
MANAGEMENT
BY CLIENT
(\$ billions)

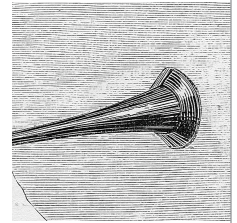


■ Retail
■ Institutional Investment Management
■ Private Client
Note: 2000 assets under management includes assets of Bernstein after the close of the acquisition.

And, we are capable of reaching and serving clients in all key market segments:

- retail products — primarily domestic and international mutual funds and wrap fee investment products, with 6.5 million shareholder accounts.
- institutional investment management, comprising separate accounts and institutional mutual funds, for pension funds, banks, insurance companies, foundations and endowments, with over 1,900 clients
- private client services — investment management, tax and estate planning services for over 15,000 high-net-worth clients, and
- research and brokerage services for 900 institutional clients.

WE EACH SHARE
REPUTATIONS FOR BEING
GOOD AT WHAT WE DO —
SOMETHING THAT COMES
FROM AN UNCEASING DESIRE
TO 'DO IT RIGHT'.



We have a global footprint in both our product offerings and our client base. Some 13% of our assets under management today come from clients outside the United States. We have 37 offices or joint-venture relationships in 23 countries and a combined global retail and institutional sales and marketing force of nearly 400, one of the largest in our industry.

We have a strong foundation from which to accomplish our mission of being the premier global research and investment management organization, by providing superior performance across a broad range of investment disciplines for a diverse group of clients.

2000 HIGHLIGHTS Investment performance was mixed as equity markets shifted rapidly in a year marked by style disparities. By early March, a major reversal was under way. Growth equities underperformed a declining stock market for the remainder of the year, while value stocks, emerging from a down cycle lasting more than two years, outperformed the market with positive investment results. Our relative performance in this difficult

environment was, however, encouraging. Alliance's core growth and value-oriented disciplines surpassed their respective benchmarks for both the final quarter and the entire year, and we also continued to exceed benchmark performance for our major fixed income investment disciplines.

Further, we continued to win significant net new retail and institutional business based on successful new product launches and strengthened distribution capabilities, in the U.S. and abroad. While we experienced net outflows in our private client business, the strong recovery of value investment performance — coupled with access to Alliance's growth products — has resulted in meaningful net new business thus far in 2001.

Our Sanford C. Bernstein institutional research business performed well in an intensely competitive environment, even as we undertook to reposition and broaden our research capabilities.

Trends in each of the aforementioned markets served are discussed in much greater detail in dedicated sections later in this report.

PARTNERSHIP ACTIVITIES

Alliance sold its interests in Poland when our joint venture partner was acquired by another bank. Meanwhile, we entered into two new offshore joint venture relationships, one in Taiwan for mutual fund sales and institutional money management and the second, a venture with AXA Asia Pacific Holdings, for the establishment of new asset management companies in Australia and New Zealand.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

There have been several changes to our Board of Directors, since we published our last Annual Report. In addition to Lewis Sanders and Roger Hertog — who joined us from Bernstein, we welcomed Edwin Jarmain and Peter Tobin — both members of the Audit Committee, along with Richard Dziadzio — from AXA. Departing the Board were Kevin Dolan — from AXA and Robert Zoellick — who was appointed to be the new U.S. trade representative under the Bush administration.

On May 1, 2001, Dave H. Williams will become Chairman Emeritus of Alliance Capital's Board of Directors. Dave has been the primary architect of Alliance's twenty-plus year record of growth. More than anyone else, he built a culture that enabled us to attract and retain one of the strongest groups of professionals in the industry. It is a culture that demands energy, creativity and competitiveness, but it also values objectivity, respect from co-workers, and above all, the best interest of our clients.



DECISION MAKING
IS BROADLY DISPERSED
THROUGHOUT THE
COMPANY TO FOSTER
AN ENTREPRENEURIAL
WORKPLACE.

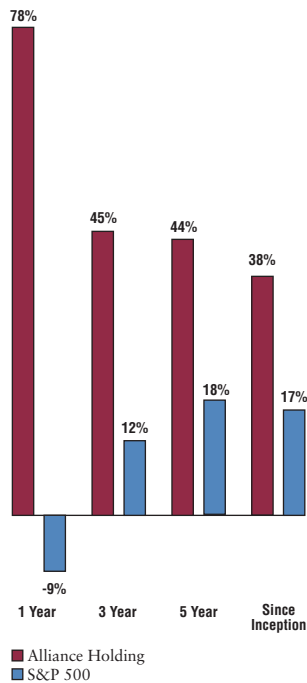
EXCEPTIONAL
RETURN FOR
UNITHOLDERS
*(compound annual
total return as of
December 31, 2000)*

The result has been the creation of substantial value for Unitholders. While Dave will increasingly pursue other activities, he will remain on our Board of Directors and maintain an office at Alliance, offering continued advice and counsel.

Also effective May 1, 2001, Reba W. Williams will resign from the Board of Directors to pursue other interests. As a Board member, Reba has served as a valuable strategic advisor, and has helped shape the public face of Alliance. We are most appreciative of her contribution to our success. As with Dave, we look forward to an ongoing association.

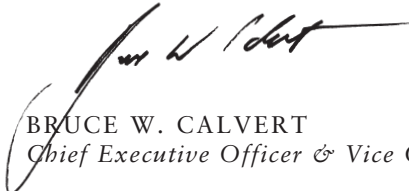
The firm will continue to be managed by an Executive Committee consisting of: Bruce W. Calvert — who will become Chairman, in addition to his current title of Chief Executive Officer; John D. Carifa — President and Chief Operating Officer; Lewis A. Sanders — Chief Investment Officer and Vice Chairman; Alfred Harrison — Vice Chairman and Roger Hertog — Vice Chairman.

OUTLOOK We have never been more optimistic about our competitive position. Our business is fundamentally sound and well positioned in its markets and we have a superb group of experienced people who have worked through difficult market environments in the past.



However, it is likely that continued depressed asset values and lower investment management fees will make it difficult in the first half of 2001 to match the record results achieved in the first two quarters of 2000.

The stage is set, however, for a continued high rate of underlying growth as we continue to win the trust of an increasing number of clients. Our chief challenge as we move forward is to execute well, to make certain we realize the extraordinary potential of our firm.


BRUCE W. CALVERT
Chief Executive Officer & Vice Chairman

ALLIANCE
INVESTMENT
SERVICES
& 2000 MARKET
COMMENTARY

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CREATIVE RESEARCH
IS THE DRIVER
OF SUPERIOR PERFORMANCE.

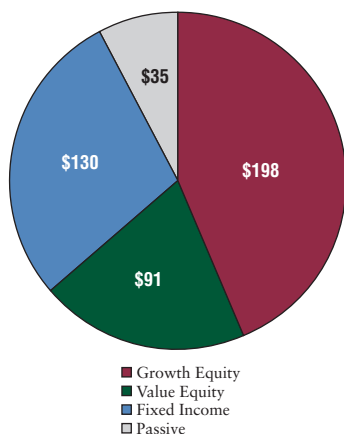




KATHLEEN CORBET
CEO, Alliance Fixed Income Investors

ASSETS UNDER
MANAGEMENT
BY INVESTMENT
ORIENTATION

\$454 Billion at
December 31, 2000
(\$ billions)



ALLIANCE INVESTMENT SERVICES The product wheel on the facing page offers a graphic representation of something few investment management firms can provide: a broad offering of products, global in scope, with expertise in both growth and value oriented strategies, the two predominant equity investment styles, coupled with a fixed income capability in both taxable and tax exempt securities.

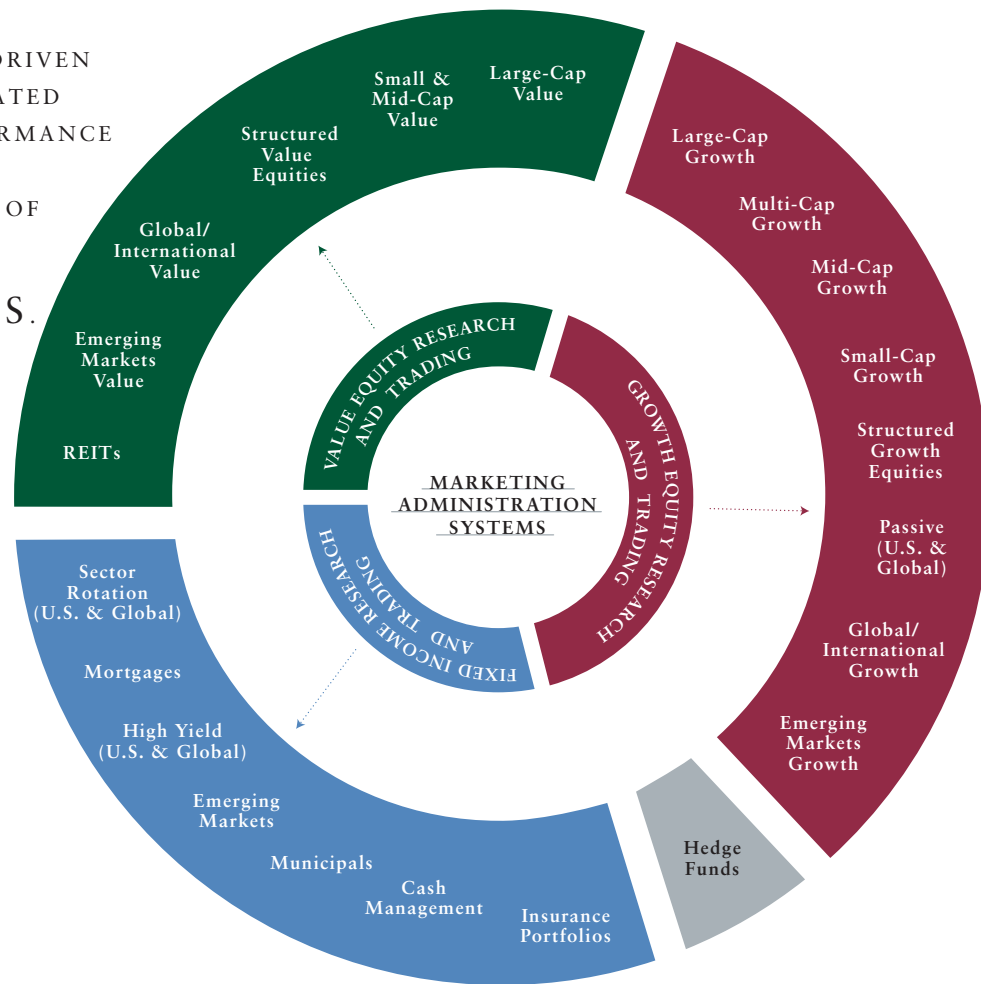
The combined firm's management and research effort — comprising over 600 investment professionals — is one of the largest and most respected in the investment management industry. Central to both Alliance and Bernstein is the

investment research process supported by 292 analysts.

Alliance now offers two distinct, “best of class” equity investment management styles supported by over 440 investment professionals, consisting of two separate equity management and research groups: one dedicated to growth — the Alliance team, the other to value — the Bernstein team. Further, the two styles used in combination offer investment balance that helps dampen volatility and preserve the level of relative returns over long market cycles.

Since the acquisition, we have combined the Alliance and Bernstein fixed income groups into a single 135-person investment management

WE ARE A
RESEARCH DRIVEN
 ORGANIZATION DEDICATED
 TO SUPERIOR PERFORMANCE
 ACROSS A
 BROAD SPECTRUM OF
INVESTMENT DISCIPLINES.



unit with a global market presence. We offer a full array of risk/return fixed income products — from money market funds to high yield portfolios. Our research group of over 55 people is one of the most formidable teams in an expanding global market for fixed income products.

2000 MARKET COMMENTARY

The benefits of this breadth of capability were brought into sharp relief in 2000, as investment returns among asset classes varied widely and were extremely volatile. A boom in growth stocks in the first two months of the year began to reverse in early March. By year's end, value stocks had outperformed growth stocks by nearly 3,000 basis points,

a pattern manifest not only in the U.S. but also throughout the developed world. Similarly, after years of stocks outperforming bonds by large amounts, the tables completely reversed in 2000, with the differential of investment-grade bonds over stocks exceeding 1,500 basis points. Currency volatility was high as well, as the Euro plunged for most of the year, only to stage a powerful recovery in the closing weeks of 2000.

The year 2000 clearly demonstrated the value of diversification at the portfolio level, a benefit we have now achieved for the firm overall given our greatly improved product balance, as the product wheel demonstrates.

ALLIANCE CAPITAL
RETAIL SERVICESSM



ONE OF THE

WORLD'S
LEADING

MUTUAL FUND FIRMS.





BENJI BAER, *Head, Global Mutual Fund Marketing Communications* AND **SUSAN MATTESON**, *Director, Global Mutual Fund Marketing Services*

Alliance is one of the world's leading mutual fund managers. We have 6.5 million mutual fund shareholder accounts in more than 120 countries and mutual fund distribution agreements in 64 countries. We offer 111 U.S.-based mutual fund portfolios — 52 equity, 39 fixed income and 20 money market portfolios — and, together with certain subsidiaries and affiliates, manage 187 internationally based portfolios with 105 equity portfolios, 77 fixed income portfolios, and five money market portfolios. Year-end assets under management exceeded \$163 billion.

2000 HIGHLIGHTS. 2000 proved to be a year of solid achievement for the Retail group. Despite unstable market conditions, asset flows were positive with assets under management increasing modestly. Benchmark relative investment performance was positive in the main, and we introduced several new products that helped bolster sales.

We also undertook major initiatives aimed at further strengthening our U.S. and non-U.S. distribution platforms and improving our worldwide service capabilities for mutual fund clients. Steps taken included enhancing our web site, broadening our use of e-wholesaling techniques, placing

CONTINUING TO EXCEL IN CLIENT SERVICE IS A PRIORITY — USING THE RIGHT MIX OF TECHNOLOGY AND PEOPLE TO MEET ALL CLIENTS' NEEDS.



Susan Matteson

a greater emphasis on our technology-supported client relationship management program, establishing new sales offices outside the United States, opening two new service centers — one in Pennsylvania and one in Singapore — and aggressively increasing our global sales force on a region-by-region basis. We also continued to build our brand awareness by expanding our advertising program.

Aggregate gross retail sales — which include domestic and internationally based mutual funds, wrap products, variable annuity products, cash management products, and subadvised funds — were \$59 billion for the year,

22% ahead of a year ago. Aggregate net retail sales of \$26 billion were slightly behind last year. For the year, Alliance ranked fourth in U.S.-based non-proprietary mutual fund industry net sales and our wrap products earned the second largest market share in the consultant wrap industry. This positive flow of net new business was, however, offset to a large degree by market depreciation of \$17 billion for the year. As a result, retail assets under management grew by about \$8 billion to \$163 billion, a 5% year-to-year increase.

U.S. HIGHLIGHTS An early year shift in investor preferences toward international and aggressive equity



Benji Baer



funds, coupled with deteriorating stock market conditions as the year progressed, resulted in a decline in the gross sales of our U.S.-based retail mutual funds. Net retail sales of our U.S.-based mutual funds declined 29% compared to last year.

In the first half of 2000, we introduced two new funds in the Alliance Select Investor Series dedicated to technology and biotechnology. In November, Alliance launched the *CollegeBoundfund*SM, a tax-advantaged savings plan. Designed for individuals who want to save for a beneficiary's college education on a tax-deferred basis, this product has great appeal and is being marketed nationally.

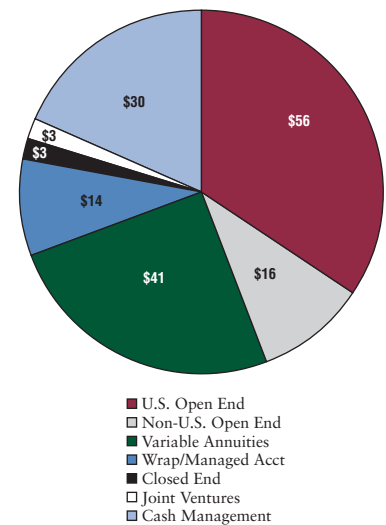
In March of 2001, we introduced an array of co-branded, value-oriented AllianceBernsteinSM funds, significantly diversifying our product mix — we believe there is a substantial market for these new funds.

Gross sales of wrap products, which are sold through financial intermediaries and offer individual account management to high-net-worth individuals, and variable annuity products rose 46% and 62%, respectively, during the year.

INTERNATIONAL HIGHLIGHTS

At year end 2000, Alliance's internationally based mutual fund

RETAIL
ASSETS UNDER
MANAGEMENT
\$163 billion
at December 31, 2000
(\$ billions)



assets under management reached \$19 billion — up 9% over 1999 and representing 11% of Alliance’s total retail assets. For the year, total non-U.S. retail fund gross sales increased 44%. In the coming year, we are aggressively positioning Alliance for additional mutual funds growth in Europe, Asia, and Latin America.

In 2000, the mutual fund market in Continental Europe — a market not as fully invested in mutual funds as the United States — was generally very strong, and we benefited both from that environment and from having made a substantial sales staff commitment there. Gross European retail sales of Luxembourg-based funds increased by 132%, while

gross sales in Italy were up 17%. Net sales in Italy were down 42%, however, as Epta, our distribution partner, internalized the management of a large fixed income fund.

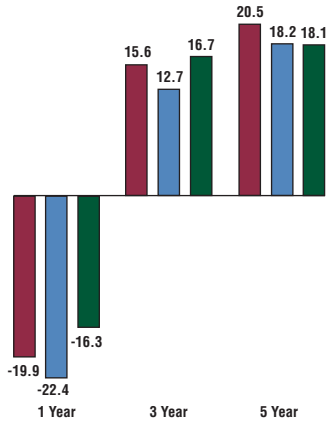
In India, gross sales of rupee-denominated funds rose 187%. A technology fund was launched in Singapore and a joint venture relationship was formed to market mutual fund products in Taiwan. However, gross sales in Japan declined 18%.

New sales offices were opened in Zurich, Munich and Paris, targeting the key markets in Europe.

INVESTMENT PERFORMANCE

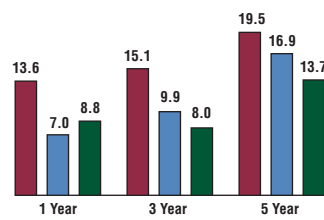
2000 was a difficult year for growth-oriented funds in terms of

ALLIANCE PREMIER GROWTH FUND PERFORMANCE
% annualized rate of return
(to December 31, 2000)



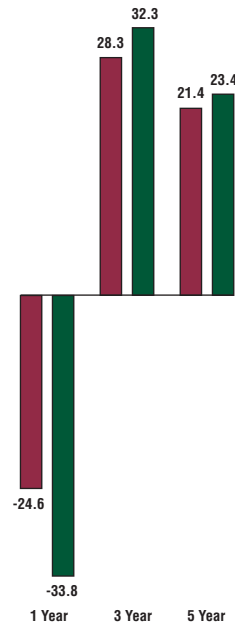
■ Alliance Premier Growth Fund
■ Russell 1000 Growth Index
■ Lipper Large Cap Growth Average

ALLIANCE GROWTH & INCOME FUND PERFORMANCE
% annualized rate of return
(to December 31, 2000)



■ Alliance Growth & Income Fund
■ Russell 1000 Value Index
■ Lipper Multi-Cap Value Average

ALLIANCE TECHNOLOGY FUND PERFORMANCE
% annualized rate of return
(to December 31, 2000)



■ Alliance Technology Fund
■ Russell 1000 Value Index
■ Lipper Science & Technology Average

their performance. Alliance's Premier Growth Fund declined 19.9% during the year, but its five-year performance remains in the top quartile with an annualized return of 20.5%. Similarly, the Alliance Technology Fund has a 21.4% five-year return, but was down 24.6% for the year. On a relative basis, however, it performed quite well, finishing the year just below the top quartile.

One of our largest selling funds toward the end of the year — the Alliance Growth & Income Fund — our relative value strategy, provided a 13.6% return in 2000, well ahead of its benchmark, and its 19.5% five-year performance places it in the seventh percentile ranking in its category. The Alliance North

American Government Income Trust had another standout year with an 18.5% return, ranking in the top percentile for the one, three, and five-year periods.

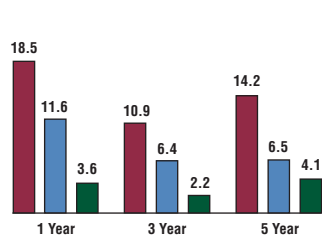
Our Regent Wrap Large Cap Equity product, which we measure against the S&P 500, performed well in 2000 on a relative basis, and our five-year track record remains very competitive.

One of our flagship internationally based funds, the ACM Global Investments – Global Growth Trends Portfolio, produced superb peer group relative performance on a one, three, and five-year basis.

OUTLOOK We continue to seek new opportunities to remain a leader in providing investment products to

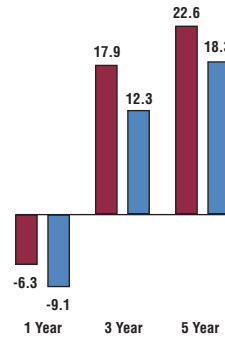


ALLIANCE
NORTH AMERICAN
GOVERNMENT
INCOME TRUST
PERFORMANCE
*% annualized rate of return
(to December 31, 2000)*



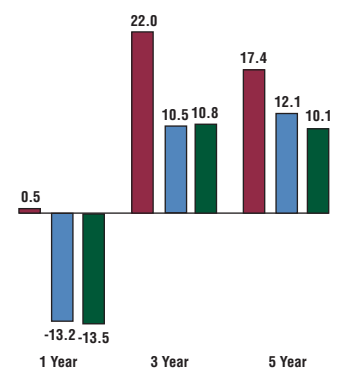
■ Alliance North American Government Income Trust
■ Lehman Brothers Aggregate Bond Index
■ Lipper Global Income Average

REGENT LARGE
CAPITALIZATION
EQUITY
PERFORMANCE
*% annualized rate of return
(to December 31, 2000)*



■ Regent Large Capitalization Equity
■ S&P 500 Index

ACM GLOBAL
INVESTMENTS—
GLOBAL GROWTH
TRENDS PORTFOLIO
PERFORMANCE
*% annualized rate of return
(to December 31, 2000)*



■ ACM Global Investments—Global Growth Trends Portfolio
■ MSCI World Index
■ Lipper Overseas Global Growth Average

financial advisers and to deepen our penetration of current distribution channels. Distribution through financial intermediaries will be critical to our business as we predict that advisors will account for 80% of all long-term mutual fund sales in the next few years.

Key initiatives continue to include broader distribution of our highly regarded college education savings program, the *CollegeBoundfund*SM, and continued focus on the IRA rollover market. Alliance's wrap product is expected to see significant expansion as a result of the growing trend toward high-net-worth asset management. We also expect to grow our important foothold in the value fund category with the recent

launch of the *AllianceBernstein*SM funds. These new funds provide a more comprehensive array of styles to our mutual fund shareholders. Other important opportunities for the coming year include the further development of our e-wholesaling capabilities and our global approach to relationship management.

Finally, we are increasing our penetration in the non-U.S. markets by forging new distribution relationships, launching attractive new products, and continuing our mission to provide outstanding service. Additional sales initiatives are planned for Northern Europe along with additions to sales staff in Asia and Latin America.

ALLIANCEBERNSTEINSM
INSTITUTIONAL INVESTMENT
MANAGEMENT SERVICES

24

DELIVERING **STRONG**
PERFORMANCE
IS THE CORNERSTONE

OF OUR RELATIONSHIP WITH CLIENTS.



Alliance Capital

INSET PHOTOS: (TOP)
STEPHANIE SIMON, *Portfolio Manager, Large Cap Growth*;
CYNTHIA FRICK, *Portfolio Manager, Large Cap Growth*; **AND** **PATRICIA STUART**, *Portfolio Administrator, Large Cap Growth* **(BOTTOM)**
WENDY LUHABE, *Chairman, Alliance Capital Management — South Africa* **AND** **NKU-NYEMBEZI-HEITA**, *CEO, Alliance Capital Management — South Africa*



(LtoR): CARTER REYNOLDS, *International Equity Specialist*; **LIZ SMITH**, *Managing Director, Public Funds*; **AND** **GAIL LANDIS**, *Head, Global Consultant Relations*



Liz Smith



ALLIANCE IS A TRULY GLOBAL FIRM – OFFERING GLOBAL, REGIONAL, AND LOCAL FOCUSED INVESTMENT PORTFOLIOS TO CUSTOMERS AROUND THE WORLD.

Our institutional investment management group serves approximately 1,900 clients in 36 countries, with \$254 billion of assets under management at year end.

