

FEB 29 2012

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

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Washington, DC

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2011 AND ENDING December 31, 2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sanford C. Bernstein & Co., LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO.

1345 Avenue of the Americas

(No. and Street)

New York
(City)

New York
(State)

10105
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Matt McGinnity

(914) 993-3288
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

300 Madison Avenue
(Address)

New York
(City)

New York
(State)

10017
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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Sanford C. Bernstein & Co., LLC

(an indirect wholly-owned subsidiary of
AllianceBernstein L.P.)

Statement of Financial Condition

December 31, 2011

(With Independent Auditor's Report Thereon)



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Section

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123

**Sanford C. Bernstein & Co.,
LLC**

(an indirect wholly-owned subsidiary of
AllianceBernstein L.P.)

Statement of Financial Condition

December 31, 2011

(With Independent Auditor's Report Thereon)



Report of Independent Auditors

To the Board of Directors and Member of
Sanford C. Bernstein & Co., LLC:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Sanford C. Bernstein & Co., LLC (the "Company") at December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 27, 2012

SANFORD C. BERNSTEIN & CO., LLC
 (an indirect wholly-owned subsidiary of
 AllianceBernstein L.P.)

Statement of Financial Condition

December 31, 2011

(dollars in thousands)

ASSETS

| | | |
|---|-----------|-------------------------|
| Cash and cash equivalents | \$ | 119,767 |
| Cash and securities segregated under Federal regulations..... | | 1,239,944 |
| Receivables: | | |
| Brokers and dealers | | 171,338 |
| Customers (including officers)..... | | 780,599 |
| Affiliates | | 9,681 |
| Investments | | 97,332 |
| Other assets | | 17,570 |
| Total assets | \$ | <u>2,436,231</u> |

LIABILITIES AND MEMBER'S EQUITY

| | | |
|--|-----------|-------------------------|
| Payables: | | |
| Brokers and dealers | \$ | 180,108 |
| Customers (including officers)..... | | 1,891,156 |
| Due to Parent | | 165,199 |
| Due to affiliates | | 6,629 |
| Bank overdrafts | | 21 |
| Securities sold not yet purchased | | 39,307 |
| Accrued compensation and benefits | | 4,482 |
| Accrued expenses and other liabilities | | 7,863 |
| Total liabilities..... | | <u>2,294,765</u> |
| Commitments and contingencies <i>(Note 8)</i> | | |
| Member's equity | | 141,466 |
| Total liabilities and member's equity | \$ | <u>2,436,231</u> |

The accompanying notes are in integral part of this financial statement.

SANFORD C. BERNSTEIN & CO., LLC
(an indirect wholly-owned subsidiary of
AllianceBernstein L.P.)

Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

(1) Business Description and Organization

Sanford C. Bernstein & Co., LLC (the "Company") is an indirect wholly-owned subsidiary of AllianceBernstein L.P. ("AllianceBernstein" or the "Parent"), which is majority owned by AXA, the holding company for an international group of insurance and related financial services companies. The Company was formed on October 2, 2000 as a result of the Parent's acquisition of the business including the assets and liabilities of SCB Inc., an investment research and management company formerly known as Sanford C. Bernstein Inc. ("Bernstein"). The Company is registered with the Securities Exchange Commission ("SEC") as a broker-dealer and an investment adviser, and is a regulated member of The New York Stock Exchange ("NYSE"), the Financial Industry Regulatory Authority, Inc. ("FINRA"), and other market centers and self-regulatory organizations. The Company provides brokerage and equity research services to institutions (including affiliates) and custodial services to individual and certain institutional advisory customers of AllianceBernstein. The Company also earns revenues in the form of underwriting fees, management fees and/or selling concessions from issuers of publicly-traded securities to which the Company provides equity capital market services. The Company incurs significant allocated expenses and derives a portion of its revenues from affiliates in performing these services. *See Note 9, Related Party Transactions*, for a discussion of these related party transactions.

(2) Significant Accounting Policies

(a) Basis of Presentation

The Company is a single member limited liability company ("LLC") with the Parent, a Delaware limited partnership, as the member.

The Company's statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the statement of financial condition requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and money market accounts. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

(c) Bank overdrafts

Bank overdrafts represent outstanding checks for payments made on behalf of or to clients that have not yet been processed by the bank. As these checks are cleared through the bank the Company reduces the bank overdraft liability as well as reduces the cash and cash equivalent balance. The balance in this liability account does not represent insufficient funds.

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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

(d) Brokerage Transactions

Customer securities transactions are recorded 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 statement of financial condition.

(e) 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 statement of financial condition. Securities borrowed transactions require the Company to deposit cash collateral with the lender. As of December 31, 2011, cash collateral on deposit with lenders was \$32.0 million. With respect to securities loaned, the Company receives cash collateral from the borrower. As of December 31, 2011, cash collateral received from borrowers was \$151.6 million. The initial collateral advanced or received approximates or is greater than the fair value of securities borrowed or loaned. The Company monitors the fair value of the securities borrowed and loaned on a daily basis and requests additional collateral or returns excess collateral, as appropriate. As of December 31, 2011, there is no allowance provision required for the collateral advanced.

As of December 31, 2011, the Company has \$9.9 million of cash on deposit with clearing organizations for trade facilitation purposes. This amount is included in other assets on the statement of financial condition.

(f) Loss Contingencies

With respect to all significant litigation matters, AllianceBernstein and the Company consider the likelihood of a negative outcome. If AllianceBernstein or the Company determine the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, the Company records an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and the Company is able to determine an estimate of the possible loss or range of loss, the Company discloses that fact together with the estimate of the possible loss or range of loss. However, it is difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, or when the litigation is highly complex or broad in scope. In such cases, the Company discloses that it is unable to predict the outcome or estimate a possible loss or range of loss.