In the U.S., we are the largest institutional manager in both the active growth and active value style categories;⁽¹⁾ this gives us unparalleled insight into how both styles work. We manage assets for

43 of the U.S. FORTUNE 100 companies and public employee retirement funds in 41 of the 50 states. Both Alliance and Bernstein have lengthy records of top-tier investment performance, backed by formidable research resources. The combined firm's research effort — comprising 292 analysts — is one of the largest and most respected in the investment management industry.

In many respects, 2000 was an extraordinary year for our institutional investment management group. Despite a difficult market

⁽¹⁾ Analysis of assets under management from *Pension & Investments*, May 2000, of Alliance Capital and Sanford C. Bernstein prior to close of combination on October 2, 2000.

environment, we set records for the number of new mandates won and new business activity. The newly combined AllianceBernsteinSM institutional global sales and marketing team is one of the largest in our industry. We are now competing as a single organization with two distinct, “best of class” equity investment management brands, supported by two separate equity management and research groups — one dedicated to growth,

the other to value. Our full array of equity and fixed income capabilities encompasses all styles, market capitalization ranges, and areas of geographic orientation, allowing us to meet the full spectrum of any client’s needs.

2000 HIGHLIGHTS. During 2000, the institutional investment management group won 313 new mandates, generating \$19 billion in new account wins with consultant-supported wins becoming increasingly important. The new account wins represent an

increase of 87% year-to-year. However, market depreciation offset our new business. By the close of the year, institutional assets under management had grown from \$208 billion to \$254 billion, with most of the increase attributable to assets gained in the acquisition of Bernstein.

In equities, large-cap growth continued to dominate our new account wins, but new assignments

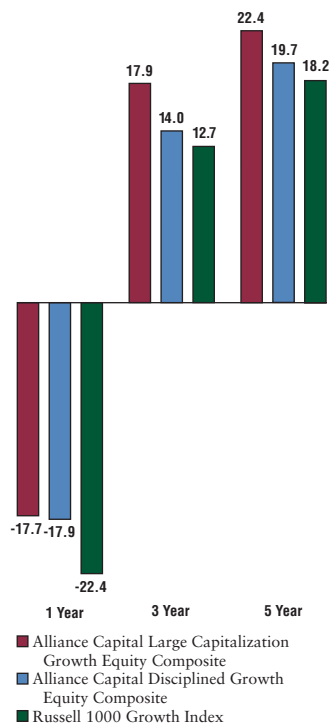
spanned a broad range of investment strategies and asset classes. Among these were major assignments from outside the United States, particularly from Japan, Europe and Canada. Of the 77 new equity accounts won in the fourth quarter, 31 were for value products.

In the fixed income arena, we won 43 new accounts with assets totaling \$7 billion in 2000. Much of the new business was in specialty areas such as emerging markets, mortgage-backed securities, global fixed income and global high yield.



LARGE CAPITALIZATION
GROWTH EQUITY AND
DISCIPLINED GROWTH
EQUITY PERFORMANCE

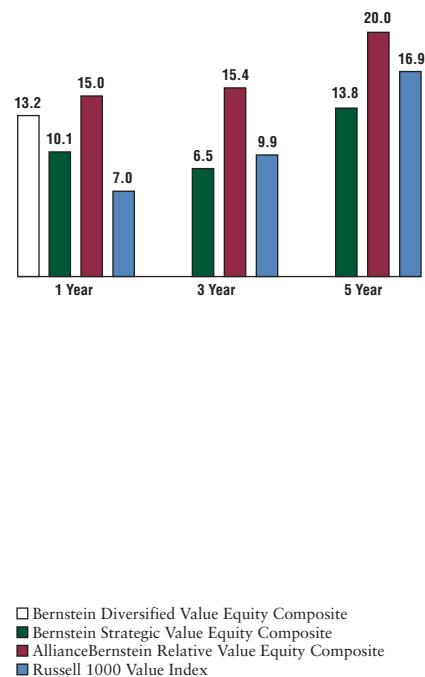
% annualized rate of return
(to December 31, 2000)



See Performance-Related Footnotes.

DIVERSIFIED VALUE EQUITY,
STRATEGIC VALUE EQUITY,
AND RELATIVE VALUE
EQUITY PERFORMANCE

% annualized rate of return
(to December 31, 2000)



See Performance-Related Footnotes.

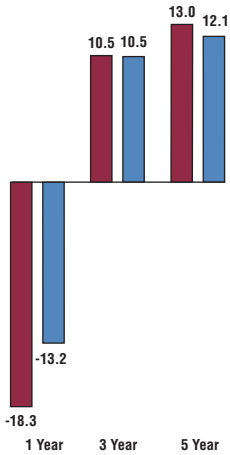
INVESTMENT PERFORMANCE

In a difficult year for growth stock managers, Alliance's large-cap growth disciplines — Large Cap Growth and Disciplined Growth — both outperformed the Russell 1000 Growth benchmark. Large Cap Growth, our flagship discipline, declined 17.7% and Disciplined Growth was down 17.9% in 2000, versus a negative 22.4% total return

for the Russell 1000 Growth benchmark. Both disciplines continue to show strong long-term absolute and relative performance records.

Our value disciplines delivered strong returns as the extraordinary growth cycle that began in 1995 finally swung back to value beginning in March. Our Relative Value discipline (formerly Disciplined Value) returned 15.0% performance in 2000, exceeding the Russell 1000 Value Index by a wide margin. Based on our performance over the past five years, our Relative Value discipline now ranks in the

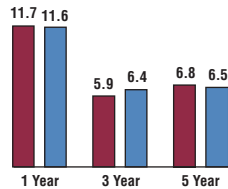
GLOBAL LARGE CAPITALIZATION GROWTH EQUITY PERFORMANCE
 % annualized rate of return (to December 31, 2000)



■ Alliance Capital Global Large Capitalization Growth Equity Composite
 ■ MSCI World Index

See Performance-Related Footnotes.

ENHANCED SECTOR ROTATION PERFORMANCE
 % annualized rate of return (to December 31, 2000)



■ Alliance Capital Enhanced Sector Rotation Composite
 ■ Lehman Brothers Aggregate Bond Index

See Performance-Related Footnotes.

top 11% of all value managers. Our Strategic Value discipline also had an excellent year, returned 10.0%, and enjoyed a particularly strong performance as the value cycle turned. Diversified Value returned 13.3% in 2000.

In fixed income, our Enhanced Sector Rotation product returned 11.7% in 2000, and earned a 12th percentile ranking for its five-year performance.

OUTLOOK The combination of the two institutional sales and marketing teams into a single unit capable of marketing the full spectrum of AllianceBernsteinSM

institutional products was completed at the beginning of 2001. We will continue to add to this group — already among the largest in the industry — with particular emphasis on expansion in Europe and the Asian markets.

Opportunities for business development abound. The most obvious is to take advantage of cross-selling opportunities: there is only modest overlap between



Nku Nyembezi-Heita



Alliance and Bernstein's institutional clients. On a broader plane, two factors in particular appear to be working in our favor.

First, the institutional investment management market remains highly fragmented. With our sales force now organized by market segment (corporate, public funds, Taft-Hartley, insurance, etc.), our full array of products, and our strong long-term performance records, we are well positioned to gain market share as the market consolidates.

Second, markets outside the United States are becoming more receptive to the U.S. multi-manager model, in

which investors hire investment managers with highly specialized strategies for relatively narrow assignments. In Japan, for example, there is a growing appetite for regional mandates, and an increasing number of U.S.-based managers are being engaged with consultant involvement. This bodes well for us as awareness of the AllianceBernsteinSM brand increases among consultants based outside the United States.

B E R N S T E I N
I N V E S T M E N T
R E S E A R C H A N D
M A N A G E M E N TSM

PRIVATE CLIENT

ONE OF THE NATION'S
LONGEST ESTABLISHED
AND
MOST RESPECTED
PRIVATE ASSET MANAGERS.

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(LtoR): SHARON FAY, CIO, UK & European Value Equities; **LESLIE MANOOKIAN**, Director, European Growth Equity Research; **GINA GRIFFIN**, Research Analyst, European Consumer Growth Equities; AND **SIOBHAN MCMANUS**, Director, Global Value Equity Trading

Founded in 1967 to manage investments for private families and individuals, the Bernstein Investment Research and ManagementSM unit of Alliance Capital is today one of the nation's longest-established and most respected private asset managers, offering a wide range of investment alternatives — including U.S. stocks, taxable and municipal bonds, foreign stocks of both the major and emerging markets, and

now growth-focused as well as value-based portfolios. At year end 2000, private client assets were \$37 billion for over 15,000 individuals and families.

Each private client account is tailored to the client's specific needs. But because most share the goals of relatively steady returns in the short term and superior returns in the long run, our advisors encourage their clients to participate in both growth-oriented and value-focused strategies, as well as apportioning capital to bonds, foreign stocks, and real estate securities as suitable to



Dianne Lob



JOINING WITH
BERNSTEIN CLEARLY
ENRICHES OUR
PRODUCT MIX —
ADDING PREMIER
VALUE EQUITY
INVESTING SKILLS
AND STATE-OF-THE-
ART PROPRIETARY
TOOLS FOR TAX-
AWARE INVESTING.

their goals and constraints. Using sophisticated investment planning tools, advisors assist their clients in determining the most appropriate mix of financial assets, as well as the most advantageous allocation between taxable and tax-deferred retirement accounts.

INVESTMENT PROCESS AND PERFORMANCE.

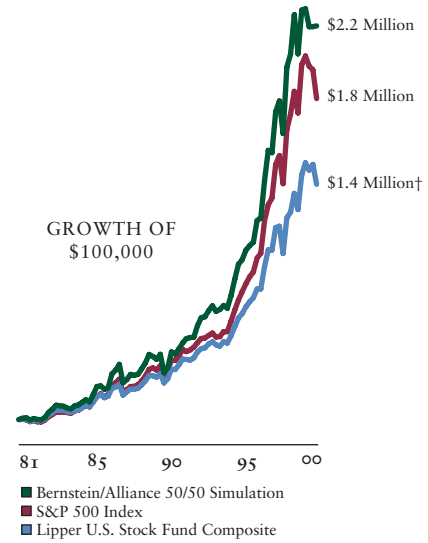
In investing assets, a systematic approach is followed in capital markets worldwide, supported by our global research teams. The investment processes are centralized and disciplined, with decisions for all

accounts made by senior-level investment policy groups. Clients receive the special benefits of regular account rebalancing to maintain agreed-upon proportions and expert tax management by a widely recognized leader in the field. Bernstein offers detailed communications via conferences, mailings, and account-specific web site information that are second to none in the industry, and ongoing portfolio monitoring and investment

PUT THE PAST
20 YEARS TOGETHER,
 AND HERE'S THE
 BEST IN GROWTH AND
 THE BEST IN VALUE
 HARNESSSED AS A TEAM.

1981-2000 COMPOUND
 ANNUAL RETURN*

Bernstein/Alliance 50/50: 16.8% (after fees)
 Standard & Poor's 500: 15.7%
 Mutual Fund Average†: 14.0%



* See Performance-Related Footnotes and Notes on Simulation.

† Lipper U.S. Stock Fund composite: Growth, Growth & Income and Equity Income.

Source: Lipper, Standard & Poor's, Alliance Capital Management L.P. and Bernstein.

planning advice by a corps of outstandingly trained and experienced advisors.

In the year 2000 — the first losing year in the U.S. stock market in a decade, and the first year of substantial losses since the great bear market of 1973-74 — the Bernstein unit's Strategic Value U.S. stock accounts outperformed the market in one of their strongest years in history, relative to the market, with an average after-fee

gain of 9.5% for the year.

The reversal last spring from a market that had been focused on growth — especially high-tech and telecom — for a number of years to a market favoring so-called “old economy” value stocks set the stage for a powerful revival in the private client business. The revival was enhanced by the fourth quarter launch of a new core service — a combination of the Bernstein flagship Strategic Value portfolio and a strategy modeled on Alliance's flagship Large Cap Growth accounts. By year end, both a 50/50 mix of the two strategies and the 80/20 value-to-growth mix

recommended to the private clients were well ahead of the stock market as a whole, and the outperformance continued into the year 2001. Client flows mirrored this revival as they turned positive in the first month of 2001.

OUTLOOK In the coming year, we will continue to introduce investment services managed by Alliance, including hedge funds, cash management and real estate investment trust products. In an effort to aggressively expand the private client business while maintaining all of the special personal quality, the unit will

expand the number of financial advisors by 15%, and add offices in Minneapolis, Houston, and Miami to those existing in nine other U.S. cities at the end of the year. Also, next-generation pioneering investment planning and portfolio modeling tools will be introduced, which advisors will use to assist clients in establishing asset allocation, estate planning, and other investment planning strategies.



SANFORD C. BERNSTEIN & CO., LLC

INSTITUTIONAL RESEARCH SERVICES

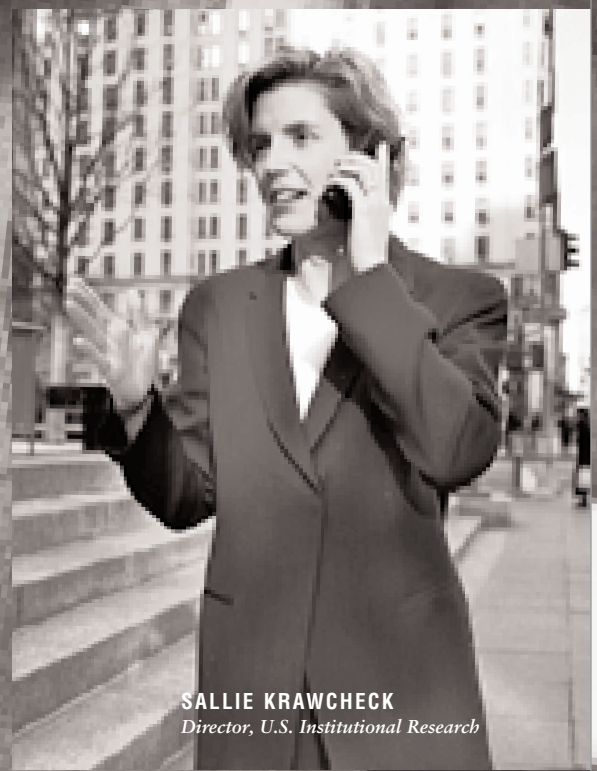


BERNSTEIN'S RESEARCH REPORTS ARE
HIGHLY
RESPECTED

AND WIDELY READ.



MARILYN FEDAK
CIO, U.S. Value Equities



SALLIE KRAWCHECK
Director, U.S. Institutional Research



OUR RESEARCH
TEAM IS
CONSISTENTLY
HIGHLY RANKED.



Sallie Krawcheck

Sanford C. Bernstein, the institutional research services group, is consistently among the most highly ranked independent sell-side research teams, according to industry surveys conducted by third-party organizations. In 2000, the group, which provides in-depth fundamental research, portfolio strategy, execution, and brokerage services to over 900 clients,

recorded excellent results with revenues for the entire year rising to \$213 million.

Formed 28 years ago, the group has a 70-member analyst team covering U.S. and European industry sectors. With coverage that is bottom-up and portfolio strategies supported by sophisticated quantitative tools, Sanford C. Bernstein's reports and studies are distributed to clients in the United States, Europe, and Asia by a team of 40 sales representatives and third-party vendors. The reports themselves — known as “black

books” for the color of their covers — are highly respected and widely read by the management of the industries they cover as well as by the investment management community. Two key factors in the group’s success are that its analysts are typically recruited from the very industries they will cover, and the research product remains independent from any ties to investment banking, retail brokerage, or proprietary trading.

OUTLOOK In the coming year, the group will expand its analyst staff by about one-third and establish a marketing capability based in London. Coverage of European markets and companies will be significantly enlarged, and steps will be taken toward developing a U.K. trading and clearing capability.



WE BELIEVE

OUR BUSINESS IS FUNDAMENTALLY
SOUND AND

WELL POSITIONED

FOR THE FUTURE.

L O O K I N G
A H E A D



TOP (LToR): DENISE BERNARDO

Director, Administrative Services;

DIANNE LOB, *Portfolio Manager, Private*

Client Equities; JOAN DICAPUA, *Head,*

NASDAQ Trading; CHRIS FULLER,

Director, Internal Audit; AND ROSANNE

PERESS, *Head, Human Resources &*

Administrative Services



JANE GOULD

Portfolio Manager, Disciplined Growth

In the 1990s, the \$18 trillion U.S. investment management industry enjoyed double-digit growth rates in all areas — retail, institutional, and private clients. This growth was fostered by a set of circumstances that were highly favorable to the investment management business. Economic and demographic trends were positive. An aging population was beginning to accumulate retirement assets at a time when people were making a fundamental shift from traditional savings to investment. Simultaneously, growth

in the 401(k) market accelerated, and there was extraordinary stock market growth and significant wealth creation for individuals.

Going forward, strong growth may not be as easy. It is not that we are pessimistic, but the domestic environment in the coming decade is likely to be a good deal more difficult. Instead of 18% compound growth rates in the stock market, we are projecting that a 70/30 stock/bond portfolio will grow at about 7%–8%. Industry growth, over and above what the markets provide, is likely to be less than 5%, suggesting a 10%–12% overall growth.



Jane Gould



WE STILL HAVE
TO EXECUTE BY
PROVIDING SUPERIOR
INVESTMENT
PERFORMANCE AND
CUSTOMER SERVICE.

Internationally, the prospects for industry growth are somewhat more robust because we expect asset management outside the United States to grow faster than it did in the 1990s. One reason for this is that we have not generally seen the massive shift there from a savings mentality to an investment mentality. Already happening in some of the smaller markets, we expect to see this trend taking hold in the major economies of Europe, as well as in Japan. Such a shift would have profound implications for retail expansion in non-U.S. markets.

Alliance aspires to grow at better-than-industry rates and we are well positioned to do so. We have an exceptional group of people, one of the industry's strongest product arrays, and solid positions in virtually every important client market. We are confident we can achieve our growth objectives as markets normalize and look forward to reporting on our progress.



...CONTRIBUTING
TO OUR SUCCESS



FORWARD-LOOKING STATEMENTS

Certain statements included in this report are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of such factors include, but are not limited to, the following: the performance of financial markets, the investment performance of Alliance Capital’s sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions, and government regulations, including changes in tax rates. Alliance Capital and Alliance Holding caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; Alliance Capital and Alliance Holding undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

PERFORMANCE-RELATED FOOTNOTES

Alliance Capital Management L.P. (“Alliance Capital”), is a registered investment advisor. Alliance Capital had \$454 billion in assets under management as of December 31, 2000. Performance figures in this report have been presented net of investment management fees. Net performance figures have been calculated by deducting the highest fee charged to an account in a composite, excluding accounts with performance based fee arrangements and balanced accounts which may be charged an equity fee rate. Net of fee performance figures reflect the compounding effect of such fees. The annual fees used: 0.90% for Large Cap Growth, Disciplined Growth and Global Large Cap Growth, 0.75% for Relative Value, and 0.29% for Enhanced Sector Rotation.

No representation is made that the performance of these investment accounts are indicative of future performance. Performance figures for each account are calculated monthly on a trade-date basis using an internal rate of return calculation. Monthly market values include income accruals and reflect the daily weighting of cash flows. The composite results are asset weighted on a monthly basis. Quarterly and annual composite performance figures are computed by linking monthly returns resulting in a time-weighted rate of return.

The Composites include discretionary tax-exempt accounts with assets over \$10 million which are not subject to significant investment restrictions imposed by clients. The Composites are asset weighted and have been built according to AIMR Performance Presentation Standards. AIMR has not been

involved with the preparation or review of this report. Alliance Capital received attestation from KPMG LLP for Level 1 and 2 AIMR Verification for 1992, 1993, 1994, 1996, 1997 and 1998. We are currently reviewing 1999 and 2000. This verification and other composites are available upon request.

Composites used for performance reporting purposes represent the following:

Strategy	Number of Accounts	Assets (\$mm)	% of Total Firm Assets
Large Cap Growth	284	36,543	8%
Disciplined Growth	117	11,200	2%
Relative Value	8	1,596	<1%
Global Large Cap Growth	8	5,941	1%
Enhanced Sector Rotation	26	2,931	<1%

Bernstein Investment Research and Management (“Bernstein”), a unit of Alliance Capital, has used the following standards of measurement in compiling its performance data:

1) Performance Statistics Are Not Financial Statements — There are various methods of compiling or reporting performance statistics. The standards of performance measurement used by Bernstein Investment Research and Management, a unit of Alliance Capital Management L.P. (“Bernstein”) in compiling these data are in accordance with the methods set forth by the Notes below. Past performance statistics may not be indicative of future results and may differ for different time periods.

2) Total Return — Performance results of accounts and comparisons are made on a total-return basis which includes all dividends, interest and accrued interest, and realized and unrealized gains or losses. Securities are included in accounts on a trade date basis. Performance results are after deductions of all transaction charges and fees.

3) Rate of Return — Investment results are computed on a “time-weighted” rate of return basis. Assuming dividends and interest are reinvested, the growth in dollars of an investment in a period can be computed using these rates of return. In computing the “time-weighted rate of return”, if an account’s net monthly cash flow exceeds 10% of its beginning market value, the cash flows are weighted on a daily basis. When an account’s net monthly cash flows are less than 10% of its beginning market value, the cash flows are weighted by the “end of the month” assumption.

4) Preparation of Data — Investment results on a quarterly basis for accounts in the cited category under the discretionary management of Bernstein’s Investment Policy Group for the entire quarter were added together and the sum divided by the total number of accounts in each quarter through 1992; beginning in 1993 quarterly performance was for all accounts weighted by their market value. These quarterly performance figures were then linked to produce a continuous-performance index. The continuous-performance index from inception was used to create point-to-point comparisons. Closed accounts are included for each full quarter prior to their closing. From inception, returns for Diversified Value optimized against the Russell 1000 Value Index exclude certain accounts with special restrictions imposed by clients. The minimum account sizes included in Diversified Value performance are — 1986:3Q-1991: \$5 million; thereafter: all accounts. Strategic Value returns include all accounts offered from 1974-1982 and, thereafter all Strategic Value accounts with \$5 million or more in assets. Beginning January 1, 2000, results exclude accounts with a client-directed margin balance of 20% or more of market value at any month end. Strategic Value accounts exclude the

following products: Diversified Value, Social Investing, Leveraged Hedge and Maximum Appreciation 1000 Accounts.

5) Investment Management Performance Statistics and Dispersion — Performance statistics and dispersion are shown before the deduction of investment management fees. Dispersion, or standard deviation, measures the variability of account returns within a composite. In a normal distribution, approximately two-thirds of the account returns will fall within the range of one standard deviation above and below the equal-weighted mean return. Beginning in 1993, performance is weighted by account size, therefore dispersion is calculated from the asset-weighted mean. Dispersion of performance for accounts under management are: Diversified Value (Russell 1000 Value) — 1999: N/A; 2000: 1.9; Strategic Value — 1974: 29.1; 1975: 26.5; 1976: 17.6; 1977: 8.3; 1978: 11.5; 1979: 9.0; 1980: 8.7; 1981: 5.6; 1982: 5.5; 1983: 2.9; 1984: 1.6; 1985: 1.6; 1986: 1.1; 1987: 1.7; 1988: 1.7; 1989: 1.3; 1990: 1.2; 1991: 2.0; 1992: 1.4; 1993: 1.2; 1994: 1.2; 1995: 1.3; 1996: 1.2; 1997: 1.5; 1998: 2.5; 1999: 2.5; 2000: 2.6.

6) Financial Securities Environment — Various indices are used to indicate the type of investment environment existing during the time periods shown.

Strategy	Number of Accounts	Assets (\$mm)	% of Total Firm Assets
Strategic Value (accts > \$5 million)	357	18,103	4%
Diversified Value (optimized to Russell 1000 Value)	37	1,083	<1%

Notes on the Bernstein/Alliance 50/50 Simulation

The 50/50 Bernstein/Alliance Simulation results were calculated quarterly by summing actual composite returns of Alliance Large Cap Growth to actual returns of Bernstein Strategic Value (see performance explanation above, except that this composite contains accounts less than \$5 million) in a 50/50 percentage ratio. These quarterly performance figures were then linked to produce a continuous-performance index. The continuous-performance index from inception was used to create point-to-point comparisons. Net-of-fee performance figures for the simulation have been calculated by deducting .90%, the highest annual fee charged to an Alliance Large Cap Growth account for the period 1981—82 (excluding accounts with performance-based fee arrangements). From 1983 and thereafter, the actual fees charged by Bernstein for the Strategic Value service were deducted. Simulated portfolio conditions are static; actual balanced portfolios may employ tactical asset allocation and additional rebalancing techniques. Furthermore, Alliance Large Cap Growth differs from Alliance Strategic Growth, which is offered exclusively to Bernstein clients, in that, among other things, Strategic Growth offers tax management, relies on a centralized decision-making process, and may contain fewer stocks.

Simulated results do not represent actual trading using client assets, but (i) were achieved by means of the retroactive application of a model designed with the benefit of hindsight; and (ii) do not reflect the impact that material economic factors may have had on our decision-making. Simulation statistics may not be indicative of future results; there is always the potential for loss as well as for profit.

FINANCIAL INFORMATION

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The Alliance Capital Management Holding L.P. financial statements and notes should be read in conjunction with the consolidated financial statements and notes of Alliance Capital Management L.P. included in this report.

SELECTED CONSOLIDATED FINANCIAL DATA

ALLIANCE CAPITAL MANAGEMENT L.P.

(in thousands, unless otherwise indicated)

	Operating Partnership ⁽¹⁾		Alliance Capital Management Holding L.P.		
	Years Ended December 31,				
	2000	1999	1998	1997	1996
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	\$ 1,689,817	\$ 1,331,758	\$ 952,992	\$ 698,979	\$ 564,032
Distribution revenues	621,622	441,772	301,846	216,851	169,071
Institutional research services	56,289	—	—	—	—
Shareholder servicing fees	85,645	62,332	43,475	36,327	31,272
Other revenues, net	68,726	33,443	25,743	23,179	24,142
	2,522,099	1,869,305	1,324,056	975,336	788,517
Expenses:					
Employee compensation and benefits	651,884	508,566	340,923	264,251	214,880
Promotion and servicing:					
Distribution plan payments	476,039	346,642	266,400	181,080	145,645
Amortization of deferred sales commissions	219,664	163,942	108,853	73,841	53,144
Other	148,740	110,144	85,087	57,245	48,868
General and administrative	226,710	184,754	162,323	120,283	100,854
Interest	44,244	22,585	7,586	2,968	1,923
Amortization of intangible assets	46,252	3,852	4,172	7,006	15,613
Non-recurring items, net	(779)	—	—	120,900	—
	1,812,754	1,340,485	975,344	827,574	580,927
Income before income taxes	709,345	528,820	348,712	147,762	207,590
Income taxes	40,596	67,171	55,796	18,806	14,244
Net income	\$ 668,749	\$ 461,649	\$ 292,916	\$ 128,956	\$ 193,346
Net income excluding performance fees	\$ 632,046	\$ 398,416	\$ 270,366	\$ 109,572	\$ 182,490
Net operating earnings ⁽²⁾	\$ 714,222	\$ 465,501	\$ 297,088	\$ 256,862	\$ 208,959
NET INCOME PER UNIT:⁽³⁾⁽⁴⁾					
Basic net income per Unit	\$ 3.31	\$ 2.67	\$ 1.71	\$ 0.76	\$ 1.15
Diluted net income per Unit	\$ 3.20	\$ 2.59	\$ 1.66	\$ 0.74	\$ 1.13
NET OPERATING EARNINGS PER UNIT:⁽³⁾⁽⁴⁾					
Diluted net income per Unit	\$ 3.20	\$ 2.59	\$ 1.66	\$ 0.74	\$ 1.13
Amortization of intangible assets per Unit	\$ 0.22	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.09
Non-recurring items per Unit	\$ —	\$ —	\$ —	\$ 0.70	\$ —
Net operating earnings per Unit	\$ 3.42	\$ 2.61	\$ 1.68	\$ 1.48	\$ 1.22
PERFORMANCE FEES PER UNIT:⁽³⁾⁽⁴⁾					
Base fee earnings per Unit	\$ 3.24	\$ 2.24	\$ 1.55	\$ 1.37	\$ 1.16
Performance fee earnings per Unit	\$ 0.18	\$ 0.37	\$ 0.13	\$ 0.11	\$ 0.06
Net operating earnings per Unit	\$ 3.42	\$ 2.61	\$ 1.68	\$ 1.48	\$ 1.22
CASH DISTRIBUTIONS PER UNIT:⁽³⁾⁽⁵⁾					
	\$ 3.40	\$ 2.55	\$ 1.62	\$ 1.40	\$ 1.095
BALANCE SHEET DATA AT PERIOD END:					
Total assets	\$ 8,270,762	\$ 1,661,061	\$ 1,132,592	\$ 784,460	\$ 725,897
Debt and long-term obligations ⁽⁶⁾	\$ 933,475	\$ 491,004	\$ 238,089	\$ 130,429	\$ 55,629
Partners' capital	\$ 4,133,677	\$ 552,667	\$ 430,273	\$ 398,051	\$ 476,020
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)⁽⁷⁾					
	\$ 453,679	\$ 368,321	\$ 286,659	\$ 218,654	\$ 182,792

⁽¹⁾ As discussed in Notes 1 and 3 to the consolidated financial statements, the financial information above reflects the operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and Alliance Capital Management L.P. (the "Operating Partnership") thereafter.

⁽²⁾ Net operating earnings: Net income excluding amortization of intangible assets and non-recurring items.

⁽³⁾ Unit and per Unit amounts for all periods prior to the two-for-one Unit split in 1998 have been restated.

⁽⁴⁾ Earnings per Unit amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

⁽⁵⁾ The Operating Partnership is required to distribute all of its Available Cash Flow, as defined in the Alliance Capital Partnership Agreement, to the General Partner and Alliance Capital Unitholders.

⁽⁶⁾ Includes accrued expenses under employee benefit plans due after one year and debt.

⁽⁷⁾ Assets under management exclude certain non-discretionary relationships and include 100% of assets managed by unconsolidated affiliates.

REORGANIZATION AND BERNSTEIN ACQUISITION

Effective October 29, 1999, Alliance Capital Management Holding L.P., formerly known as Alliance Capital Management L.P. ("Alliance Holding"), reorganized by transferring its business to Alliance Capital Management L.P., a newly formed private partnership ("Alliance Capital" or the "Operating Partnership"), in exchange for all of the Units of Alliance Capital (the "Reorganization"). As part of the Reorganization, Alliance Holding offered each Alliance Holding Unitholder the opportunity to exchange Alliance Holding Units for Alliance Capital Units on a one-for-one basis. The Operating Partnership recorded the transferred assets and assumption of liabilities at the amounts reflected in Alliance Holding's books and records on the date of transfer. Since the Reorganization, the Operating Partnership has conducted the diversified investment management services business formerly conducted by Alliance Holding, and Alliance Holding's business has consisted of holding Alliance Capital Units and engaging in related activities. Alliance Capital Management Corporation ("ACMC"), an indirect wholly owned subsidiary of AXA Financial, Inc. ("AXA Financial"), is the general partner of both Alliance Holding and the Operating Partnership. AXA Financial is an indirect wholly owned subsidiary of AXA, a French company, that is a holding company for an international group of insurance and related financial services companies. Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940. Alliance Holding Units are publicly traded on the New York Stock Exchange while Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

On October 2, 2000, the Operating Partnership acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. ("Bernstein"), and assumed the liabilities of Bernstein ("Bernstein Acquisition"). The purchase price consisted of a cash payment of \$1.4754 billion and 40.8 million newly issued Alliance Capital Units. AXA Financial purchased approximately 32.6 million newly issued Alliance Capital Units for \$1.6 billion on June 21, 2000 to fund the cash portion of the purchase price.

At December 31, 2000, Alliance Holding owned approximately 73.2 million, or 30%, of the issued and outstanding Alliance Capital Units. ACMC owns 100,000 general partnership Units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. At December 31, 2000, AXA Financial was the beneficial owner of approximately 2% of the outstanding Alliance Holding Units and approximately 53% of the outstanding Alliance Capital Units which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 53% in the Operating Partnership. At December 31, 2000, SCB Partners Inc., a wholly owned subsidiary of SCB Inc., was the beneficial owner of approximately 17% of the outstanding Alliance Capital Units.

THE OPERATING PARTNERSHIP

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including (a) institutional investors, consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and affiliates such as AXA and its insurance company subsidiaries, by means of separate accounts, sub-advisory relationships resulting from the efforts of the institutional marketing department, structured products, group trusts and mutual funds and classes of mutual fund shares sold exclusively to institu-

tional investors and high net worth individuals, (b) private clients, consisting of high net worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations and other entities, by means of separate accounts, hedge funds and certain other vehicles, (c) individual investors by means of publicly distributed mutual funds sponsored by the Operating Partnership, its subsidiaries and affiliated joint venture companies including cash management products such as money market funds and deposit accounts and sub-advisory relationships in respect of mutual funds sponsored by third parties resulting from the efforts of the mutual fund marketing department (“Alliance Mutual Funds”) and “wrap” products, and (d) institutional investors by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating Partnership and its subsidiaries provide investment management, distribution and shareholder and administrative services to the Alliance Mutual Funds.

All services currently provided by the Operating Partnership were provided by Alliance Holding prior to the Reorganization.

The Operating Partnership’s revenues are largely dependent on the total value and composition of assets under its management. Assets under management grew 23.2% to \$453.7 billion as of December 31, 2000 primarily as a result of the Bernstein Acquisition, which added \$85.8 billion at October 2, 2000, and continuing net sales of Alliance Mutual Funds, offset by market depreciation. Active equity and balanced account assets under management, which comprise approximately 63.5% of total assets under management, grew 31.3%. Active fixed income account assets under management, which comprise 28.7% of total assets under management, increased by 14.7%.

On December 22, 1998, a subsidiary of Alliance Holding acquired Whittingdale Holdings Limited (“Whittingdale”). The purchase price consists of an initial payment of \$4.8 million in cash and deferred payments of \$3.5 million and \$3.2 million, based on the attainment of certain revenue levels by Whittingdale. In connection with the Reorganization, the Operating Partnership assumed all of Alliance Holding’s rights and obligations with respect to the Whittingdale acquisition. The Operating Partnership also has agreed to pay up to \$6.7 million to the former owner of Whittingdale. The amount of this payment is based upon revenues in the year 2003 and will be expensed if and when the payment is incurred.

In 2000, sales of Alliance Mutual Fund shares grew to \$58.1 billion compared to sales of \$47.6 billion in 1999. The increase, principally equity funds sold to both U.S. and non-U.S. investors, reduced by an increase in mutual fund redemptions, resulted in net Alliance Mutual Fund sales of \$23.0 billion, a decrease of 16.1% from \$27.4 billion in 1999.

ASSETS UNDER MANAGEMENT⁽¹⁾

(Dollars in billions)	12/31/00	12/31/99	% Change	12/31/99	12/31/98	% Change
Retail	\$163.3	\$155.2	5.2%	\$155.2	\$108.4	43.2%
Institutional investment management	253.6	207.6	22.2	207.6	174.0	19.3
Private client	36.8	5.5	569.1	5.5	4.3	27.9
Total	\$453.7	\$368.3	23.2%	\$368.3	\$286.7	28.5%

ASSETS UNDER MANAGEMENT BY INVESTMENT ORIENTATION⁽¹⁾

(Dollars in billions)	12/31/00	12/31/99	% Change	12/31/99	12/31/98	% Change
Active equity & balanced – Growth						
Domestic	\$166.9	\$180.2	(7.4)%	\$180.2	\$133.2	35.3%
Global & international	30.5	27.9	9.3	27.9	12.5	123.2
Active equity & balanced – Value						
Domestic	72.6	11.2	548.2	11.2	8.9	25.8
Global & international	18.3	0.2	9,050.0	0.2	0.1	100.0
Total active equity & balanced	288.3	219.5	31.3	219.5	154.7	41.9
Active fixed income						
Domestic	109.1	97.6	11.8	97.6	88.5	10.3
Global & international	20.9	15.7	33.1	15.7	14.1	11.3
Passive						
Domestic	30.0	29.1	3.1	29.1	24.7	17.8
Global & international	5.4	6.4	(15.6)	6.4	4.7	36.2
Total	\$453.7	\$368.3	23.2%	\$368.3	\$286.7	28.5%

AVERAGE ASSETS UNDER MANAGEMENT⁽¹⁾

(Dollars in billions)	2000	1999	% Change	1999	1998	% Change
Retail	\$167.7	\$125.8	33.3%	\$125.8	\$ 93.2	35.0%
Institutional investment management	220.7	184.0	19.9	184.0	154.2	19.3
Private client	11.5	4.8	139.6	4.8	3.1	54.8
Total	\$399.9	\$314.6	27.1%	\$314.6	\$250.5	25.6%

ANALYSIS OF ASSETS UNDER MANAGEMENT⁽¹⁾

(Dollars in billions)	2000				1999			
	Retail	Institutional Investment Mgmt	Private Client	Total	Retail	Institutional Investment Mgmt	Private Client	Total
Balance at January 1,	\$155.2	\$207.6	\$ 5.5	\$368.3	\$108.4	\$174.0	\$4.3	\$286.7
Bernstein Acquisition	—	55.0	30.8	85.8	—	—	—	—
Sales/new accounts	56.0	18.8	1.5	76.3	44.3	10.0	0.9	55.2
Redemptions/terminations	(32.9)	(11.5)	(1.9)	(46.3)	(20.7)	(3.6)	(0.2)	(24.5)
Net cash management sales	2.9	2.9	—	5.8	4.1	1.6	—	5.7
Cash flow	(0.6)	(6.0)	(0.5)	(7.1)	(2.8)	(4.3)	—	(7.1)
Net market appreciation (depreciation)	(17.3)	(13.2)	1.4	(29.1)	21.9	29.9	0.5	52.3
Net change	8.1	46.0	31.3	85.4	46.8	33.6	1.2	81.6
Balance at December 31,	\$163.3	\$253.6	\$36.8	\$453.7	\$155.2	\$207.6	\$5.5	\$368.3

⁽¹⁾ Excludes certain non-discretionary relationships. Includes 100% of assets under management by unconsolidated affiliates as follows: \$2.7 billion retail assets and \$1.1 billion institutional investment management assets at December 31, 2000 and \$2.2 billion retail assets and \$0.6 billion institutional investment management assets at December 31, 1999. The 1999 presentation has been reclassified to conform to the 2000 presentation.

Assets under management at December 31, 2000 were \$453.7 billion, an increase of \$85.4 billion or 23.2% from December 31, 1999. Retail assets under management at December 31, 2000 were \$163.3 billion, an increase of \$8.1 billion or 5.2% from December 31, 1999. This increase was due principally to net sales of \$23.1 billion and net cash management sales of \$2.9 billion, offset by market depreciation of \$17.3 billion and net negative cash flows of \$0.6 billion. Institutional investment management assets under management at December 31, 2000 were \$253.6 billion, an increase of \$46.0 billion or 22.2% from December 31, 1999. This increase was due to the Bernstein Acquisition which added \$55.0 billion, net sales and new accounts of \$7.3 billion and net institutional cash management sales of \$2.9 billion, offset by net negative cash flows of \$6.0 billion and market depreciation of \$13.2 billion. Private client assets under management at December 31, 2000 were \$36.8 billion, an increase of \$31.3 billion from December 31, 1999. This increase was due principally to the Bernstein Acquisition which added \$30.8 billion and market appreciation of \$1.4 billion, offset by net redemptions and account terminations of \$0.4 billion and net negative cash flows of \$0.5 billion.

Assets under management at December 31, 1999 were \$368.3 billion, an increase of \$81.6 billion or 28.5% from December 31, 1998. Retail assets under management at December 31, 1999 were \$155.2 billion, an increase of \$46.8 billion or 43.2% from December 31, 1998. This increase was due principally to net sales of \$23.6 billion, net cash management sales of \$4.1 billion and market appreciation of \$21.9 billion, offset by net negative cash flows of \$2.8 billion. Institutional investment management assets under management at December 31, 1999 were \$207.6 billion, an increase of \$33.6 billion or 19.3% from December 31, 1998. This increase was due to market appreciation of \$29.9 billion, net sales and new accounts of \$6.4 billion and net institutional cash management sales of \$1.6 billion, offset by net negative cash flows of \$4.3 billion. Private client assets under management at December 31, 1999 were \$5.5 billion, an increase of \$1.2 billion from December 31, 1998. This increase was due principally to net sales and new accounts of \$0.7 billion and market appreciation of \$0.5 billion.

Cursitor Alliance LLC (“Cursitor Alliance”), a subsidiary of the Operating Partnership formed in connection with a 1996 acquisition, provides global asset allocation services to U.S. and non-U.S. institutional investors. Due to poor relative investment performance, Cursitor Alliance continues to experience client account terminations and asset withdrawals. Cursitor Alliance’s assets under management aggregated \$0.8 billion, \$1.3 billion and \$1.7 billion at December 31, 2000, 1999, and 1998, respectively. Cursitor Holdings, L.P. (“CHLP”) exercised its option to require the Operating Partnership to purchase its minority interest in Cursitor Alliance for \$10.0 million. See “Capital Resources and Liquidity”. During the fourth quarter of 2000, management of the Operating Partnership determined that the remaining value of the intangible assets recorded in connection with this acquisition was impaired and wrote-off the remaining balance, resulting in a charge of \$16.6 million.

BASIS OF PRESENTATION—FINANCIAL RESULTS

The following is a discussion of the results of operations for 2000 for the Operating Partnership compared to the 1999 combined results of operations of the Operating Partnership and, prior to the Reorganization, Alliance Holding, and of 1999 compared to 1998. The combined presentation is considered meaningful in understanding the diversified investment management business operated by Alliance Holding prior to the Reorganization and by the Operating Partnership thereafter. All information prior to the Reorganization is that of Alliance Holding.

Net income for 2000 increased \$207.1 million or 44.9% to \$668.7 million from net income of \$461.6 million for 1999. Diluted net income per Unit for 2000 increased \$0.61 or 23.6% to \$3.20 from diluted net income per Unit of \$2.59 for 1999. The increase was principally due to an increase in investment advisory and services fees, resulting from higher average assets under management due principally to the Bernstein Acquisition, which was offset partially by higher operating expenses, principally employee compensation and benefits, promotion and servicing, and general and administrative expenses.

Net income for 1999 increased \$168.7 million or 57.6% to \$461.6 million from net income of \$292.9 million for 1998. Diluted net income per Unit for 1999 increased \$0.93 or 56.0% to \$2.59 from diluted net income per Unit of \$1.66 for 1998. The increase was principally due to an increase in investment advisory and services fees, resulting from higher average assets under management and higher performance fees, which was offset partially by higher operating expenses, principally employee compensation and benefits and promotion and servicing expenses.

REVENUES⁽¹⁾

(Dollars in millions)	2000	1999	% Change	1999	1998	% Change
Investment advisory and services fees:						
Retail	\$ 999.5	\$ 788.6	26.7%	\$ 788.6	\$ 539.6	46.1%
Institutional investment management	537.0	417.5	28.6	417.5	370.4	12.7
Private client	153.4	125.6	22.1	125.6	43.0	192.1
Subtotal	1,689.9	1,331.7	26.9	1,331.7	953.0	39.7
Distribution revenues	621.6	441.8	40.7	441.8	301.9	46.3
Institutional research services	56.3	—	n/a	—	—	n/a
Shareholder servicing fees	85.6	62.3	37.4	62.3	43.5	43.2
Other revenues, net	68.7	33.5	105.1	33.5	25.7	30.4
Total	\$2,522.1	\$1,869.3	34.9%	\$1,869.3	\$1,324.1	41.2%

⁽¹⁾ Reflect revenues of the business of Bernstein from the date of the October 2, 2000 acquisition, revenues of Alliance Holding prior to the Reorganization and revenues of the Operating Partnership thereafter.

INVESTMENT ADVISORY AND SERVICES FEES

Investment advisory and services fees, the largest component of the Operating Partnership's revenues, are generally calculated as a small percentage of the value of assets under management and vary with the type of account managed. Fee income is therefore affected by changes in the amount of assets under management, including market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, and shifts of assets between accounts or products with different fee structures. The Operating Partnership's investment advisory and services fees increased 26.9% and 39.7% in 2000 and 1999, respectively.

Certain investment advisory contracts provide for a performance fee, in addition to or in lieu of a base fee, that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Performance fees are recorded as revenue at the end of the measurement period and will generally be higher in favorable markets and lower in unfavorable markets, which may increase the volatility of the Operating Partnership's revenues and earnings. Performance fees aggregated \$72.5 million, \$162.2 million, and \$52.9 million in 2000, 1999 and 1998, respectively. Lower performance fees in 2000 were primarily the result of a decline in absolute returns in certain hedge funds investing in growth and technology stocks. Higher performance fees in 1999 were primarily the result of strong capital markets which provided significant absolute and relative investment returns, new client accounts with performance fee arrangements and a refinement of the procedures for estimating such fees.

Retail investment advisory and services fees increased by \$210.9 million or 26.7% for 2000, primarily as a result of a 33.3% increase in average assets under management, offset by a \$43.3 million decrease in performance fees. Retail investment advisory and services fees increased by \$249.0 million or 46.1% for 1999, primarily as a result of a 35.0% increase in average assets under management and higher performance fees of \$37.2 million.

Institutional investment management investment advisory and services fees increased by \$119.5 million or 28.6% for 2000, due primarily to a 19.9% increase in average assets under management and an increase in performance fees of \$50.8 million, primarily from the Bernstein Acquisition. Institutional investment management investment advisory and services fees increased by \$47.1 million or 12.7% for 1999, due primarily to a 19.3% increase in average assets under management, offset by lower performance fees of \$2.9 million.

Private client investment advisory and services fees increased by \$27.8 million or 22.1% for 2000, primarily as a result of a 139.6% increase in average assets under management, primarily from the Bernstein Acquisition, offset by a \$97.2 million decrease in performance fees. Private client investment advisory and services fees increased by \$82.6 million or 192.1% for 1999, primarily as a result of a 54.8% increase in average assets under management and higher performance fees of \$75.0 million.

INSTITUTIONAL RESEARCH SERVICES

Institutional research services revenue consists of brokerage transaction charges and underwriting syndicate revenues related to services provided to institutional investors by Sanford C. Bernstein & Co., LLC ("SCB & Co."), a wholly owned subsidiary of the Operating Partnership. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Syndicate participation and underwriting revenues include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which SCB & Co. acts as an underwriter or agent. Syndicate participation and underwriting revenues are recorded on the offering date. Revenues from institutional research services were \$56.3 million for fourth quarter 2000.

DISTRIBUTION REVENUES

The Operating Partnership's subsidiary, Alliance Fund Distributors, Inc. ("AFD"), acts as distributor of the Alliance Mutual Funds and receives distribution plan fees from those funds in reimbursement of distribution expenses it incurs. Distribution revenues increased 40.7% and 46.3% in 2000 and 1999, respectively, principally due to higher average mutual fund assets under management attributable to sales of Back-End Load Shares under the Operating Partnership's mutual fund distribution system (the "System"), described under "Capital Resources and Liquidity".

SHAREHOLDER SERVICING FEES

The Operating Partnership's subsidiaries, Alliance Global Investor Services, Inc. and ACM Global Investor Services S.A., provide transfer agency services to the Alliance Mutual Funds. Shareholder servicing fees increased 37.4% and 43.2% in 2000 and 1999, respectively, the result of increases in the number of mutual fund shareholder accounts serviced. The number of shareholder accounts serviced increased to approximately 6.5 million as of December 31, 2000, compared to approximately 5.4 million and 3.8 million as of December 31, 1999 and 1998, respectively.

OTHER REVENUES, NET

Other revenues, net consist principally of administration and recordkeeping services provided to the Alliance Mutual Funds and the General Accounts of The Equitable Life Assurance Society of the United States ("ELAS"), a wholly owned subsidiary of AXA Financial, and its insurance subsidiary. Investment income and changes in value of other investments are also included. Subsequent to the Bernstein Acquisition, other revenues, net also includes net interest income earned on securities loaned to and borrowed from brokers and dealers. Other revenues, net increased for 2000 primarily as a result of higher interest income, including \$29.8 million in interest earned on the proceeds from AXA Financial's purchase of 32,619,775 newly issued Operating Partnership Units on June 21, 2000. Other revenues, net increased for 1999 principally as a result of higher reimbursements for administration and recordkeeping services, increases in the market value of investments in hedge funds sponsored by the Operating Partnership and higher dividend income.

EXPENSES⁽¹⁾

(Dollars in millions)	2000	1999	% Change	1999	1998	% Change
Employee compensation and benefits	\$ 651.9	\$ 508.6	28.2%	\$ 508.6	\$340.9	49.2%
Promotion and servicing	844.4	620.6	36.1	620.6	460.3	34.8
General and administrative	226.7	184.8	22.7	184.8	162.3	13.9
Interest	44.2	22.6	95.6	22.6	7.6	197.4
Amortization of intangible assets	46.3	3.9	1,087.2	3.9	4.3	(9.3)
Non-recurring items, net	(0.8)	—	n/a	—	—	n/a
Total	\$1,812.7	\$1,340.5	35.2%	\$1,340.5	\$975.4	37.4%

⁽¹⁾ Reflect expenses of the business of Bernstein from the date of the October 2, 2000 acquisition, expenses of Alliance Holding prior to the Reorganization and expenses of the Operating Partnership thereafter.

EMPLOYEE COMPENSATION AND BENEFITS

In connection with the Reorganization, all employees of Alliance Holding became employees of the Operating Partnership effective October 29, 1999. In connection with the Bernstein Acquisition, all employees of Bernstein subsidiaries became employees of the Operating Partnership effective October 2, 2000. Employee compensation and benefits, which represent approximately 36.0% of total expenses in 2000, include salaries, commissions, fringe benefits and incentive compensation based on profitability. Provisions for future payments to be made under certain deferred compensation arrangements are also included in employee compensation and benefits expense.

Employee compensation and benefits increased 28.2% and 49.2% in 2000 and 1999, respectively, primarily as a result of higher incentive compensation due to increased operating earnings and increased base compensation and commissions.

Incentive compensation increased in 2000 due to higher operating earnings and costs associated with a new deferred compensation plan adopted in connection with the Bernstein Acquisition, offset in part by lower incentive compensation resulting from lower performance fees. Incentive compensation increased in 1999 due to higher operating earnings and incentive compensation from higher performance fees. Base compensation increased principally due to an increase in the number of employees due to the Bernstein Acquisition and in support of Alliance's growing mutual fund operations combined with salary increases. The Operating Partnership had 4,438 employees at December 31, 2000 compared to 2,396 in 1999 and 2,075 employees of Alliance Holding at December 31, 1998. Commissions increased primarily due to the Bernstein Acquisition.

PROMOTION AND SERVICING

Promotion and servicing expenses, which represent approximately 46.6% of total expenses in 2000, include distribution plan payments to financial intermediaries for distribution of sponsored mutual funds and cash management services' products and amortization of deferred sales commissions paid to financial intermediaries for the sale of Back-End Load Shares under the System. See "Capital Resources and Liquidity". Also included in this expense category are travel and entertainment, advertising, promotional materials, and investment meetings and seminars for financial intermediaries that distribute the Operating Partnership's mutual fund products.

Promotion and servicing expenses increased 36.1% and 34.8% in 2000 and 1999, respectively, primarily due to increased distribution plan payments resulting from higher average domestic, offshore and cash management assets under management. An increase in amortization of deferred sales commissions of \$55.7 million for 2000 as a result of sales of Back-End Load Shares also contributed to the increase in promotion and servicing expense. Other promotion and servicing expenses increased for 2000 and 1999 primarily as a result of higher travel and entertainment costs and higher promotional expenditures incurred in connection with mutual fund sales initiatives.

GENERAL AND ADMINISTRATIVE

General and administrative expenses, which represent approximately 12.5% of total expenses in 2000, are costs related to operations, including technology, professional fees, occupancy, communications, equipment and similar expenses. General and administrative expenses increased 22.7% and 13.9% in 2000 and 1999, respectively, due principally to increased occupancy and other costs related to the Bernstein Acquisition and higher technology expenses incurred in connection with the Year 2000 project and other technology initiatives such as the Euro conversion. A \$10.0 million provision was recorded in 1998 for the acquisition of the minority interest in Cursitor Alliance held by CHLP. CHLP exercised its option to require the Operating Partnership to purchase its minority interest in Cursitor Alliance for \$10 million. See "Capital Resources and Liquidity".

INTEREST

Interest expense is incurred on the Operating Partnership's borrowings and on deferred compensation owed to employees. Interest expense increased for 2000 and 1999 primarily as a result of higher debt and an increase in interest accrued on deferred compensation liabilities.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets is attributable to the intangible assets recorded in connection with the acquisitions made by the Operating Partnership, including the Bernstein Acquisition on October 2, 2000, and the acquisition of ACMC, Inc., the predecessor of both Alliance Holding and the Operating Partnership, by ELAS during 1985. Amortization of intangibles increased for 2000 principally due to the Bernstein Acquisition.

TAXES ON INCOME

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

Income tax expense of \$40.6 million in 2000 decreased by \$26.6 million from 1999 primarily as a result of a lower effective tax rate due to the Reorganization. Income tax expense of \$67.2 million in 1999 increased by \$11.4 million primarily as a result of higher pre-tax income partially offset by a lower combined effective tax rate.

CAPITAL RESOURCES AND LIQUIDITY

Partners' capital of the Operating Partnership was \$4,133.7 million at December 31, 2000, an increase of \$3,581.0 million or 647.9% from partners' capital at December 31, 1999. On October 2, 2000, the Operating Partnership completed the Bernstein Acquisition for \$1,475.4 million in cash and 40.8 million newly issued Operating Partnership Units. On June 21, 2000, AXA Financial purchased from the Operating Partnership 32,619,775 newly issued Operating Partnership Units for \$1.6 billion and the Operating Partnership used the proceeds primarily to finance the cash portion of the Bernstein Acquisition. The Operating Partnership's partners' capital at December 31, 1999 increased by \$122.4 million or 28.4% from Alliance Holding's partner's capital of \$430.3 million at December 31, 1998.

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

The Operating Partnership's cash and cash equivalents increased by \$136.1 million in 2000. Cash inflows included \$682.4 million from operations, the sale of Operating Partnership Units to AXA Financial for \$1,600.0 million, net borrowings of \$368.4 million and \$19.7 million of proceeds from employee options exercised for Alliance Holding Units. Cash outflows included \$1,475.4 million for the Bernstein Acquisition, \$633.2 million in distributions to its General Partner and Unitholders, net purchases of cash and securities for \$620.7 million, the purchase of Alliance Holding Units by subsidiaries of the Operating Partnership for deferred compensation plans of \$146.6 million, net purchases of investments of \$203.7 million and \$75.8 million in capital expenditures.

In connection with a 1996 acquisition, Alliance Holding obtained an option to purchase the minority interest held by CHLP in Cursitor Alliance, and CHLP obtained an option to sell its minority interest to Alliance Holding for cash, Alliance Holding Units, or a combination thereof with a value of not less than \$10.0 million or more than \$37.0 million ("Buyout Price"). The Operating Partnership assumed all of Alliance Holding's rights and obligations with respect to CHLP in connection with the Reorganization. CHLP exercised its option to require the Operating Partnership to purchase the minority interest for a Buyout Price of \$10 million.

The Operating Partnership's mutual fund distribution system includes a multi-class share structure. The System permits the Operating Partnership's open-end mutual funds to offer investors various options for the purchase of mutual fund shares, including the purchase of Front-End Load Shares and Back-End Load Shares. The Front-End Load Shares are subject to a conventional front-end sales charge paid by investors to AFD at the time of sale. AFD in turn compensates the financial intermedi-

aries distributing the funds from the front-end sales charge paid by investors. For Back-End Load Shares, investors do not pay a front-end sales charge although, if there are redemptions before the expiration of the minimum holding period (which ranges from one year to four years), investors pay a contingent deferred sales charge ("CDSC") to AFD. While AFD is obligated to compensate the financial intermediaries at the time of the purchase of Back-End Load Shares, it receives higher ongoing distribution fees from the funds. Payments made to financial intermediaries in connection with the sale of Back-End Load Shares under the System, net of CDSC received, reduced cash flow from operations by approximately \$330.6 million and \$393.4 million during 2000 and 1999, respectively. Management believes AFD will recover the payments made to financial intermediaries for the sale of Back-End Load Shares from the higher distribution fees and CDSC it receives over periods not exceeding 5½ years.

During 1998, Alliance Holding increased its commercial paper program to \$425 million and entered into a \$425 million five-year revolving credit facility with a group of commercial banks. Under the credit facility, the interest rate, at the option of the borrower, is a floating rate generally based upon a defined prime rate, a rate related to the London Interbank Offered Rate (LIBOR) or the Federal Funds rate. A facility fee is payable on the total facility. Borrowings under the credit facility and the commercial paper program may not exceed \$425 million in the aggregate. In connection with the Reorganization, the Operating Partnership assumed Alliance Holding's rights and obligations under the five-year revolving credit facility and the commercial paper program. The revolving credit facility will be used to provide back-up liquidity for the Operating Partnership's commercial paper program, to fund commission payments to financial intermediaries for the sale of Back-End Load Shares under the Operating Partnership's mutual fund distribution system, and for general working capital purposes.

During July 1999, Alliance Holding entered into a \$200 million three-year revolving credit facility with a group of commercial banks. In connection with the Reorganization, the Operating Partnership assumed Alliance Holding's rights and obligations under the three-year revolving credit facility. The new revolving credit facility, the terms of which are generally similar to the \$425 million credit facility, will be used to fund commission payments to financial intermediaries for the sale of Back-End Load Shares under the Operating Partnership's mutual fund distribution system and for general working capital purposes.

During October 2000, the Operating Partnership entered into a \$250 million two-year revolving credit facility the terms of which are substantially similar to the \$425 million and \$200 million revolving credit facilities.

The revolving credit facilities contain covenants which, among other things, require the Operating Partnership to meet certain financial ratios. The Operating Partnership was in compliance with the covenants at December 31, 2000.

In December 1999, the Operating Partnership established a \$100 million Extendible Commercial Notes ("ECN") program as a supplement to its \$425 million commercial paper program. ECNs are short-term uncommitted debt instruments that do not require back-up liquidity support.

At December 31, 2000 and 1999, the Operating Partnership had \$396.9 million and \$384.7 million of commercial paper outstanding, respectively, at effective interest rates of 6.7% and 5.9%, respectively. At December 31, 2000, the Operating Partnership had \$98.2 million outstanding under the ECN program, at an effective interest rate of 6.8%. At December 31, 2000, the Operating Partnership had \$284 million outstanding under its revolving credit facilities, at an effective interest rate of 7.0%. There were no amounts outstanding under the ECN program and the credit facilities at December 31, 1999.

Debt also includes a loan note issued in connection with the Whittingdale acquisition in the aggregate principal amount of \$3.1 million at December 31, 2000. The note bears interest at 5.4% per annum at December 31, 2000.

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

COMMITMENTS AND CONTINGENCIES

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

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

CHANGES IN ACCOUNTING PRINCIPLES

The accounting policies summarized below are followed by the Operating Partnership subsequent to the October 29, 1999 Reorganization and were followed by Alliance Holding prior to the Reorganization.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*. Management adopted this Statement on January 1, 2001, and the adoption did not have a material effect on the Operating Partnership's results of operations, liquidity, or capital resources.

In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB 101"). Management adopted SAB 101 in fourth quarter 2000 and its adoption did not have a material effect on the Operating Partnership's financial condition, results of operations, liquidity or capital resources.

CASH DISTRIBUTIONS

The Operating Partnership is required to distribute all of its Available Cash Flow (as defined in the Alliance Capital Partnership Agreement) to the General Partner and Alliance Capital Unitholders. Alliance Holding is also required to distribute all of its Available Cash Flow (as defined in the Alliance Holding Partnership Agreement). The Available Cash Flow of the Operating Partnership for 2000, the combined Available Cash Flow of the Operating Partnership for the two months ended December 31, 1999 and Alliance Holding for the ten months ended October 29, 1999, and the Available Cash Flow of Alliance Holding for the year ended December 31, 1998 were as follows:

CASH DISTRIBUTIONS

(Dollars in thousands)	2000	1999	1998
Available Cash Flow	\$689,516	\$405,328	\$278,363
Special distribution	—	36,455	—
Total distribution	\$689,516	\$441,783	\$278,363
Distribution per Unit	\$ 3.40	\$ 2.55	\$ 1.62

MARKET RISK, RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The Operating Partnership's investments consist of investments, available-for-sale, and other investments. Investments, available-for-sale, include equity and fixed income mutual funds and money market investments. The carrying value of the money market investments approximates fair value. Although investments, available-for-sale, are purchased for long-term investment, the portfolio strategy considers them available-for-sale from time to time due to changes in market interest rates, equity prices and other relevant factors. Other investments include investments in hedge funds sponsored by the Operating Partnership.

NON TRADING MARKET RISK SENSITIVE INSTRUMENTS

INVESTMENTS WITH INTEREST RATE RISK—FAIR VALUE

The table below provides the Operating Partnership's potential exposure, measured in terms of fair value, to an immediate 100 basis point increase in interest rates from the levels prevailing at December 31, 2000. A 100 basis point fluctuation in interest rates is a hypothetical rate scenario used to calibrate potential risk and does not represent management's view of future market changes. While these fair value measurements provide a representation of interest rate sensitivity of fixed income mutual funds and fixed income hedge funds, they are based on the portfolio exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing changes in investments in response to management's assessment of changing market conditions and available investment opportunities (in thousands):

	At December 31, 2000	+100 Basis Point Change
Fixed income investments	\$6,954	\$(321)

INVESTMENTS WITH EQUITY PRICE RISK—FAIR VALUE

The Operating Partnership's investments also include investments in equity mutual funds and equity hedge funds. The following table provides the Operating Partnership's potential exposure from those investments, measured in terms of fair value, to an immediate 10% drop in equity prices from those prevailing at December 31, 2000. A 10% decrease in equity prices is a hypothetical scenario used to calibrate potential risk and does not represent management's view of future market changes. While these fair value measurements provide a representation of equity price sensitivity of equity mutual funds and equity hedge funds, they are based on the portfolio exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to management's assessment of changing market conditions and available investment opportunities (in thousands):

	At December 31, 2000	-10% Equity Price Change
Equity investments	\$49,140	\$(4,914)

DERIVATIVE FINANCIAL INSTRUMENTS—FAIR VALUE

The Operating Partnership utilizes an interest rate cap to reduce its exposure to interest rate risk by effectively placing an interest rate ceiling or "cap" on interest payable on up to \$100 million of the debt outstanding under the Operating Partnership's commercial paper program and five-year revolving credit facility. The interest rate cap expires in December 2001. The \$100 million notional principal amount does not represent the Operating Partnership's exposure to credit risk, but is only a basis to

determine the payment obligation of the counterparty. During the three-year term of the interest rate cap, the Operating Partnership will receive monthly payments from the counterparty based on the excess, if any, of the stated reference rate over 6% times the notional amount. Should the counterparty fail to perform its obligations under the agreement, the Operating Partnership's borrowing costs on the first \$100 million of debt outstanding could exceed 6%. However, at this time the Operating Partnership does not have any reason to believe that the counterparty would fail to perform. While the notional amount is the most commonly used measure of volume in the derivatives market, it is not used by the Operating Partnership as a measure of risk as the notional amount exceeds the possible loss that could arise from the interest rate cap. Mark to market exposure is a point-in-time measure of the value of a derivative contract on the open market. A positive value indicates existence of credit risk for the Operating Partnership as the counterparty would owe money to the Operating Partnership if the contract were closed. At year end 2000, the market value of the Operating Partnership's derivative was \$135,000 representing the time value and intrinsic value components of the fair value. The table below provides the interest rate sensitivity of the interest rate cap. These exposures will change as a result of ongoing portfolio and risk management activities (in thousands, except for term):

	Notional Amount	Term/ Years	-100 Basis Point Change	Fair Value at December 31, 2000	+ 100 Basis Point Change
Interest rate cap	\$100,000	3	\$(125)	\$135	\$896

DEBT—FAIR VALUE

At year end 2000, the aggregate fair value of long-term debt issued by the Operating Partnership was \$3.1 million. The table below provides the potential fair value exposure to an immediate 100 basis point decrease in interest rates from those prevailing at year end 2000 (in thousands):

	At December 31, 2000	-100 Basis Point Change
Long-term debt	\$3,100	\$143

FORWARD-LOOKING STATEMENTS

Certain statements provided by Alliance Capital and Alliance Holding in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of such factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions, and government regulations, including changes in tax rates. Alliance Capital and Alliance Holding caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; Alliance Capital and Alliance Holding undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

**CONSOLIDATED STATEMENTS
OF FINANCIAL CONDITION**

(in thousands)

ALLIANCE CAPITAL MANAGEMENT L.P.

	December 31,	
	2000	1999
ASSETS		
Cash and cash equivalents	\$ 216,251	\$ 80,185
Cash and securities segregated, at market (cost \$1,289,120)	1,306,334	—
Receivables:		
Brokers and dealers	1,316,694	218,569
Brokerage clients	187,945	—
Fees	401,609	309,849
Investments, available-for-sale	340,318	98,620
Furniture, equipment and leasehold improvements, net	199,699	140,045
Intangible assets, net	3,430,708	98,068
Deferred sales commissions, net	715,692	604,723
Other investments	52,925	57,786
Other assets	102,587	53,216
Total assets	\$8,270,762	\$1,661,061
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	\$ 882,576	\$ 61,372
Brokerage clients	1,636,869	—
Alliance Mutual Funds	279,249	254,151
Accounts payable and accrued expenses	238,640	164,550
Accrued compensation and benefits	313,426	235,120
Debt	782,232	390,079
Minority interests in consolidated subsidiaries	4,093	3,122
Total liabilities	4,137,085	1,108,394
Commitments and contingencies		
Partners' capital:		
General Partner	43,005	5,812
Limited partners: 246,992,617 and 171,861,373 Units issued and outstanding	4,255,560	575,385
	4,298,565	581,197
Less: Capital contributions receivable from General Partner	32,668	31,154
Deferred compensation expense	130,377	—
Accumulated other comprehensive income	1,843	(2,624)
Total partners' capital	4,133,677	552,667
Total liabilities and partners' capital	\$8,270,762	\$1,661,061

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per Unit amounts)

ALLIANCE CAPITAL MANAGEMENT L.P.*

	For the Years Ended December 31,				
	2000	1999		Combined For 1999	Alliance Holding 1998
		Two Months Ended December 31	Ten Months Ended October 29		
REVENUES:					
Investment advisory and services fees	\$1,689,817	\$324,255	\$1,007,503	\$1,331,758	\$ 952,992
Distribution revenues	621,622	87,611	354,161	441,772	301,846
Institutional research services	56,289	—	—	—	—
Shareholder servicing fees	85,645	11,636	50,696	62,332	43,475
Other revenues, net	68,726	7,313	26,130	33,443	25,743
	2,522,099	430,815	1,438,490	1,869,305	1,324,056
EXPENSES:					
Employee compensation and benefits	651,884	137,771	370,795	508,566	340,923
Promotion and servicing:					
Distribution plan payments	476,039	65,256	281,386	346,642	266,400
Amortization of deferred sales commissions	219,664	31,229	132,713	163,942	108,853
Other	148,740	21,676	88,468	110,144	85,087
General and administrative	226,710	33,385	151,369	184,754	162,323
Interest	44,244	5,856	16,729	22,585	7,586
Amortization of intangible assets	46,252	641	3,211	3,852	4,172
Non-recurring items, net	(779)	—	—	—	—
	1,812,754	295,814	1,044,671	1,340,485	975,344
Income before income taxes	709,345	135,001	393,819	528,820	348,712
Income taxes	40,596	8,098	59,073	67,171	55,796
Net income	\$ 668,749	\$126,903	\$ 334,746	\$ 461,649	\$ 292,916
Net income per Unit:					
Basic	\$ 3.31			\$ 2.67	\$ 1.71
Diluted	\$ 3.20			\$ 2.59	\$ 1.66

* As discussed in Notes 1 and 3, the financial information above reflects the operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and of Alliance Capital Management L.P. thereafter. See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL AND COMPREHENSIVE INCOME

ALLIANCE CAPITAL MANAGEMENT L.P.*

(in thousands, except per Unit amounts)

	For the Years Ended December 31,					
	General Partner's Capital	Limited Partners' Capital	Capital Contributions Receivable	Deferred Compensation Expense	Accumulated Other Comprehensive Income	Total Partners' Capital
Balance at December 31, 1997	\$ 4,327	\$ 428,353	\$(29,123)	\$ (3,500)	\$(2,006)	\$ 398,051
Comprehensive Income:						
Net income	2,929	289,987	—	—	—	292,916
Other comprehensive income:						
Unrealized gain on investments, net	—	—	—	—	837	837
Foreign currency translation adjustment, net	—	—	—	—	834	834
Comprehensive Income	2,929	289,987	—	—	1,671	294,587
Cash distributions to partners (\$1.60 per Alliance Holding Unit)	(2,744)	(271,700)	—	—	—	(274,444)
Amortization of deferred compensation expense	—	—	—	3,000	—	3,000
Capital contributions from General Partner	—	—	716	—	—	716
Compensation plan accrual	21	2,091	(2,112)	—	—	—
Proceeds from options for Alliance Holding Units exercised	84	8,279	—	—	—	8,363
Balance at December 31, 1998	4,617	457,010	(30,519)	(500)	(335)	430,273
Comprehensive Income:						
Net income	3,347	331,399	—	—	—	334,746
Other comprehensive income:						
Unrealized gain on investments, net	—	—	—	—	370	370
Foreign currency translation adjustment, net	—	—	—	—	1,035	1,035
Comprehensive Income	3,347	331,399	—	—	1,405	336,151
Cash distributions to partners (\$1.51 per Alliance Holding Unit)	(2,608)	(258,137)	—	—	—	(260,745)
Amortization of deferred compensation expense	—	—	—	500	—	500
Capital contributions from General Partner	—	—	686	—	—	686
Compensation plan accrual	18	1,752	(1,770)	—	—	—
Proceeds from options for Alliance Holding Units exercised	120	11,853	—	—	—	11,973
Balance prior to October 29, 1999 Reorganization	5,494	543,877	(31,603)	—	1,070	518,838
Comprehensive Income:						
Net income	1,269	125,634	—	—	—	126,903
Other comprehensive income:						
Unrealized gain on investments, net	—	—	—	—	1,645	1,645
Foreign currency translation adjustment, net	—	—	—	—	(91)	(91)
Comprehensive Income	1,269	125,634	—	—	1,554	128,457
Cash distributions to partners (\$0.56 per Alliance Capital Unit)	(971)	(96,141)	—	—	—	(97,112)
Capital contributions from General Partner	—	—	406	—	—	406
Compensation plan accrual	(1)	(42)	43	—	—	—
Proceeds from options for Alliance Holding Units exercised	21	2,057	—	—	—	2,078
Balance at December 31, 1999	5,812	575,385	(31,154)	—	2,624	552,667
Comprehensive Income:						
Net income	6,687	662,062	—	—	—	668,749
Other comprehensive income:						
Unrealized loss on investments, net	—	—	—	—	(2,131)	(2,131)
Foreign currency translation adjustment, net	—	—	—	—	(2,336)	(2,336)
Comprehensive Income	6,687	662,062	—	—	(4,467)	664,282
Cash distributions to partners (\$3.45 per Alliance Capital Unit)	(6,332)	(626,831)	—	—	—	(633,163)
Capital contributions from General Partner	—	—	658	—	—	658
Purchase of Alliance Holding Units to fund deferred compensation plans	—	(2,002)	—	(144,624)	—	(146,626)
Amortization of deferred compensation expense	—	—	—	14,247	—	14,247
Proceeds from issuance of Alliance Capital Units to ELAS and AXA Financial	16,295	1,613,230	—	—	—	1,629,525
Issuance of Alliance Capital Units for Bernstein Acquisition	20,604	2,039,796	—	—	—	2,060,400
Purchase of Alliance Capital Units from Alliance Holding	(280)	(27,762)	—	—	—	(28,042)
Compensation plan accrual	22	2,150	(2,172)	—	—	—
Proceeds from options for Alliance Holding Units exercised and associated tax benefit	197	19,532	—	—	—	19,729
Balance at December 31, 2000	\$43,005	\$4,255,560	\$(32,668)	\$(130,377)	\$(1,843)	\$4,133,677

* As discussed in Notes 1 and 3, the financial information above reflects the operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and of Alliance Capital Management L.P. thereafter.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

ALLIANCE CAPITAL MANAGEMENT L.P.*

	For the Years Ended December 31,				
	2000	1999			Alliance Holding 1998
		Two Months Ended December 31	Ten Months Ended October 29	Combined For 1999	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 668,749	\$ 126,903	\$ 334,746	\$ 461,649	\$ 292,916
Adjustments to reconcile net income to net cash provided from (used in) operating activities:					
Amortization and depreciation	301,618	35,641	152,635	188,276	129,374
Non-recurring items, net	34,634	—	—	—	—
Other, net	64,603	3,646	18,120	21,766	12,873
Changes in assets and liabilities:					
(Increase) in segregated cash and securities	(620,716)	—	—	—	—
(Increase) decrease in receivable from brokers and dealers	95,193	(43,637)	(15,777)	(59,414)	(90,389)
(Increase) in receivable from brokerage clients	(56,984)	—	—	—	—
(Increase) in fees receivable	(28,868)	(75,298)	(61,440)	(136,738)	(32,399)
(Increase) in deferred sales commissions	(330,633)	(67,114)	(326,258)	(393,372)	(232,514)
(Increase) decrease in other investments	3,611	(16,626)	(17,935)	(34,561)	(14,708)
(Increase) in other assets	(17,478)	(21,791)	(278)	(22,069)	(10,666)
Increase in payable to Alliance Mutual Funds	24,987	46,813	7,981	54,794	102,321
Increase (decrease) in payable to brokers and dealers	(15,836)	30,510	(8,178)	22,332	10,722
Increase in payable to brokerage clients	463,159	—	—	—	—
Increase (decrease) in accounts payable and accrued expenses	54,499	(10,009)	7,988	(2,021)	62,861
Increase (decrease) in accrued compensation and benefits, less deferred compensation	41,864	(43,863)	167,304	123,441	27,634
Net cash provided from (used in) operating activities	682,402	(34,825)	258,908	224,083	258,025
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(4,387,839)	(301,448)	(888,180)	(1,189,628)	(476,826)
Proceeds from sale of investments	4,184,128	287,425	900,130	1,187,555	430,266
Purchase of businesses, net of cash acquired	(1,475,400)	—	(142)	(142)	(2,911)
Additions to furniture, equipment and leasehold improvements, net	(75,796)	(13,033)	(50,463)	(63,496)	(31,910)
Net cash (used in) investing activities	(1,754,907)	(27,056)	(38,655)	(65,711)	(81,381)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of debt	6,511,357	867,854	2,043,616	2,911,470	926,012
Repayment of debt	(6,142,982)	(707,001)	(2,015,874)	(2,722,875)	(826,375)
Cash distributions to partners	(633,163)	(97,112)	(260,745)	(357,857)	(274,444)
Proceeds from issuance of Alliance Capital Units to ELAS and AXA Financial	1,629,525	—	—	—	—
Purchase of Alliance Capital Units from Alliance Holding	(28,042)	—	—	—	—
Capital contributions from General Partner	658	406	686	1,092	716
Proceeds from options for Alliance Holding Units exercised and associated tax benefit	19,729	2,078	11,973	14,051	8,363
Purchase of Alliance Holding Units to fund deferred compensation plans	(146,626)	—	—	—	—
Net cash provided from (used in) financing activities	1,210,456	66,225	(220,344)	(154,119)	(165,728)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
	(1,885)	529	217	746	509
Net increase in cash and cash equivalents	136,066	4,873	126	4,999	11,425
Cash and cash equivalents at beginning of the period	80,185	75,312	75,186	75,186	63,761
Cash and cash equivalents at end of the period	\$ 216,251	\$ 80,185	\$ 75,312	\$ 80,185	\$ 75,186

* As discussed in Notes 1 and 3, the financial information above reflects the operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and of Alliance Capital Management L.P. thereafter. See accompanying Notes to Consolidated Financial Statements.

1. REORGANIZATION AND BERNSTEIN ACQUISITION

Effective October 29, 1999, Alliance Capital Management Holding L.P., formerly known as Alliance Capital Management L.P. (“Alliance Holding”), reorganized by transferring its business to Alliance Capital Management L.P., a newly formed private partnership (“Alliance Capital” or the “Operating Partnership”), in exchange for all of the Units in Alliance Capital (the “Reorganization”). As part of the Reorganization, Alliance Holding offered each Alliance Holding Unitholder the opportunity to exchange Alliance Holding Units for Alliance Capital Units on a one-for-one basis. The Operating Partnership recorded the transferred assets and assumption of liabilities at the amounts reflected in Alliance Holding’s books and records on the date of transfer. Since the Reorganization, the Operating Partnership has conducted the diversified investment management services business formerly conducted by Alliance Holding, and Alliance Holding’s business has consisted of holding Alliance Capital Units and engaging in related activities. Alliance Capital Management Corporation (“ACMC”), an indirect wholly owned subsidiary of AXA Financial, Inc. (“AXA Financial”), is the general partner of both Alliance Holding and the Operating Partnership. AXA Financial is an indirect wholly owned subsidiary of AXA, a French company, that is a holding company for an international group of insurance and related financial services companies. Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940. Alliance Holding Units are publicly traded on the New York Stock Exchange while Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

On October 2, 2000, the Operating Partnership acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. (“Bernstein”), and assumed the liabilities of Bernstein (“Bernstein Acquisition”). The purchase price consisted of a cash payment of \$1.4754 billion and 40.8 million newly issued Alliance Capital Units. AXA Financial purchased approximately 32.6 million newly issued Alliance Capital Units for \$1.6 billion on June 21, 2000 to fund the cash portion of the purchase price.

At December 31, 2000, Alliance Holding owned approximately 73.2 million, or 30%, of the issued and outstanding Alliance Capital Units. ACMC owns 100,000 general partnership Units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. At December 31, 2000, AXA Financial was the beneficial owner of approximately 2% of the outstanding Alliance Holding Units and approximately 53% of the outstanding Alliance Capital Units which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 53% in the Operating Partnership. At December 31, 2000, SCB Partners Inc., a wholly owned subsidiary of SCB Inc., was the beneficial owner of approximately 17% of the outstanding Alliance Capital Units.

2. BUSINESS DESCRIPTION

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including (a) institutional investors, consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and affiliates such as AXA and its insurance company subsidiaries, by means of separate accounts, sub-advisory relationships resulting from the efforts of the institutional marketing department, structured products, group trusts and mutual funds and classes of mutual fund shares sold exclusively to institutional investors and high net worth individuals, (b) private clients, consisting of high net worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations and other entities, by means of separate accounts, hedge funds and certain other vehicles, (c) individual investors by means of publicly distributed mutual funds sponsored by the Operating Partnership, its subsidiaries and affiliated joint venture companies including cash management products such as money market funds and deposit accounts and sub-advisory relationships in respect of mutual funds sponsored by third parties

resulting from the efforts of the mutual fund marketing department (“Alliance Mutual Funds”) and “wrap” products, and (d) institutional investors by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating Partnership and its subsidiaries provide investment management, distribution and shareholder and administrative services to the Alliance Mutual Funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Operating Partnership’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated financial statements’ dollar and per Unit amounts and disclosures reflect the operations of Alliance Holding prior to the Reorganization effective October 29, 1999 and Alliance Capital thereafter. The accounting policies summarized below are followed by the Operating Partnership subsequent to the Reorganization and were followed by Alliance Holding prior to the Reorganization. All information prior to the Reorganization is that of Alliance Holding.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the Operating Partnership and its majority-owned subsidiaries. The equity method of accounting is used for unconsolidated subsidiaries in which the Operating Partnership’s ownership interests range from 20 to 50 percent and the Operating Partnership exercises significant influence over operating and financial policies. All significant intercompany transactions and balances among the consolidated entities have been eliminated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with maturities of three months or less. Due to the short-term nature of these investments, the recorded value approximates fair value.

INVESTMENTS

Investments, principally investments in Alliance Mutual Funds, are classified as available-for-sale securities. These investments are stated at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income in partners’ capital. Realized gains and losses on the sale of investments are included in income currently and are determined using the specific-identification method.

FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is recognized on a straight-line basis over the estimated useful lives of eight years for furniture and three to six years for equipment. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the terms of the related leases.

INTANGIBLE ASSETS

Intangible assets consist principally of goodwill resulting from acquisitions and costs assigned to contracts of businesses acquired. Goodwill is being amortized on a straight-line basis over estimated useful lives ranging from twenty to forty years. Costs assigned to investment contracts of businesses acquired are being amortized on a straight-line basis over estimated useful lives of twenty years. Impairment of intangible assets is evaluated by comparing the undiscounted cash flows expected to be realized from those intangible assets to their recorded values. If the expected future cash flows are less than the carrying value of intangible assets, an impairment loss is recognized for the difference between the carrying amount and the estimated fair value of those intangible assets.

DEFERRED SALES COMMISSIONS

Sales commissions paid to financial intermediaries in connection with the sale of shares of open-end Alliance Mutual Funds sold without a front-end sales charge are capitalized and amortized over periods not exceeding five and one-half years, the period of time during which deferred sales commissions are expected to be recovered from distribution plan payments received from those funds and from contingent deferred sales charges received from shareholders of those funds upon the redemption of their shares. Contingent deferred sales charges reduce unamortized deferred sales commissions when received.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to adverse movements in interest rates. Payments to be received as a result of interest rate cap agreements are recognized as adjustments to interest expense. Premiums paid are included in other assets and amortized to interest expense over the period for which the cap is effective.

REVENUE RECOGNITION

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

Institutional research services revenue consists of brokerage transaction charges and underwriting syndicate revenues related to services provided to institutional investors. Brokerage transaction charges earned and related expenses are recorded on a trade date basis. Syndicate participation and underwriting revenues include gains, losses and fees, net of syndicate expenses, arising from securities offerings in which Sanford C. Bernstein & Co., LLC ("SCB & Co."), a wholly owned subsidiary of the Operating Partnership, acts as an underwriter or agent. Syndicate participation and underwriting revenues are recorded on the offering date.

MUTUAL FUND UNDERWRITING ACTIVITIES

Purchases and sales of shares of Alliance Mutual Funds in connection with the underwriting activities of the Operating Partnership's subsidiaries, including related commission income, are recorded on trade date. Receivables from brokers and dealers for sale of shares of Alliance Mutual Funds are generally realized within three business days from trade date, in conjunction with the settlement of the related payables to Alliance Mutual Funds for share purchases.

COLLATERALIZED SECURITIES TRANSACTIONS

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received in connection with the transaction and are included in receivables from and payables to brokers and dealers in the consolidated statement of finan-

cial condition. Securities borrowed transactions require SCB & Co. to deposit cash or other collateral with the lender. With respect to securities loaned, SCB & Co. receives collateral. The initial collateral advanced or received approximates or is greater than the fair value of securities borrowed or loaned. SCB & Co. monitors the fair value of the securities borrowed and loaned on a daily basis and requests additional collateral or returns excess collateral as appropriate. Income or expense is recognized over the life of the transactions.

SECURITIES TRANSACTIONS

Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the consolidated financial statements. Principal securities transactions and related expenses are recorded on a trade date basis. Transaction charges earned on customer securities transactions were \$74,955,000 for the year ended December 31, 2000.

OPTION PLANS

The Operating Partnership applies the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), "*Accounting for Stock Issued to Employees*", under which compensation expense is recorded on the date of grant only if the market price of the underlying Alliance Holding Units exceeds the exercise price. Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "*Accounting for Stock-Based Compensation*", requires entities to recognize the fair value of all stock-based awards on the date of grant as expense over the vesting period or, alternatively, to continue to apply the provisions of APB 25 with disclosure of pro forma net income as if the fair-value method defined in SFAS 123 had been applied.

ADVERTISING

Advertising costs are expensed as incurred and are included in other promotion and servicing expenses.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign subsidiaries are translated into United States dollars at exchange rates in effect at the balance sheet dates, and related revenues and expenses are translated into United States dollars at average exchange rates in effect during each period. Net foreign currency gains and losses resulting from the translation of assets and liabilities of foreign operations into United States dollars are reported as a separate component of accumulated other comprehensive income in partners' capital. Net foreign currency gains and losses for the three-year period ended December 31, 2000 were not material.

CASH DISTRIBUTIONS

The Operating Partnership is required to distribute all of its Available Cash Flow, as defined in the Alliance Capital Partnership Agreement, to the General Partner and Alliance Capital Unitholders.

COMPREHENSIVE INCOME

Total comprehensive income is reported in the Consolidated Statements of Changes in Partners' Capital and Comprehensive Income and includes net income, unrealized gains and losses on investments classified as available-for-sale, and foreign currency translation adjustments. The accumulated balance of comprehensive income items is displayed separately in the partners' capital section of the Consolidated Statements of Financial Condition.

RECLASSIFICATIONS

Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform with the 2000 presentation.

4. ACQUISITIONS

On October 2, 2000, Alliance Capital acquired the business and assets of Bernstein and assumed the liabilities of the Bernstein business. The purchase price consisted of a cash payment of \$1.4754 billion and 40.8 million newly issued Alliance Capital units. AXA Financial purchased approximately 32.6 million newly issued Alliance Capital units for \$1.6 billion on June 21, 2000 to fund the cash portion of the purchase price.

The acquisition was accounted for under the purchase method with the results of Bernstein included in the consolidated financial statements from the acquisition date. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and liabilities assumed. Portions of the purchase price were identified as net tangible assets of \$0.1 billion and costs assigned to contracts acquired of \$0.4 billion. Costs assigned to contracts acquired are being amortized over twenty years. The excess of the purchase price over the fair value of net assets acquired resulted in the recognition of goodwill of approximately \$3.0 billion and is being amortized over twenty years.

On December 22, 1998, a subsidiary of Alliance Holding acquired Whittingdale Holdings Limited (“Whittingdale”). The purchase price consists of an initial payment of \$4.8 million in cash and two deferred payments of \$3.5 million and \$3.2 million, based on the attainment of certain revenue levels by Whittingdale. In connection with the Reorganization, the Operating Partnership assumed all of Alliance Holding’s rights and obligations with respect to the Whittingdale acquisition. The Operating Partnership also has agreed to pay up to \$6.7 million to the former owner of Whittingdale. The amount of this payment is based upon revenues in the year 2003 and will be expensed if and when the payment is incurred. The acquisition was accounted for under the purchase method with the results of Whittingdale included in the consolidated financial statements from the acquisition date. The excess of the purchase price over the fair value of net assets acquired resulted in the recognition of goodwill of approximately \$8.8 million, which increased to \$10.3 million in 2000, and is being amortized over twenty years. Pro forma financial information for the year ended December 31, 1998 reflecting the effects of the acquisition is not presented because it would not be materially different from the actual results reported.

On February 29, 1996, Alliance Holding acquired substantially all of the assets and liabilities of Cursitor Holdings, L.P. (“CHLP”) and all of the outstanding shares of Cursitor Holdings Limited, currently Cursitor Alliance Holdings Limited (collectively, “Cursitor”), for approximately \$159.0 million. The acquisition of Cursitor, which was accounted for under the purchase method, resulted in the formation of a new subsidiary, Cursitor Alliance LLC (“Cursitor Alliance”), in which CHLP owns a 7% minority equity interest. CHLP has exercised its option to require the Operating Partnership to purchase the minority interest for \$10 million. (See Note 14). During the fourth quarter of 2000, management of the Operating Partnership determined that the remaining value of the intangible assets recorded in connection with this acquisition was impaired and wrote off the remaining balance, resulting in a charge of \$16.6 million.

5. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following table summarizes the unaudited condensed 2000 and 1999 results of operations of the Operating Partnership as if the Bernstein Acquisition had occurred on January 1, 2000 and January 1, 1999.

The pro forma financial information does not necessarily reflect the results of operations that would have been obtained had the Bernstein Acquisition occurred on January 1, 2000 and January 1, 1999, nor is the pro forma financial information necessarily indicative of the results of operations that may be achieved for any future period.

(in thousands)	2000	1999
Revenues	\$3,117,697	\$2,695,724
Expenses	2,348,107	2,009,467
Income before income taxes	769,590	686,257
Income taxes	50,020	44,606
Net income	\$ 719,570	\$ 641,651
Basic net income per Unit	\$ 2.91	\$ 2.59
Diluted net income per Unit	\$ 2.82	\$ 2.54

6. CASH AND SECURITIES SEGREGATED UNDER FEDERAL REGULATIONS AND OTHER REQUIREMENTS

At December 31, 2000, \$1,306,330,000 in United States Treasury Bills was segregated in a special reserve bank custody account for the exclusive benefit of customers under rule 15c3-3 of the Securities and Exchange Commission ("SEC").

7. NET INCOME PER UNIT

Basic net income per Unit is derived by reducing net income for the 1% General Partner interest and dividing the remaining 99% by the weighted average number of Units outstanding. Diluted net income per Unit is derived by reducing net income for the 1% General Partner interest and dividing the remaining 99% by the total of the weighted average number of Units outstanding and the dilutive Unit equivalents resulting from outstanding employee options. All information prior to the Reorganization is that of Alliance Holding. (In thousands, except per Unit amounts):

	2000	1999	Alliance Holding 1998
Net income	\$668,749	\$461,649	\$292,916
Weighted average Units outstanding—Basic	199,980	171,155	169,933
Dilutive effect of employee options	6,744	5,153	5,210
Weighted average Units outstanding—Diluted	206,724	176,308	175,143
Basic net income per Unit	\$ 3.31	\$ 2.67	\$ 1.71
Diluted net income per Unit	\$ 3.20	\$ 2.59	\$ 1.66

8. INVESTMENTS, AVAILABLE-FOR-SALE

At December 31, 2000 and 1999, investments available-for-sale consisted principally of investments in Alliance Mutual Funds. The amortized cost, gross unrealized gains and losses and fair value of investments, available-for-sale, were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2000	\$338,845	\$1,756	\$(283)	\$340,318
December 31, 1999	\$ 95,016	\$3,791	\$(187)	\$ 98,620

Proceeds from sales of investments, available-for-sale, were approximately \$4,184,128,000, \$1,187,555,000 and \$430,266,000 in 2000, 1999 and 1998, respectively. Gross gains and gross losses realized from the sales for the years ended December 31, 2000, 1999 and 1998 were not material.

9. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements are comprised of (in thousands):

December 31,	2000	1999
Furniture and equipment	\$211,477	\$133,824
Leasehold improvements	125,604	92,251
	337,081	226,075
Less: Accumulated depreciation and amortization	137,382	86,030
Furniture, equipment and leasehold improvements, net	\$199,699	\$140,045

During fourth quarter 2000, management of the Operating Partnership determined that the remaining value of certain leasehold improvements was impaired and a write-off of \$18 million was recorded.

10. INTANGIBLE ASSETS

Intangible assets consist of (in thousands):

December 31,	2000	1999
Goodwill, net of accumulated amortization of \$62,704 and \$20,013 in 2000 and 1999, respectively	\$3,021,883	\$80,434
Costs assigned to investment contracts of businesses acquired, net of accumulated amortization of \$95,689 and \$89,514 in 2000 and 1999, respectively	408,825	17,634
Intangible assets, net	\$3,430,708	\$98,068

11. OTHER INVESTMENTS

Other investments are comprised of (in thousands):

December 31,	2000	1999
Investments in sponsored partnerships and other investments	\$44,947	\$48,335
Investments in unconsolidated affiliates	7,978	9,451
Other investments	\$52,925	\$57,786

12. DEBT

During 1998, Alliance Holding increased its commercial paper program to \$425 million and entered into a \$425 million five-year revolving credit facility with a group of commercial banks. Under the credit facility, the interest rate, at the option of the borrower, is a floating rate generally based upon a defined prime rate, a rate related to the London Interbank Offered Rate (LIBOR) or the Federal Funds rate. A facility fee is payable on the total facility. Borrowings under the credit facility and the commercial paper program may not exceed \$425 million in the aggregate. In connection with the Reorganization, the Operating Partnership assumed Alliance Holding's rights and obligations under the five-year revolving credit facility and the commercial paper program. The revolving credit facility will be used to provide back-up liquidity for the Operating Partnership's commercial paper program, to fund commission payments to financial intermediaries for the sale of Back-End Load Shares under the Operating Partnership's mutual fund distribution system, and for general working capital purposes.

During July 1999, Alliance Holding entered into a \$200 million three-year revolving credit facility with a group of commercial banks. In connection with the Reorganization, the Operating Partnership assumed Alliance Holding's rights and obligations under the three-year revolving credit facility. The new revolving credit facility, the terms of which are generally similar to the \$425 million credit facility, will be used to fund commission payments to financial intermediaries for the sale of Back-End Load Shares under the Operating Partnership's mutual fund distribution system and for general working capital purposes.

During October 2000, the Operating Partnership entered into a \$250 million two-year revolving credit facility the terms of which are substantially similar to the \$425 million and \$200 million revolving credit facilities.

The revolving credit facilities contain covenants which, among other things, require the Operating Partnership to meet certain financial ratios. The Operating Partnership was in compliance with the covenants at December 31, 2000.

In December 1999, the Operating Partnership established a \$100 million Extendible Commercial Notes ("ECN") program as a supplement to its \$425 million commercial paper program. ECNs are short-term uncommitted debt instruments that do not require back-up liquidity support.

At December 31, 2000 and 1999, the Operating Partnership had \$396.9 million and \$384.7 million of commercial paper outstanding, respectively, at effective interest rates of 6.7% and 5.9%, respectively. At December 31, 2000, the Operating Partnership had \$98.2 million outstanding under the ECN program, at an effective interest rate of 6.8%. At December 31, 2000, the Operating Partnership had \$284 million outstanding under its revolving credit facilities, at an effective interest rate of 7.0%. There were no amounts outstanding under the ECN program and the credit facilities at December 31, 1999. The recorded amounts of outstanding commercial paper, and debt outstanding under the ECN program and revolving credit facilities approximates fair value.

Debt also includes a loan note issued in connection with the Whittingdale acquisition in the aggregate principal amount of \$3.1 million at December 31, 2000. The note bears interest at 5.4% per annum at December 31, 2000. The recorded amount of the note approximated its fair value.

13. INTEREST RATE CAP AGREEMENT

Alliance Holding entered into a three-year interest rate cap agreement with a major U.S. commercial bank, effective in December 1998, which was assumed by the Operating Partnership in connection with the Reorganization. The purpose of this agreement is to reduce the Operating Partnership's exposure to interest rate risk by effectively placing an interest rate ceiling or "cap" of 6% per annum on interest payable on up to \$100 million of the debt outstanding under the commercial paper program and the five-year revolving credit facility. The fair value of the interest rate cap was approximately \$135,000 at December 31, 2000, and the carrying value of the unamortized premium was \$290,694.

The \$100 million notional principal amount does not represent the Operating Partnership's exposure to credit risk, but is the basis for determining the payment obligation of the counterparty. During the term of the interest rate cap, the Operating Partnership will receive monthly payments from the counterparty based on the excess, if any, of the stated reference rate of 6% times the notional amount. Should the counterparty fail to perform its obligations under the agreement, the borrowing costs on the first \$100 million of debt outstanding could exceed 6%. However, at this time, the Operating Partnership does not have any reason to believe that the counterparty would fail to perform.

14. COMMITMENTS AND CONTINGENCIES

The Operating Partnership and its subsidiaries lease office space, furniture and office equipment under various operating leases. The future minimum payments under noncancelable leases, net of sublease commitments, at December 31, 2000 aggregated \$1,053,487,000 and are payable as follows: \$56,142,000, \$62,246,000, \$60,978,000, \$72,279,000 and \$65,535,000 for the years 2001 through 2005, respectively, and a total of \$736,307,000 for the remaining years through 2019. Office leases contain escalation clauses that provide for the pass through of increases in operating expenses and real estate taxes. Rent expense for the years ended December 31, 2000, 1999 and 1998 was \$46,157,000, \$31,907,000 and \$25,062,000, respectively.

In connection with the Cursitor acquisition, Alliance Holding obtained an option to purchase the minority interest held by CHLP in Cursitor Alliance, and CHLP obtained an option to sell its minority interest to Alliance Holding for cash, Alliance Holding Units, or a combination thereof with a value of not less than \$10.0 million or more than \$37.0 million (“Buyout Price”). The Operating Partnership assumed all of Alliance Holding’s rights and obligations with respect to CHLP in connection with the Reorganization. CHLP exercised its option to require the Operating Partnership to purchase the minority interest for a Buyout Price of \$10 million.

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

15. NET CAPITAL

SCB & Co., a wholly owned subsidiary of the Operating Partnership, is a broker-dealer and member of the New York Stock Exchange, Inc. (“NYSE”). SCB & Co. is subject to Uniform Net Capital Rule 15c3-1 of the SEC. SCB & Co. computes its net capital under the alternative method permitted by the rule, which requires that minimum net capital, as defined, equal the greater of two percent of aggregate debit items arising from customer transactions, as defined, which amounts to \$8,382,000, or \$1,000,000. At December 31, 2000, SCB & Co. had net capital of \$164,903,000, which exceeded the minimum net capital requirements by \$156,521,000.

Advances, dividend payments and other equity withdrawals by SCB & Co. are restricted by the regulations of the SEC, NYSE and other securities agencies. At December 31, 2000, \$20,957,000 was not available for payment of cash dividends and advances.

Alliance Fund Distributors, Inc. (“AFD”), a wholly owned subsidiary of the Operating Partnership, serves as distributor and/or underwriter for certain Alliance Mutual Funds. AFD is registered as a broker-dealer under the Securities Exchange Act of 1934 and is subject to the minimum net capital requirements imposed by the SEC. AFD’s net capital at December 31, 2000 was \$45,607,000, which was \$31,179,000 in excess of its required net capital of \$14,428,000.

16. RISK MANAGEMENT

CUSTOMER ACTIVITIES

In the normal course of business, brokerage activities involve the execution, settlement and financing of various customer securities, which may expose SCB & Co. to off-balance sheet risk in the event the customer is unable to fulfill its contracted obligations by requiring SCB & Co. to purchase or sell securities at prevailing market prices.

SCB & Co.'s customer securities activities are transacted on either a cash or margin basis. In margin transactions, SCB & Co. extends credit to the customer, subject to various regulatory and internal margin requirements. These transactions are collateralized by cash or securities in the customer's account. In connection with these activities, SCB & Co. may execute and clear customer transactions involving the sale of securities not yet purchased. SCB & Co. seeks to control the risks associated with margin transactions by requiring customers to maintain collateral in compliance with the aforementioned regulatory and internal guidelines. SCB & Co. monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral, or reduce positions, when necessary. A majority of SCB & Co.'s customer margin accounts are managed on a discretionary basis whereby SCB & Co. maintains control over the investment activity in the accounts. For these discretionary accounts, SCB & Co.'s margin deficiency exposure is minimized through maintaining a diversified portfolio of securities and by virtue of its discretionary authority and role as custodian.

SCB & Co. may enter into forward currency contracts on behalf of accounts for which SCB & Co. acts as custodian. SCB & Co. minimizes credit risk associated with these contracts by monitoring these positions on a daily basis, as well as by virtue of its discretionary authority and role as custodian.

In accordance with industry practice, SCB & Co. records customer transactions on a settlement date basis, which is generally three business days after trade date. SCB & Co. is therefore exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case SCB & Co. may have to purchase or sell financial instruments at prevailing market prices. Settlement of these transactions is not expected to have a material effect upon SCB & Co.'s financial statements.

OTHER COUNTERPARTIES

SCB & Co. is engaged in various brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, SCB & Co. may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is SCB & Co.'s policy to review, as necessary, the credit standing of each counterparty.

In connection with SCB & Co.'s security borrowing and lending arrangements, which constitute the majority of the receivable from and payable to brokers and dealers, SCB & Co. enters into collateralized agreements which may result in credit exposure in the event the counterparty to a transaction is unable to fulfill its contractual obligations. Security borrowing arrangements require SCB & Co. to deposit cash collateral with the lender. With respect to security lending arrangements, SCB & Co. receives collateral in the form of cash in amounts generally in excess of the market value of the securities loaned. SCB & Co. minimizes credit risk associated with these activities by establishing credit limits for each broker and monitoring these limits on a daily basis. Additionally, security borrowing and lending collateral is marked to market on a daily basis, and additional collateral is deposited by or returned to SCB & Co. as necessary.

17. EMPLOYEE BENEFIT PLANS

In connection with the Reorganization, all employees of Alliance Holding became employees of the Operating Partnership effective October 29, 1999 and the Operating Partnership assumed all employee benefit plans previously administered by Alliance Holding. The Operating Partnership and its subsidiaries maintain a number of qualified and nonqualified employee benefit and incentive compensation plans. Except as indicated, the aggregate amount available for annual employee bonuses and contributions to the various employee benefit plans discussed below is based on a percentage of the consolidated operating profits of the Operating Partnership and its subsidiaries.

The Operating Partnership maintains a qualified profit sharing plan covering substantially all U.S. and certain foreign employees except former employees of Bernstein. The amount of the annual contribution to the plan is determined by a committee of the Board of Directors of the General Partner. Contributions are limited to the maximum amount deductible for federal income tax purposes, generally 15% of the total annual compensation of eligible participants. Aggregate contributions for 2000, 1999 and 1998 were \$13,628,000, \$11,415,000 and \$10,049,000, respectively.

The Operating Partnership maintains a qualified 401(k) plan covering former employees of Bernstein. The amount of the annual contribution to the plan is determined by a committee of the Board of Directors of the General Partner. Contributions are limited to the maximum amount deductible for federal income tax purposes. Aggregate contributions for 2000 were \$4,059,000.

The Operating Partnership maintains a qualified noncontributory defined benefit retirement plan in the U.S. covering substantially all U.S. employees and certain foreign employees except former employees of Bernstein. Benefits are based on years of credited service, average final base salary and primary Social Security benefits. The Operating Partnership's funding policy is to contribute annually an amount not to exceed the maximum amount that can be deducted for federal income tax purposes. Plan assets are comprised principally of corporate equity securities, U.S. Treasury securities and shares of Alliance Mutual Funds.

The projected benefit obligation under the retirement plan at December 31, 2000 and 1999 was comprised of (in thousands):

	2000	1999
Benefit obligation at beginning of year	\$31,142	\$33,481
Service cost	3,239	3,599
Interest cost	2,481	2,313
Actuarial gains/losses	2,606	(7,799)
Benefits paid	(541)	(452)
Benefit obligation at end of year	\$38,927	\$31,142

Changes in plan assets at fair value for the years ended December 31, 2000 and 1999 were comprised of (in thousands):

	2000	1999
Plan assets at fair value at beginning of year	\$37,862	\$32,244
Actual return on plan assets	(4,462)	6,070
Benefits paid	(541)	(452)
Plan assets at fair value at end of year	\$32,859	\$37,862

The following table presents the retirement plan's funded status and amounts recognized in the consolidated statements of financial condition at December 31, 2000 and 1999 (in thousands):

	2000	1999
Funded status	\$ (6,068)	\$ 6,720
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	(4,457)	(15,773)
Prior service cost not yet recognized in net periodic pension cost	(1,195)	(1,308)
Unrecognized net plan assets at January 1, 1987 being recognized over 26.3 years	(1,763)	(1,906)
Accrued pension expense included in accrued compensation and benefits	\$(13,483)	\$(12,267)

Net expense under the retirement plan for the years ended December 31, 2000, 1999 and 1998 was comprised of (in thousands):

	2000	1999	1998
Service cost	\$ 3,239	\$ 3,599	\$ 2,769
Interest cost on projected benefit obligations	2,481	2,313	1,891
Expected return on plan assets	(3,710)	(3,160)	(2,393)
Net amortization and deferral	(794)	(331)	(271)
Net pension charge	\$ 1,216	\$ 2,421	\$ 1,996

Actuarial computations at December 31, 2000, 1999 and 1998 were made utilizing the following assumptions:

	2000	1999	1998
Discount rate on benefit obligations	7.75%	8.00%	7.00%
Expected long-term rate of return on plan assets	10.00%	10.00%	10.00%
Annual salary increases	5.66%	5.66%	5.66%

Variances between actuarial assumptions and actual experience are amortized over the estimated average remaining service lives of employees participating in the retirement plan.

18. DEFERRED COMPENSATION PLANS

The Operating Partnership maintains a nonqualified unfunded deferred compensation plan known as the Capital Accumulation Plan and assumed obligations under contractual unfunded deferred compensation arrangements covering certain executives.

The Capital Accumulation Plan was frozen on December 31, 1987 and no additional awards have been made. The Board of Directors of the General Partner may terminate the Capital Accumulation Plan at any time without cause, in which case the Operating Partnership's liability would be limited to benefits that have vested. Benefits due eligible executives under the contractual unfunded deferred compensation arrangements vested on or before December 31, 1987. Payment of vested benefits under both the Capital Accumulation Plan and the contractual unfunded deferred compensation arrangements will generally be made over a ten-year period commencing at retirement age. APMC, Inc., a subsidiary of AXA Financial, is obligated to make capital contributions to the Operating Partnership in amounts equal to benefits paid under the Capital Accumulation Plan and the contractual unfunded deferred compensation arrangements. Amounts included in employee compensation and benefits expense for the Capital Accumulation Plan and the contractual unfunded deferred compensation arrangements for the years ended December 31, 2000, 1999 and 1998 were \$2,172,000, \$1,727,000 and \$2,112,000, respectively.

In connection with the acquisition of Bernstein, the Operating Partnership adopted a deferred compensation plan, known as the SCB Deferred Compensation Award Plan, under which the Operating Partnership has agreed to invest \$96 million per annum for three years to fund open market purchases of Alliance Holding Units or money market funds, in each case for the benefit of certain individuals who were stockholders or principals of Bernstein or hired to replace them. The awards vest ratably over three years and are amortized as employee compensation expense. Aggregate amortization of \$6,805,000 was recorded for the year ended December 31, 2000.

During 1995, the Operating Partnership established an unfunded deferred compensation plan known as the Alliance Partners Compensation Plan (the “Plan”) under which certain awards may be granted to eligible executives. A committee comprised of certain executive officers of the General Partner administers the Plan and determines the aggregate amount and recipients of awards. Awards made in 1995 vest ratably over three years. Awards made after 1995 generally vest ratably over eight years. Until distributed, the 1995 through 1998 awards are generally credited with earnings based on the Operating Partnership’s earnings growth rate. Payment of vested 1995 through 1998 benefits will generally be made in cash over a five-year period commencing at retirement or termination of employment although, under certain circumstances, full or partial lump sum payments may be made. Effective for 1999, annual awards are payable in Alliance Holding Units and a subsidiary of the Operating Partnership purchases Alliance Holding Units for the account of each participant. The Alliance Holding Units may not be transferred until vested. The vesting periods range from one to eight years depending on the age of the participant. Participants receive distributions on non-vested Alliance Holding Units during the vesting period. The Plan may be terminated at any time without cause, in which case the Operating Partnership’s liability would be limited to vested benefits. The Operating Partnership made awards in 2000, 1999 and 1998 aggregating \$62,105,000, \$48,210,000 and \$25,825,000, respectively. The amounts charged to employee compensation and benefits expense for the Plan for the years ended December 31, 2000, 1999 and 1998 were \$18,159,000, \$12,044,000 and \$6,587,000, respectively.

During 2000, the Operating Partnership established an unfunded deferred compensation plan known as the Annual Elective Deferral Plan (the “Deferral Plan”) under which participants may elect to defer a portion of their annual bonus or commission and invest it in the Deferral Plan. A committee comprised of certain executive officers of the General Partner administers the Deferral Plan and the Operating Partnership contributes a supplemental amount equal to 20% of the deferred bonus or commission to the Deferral Plan. The supplemental amounts contributed by the Operating Partnership, which totaled \$2,657,000 in 2000, vest ratably over three years and are amortized as employee compensation expense.

During 1994, certain key employees of Shields Asset Management, Incorporated (“Shields”) and its wholly owned subsidiary, Regent Investor Services, Incorporated (“Regent”) entered into employment agreements with Alliance Holding and were issued 1,290,320 new Alliance Holding Units with an aggregate fair market value of approximately \$15,000,000, which was amortized as employee compensation expense ratably over five years. The Operating Partnership assumed all of Alliance Holding’s obligations with respect to such employees in connection with the Reorganization. Aggregate amortization of \$500,000 and \$3,000,000 was recorded for the years ended December 31, 1999 and 1998, respectively.

19. EMPLOYEE UNIT AWARD AND OPTION PLANS

In connection with the Reorganization, the Operating Partnership assumed all obligations under the employee award and option plans previously administered by Alliance Holding.

During 1988, a Unit Option Plan (the “Unit Option Plan”) was established under which options to purchase Alliance Holding Units were granted to certain key employees. A committee of the Board of Directors of the General Partner administers

the Unit Option Plan and determines the grantees and the number of options to be granted. Options may be granted for terms of up to ten years and each option must have an exercise price of not less than the fair market value of Alliance Holding Units on the date of grant. Options are exercisable at a rate of 20% of the Alliance Holding Units subject to options on each of the first five anniversary dates of the date of grant. As of December 31, 2000, 1,674,880 options to purchase Alliance Holding Units were outstanding under the Unit Option Plan. No more options may be granted under the Unit Option Plan.

During 1993, the 1993 Unit Option Plan, the Unit Bonus Plan and the Century Club Plan (together the “1993 Plans”) were established by Alliance Holding. Committees of the Board of Directors of the General Partner administer the 1993 Plans and determine the recipients of grants and awards. Under the 1993 Unit Option Plan, options to purchase Alliance Holding Units may be granted to key employees for terms of up to ten years. Each option must have an exercise price of not less than the fair market value of Alliance Holding Units on the date of grant. Options are exercisable at a rate of 20% of the Alliance Holding Units subject to options on each of the first five anniversary dates of the date of grant. Under the Unit Bonus Plan, Alliance Holding Units may be awarded to key employees in lieu of all or a portion of the cash bonuses they would otherwise receive under the Operating Partnership’s incentive compensation program. Under the Century Club Plan, employees whose primary responsibilities are to assist in the distribution of Alliance Mutual Funds are eligible to receive an award of Alliance Holding Units. The aggregate number of Alliance Holding Units that can be the subject of options granted or that can be awarded under the 1993 Plans may not exceed 6,400,000 Alliance Holding Units. As of December 31, 2000, 3,759,700 Alliance Holding Units were subject to options granted and 22,515 Alliance Holding Units were subject to awards made under the 1993 Plans.

During 1997, the 1997 Long Term Incentive Plan (the “1997 Plan”) was established by Alliance Holding. Committees of the Board of Directors of the General Partner administer the 1997 Plan and determine the recipients of Alliance Holding Unit awards, including options, restricted Alliance Holding Units and phantom restricted Alliance Holding Units, performance awards, other Alliance Holding Unit based awards, or any combination thereof. Awards under the 1997 Plan may be granted to key employees for terms established at the time of grant by the Committees. The aggregate number of Alliance Holding Units that can be the subject of options granted or that can be awarded under the 1997 Plan may not exceed 41,000,000 Alliance Holding Units.

During 2000, 1999, and 1998, the Committees authorized the grant of options to employees of the Operating Partnership to purchase 4,698,000, 2,000,000 and 2,777,000 Alliance Holding Units, respectively, under the Unit Option Plan, the 1993 Plans and the 1997 Plan. The per Alliance Holding Unit weighted-average fair value of options granted during 2000, 1999 and 1998 was \$8.32, \$3.88 and \$3.86, respectively, on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 5.9%, 5.7%, and 4.4% for 2000, 1999 and 1998, respectively; expected dividend yield of 7.2% for 2000, 8.7% for 1999 and 6.5% for 1998; and a volatility factor of the expected market price of Alliance Holding’s Units of 30% for 2000 and 29% for 1999 and 1998.

The Operating Partnership applies APB 25 in accounting for its option plans and, accordingly, no compensation cost has been recognized for employee options, granted at fair market value, in the consolidated financial statements. Had the Operating Partnership determined compensation cost based on the fair value at the grant date for its employee options under SFAS 123, the Operating Partnership’s net income for 2000, the Operating Partnership’s and Alliance Holding’s combined net income for 1999, and Alliance Holding’s net income for 1998 would have been reduced to the pro forma amounts indicated below (in thousands):

	2000	1999	1998
SFAS 123 Pro forma net income	\$656,712	\$455,546	\$289,831

Pro forma net income reflects options granted beginning January 1, 1995. Therefore, the full impact of calculating compensation cost for options under SFAS 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period of five years and compensation cost for options granted prior to January 1, 1995 is not considered.

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

The following table summarizes the activity in options under the Unit Option Plan, 1993 Plans and the 1997 Plan:

	Alliance Holding Units	Weighted Average Exercise Price Per Alliance Holding Unit
Outstanding at January 1, 1998	10,637,600	\$11.41
Granted	2,777,000	\$26.28
Exercised	(938,972)	\$ 8.91
Forfeited	(205,200)	\$13.14
Outstanding at December 31, 1998	12,270,428	\$14.94
Granted	2,000,000	\$30.18
Exercised	(1,477,878)	\$ 9.51
Forfeited	(303,800)	\$17.79
Outstanding at December 31, 1999	12,488,750	\$17.95
Granted	4,698,000	\$50.93
Exercised	(1,688,870)	\$10.90
Forfeited	(96,500)	\$26.62
Outstanding at December 31, 2000	15,401,380	\$28.73
Exercisable at December 31, 2000	6,555,680	

Exercise prices for options outstanding as of December 31, 2000 ranged from \$6.63 to \$53.75 per Alliance Holding Unit. The weighted-average remaining contractual life of those options is 7.36 years.

The following table summarizes information concerning currently outstanding and exercisable options:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding as of 12/31/00	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of 12/31/00	Weighted Average Exercise Price
\$ 6.63 – \$11.13	3,566,480	3.59	\$ 9.60	3,566,480	\$ 9.60
12.44 – 26.31	5,229,400	7.26	21.29	2,615,200	19.85
27.31 – 30.94	1,910,000	8.93	30.24	374,000	30.24
48.50 – 48.50	2,525,000	9.47	48.50	—	—
53.75 – 53.75	2,170,500	9.95	53.75	—	—
\$ 6.63 – \$53.75	15,401,380	7.36	\$28.73	6,555,680	\$14.87

20. INCOME TAXES

The Operating Partnership is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, the Operating Partnership is subject to the New York City unincorporated business tax (“UBT”). Domestic corporate subsidiaries of the Operating Partnership, which are subject to federal, state and local income taxes, are generally included in the filing of a consolidated federal income tax return. Separate state and local income tax returns are filed. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located. Alliance Holding is a publicly traded partnership for federal income tax purposes and is subject to the UBT and, beginning January 1, 1998, a 3.5% federal tax on partnership gross income from the active conduct of a trade or business.

The provision for income taxes, which are all currently payable, consists of (in thousands):

Years Ended December 31,	2000	1999	1998
Partnership unincorporated business taxes	\$25,687	\$25,607	\$16,047
Federal tax on partnership gross business income	—	33,104	30,600
Corporate subsidiaries:			
Federal	6,980	4,250	3,855
State, local and foreign	10,078	4,210	5,294
Current provision for income taxes	42,745	67,171	55,796
Deferred tax benefit—state and local	(2,149)	—	—
Provision for income taxes	\$40,596	\$67,171	\$55,796

The principal reasons for the difference between the effective tax rates and the UBT statutory tax rate of 4% are as follows (in thousands):

Years Ended December 31,	2000		1999		1998	
UBT statutory rate	\$28,374	4.0%	\$21,153	4.0%	\$13,948	4.0%
Federal tax on partnership gross business income	—	—	33,104	6.3	30,600	8.8
Corporate subsidiaries’ federal, state, local and foreign income taxes	15,349	2.2	8,212	1.5	8,878	2.5
Miscellaneous	(3,127)	(0.5)	4,702	0.9	2,370	0.7
Provision for income taxes and effective tax rates	\$40,596	5.7%	\$67,171	12.7%	\$55,796	16.0%

Under Statement of Financial Accounting Standards No. 109 (“SFAS 109”), “*Accounting for Income Taxes*”, deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effect of significant items comprising the net deferred tax assets are as follows (in thousands):

December 31,	2000	1999
Deferred tax asset:		
Differences between book and tax treatment of deferred compensation plans	\$ 8,582	\$ 6,587
Differences between book and tax basis of intangible assets	1,802	1,690
Other, primarily accruals deductible when paid	1,436	1,955
	11,820	10,232
Deferred tax liability:		
Differences between book and tax basis of furniture, equipment and leasehold improvements	641	411
Differences between book and tax basis of investment partnerships	354	736
Differences between book and tax basis of intangible assets	492	—
	1,487	1,147
Net deferred tax asset	10,333	9,085
Valuation allowance	(7,284)	(8,185)
Deferred tax asset, net of valuation allowance	\$ 3,049	\$ 900

The net change in the valuation allowance for the year ended December 31, 2000 was \$901,000. The valuation allowance primarily relates to uncertainties on the deductibility for UBT purposes of certain compensation related items and the amortization expense related to certain intangibles. The deferred tax asset is included in other assets.

21. BUSINESS SEGMENT INFORMATION

Alliance Holding adopted Statement of Financial Accounting Standards No. 131 (“SFAS 131”), “*Disclosures about Segments of an Enterprise and Related Information*”, in 1999. SFAS 131 establishes standards for the way a public enterprise reports information about operating segments in its annual and interim financial statements. It also establishes standards for related enterprise-wide disclosures about products and services, geographic areas and major customers. Generally, financial information is required to be reported consistent with the basis used by management to allocate resources and assess performance.

Management has assessed the requirements of SFAS 131 and determined that, because the Operating Partnership utilizes a consolidated approach to assess performance and allocate resources, it has only one operating segment. Enterprise-wide disclosures as of and for the years ended December 31, 2000, 1999 and 1998 were as follows:

SERVICES

Total revenues derived from the Operating Partnership’s and, prior to the Reorganization, Alliance Holding’s investment management services for the years ended December 31, were (in millions):

	2000	1999	1998
Retail	\$1,703	\$1,291	\$ 885
Institutional investment management	541	419	371
Private client	153	126	43
Institutional research services	56	—	—
Other	69	33	25
Total	\$2,522	\$1,869	\$1,324

GEOGRAPHIC INFORMATION

Total revenues, long-lived assets and assets under management related to the Operating Partnership's and, prior to the Reorganization, Alliance Holding's domestic and foreign operations as of and for the years ended December 31, were (in millions):

	2000	1999	1998
Total revenues:			
United States	\$ 2,144	\$ 1,541	\$ 1,122
International	378	328	202
Total	\$ 2,522	\$ 1,869	\$ 1,324
Long-lived assets:			
United States	\$ 4,328	\$ 803	\$ 536
International	18	40	38
Total	\$ 4,346	\$ 843	\$ 574
Assets under management:			
United States	\$394,362	\$316,919	\$250,894
International	59,317	51,402	35,765
Total	\$453,679	\$368,321	\$286,659

MAJOR CUSTOMERS

The Alliance Mutual Funds are distributed to individual investors through broker-dealers, insurance sales representatives, banks, registered investment advisers, financial planners and other financial intermediaries. AXA Advisors, LLC ("AXA Advisors"), a wholly owned subsidiary of AXA Financial that uses members of the AXA Financial insurance agency sales force as its registered representatives, has entered into a selected dealer agreement with AFD and has been responsible for 4%, 4% and 5% of U.S. and offshore mutual fund sales in 2000, 1999, and 1998, respectively. Subsidiaries of Merrill Lynch & Co., Inc. ("Merrill Lynch") were responsible for approximately 18%, 26% and 26% of U.S. and offshore mutual fund sales in 2000, 1999, and 1998, respectively. Citigroup, Inc. ("Citigroup"), parent company of Salomon Smith Barney, was responsible for approximately 5% of U.S. and offshore mutual fund sales in 2000 and 6% in 1999 and 1998. AXA Advisors, Merrill Lynch and Citigroup are under no obligation to sell a specific amount of fund shares and each also sells shares of mutual funds that it sponsors and which are sponsored by unaffiliated organizations.

AXA and the general and separate accounts of the Equitable Life Assurance Society of the United States ("ELAS"), a wholly owned subsidiary of AXA, (including investments by the separate accounts of ELAS in the funding vehicles EQ Advisors Trust and The Hudson River Trust for certain periods) accounted for approximately 15%, 20% and 22% of total assets under management at December 31, 2000, 1999 and 1998, respectively, and approximately 6%, 8% and 11% of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively. No single institutional client other than AXA and ELAS accounted for more than 1% of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively.

22. RELATED PARTY TRANSACTIONS

Investment management, distribution, and shareholder and administrative services are provided to the Alliance Mutual Funds. Substantially all of these services are provided under contracts that set forth the services to be provided and the fees to be charged. The contracts are subject to annual review and approval by each of the Alliance Mutual Funds' boards of directors or trustees and, in certain circumstances, by the Alliance Mutual Funds' shareholders.

Revenues for services provided to the Alliance Mutual Funds are as follows (in thousands):

Years Ended December 31,	2000	1999	1998
Investment advisory and services fees	\$1,021,755	\$895,784	\$571,768
Distribution revenues	621,622	441,772	301,846
Shareholder servicing fees	85,645	62,332	43,475
Other revenues	11,605	9,935	8,572

Investment management and administration services are provided to AXA and to AXA Financial and certain of their subsidiaries other than the Operating Partnership (the “AXA Subsidiaries”) and certain of their affiliates. In addition, certain AXA Subsidiaries distribute Alliance Mutual Funds, for which they receive commissions and distribution payments. Sales of Alliance Mutual Funds through the AXA Subsidiaries, excluding cash management products, aggregated approximately \$1,332 million, \$1,228 million and \$859 million for the years ended December 31, 2000, 1999 and 1998, respectively. The Operating Partnership and its employees are covered by various insurance policies maintained by AXA Subsidiaries. In addition, the Operating Partnership pays fees for other services and technology provided by AXA and the AXA Subsidiaries.

Aggregate amounts included in the consolidated financial statements for transactions with the AXA Subsidiaries and certain of their affiliates are as follows (in thousands):

Years Ended December 31,	2000	1999	1998
Assets:			
Institutional investment management fees receivable	\$ 5,997	\$ 7,136	\$ 6,682
Revenues:			
Investment advisory and services fees	52,070	51,647	58,051
Other revenues	8,062	11,003	7,931
Expenses:			
Distribution payments to financial intermediaries	107,353	106,170	82,444
General and administrative	3,706	4,950	5,076

23. SUPPLEMENTAL CASH FLOW AND NONCASH INVESTING AND FINANCING ACTIVITIES INFORMATION

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

Years Ended December 31,	2000	1999	1998
Interest	\$22,519	\$10,206	\$ 4,043
Income taxes	36,626	68,369	15,460

Noncash investing and financing activities were as follows (in thousands):

Years Ended December 31,	2000	1999	1998
Issuance of Operating Partnership Units for Bernstein Acquisition	\$2,060,400	\$—	\$—

24. ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (“SFAS 133”), “*Accounting for Derivative Instruments and Hedging Activities*”. Management adopted this Statement on January 1, 2001 and the adoption of the Statement did not have a material effect on the Operating Partnership’s results of operations, liquidity, or capital resources.

In December 1999, the SEC issued SEC Staff Accounting Bulletin No. 101, “*Revenue Recognition in Financial Statements*” (“SAB 101”). Management adopted SAB 101 in fourth quarter 2000 and its adoption did not have a material effect on the Operating Partnership’s financial condition, results of operations, liquidity or capital resources.

25. CASH DISTRIBUTION

On February 2, 2001, the General Partner declared a total distribution of \$214,559,000 or \$0.86 per Alliance Capital Unit representing a distribution from Available Cash Flow (as defined in the Alliance Capital Partnership Agreement) of the Operating Partnership for the three months ended December 31, 2000. The distribution is payable on February 23, 2001 to holders of record on February 13, 2001.

26. QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per Unit data)

	Quarters Ended 2000			
	December 31	September 30	June 30	March 31
Revenues	\$793,170	\$615,586	\$564,937	\$548,406
Net income	\$148,258	\$195,506	\$153,835	\$171,150
Basic net income per Unit ⁽¹⁾	\$ 0.60	\$ 0.95	\$ 0.87	\$ 0.99
Diluted net income per Unit ⁽¹⁾	\$ 0.58	\$ 0.91	\$ 0.83	\$ 0.95
Cash distributions per Unit ⁽²⁾	\$ 0.86	\$ 0.905	\$ 0.82	\$ 0.815
	Quarters Ended 1999 ⁽³⁾			
	December 31	September 30	June 30	March 31
Revenues	\$585,459	\$445,162	\$418,941	\$419,743
Net income	\$164,727	\$101,654	\$ 97,214	\$ 98,054
Basic net income per Unit ⁽¹⁾	\$ 0.95	\$ 0.59	\$ 0.56	\$ 0.57
Diluted net income per Unit ⁽¹⁾	\$ 0.92	\$ 0.57	\$ 0.55	\$ 0.55
Cash distributions per Unit ⁽²⁾	\$ 0.91	\$ 0.56	\$ 0.54	\$ 0.54

⁽¹⁾ Due to changes in the number of weighted average Units outstanding, quarterly net income per Unit may not add to the totals for the year.

⁽²⁾ Declared and paid during the following quarter.

⁽³⁾ Reflects the operations of Alliance Holding prior to the Reorganization effective October 29, 1999 and of Alliance Capital thereafter.

THE GENERAL PARTNER AND UNITHOLDERS
ALLIANCE CAPITAL MANAGEMENT L.P.

We have audited the accompanying consolidated statements of financial condition of Alliance Capital Management L.P. and subsidiaries ("Alliance Capital") as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the year ended December 31, 2000 and the two-month period ended December 31, 1999. We have also audited the consolidated statements of income, partners' capital and comprehensive income and cash flows of Alliance Capital Management Holding L.P. and subsidiaries, the predecessor to Alliance Capital, for the ten-month period ended October 29, 1999 (date of Reorganization — Note 1) and the consolidated statements of income, changes in partners' capital and comprehensive income and cash flows for the year ended December 31, 1998. These consolidated financial statements are the responsibility of the management of the General Partner. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

88 In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alliance Capital as of December 31, 2000 and 1999, and Alliance Capital's and Alliance Capital Management Holding L.P. and subsidiaries' results of operations and cash flows for each of the periods referred to above presented in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

New York, New York

February 2, 2001

SELECTED FINANCIAL DATA

(in thousands, unless otherwise indicated)

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

	Alliance Capital Management Holding L.P. ⁽¹⁾				
	Years Ended December 31,				
	2000	1999	1998	1997	1996
INCOME STATEMENT DATA:					
Revenues:					
Equity in earnings of Operating Partnership	\$ 244,922	\$ 52,665	\$ —	\$ —	\$ —
Investment advisory and services fees	—	1,007,503	952,992	698,979	564,032
Distribution revenues	—	354,161	301,846	216,851	169,071
Shareholder servicing fees	—	50,696	43,475	36,327	31,272
Other revenues	—	26,130	25,743	23,179	24,142
	244,922	1,491,155	1,324,056	975,336	788,517
Expenses:					
Employee compensation and benefits	—	370,795	340,923	264,251	214,880
Promotion and servicing:					
Distribution plan payments	—	274,920	266,400	181,080	145,645
Amortization of deferred sales commissions	—	132,713	108,853	73,841	53,144
Other	—	94,934	85,087	57,245	48,868
General and administrative	—	151,369	162,323	120,283	100,854
Interest	—	16,729	7,586	2,968	1,923
Amortization of intangible assets	—	3,211	4,172	7,006	15,613
Non-recurring items, net	—	—	—	120,900	—
	—	1,044,671	975,344	827,574	580,927
Income before income taxes	244,922	446,484	348,712	147,762	207,590
Income taxes	20,952	63,642	55,796	18,806	14,244
Net income	\$ 223,970	\$ 382,842	\$ 292,916	\$ 128,956	\$ 193,346
NET INCOME PER ALLIANCE HOLDING UNIT: ⁽²⁾⁽³⁾					
Basic net income per Alliance Holding Unit	\$ 3.10	\$ 2.61	\$ 1.71	\$ 0.76	\$ 1.15
Diluted net income per Alliance Holding Unit	\$ 2.93	\$ 2.53	\$ 1.66	\$ 0.74	\$ 1.13
NET OPERATING EARNINGS PER ALLIANCE HOLDING UNIT: ⁽²⁾⁽³⁾⁽⁴⁾					
Diluted net income per Alliance Holding Unit	\$ 2.93	\$ 2.53	\$ 1.66	\$ 0.74	\$ 1.13
Amortization of intangible assets per Alliance Holding Unit	\$ 0.22	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.09
Non-recurring items per Alliance Holding Unit	\$ —	\$ —	\$ —	\$ 0.70	\$ —
Net operating earnings per Alliance Holding Unit	\$ 3.15	\$ 2.55	\$ 1.68	\$ 1.48	\$ 1.22
PERFORMANCE FEES PER ALLIANCE HOLDING UNIT: ⁽²⁾⁽³⁾⁽⁴⁾					
Base fee earnings per Alliance Holding Unit	\$ 3.00	\$ 2.22	\$ 1.55	\$ 1.37	\$ 1.16
Performance fee earnings per Alliance Holding Unit	\$ 0.15	\$ 0.33	\$ 0.13	\$ 0.11	\$ 0.06
Net operating earnings per Alliance Holding Unit	\$ 3.15	\$ 2.55	\$ 1.68	\$ 1.48	\$ 1.22
CASH DISTRIBUTIONS PER ALLIANCE HOLDING UNIT ⁽²⁾⁽⁵⁾					
	\$ 3.11	\$ 2.49	\$ 1.62	\$ 1.40	\$ 1.095
BALANCE SHEET DATA AT PERIOD END:					
Total assets	\$1,268,837	\$ 272,060	\$1,132,592	\$784,460	\$725,897
Debt and long-term obligations ⁽⁶⁾	\$ —	\$ —	\$ 238,089	\$130,429	\$ 52,629
Partners' capital	\$1,260,550	\$ 265,608	\$ 430,273	\$398,051	\$476,020
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)⁽⁷⁾					
	\$ —	\$ —	\$ 286,659	\$218,654	\$182,792

⁽¹⁾ As discussed in Notes 1 and 3 to the consolidated financial statements, the financial information above reflects the consolidated operations of Alliance Capital Management Holding L.P. ("Alliance Holding") prior to the Reorganization effective October 29, 1999 and the use of the equity method of reporting thereafter.

⁽²⁾ Alliance Holding Unit and per Alliance Holding Unit amounts for all periods prior to the two-for-one Alliance Holding Unit split in 1998 have been restated.

⁽³⁾ Earnings per Alliance Holding Unit amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, Earnings per Share.

⁽⁴⁾ Net operating earnings per Unit: Diluted net income per Unit excluding Alliance Holding's proportionate share of Alliance Capital Management L.P.'s amortization of intangible assets and non-recurring items.

⁽⁵⁾ Alliance Holding is required to distribute all of its Available Cash Flow, as defined in the Alliance Holding Partnership Agreement, to its Partners and Alliance Holding Unitholders.

⁽⁶⁾ Includes accrued expenses under employee benefit plans due after one year and debt.

⁽⁷⁾ Assets under management exclude certain non-discretionary relationships and include 100% of assets managed by unconsolidated affiliates.

REORGANIZATION AND BERNSTEIN ACQUISITION

Effective October 29, 1999, Alliance Capital Management Holding L.P., formerly known as Alliance Capital Management L.P. ("Alliance Holding"), reorganized by transferring its business to Alliance Capital Management L.P., a newly formed private partnership ("Alliance Capital" or the "Operating Partnership"), in exchange for all of the Units in Alliance Capital (the "Reorganization"). As part of the Reorganization, Alliance Holding offered each Alliance Holding Unitholder the opportunity to exchange Alliance Holding Units for Alliance Capital Units on a one-for-one basis. The Operating Partnership recorded the transferred assets and assumption of liabilities at the amounts reflected in Alliance Holding's books and records on the date of transfer. Since the Reorganization, the Operating Partnership has conducted the diversified investment management services business formerly conducted by Alliance Holding, and Alliance Holding's business has consisted of holding Alliance Capital Units and engaging in related activities. Alliance Capital Management Corporation ("ACMC"), an indirect wholly owned subsidiary of AXA Financial, Inc. ("AXA Financial"), is the general partner of both Alliance Holding and the Operating Partnership. AXA Financial is an indirect wholly owned subsidiary of AXA, a French company, that is a holding company for an international group of insurance and related financial services companies. Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940. Alliance Holding Units are publicly traded on the New York Stock Exchange while Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

On October 2, 2000, the Operating Partnership acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. ("Bernstein"), and assumed the liabilities of Bernstein ("Bernstein Acquisition"). The purchase price consisted of a cash payment of \$1.4754 billion and 40.8 million newly issued Alliance Capital Units. AXA Financial purchased approximately 32.6 million newly issued Alliance Capital Units for \$1.6 billion on June 21, 2000 to fund the cash portion of the purchase price.

At December 31, 2000, Alliance Holding owned approximately 73.2 million, or 30%, of the issued and outstanding Alliance Capital Units. ACMC owns 100,000 general partnership Units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. At December 31, 2000, AXA Financial was the beneficial owner of approximately 2% of the outstanding Alliance Holding Units and approximately 53% of the outstanding Alliance Capital Units which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 53% in the Operating Partnership. At December 31, 2000, SCB Partners Inc., a wholly owned subsidiary of SCB Inc., was the beneficial owner of approximately 17% of the outstanding Alliance Capital Units.

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including (a) institutional investors, consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and affiliates such as AXA and its insurance company subsidiaries, by means of separate accounts, sub-advisory relationships resulting from the efforts of the institutional marketing department, structured products, group trusts and mutual funds and classes of mutual fund shares sold exclusively to institutional investors and high net worth individuals, (b) private clients, consisting of high net worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations and other entities, by means of separate accounts, hedge funds and certain other vehicles, (c) individual investors by means of publicly distributed mutual funds sponsored by the Operating Partnership, its subsidiaries and affiliated joint venture companies including cash management products such as money market funds and deposit accounts and sub-advisory relationships in respect of mutual funds sponsored by third parties resulting from the efforts of the mutual fund marketing department ("Alliance Mutual Funds") and "wrap" products, and (d) institutional investors by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating

Partnership and its subsidiaries provide investment management, distribution and shareholder and administrative services to the Alliance Mutual Funds.

The Alliance Holding financial statements and notes should be read in conjunction with the consolidated financial statements and notes of the Operating Partnership included in this report.

BASIS OF PRESENTATION

The pro forma financial information of Alliance Holding for all periods presented assumes the Reorganization occurred on January 1, 1998, and reflects Alliance Holding as a publicly traded partnership subject to the 3.5% federal tax on its partnership gross income from the active conduct of a trade or business. Subsequent to the Reorganization, Alliance Holding's principal sources of income and cash flow are attributable to its ownership of Operating Partnership Units. The pro forma financial information does not necessarily reflect the results of operations that would have been obtained had the Reorganization occurred on January 1, 1998, nor is the pro forma financial information necessarily indicative of the results of operations that may be achieved for any future period. Alliance Holding's investment in the Operating Partnership, which is accounted for under the equity method of accounting, will be increased by its pro rata share of the Operating Partnership's income and will be decreased by its pro rata share of the Operating Partnership's losses or distributions made by the Operating Partnership. A discussion of the actual results of Alliance Holding for the year ended December 31, 1999 compared to the year ended December 31, 1998 is not considered meaningful due to the Reorganization (equity method of accounting as compared to consolidated operating results) and therefore has not been included.

Net income of Alliance Holding of \$224.0 million or \$2.93 diluted net income per Unit for 2000 increased \$37.9 million or \$0.40 per Unit from pro forma net income of \$186.1 million or \$2.53 diluted net income per Unit for 1999. The increase reflects higher equity in earnings of the Operating Partnership, partially offset by a corresponding increase in income taxes primarily related to the 3.5% federal tax on partnership gross income from the active conduct of a trade or business.

Pro forma net income of Alliance Holding of \$186.1 million or \$2.53 diluted net income per Unit for 1999 increased \$66.2 million or \$0.87 per Unit from pro forma net income of \$119.9 million or \$1.66 diluted net income per Unit for 1998. The increase reflects higher equity in earnings of the Operating Partnership, partially offset by a corresponding increase in income taxes primarily related to the 3.5% federal tax on partnership gross income from the active conduct of a trade or business.

CAPITAL RESOURCES AND LIQUIDITY

Alliance Holding's partners' capital was \$1,260.6 million at December 31, 2000, an increase of \$995.0 million or 374.6% from \$265.6 million at December 31, 1999. The increase is primarily due to \$1,010.5 million representing Alliance Holding's proportionate share of certain partners' capital transactions of the Operating Partnership and net income of \$224.0 million, partially offset by cash distributions to Alliance Holding Unitholders of \$229.2 million.

Alliance Holding's partners' capital was \$265.6 million at December 31, 1999, a decrease of \$164.7 million or 38.3% from \$430.3 million at December 31, 1998. The decrease principally reflects net income of \$382.8 million less cash distributions to Alliance Holding Unitholders of \$260.7 million and a reduction of \$303.4 million recorded in connection with the Reorganization. The decrease recorded in connection with the Reorganization reflects the transfer, at book value, of \$518.8 million in Alliance Holding's partners' capital to the Operating Partnership in exchange for Alliance Holding's receipt of all Alliance Capital Units and the exchange by Alliance Holding Unitholders of approximately 58% of the then outstanding Alliance Holding Units for Alliance Capital Units, which resulted in an initial investment of \$215.4 million.

Alliance Holding's cash and cash equivalents remained unchanged in 2000. Cash inflows included \$229.2 million from operations. Cash outflows included \$229.2 million in distributions to Alliance Holding Unitholders and cash used in investment activities of \$19.7 million.

Management believes that the cash flow from its ownership of Units of the Operating Partnership will provide Alliance Holding with the financial resources to meet its capital requirements.

CASH DISTRIBUTIONS

Subsequent to the Reorganization, Alliance Holding's principal sources of income and cash flow are attributable to its ownership of Alliance Capital Units. Alliance Holding is required to distribute all of its Available Cash Flow, as defined in the Alliance Holding Partnership Agreement, to its Partners and Alliance Holding Unitholders. Alliance Holding's Available Cash Flow and distributions per Alliance Holding Unit for the years ended December 31, 2000, 1999 and 1998 were as follows:

AVAILABLE CASH FLOW:

	2000	1999	1998
Available Cash Flow (in thousands)	\$224,693	\$345,061	\$278,363
Distributions per Alliance Holding Unit	\$ 3.11	\$ 2.49	\$ 1.62

COMMITMENTS AND CONTINGENCIES

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

CHANGES IN ACCOUNTING PRINCIPLES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "*Accounting for Derivative Instruments and Hedging Activities*". Management adopted this statement on January 1, 2001, and the adoption did not have a material effect on Alliance Holding's results of operations, liquidity, or capital resources.

In December 1999, the Securities and Exchange Commission ("SEC") issued SEC Staff Accounting Bulletin No. 101 "*Revenue Recognition in Financial Statements*" ("SAB 101"). Management adopted SAB 101 in fourth quarter 2000 and its adoption did not have a material effect on the Operating Partnership's financial condition, results of operations, liquidity or capital resources.

MARKET RISK, RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Alliance Holding's investment consists solely of Alliance Capital Units and it was not a party to any derivative financial instruments during the year ended December 31, 2000 and the period from November 1, 1999 to December 31, 1999.

FORWARD-LOOKING STATEMENTS

Certain statements provided by Alliance Holding and Alliance Capital in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of such factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, future acquisitions, competitive conditions and government regulations, including changes in tax rates. Alliance Holding and Alliance Capital caution readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; Alliance Holding and Alliance Capital undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

STATEMENTS OF FINANCIAL CONDITION
(in thousands)

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

	December 31,	
	2000	1999
ASSETS		
Fees receivable	\$ 2,244	\$ 1,883
Investment in Operating Partnership	1,266,587	270,177
Other assets	6	—
Total assets	\$1,268,837	\$272,060
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Payable to operating partnership	\$ 6,849	\$ 5,843
Accounts payable and accrued expenses	1,438	609
Total liabilities	8,287	6,452
Commitments and contingencies		
Partners' capital:		
General Partner; 100,000 Alliance Holding Units issued and outstanding	1,745	366
Limited partners; 73,084,232 and 72,159,583 Alliance Holding Units issued and outstanding	1,258,805	265,242
Total partners' capital	1,260,550	265,608
Total liabilities and partners' capital	\$1,268,837	\$272,060

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME
(in thousands, except per Unit amounts)

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.*

	For the Years Ended December 31,		
	2000	1999	1998
REVENUES:			
Equity in earnings of Operating Partnership	\$244,922	\$ 52,665	\$ —
Investment advisory and services fees	—	1,007,503	952,992
Distribution revenues	—	354,161	301,846
Shareholder servicing fees	—	50,696	43,475
Other revenues	—	26,130	25,743
	244,922	1,491,155	1,324,056
EXPENSES:			
Employee compensation and benefits	—	370,795	340,923
Promotion and servicing:			
Distribution plan payments	—	274,920	266,400
Amortization of deferred sales commissions	—	132,713	108,853
Other	—	94,934	85,087
General and administrative	—	151,369	162,323
Interest	—	16,729	7,586
Amortization of intangible assets	—	3,211	4,172
	—	1,044,671	975,344
Income before income taxes	244,922	446,484	348,712
Income taxes	20,952	63,642	55,796
Net income	\$223,970	\$ 382,842	\$ 292,916
Net income per Alliance Holding Unit:			
Basic	\$ 3.10	\$ 2.61	\$ 1.71
Diluted	\$ 2.93	\$ 2.53	\$ 1.66

*As discussed in Notes 1 and 3, the financial information above reflects the consolidated operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and the use of the equity method of reporting thereafter. See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL AND COMPREHENSIVE INCOME

(in thousands, except per Unit amounts)

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.*

	For the Years Ended December 31,					
	General Partner's Capital	Limited Partners' Capital	Capital Contributions Receivable	Deferred Compensation Expense	Accumulated Other Comprehensive Income	Total Partners' Capital
Balance at December 31, 1997	\$ 4,327	\$ 428,353	\$(29,123)	\$(3,500)	\$(2,006)	\$ 398,051
Comprehensive Income:						
Net income	2,929	289,987	—	—	—	292,916
Other comprehensive income:						
Unrealized gain on investments, net	—	—	—	—	837	837
Foreign currency translation adjustment, net	—	—	—	—	834	834
Comprehensive Income	2,929	289,987	—	—	1,671	294,587
Cash distributions to partners (\$1.60 per Unit)	(2,744)	(271,700)	—	—	—	(274,444)
Amortization of deferred compensation expense	—	—	—	3,000	—	3,000
Capital contributions from General Partner	—	—	716	—	—	716
Compensation plan accrual	21	2,091	(2,112)	—	—	—
Proceeds from options for Alliance Holding Units exercised	84	8,279	—	—	—	8,363
Balance at December 31, 1998	4,617	457,010	(30,519)	(500)	(335)	430,273
Comprehensive Income:						
Net income	3,347	331,399	—	—	—	334,746
Other comprehensive income:						
Unrealized gain on investments, net	—	—	—	—	370	370
Foreign currency translation adjustment, net	—	—	—	—	1,035	1,035
Comprehensive Income	3,347	331,399	—	—	1,405	336,151
Cash distributions to partners (\$2.07 per Unit)	(2,608)	(258,137)	—	—	—	(260,745)
Amortization of deferred compensation expense	—	—	—	500	—	500
Capital contributions from General Partner	—	—	686	—	—	686
Compensation plan accrual	18	1,752	(1,770)	—	—	—
Proceeds from options for Alliance Holding Units exercised	120	11,853	—	—	—	11,973
October 29, 1999 Reorganization	5,494	543,877	(31,603)	—	1,070	518,838
	(5,194)	(328,743)	31,603	—	(1,070)	(303,404)
Balance after October 29, 1999 Reorganization	300	215,134	—	—	—	215,434
Net income	66	48,030	—	—	—	48,096
Proceeds from options for Alliance Holding Units exercised	—	2,078	—	—	—	2,078
Balance at December 31, 1999	366	265,242	—	—	—	265,608
Comprehensive Income:						
Net income	310	223,660	—	—	—	223,970
Comprehensive Income	310	223,660	—	—	—	223,970
Change in proportionate share of Operating Partnership's partners' capital	1,387	1,009,143	—	—	—	1,010,530
Cash distributions to partners (\$3.18 per Unit)	(318)	(228,925)	—	—	—	(229,243)
Purchase of Alliance Holding Units to fund deferred compensation plans	—	(2,002)	—	—	—	(2,002)
Purchase of Alliance Holding Units	—	(28,042)	—	—	—	(28,042)
Proceeds from options for Alliance Holding Units exercised	—	19,729	—	—	—	19,729
Balance at December 31, 2000	\$ 1,745	\$ 1,258,805	\$ —	\$ —	\$ —	\$ 1,260,550

*As discussed in Notes 1 and 3, the financial information above reflects the consolidated operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and the use of the equity method of reporting thereafter. See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
(in thousands)

ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.*

	For the Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 223,970	\$ 382,842	\$ 292,916
Adjustments to reconcile net income to net cash provided from operating activities:			
Equity in earnings of Operating Partnership	(244,922)	(52,665)	—
Amortization and depreciation	—	152,635	129,374
Operating Partnership distributions received	248,727	—	—
Other, net	—	18,120	12,873
Changes in assets and liabilities:			
(Increase) in receivable from brokers and dealers	—	(15,777)	(90,389)
(Increase) in fees receivable	(361)	(59,831)	(32,399)
(Increase) in deferred sales commissions	—	(326,258)	(232,514)
(Increase) in other investments	—	(17,935)	(14,708)
(Increase) in other assets	(6)	(278)	(10,666)
Increase in payable to Operating Partnership	1,006	—	—
Increase in payable to Alliance Mutual Funds	—	7,981	102,321
Increase (decrease) in broker and dealer payable	—	(8,178)	10,722
Increase in accounts payable and accrued expenses	829	10,948	62,861
Increase in accrued compensation and benefits, less deferred compensation	—	167,304	27,634
Net cash provided from operating activities	229,243	258,908	258,025
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in Operating Partnership from exercises of options	(19,729)	(2,078)	—
Purchase of investments	—	(888,180)	(476,826)
Proceeds from sale of investments	—	900,130	430,266
Purchase of businesses, net of cash acquired	—	(142)	(2,911)
Additions to furniture, equipment and leasehold improvements, net	—	(50,463)	(31,910)
Net cash (used in) investing activities	(19,729)	(40,733)	(81,381)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	—	2,043,616	926,012
Proceeds from sale of Operating Partnership Units to a subsidiary of the Operating Partnership	28,042	—	—
Repayment of debt	—	(2,015,874)	(826,375)
Purchase of Alliance Holding Units	(28,042)	—	—
Cash distributions to partners	(229,243)	(260,745)	(274,444)
Capital contributions from General Partner	—	686	716
Proceeds from options for Alliance Holding Units exercised	19,729	14,051	8,363
Net cash (used in) financing activities	(209,514)	(218,266)	(165,728)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	—	217	509
Net increase in cash and cash equivalents before cash transferred to Operating Partnership	—	126	11,425
October 29, 1999 Reorganization	—	(75,312)	—
Net increase (decrease) in cash and cash equivalents	—	(75,186)	11,425
Cash and cash equivalents at beginning of the year	—	75,186	63,761
Cash and cash equivalents at end of the year	\$ —	\$ —	\$ 75,186

*As discussed in Notes 1 and 3, the financial information above reflects the consolidated operations of Alliance Capital Management Holding L.P. prior to the Reorganization effective October 29, 1999 and the use of the equity method of reporting thereafter. See accompanying Notes to Financial Statements.

1. REORGANIZATION AND BERNSTEIN ACQUISITION

Effective October 29, 1999, Alliance Capital Management Holding L.P., formerly known as Alliance Capital Management L.P. (“Alliance Holding”), reorganized by transferring its business to Alliance Capital Management L.P., a newly formed private partnership (“Alliance Capital” or the “Operating Partnership”), in exchange for all of the Units in Alliance Capital (the “Reorganization”). As part of the Reorganization, Alliance Holding offered each Alliance Holding Unitholder the opportunity to exchange Alliance Holding Units for Alliance Capital Units on a one-for-one basis. The Operating Partnership recorded the transferred assets and assumption of liabilities at the amounts reflected in Alliance Holding’s books and records on the date of transfer. Since the Reorganization, the Operating Partnership has conducted the diversified investment management services business formerly conducted by Alliance Holding, and Alliance Holding’s business has consisted of holding Alliance Capital Units and engaging in related activities. Alliance Capital Management Corporation (“ACMC”), an indirect wholly owned subsidiary of AXA Financial, Inc. (“AXA Financial”), is the general partner of both Alliance Holding and the Operating Partnership. AXA Financial is an indirect wholly owned subsidiary of AXA, a French company, that is a holding company for an international group of insurance and related financial services companies. Alliance Capital is a registered investment adviser under the Investment Advisers Act of 1940. Alliance Holding Units are publicly traded on the New York Stock Exchange while Alliance Capital Units do not trade publicly and are subject to significant restrictions on transfer.

On October 2, 2000, the Operating Partnership acquired the business and assets of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. (“Bernstein”), and assumed the liabilities of Bernstein (“Bernstein Acquisition”). The purchase price consisted of a cash payment of \$1.4754 billion and 40.8 million newly issued Alliance Capital Units. AXA Financial purchased approximately 32.6 million newly issued Alliance Capital Units for \$1.6 billion on June 21, 2000 to fund the cash portion of the purchase price.

At December 31, 2000, Alliance Holding owned approximately 73.2 million, or 30%, of the issued and outstanding Alliance Capital Units. ACMC owns 100,000 general partnership Units in Alliance Holding and a 1% general partnership interest in the Operating Partnership. At December 31, 2000, AXA Financial was the beneficial owner of approximately 2% of the outstanding Alliance Holding Units and approximately 53% of the outstanding Alliance Capital Units which, including the general partnership interests in the Operating Partnership and Alliance Holding, represents an economic interest of approximately 53% in the Operating Partnership. At December 31, 2000, SCB Partners Inc., a wholly owned subsidiary of SCB Inc., was the beneficial owner of approximately 17% of the outstanding Alliance Capital Units.

The Alliance Holding financial statements and notes should be read in conjunction with the consolidated financial statements and notes of the Operating Partnership included in this report.

2. OPERATING PARTNERSHIP BUSINESS DESCRIPTION

The Operating Partnership provides diversified investment management and related services globally to a broad range of clients including (a) institutional investors, consisting of unaffiliated entities such as corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments and affiliates such as AXA and its insurance company subsidiaries, by means of separate accounts, sub-advisory relationships resulting from the efforts of the institutional marketing department, structured products, group trusts and mutual funds and classes of mutual fund shares sold exclusively to institutional investors and high net worth individuals, (b) private clients, consisting of high net worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations and other entities, by means of separate accounts, hedge funds and certain other vehicles, (c) individual investors by means of publicly distributed mutual funds sponsored by the

Operating Partnership, its subsidiaries and affiliated joint venture companies including cash management products such as money market funds and deposit accounts and sub-advisory relationships in respect of mutual funds sponsored by third parties resulting from the efforts of the mutual fund marketing department (“Alliance Mutual Funds”) and “wrap” products, and (d) institutional investors by means of in-depth research, portfolio strategy, trading and brokerage-related services. The Operating Partnership and its subsidiaries provide investment management, distribution and shareholder and administrative services to the Alliance Mutual Funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Alliance Holding’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The financial information reflects the consolidated operations of Alliance Holding prior to the Reorganization (See Note 1) and the use of the equity method of reporting thereafter.

PRINCIPLES OF CONSOLIDATION

For all periods prior to the Reorganization (See Note 1), the consolidated financial statements include Alliance Holding and its majority-owned subsidiaries. All significant intercompany transactions and balances among the consolidated entities have been eliminated.

INVESTMENT IN OPERATING PARTNERSHIP

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with maturities of three months or less. Due to the short-term nature of these investments, the recorded value approximates fair value.

CASH DISTRIBUTIONS

Alliance Holding is required to distribute all of its Available Cash Flow, as defined in the Alliance Holding Partnership Agreement, to the General Partner and Alliance Holding Unitholders pro rata in accordance with their percentage interests in Alliance Holding.

RECLASSIFICATIONS

Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform with the 2000 presentation.

4. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following table summarizes the unaudited condensed results of operations of Alliance Holding for all periods presented as if the Bernstein Acquisition had occurred on January 1, 2000 and January 1, 1999.

The pro forma financial information does not necessarily reflect the results of operations that would have been obtained had the Bernstein Acquisition occurred on January 1, 2000 and January 1, 1999, nor is the pro forma financial information necessarily indicative of the results of operations that may be achieved for any future period.

(in thousands, except per Alliance Holding Unit amounts)	2000	1999
Equity in earnings of Operating Partnership	\$209,525	\$185,447
Income taxes	23,663	21,128
Net income	\$185,862	\$164,319
Basic net income per Alliance Holding Unit	\$2.57	\$2.30
Diluted net income per Alliance Holding Unit	\$2.50	\$2.25

The following table presents a reconciliation of the condensed results of operations for 2000 and 1999 for the Operating Partnership and, prior the Reorganization, Alliance Holding:

(in thousands)	2000	1999
Operating Partnership income before income taxes	\$769,590	\$686,257
Pro forma income taxes	50,020	44,606
Pro forma net income	\$719,570	\$641,651
Alliance Holding ownership percentage of the Operating Partnership Units	29.4%	29.2%
Alliance Holding equity in earnings of the Operating Partnership	\$209,525	\$185,447

5. NET INCOME PER ALLIANCE HOLDING UNIT

For all periods prior to the Reorganization, basic net income per Alliance Holding Unit is derived by reducing net income for the 1% General Partner interest and dividing the remaining 99% by the weighted average number of Alliance Holding Units outstanding for each year. For all periods prior to the Reorganization, diluted net income per Alliance Holding Unit is derived by reducing net income for the 1% General Partner interest and dividing the remaining 99% by the total of the weighted average number of Alliance Holding Units outstanding for each year and the dilutive Alliance Holding Unit equivalents resulting from outstanding employee options.

(in thousands, except per Alliance Holding Unit amounts)	2000	1999	1998
Net income – Basic	\$223,970	\$382,842	\$292,916
Additional allocation of equity in earnings of the Operating Partnership resulting from assumed dilutive effect of employee options	7,483	1,963	—
Net income – Diluted	\$231,453	\$384,805	\$292,916
Weighted average Alliance Holding Units outstanding – Basic	72,286	154,520	169,933
Dilutive effect of employee options	6,744	5,153	5,210
Weighted average Alliance Holding Units outstanding – Diluted	79,030	159,673	175,143
Basic net income per Alliance Holding Unit	\$ 3.10	\$ 2.61	\$ 1.71
Diluted net income per Alliance Holding Unit	\$ 2.93	\$ 2.53	\$ 1.66

6. INVESTMENT IN OPERATING PARTNERSHIP

Alliance Holding's investment in the Operating Partnership for the year ended December 31, 2000 and the two-month period ended December 31, 1999 was as follows (in thousands):

Initial investment in Operating Partnership at October 29, 1999	\$ 215,434
Equity in earnings of the Operating Partnership	52,665
Additional investment resulting from exercises of employee options	2,078
Investment in Operating Partnership at December 31, 1999	270,177
Equity in earnings of Operating Partnership	244,922
Change in proportionate share of the Operating Partnership's partners' capital	1,010,530
Additional investment resulting from exercises of employee options	19,729
Distribution received from Operating Partnership	(248,727)
Sale of Operating Partnership Units to a subsidiary of the Operating Partnership	(28,042)
Purchase of Alliance Holding Units to fund deferred compensation plans	(2,002)
Investment in Operating Partnership at December 31, 2000	\$1,266,587

7. INCOME TAXES

Alliance Holding is a publicly traded partnership for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, Alliance Holding is subject to the New York City unincorporated business tax ("UBT") and, effective January 1, 1998, to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. Subsequent to the Reorganization, Alliance Holding's partnership gross income is primarily derived from its interest in the Operating Partnership. Prior to the Reorganization, domestic corporate subsidiaries of Alliance Holding, which were subject to federal, state and local income taxes, filed a consolidated federal income tax return and separate state and local tax returns. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located. All domestic and foreign corporate subsidiaries were transferred to the Operating Partnership in connection with the Reorganization.

The provision for income taxes, which are all currently payable, consists of (in thousands):

Years Ended December 31,	2000	1999	1998
Partnership unincorporated business taxes	\$ —	\$18,602	\$16,047
Federal tax on partnership gross business income	20,952	37,673	30,600
Corporate subsidiaries:			
Federal	—	3,638	3,855
State, local and foreign	—	3,729	5,294
Provision for income taxes	\$20,952	\$63,642	\$55,796

The principal reasons for the difference between Alliance Holding's effective tax rates and the UBT statutory tax rate of 4% are as follows (in thousands):

Years Ended December 31,	2000		1999		1998	
UBT statutory rate	\$ 9,797	4.0%	\$17,859	4.0%	\$13,948	4.0%
Federal tax on partnership gross business income	20,952	8.6	37,673	8.4	30,600	8.8
Corporate subsidiaries' federal, state, local and foreign income taxes	—	—	7,160	1.6	8,878	2.5
Effect of tax credit for interest in the Operating Partnership	(9,797)	(4.0)	(2,107)	(0.5)	—	—
Miscellaneous	—	—	3,057	0.7	2,370	0.7
Provision for income taxes and effective tax rates	\$20,952	8.6%	\$63,642	14.2%	\$55,796	16.0%

8. COMMITMENTS AND CONTINGENCIES

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

9. AWARD AND OPTION PLANS

As discussed in Note 19 of the Operating Partnership's consolidated financial statements, the Operating Partnership maintains certain option and incentive plans. Under these plans, options on Alliance Holding Units are granted to employees of the Operating Partnership. Upon exercise of options, Alliance Holding exchanges the proceeds from exercises for Operating Partnership Units, thus increasing Alliance Holding's investment in the Operating Partnership. At December 31, 2000, 15,401,380 options for Alliance Holding Units were outstanding of which 6,555,680 were exercisable. The Operating Partnership applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its option plans and, accordingly, no compensation cost has been recognized for options, granted at fair market value, in the Operating Partnership consolidated financial statements. Had the Operating Partnership determined compensation cost based on the fair value at the grant date for options under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", Alliance Holding's income derived from its interest in the Operating Partnership would have decreased and Alliance Holding's net income and net income per Alliance Holding Unit would have been reduced to the pro forma amounts indicated below (in thousands, except per Alliance Holding Unit amounts):

	2000	1999	1998
SFAS 123 Pro forma net income	\$219,938	\$380,526	\$289,831
SFAS 123 Pro forma basic net income per Alliance Holding Unit	\$ 3.04	\$ 2.58	\$ 1.69
SFAS 123 Pro forma diluted net income per Alliance Holding Unit	\$ 2.88	\$ 2.50	\$ 1.64

10. SUPPLEMENTAL CASH FLOW AND NONCASH INVESTING AND FINANCING ACTIVITIES INFORMATION

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

Years Ended December 31,	2000	1999	1998
Interest	\$ —	\$ 8,559	\$ 4,043
Income taxes	20,664	61,499	15,460

Noncash investing and financing activities were as follows (in thousands):

Change in proportionate share of the Operating Partnership's partners' capital:			
Investment in Operating Partnership	\$1,010,530	\$ —	\$ —
Partners' capital	1,010,530	—	—

11. CASH DISTRIBUTION

On February 2, 2001, the General Partner declared a distribution of \$57,084,000 or \$0.78 per Alliance Holding Unit representing the Available Cash Flow (as defined in the Alliance Holding Partnership Agreement) of Alliance Holding for the three months ended December 31, 2000. The distribution is payable on February 23, 2001 to holders of record on February 13, 2001.

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per Alliance Holding Unit data)

	Quarters Ended 2000			
	December 31	September 30	June 30	March 31
Revenues	\$ 43,026	\$ 68,315	\$ 62,430	\$ 71,151
Net income	\$ 36,867	\$ 63,778	\$ 57,399	\$ 65,926
Basic net income per Alliance Holding Unit ⁽¹⁾	\$ 0.52	\$ 0.89	\$ 0.81	\$ 0.92
Diluted net income per Alliance Holding Unit ⁽¹⁾	\$ 0.50	\$ 0.85	\$ 0.76	\$ 0.88
Cash distributions per Alliance Holding Unit ⁽²⁾	\$ 0.78	\$ 0.84	\$ 0.75	\$ 0.74
Alliance Holding Unit prices ⁽³⁾ :				
High	54 ⁷ / ₁₆	56 ¹¹ / ₁₆	50 ³ / ₈	43 ⁷ / ₈
Low	42 ¹ / ₂	46	38 ³ / ₈	29 ⁵ / ₁₆
	Quarters Ended 1999			
	December 31	September 30	June 30	March 31
Revenues	\$207,309	\$445,162	\$418,941	\$419,743
Net income	\$ 85,920	\$101,654	\$ 97,214	\$ 98,054
Basic net income per Alliance Holding Unit ⁽¹⁾	\$ 0.88	\$ 0.59	\$ 0.56	\$ 0.57
Diluted net income per Alliance Holding Unit ⁽¹⁾	\$ 0.86	\$ 0.57	\$ 0.55	\$ 0.55
Cash distributions per Alliance Holding Unit ⁽²⁾	\$ 0.85	\$ 0.56	\$ 0.54	\$ 0.54
Alliance Holding Unit prices ⁽³⁾ :				
High	34	33 ⁷ / ₁₆	32 ⁵ / ₁₆	26 ⁷ / ₈
Low	24 ⁵ / ₁₆	25	24 ¹ / ₈	24 ¹ / ₂

⁽¹⁾ Due to changes in the number of weighted average Alliance Holding Units outstanding, quarterly net income per Alliance Holding Unit may not add to the totals for the year.

⁽²⁾ Declared and paid during the following quarter.

⁽³⁾ High and low sales prices as reported by the New York Stock Exchange.

THE GENERAL PARTNER AND UNITHOLDERS
ALLIANCE CAPITAL MANAGEMENT HOLDING L.P.

We have audited the accompanying statements of financial condition of Alliance Capital Management Holding L.P. as of December 31, 2000 and 1999, and the related statements of income, changes in partners' capital and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the management of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance Capital Management Holding L.P. as of December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

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KPMG LLP

New York, New York

February 2, 2001

ALLIANCE CAPITAL DIRECTORY

BOARD OF DIRECTORS

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Director
AXA Financial, Inc.

Director
The Equitable Life Assurance Society
of the United States

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Chairman of the Board of Directors and
Chief Executive Officer
AXA Investment Managers S.A.

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Vice Chairman of the Board of Directors

JOHN D. CARIFA⁽¹⁾
President and Chief Operating Officer

HENRI DE CASTRIES
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AXA

Chairman of the Board of Directors
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Director
The Equitable Life Assurance Society of the United States

DENIS DUVERNE⁽¹⁾
Group Executive Vice President —
Finance, Control and Strategy
AXA

Director
The Equitable Life Assurance Society of the United States

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Senior Vice President —
Investment Management Activities
AXA

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Vice Chairman of the Board of Directors

HERVÉ HATT
Senior Vice President —
Asset Management Activities and
Group Strategic Planning
AXA

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Chief Operating Officer
AXA Financial, Inc.

Director, President and Chief Operating Officer
The Equitable Life Assurance Society of the United States

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Vice Chairman of the Board of Directors

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Financial Consultant

W. EDWIN JARMAN⁽²⁾
President
Jarmain Group Inc.

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The Equitable Life Assurance Society of the United States
Senior Executive Vice President and
Vice Chairman of the Management Board
AXA

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FRANK SAVAGE
Chairman
Alliance Capital Management International

PETER J. TOBIN⁽²⁾
Dean
Tobin College of Business Administration

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Chief Financial Officer
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Director, Vice Chairman of the Board
of Directors and Chief Financial Officer
The Equitable Life Assurance Society of the United States
Executive Vice President and
Member of Executive Committee
AXA

REBA WHITE WILLIAMS
Director of Special Projects

⁽¹⁾ Member of the Finance Committee

⁽²⁾ Member of the Audit Committee

ALLIANCE CAPITAL DIRECTORY

OFFICERS

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Chief Executive Officer and
Vice Chairman of the Board of Directors

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Vice Chairman of the Board of Directors

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Chief Investment Officer, International Value Equities

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Co-Head, Global Institutional Sales & Marketing

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Executive Vice President and
Co-Head, Global Growth Equities

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Sanford C. Bernstein & Co., LLC

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Portfolio Manager

PAUL C. RISSMAN
Executive Vice President and
Director, Global Equity Research

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Executive Vice President and
Co-Head, Global Growth Equities

DAVID R. BREWER, JR.
Senior Vice President and
General Counsel

ROBERT H. JOSEPH, JR.
Senior Vice President and
Chief Financial Officer

TRANSFER AGENT AND REGISTRAR

First Chicago Trust Company,
a division of EquiServe

INDEPENDENT AUDITORS

KPMG LLP
New York

CONTACTING ALLIANCE AND LOCATIONS

CONTACTING ALLIANCE

UNITHOLDER INVESTOR RELATIONS

For additional information about Alliance Capital Management Holding L.P. or for a copy of our Annual Report or Form 10-K, please call our toll-free investor relations number during normal business hours at 1-800-962-2134 or call us directly at 212-969-1000.

Unitholder Investor Relations

Alliance Capital
1345 Avenue of the Americas
New York, New York 10105
1-800-962-2134

http://www.corporate-ir.net/media_files/NYS/AC/index.html

DIRECT DEPOSIT PROGRAM

For information about our direct deposit program for quarterly Unitholder distributions, please contact our transfer agent at:

Equiserve

P.O. Box 2500
Jersey City, New Jersey 07303-2500
1-800-317-4445
www.equiserve.com

UNITHOLDER TAX QUESTIONS

Unitholders with tax-related questions may contact our toll-free tax information number during normal business hours at 1-800-526-3132 or write to:

Tax Department

Alliance Capital
1345 Avenue of the Americas
New York, New York 10105
1-800-526-3132
Fax: 212-969-6870

For tax-related information, visit

www.k1support.com/allianceholding

ALLIANCE CAPITAL MUTUAL FUNDS

For information about Alliance Capital mutual funds and investment services for individual investors, please call 1-800-221-5672.

For more information about Alliance Capital mutual funds, please visit our web site at www.alliancecapital.com.

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LOCATIONS

Alliance and its subsidiaries and affiliates maintain a global presence in 41 cities in 24 countries.

INTERNATIONAL HEADQUARTERS:

New York, New York

UNITED STATES:

Los Angeles, California
San Francisco, California
Washington, District of Columbia
Miami, Florida
West Palm Beach, Florida
Chicago, Illinois
Minneapolis, Minnesota
Secaucus, New Jersey
White Plains, New York
Cleveland, Ohio
Scranton, Pennsylvania
Dallas, Texas
Houston, Texas
San Antonio, Texas
Seattle, Washington

INTERNATIONAL:

Melbourne, Australia
Sydney, Australia
Vienna, Austria
Manama, Bahrain
São Paulo, Brazil
Toronto, Canada
Hong Kong, China
Cairo, Egypt
Paris, France
Munich, Germany
Mumbai, India
Tokyo, Japan
Seoul, Korea
Luxembourg
Wellington, New Zealand
Moscow, Russia
Singapore
Cape Town, South Africa
Johannesburg, South Africa
Madrid, Spain
Zurich, Switzerland
Taipei, Taiwan
Istanbul, Turkey
London, United Kingdom
Harare, Zimbabwe

IMPORTANT
UNITHOLDER
TAX INFORMATION

IMPORTANT UNITHOLDER TAX INFORMATION

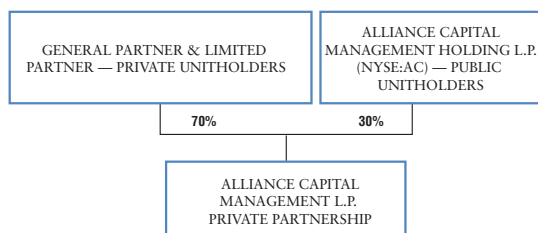
Alliance Holding and Alliance Capital are partnerships and are generally not subject to state income taxes. Alliance Holding is subject to federal tax on certain gross business income of Alliance Capital, while Alliance Capital is not subject to this federal tax. Under current U.S. tax regulations, Unitholders do not pay taxes on the quarterly cash distributions they receive, but rather on their proportionate share of a partnership's taxable income or loss, which is reported to the Unitholders on Schedule K-1.

Approximately two months after the end of the calendar year, Alliance Holding and Alliance Capital will provide Schedule K-1s and explanatory reports to their respective Unitholders. All Unitholders are cautioned to file their tax returns only after they receive their Schedule K-1.

Additional or different tax rules may apply to persons or entities having a special status for tax purposes. For example, U.S.-tax-exempt entities, including IRA accounts, are generally treated as in receipt of "unrelated business income" as reported on Schedule K-1. This may result in currently taxable income for such tax-exempt entities.

None of the foregoing information should be construed as the offering of any tax advice. Because tax laws are very complex and subject to different interpretations, Unitholders may want to consult their own tax advisors.

For further information, you may wish to contact the Alliance tax department at 1-800-526-3132 or access the tax department on the internet at www.k1support.com/allianceholding



OWNERSHIP STRUCTURE AND RELATIONSHIP WITH AXA & AXA FINANCIAL

OWNERSHIP STRUCTURE

Alliance Holding owns approximately 30% of the Units representing limited partnership interests in Alliance Capital, a private partnership. AXA Financial, Inc., a leading diversified financial services organization, owns approximately 2% of the outstanding Alliance Holding Units and approximately 53% of the outstanding Alliance Capital Units, representing an approximate 53% economic interest in Alliance Capital. AXA Financial, Inc. is a wholly owned subsidiary of AXA, one of the largest and most rapidly expanding global financial services organizations.

RELATIONSHIP WITH AXA & AXA FINANCIAL

AXA and AXA Financial have been very supportive of Alliance's business endeavors. For example, AXA Financial funded the cash portion of Alliance's acquisition of Sanford C. Bernstein. In June 2000, AXA Financial purchased newly issued Alliance Capital limited partnership units for \$1.6 billion in cash.

AXA and AXA Financial are both important clients to Alliance. Alliance has developed worldwide advisory relationships with twenty members in the AXA Group, encompassing a full range of investment disciplines. This year's new business from the AXA Group included two major fixed income assignments – in excess of \$2 billion – awarded by Nichidan Life Insurance Co., Ltd., a company held by AXA Nichidan Insurance Holding Co., Ltd. In addition, Nichidan awarded Alliance a sizable Japanese equity mandate.

Also, in October 2000, Alliance and AXA Asia Pacific Holdings Limited announced the establishment of new asset management companies in Australia and New Zealand. This new venture combines the asset management skills of Alliance with the distribution and marketing strengths of AXA Australia and New Zealand.

Alliance's relationship with AXA Financial and the subsidiaries of the AXA group continues to be very productive. Alliance currently manages \$29 billion of assets in the general account, certain separate accounts and structured product investments of AXA Financial's life insurance subsidiaries. Alliance is also a leading manager in AXA Financial's variable annuity product, the EQ Advisors Trust. In addition, AXA Financial's registered representative sales force was a top distributor of Alliance's global mutual funds in 2000.

ILLUSTRATIONS
ARE FROM
THE PRINT
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DAVE WILLIAMS

COVER

Carl Max Schultheiss
Untitled (Office Workers)
ca. 1950
Etching

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Bruce Ariss
Abalone Workers (detail)
1936
Lithograph

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Winslow Homer
The Dinner Horn (detail)
1870
Wood engraving

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Frederick M. Spiegle
The Solo
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Phyllis (Pele) De Lappe
Subway (detail)
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Robert Riggs
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Albert James Webb
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ca. 1935–1943
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Douglas Warner Gorsline
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Clement Bernard Haupers
Hot Dog Counter (detail)
1931
Etching and aquatint



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Alliance Capital Management Holding L.P.

is listed NYSE: AC

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