(g) Deferred Compensation Plans

Employees of the Company are eligible to participate in several AllianceBernstein unfunded, non-qualified deferred compensation plans under which annual awards to employees are generally made in the fourth quarter.

SANFORD C. BERNSTEIN & CO., LLC
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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

For awards made before 2009, participants were permitted to allocate their awards: (i) among notional investments in AllianceBernstein Holding Units ("Holding Units"), certain of AllianceBernstein's investment services provided to clients and a money market fund or (ii) under limited circumstances, in options to buy Holding Units.

- AllianceBernstein made investments in its services that were notionally elected by the participants and maintained them in a consolidated rabbi trust or separate custodial account.
- Awards generally vested over four years but could vest more quickly depending on the terms of the individual award, the age of the participant, or the terms of the participant's employment, separation or retirement agreement. Upon vesting, awards are distributed to participants unless they have made a voluntary long-term election to defer receipt.
- Quarterly cash distributions on unvested Holding Units for which a long-term deferral election had not been made are paid currently to participants. Quarterly cash distributions on notional investments in Holding Units and income credited on notional investments in AllianceBernstein's investment services or the money market fund for which a long-term deferral election has been made are reinvested and distributed as elected by participants.

Awards in 2010 and 2009 consisted solely of restricted Holding Units.

- AllianceBernstein engaged in open-market purchases of, or issued, Holding Units that were awarded to the participants and held them in a consolidated rabbi trust.
- Upon vesting, awards are distributed to participants unless they have made a voluntary long-term election to defer receipt.
- Quarterly cash distributions on unvested restricted Holding Units for which a long-term deferral election had not been made are paid currently to participants. Quarterly cash distributions on vested and unvested restricted Holding Units for which a long-term deferral election has been made are paid currently to participants.

Awards in 2011 allowed employees to allocate their award between restricted Holding Units and deferred cash. Employees (except certain members of senior management) generally could allocate up to 50% of their awards to deferred cash, not to exceed a total of \$250 thousand per award, and had until January 13, 2012 to make their elections. The number of restricted Holding Units issued equaled the remaining dollar value of the award divided by the average of the closing prices of a Holding Unit for the five business day period that commenced on January 13, 2012 and concluded on January 20, 2012.

- Upon approval and communication of the dollar value of the 2011 awards in December 2011, the Company recorded a \$17.1 million liability for the awards. This amount is included in due to

SANFORD C. BERNSTEIN & CO., LLC
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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

Parent as of December 31, 2011. In January 2012, 1.2 million restricted Holding Units were issued from AllianceBernstein's consolidated rabbi trust for these awards.

- AllianceBernstein engages in open-market purchases of, or issues, Holding Units that are awarded to the participants and holds them in a consolidated rabbi trust.
- Quarterly distributions on Holding Units are paid currently to participants.
- Interest on deferred cash will be accrued monthly based on our monthly weighted average cost of funds.

On November 17, 2011, AllianceBernstein announced that it had implemented changes to its employee long-term incentive compensation award program designed to better align the costs of employee compensation and benefits with current year financial performance, and provide employees with a higher degree of certainty that they will receive the incentive compensation they are awarded.

AllianceBernstein amended all outstanding deferred incentive compensation awards of active employees, so that employees who terminate their employment or are terminated without cause may retain their award, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition and employee and client solicitation, and a claw-back for failing to follow existing risk management policies. Prior to the amendment made to the employee long-term incentive compensation award program in the fourth quarter of 2011, an employee's service requirement was typically the same as the delivery dates. This amendment eliminated employee service requirements but did not modify delivery dates contained in the original award agreements. Most equity replacement, sign-on or similar deferred compensation awards included in separate employment agreements or arrangements have not been amended.

Certain employees of the Company are eligible to participate in the compensatory option plans maintained by AllianceBernstein. In 2011, there were no options awarded to Company employees.

(h) Income Taxes

The Company is treated as a disregarded entity for tax purposes. The Parent, a private limited partnership, is not subject to federal or state corporate income taxes. However, the Parent and the Company are subject to a 4% New York City unincorporated business tax ("UBT"). Payments of the UBT are made by the Parent on behalf of the Company.

(i) Investments

Investments include United States Treasury Bills, exchange-traded options and other equity securities which are classified as trading. Trading investments are stated at fair value.

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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

The Company also invests in limited partnership hedge funds sponsored and managed by AllianceBernstein. We use the equity method of accounting for investments in limited partnership hedge funds.

See Note 6 for a description of how the Company measures the fair value of investments.

(i) Debt

On December 9, 2010, AllianceBernstein entered into a committed, unsecured three-year senior revolving credit facility (the "2010 Credit Facility") with a group of commercial banks and other lenders in an original principal amount of \$1.0 billion with the Company as an additional borrower.

The 2010 Credit Facility replaced AllianceBernstein's \$1.0 billion committed, unsecured revolving credit facility, which had a scheduled expiration date of February 17, 2011, and the Company's \$950 million committed, unsecured revolving credit facility, which had a scheduled expiration date of January 25, 2011, both of which were terminated upon the effectiveness of the 2010 Credit Facility. AllianceBernstein has agreed to guarantee the obligations of the Company under the 2010 Credit Facility.

The 2010 Credit Facility is available for AllianceBernstein's and the Company's business purposes, including the support of AllianceBernstein's \$1.0 billion commercial paper program. Both AllianceBernstein and the Company can draw directly under the 2010 Credit Facility and management expects to draw on the 2010 Credit Facility from time to time.

The 2010 Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including, among other things, restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. AllianceBernstein and the Company are in compliance with these covenants. The 2010 Credit Facility also includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender's commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency or bankruptcy related events of default, all amounts payable under the 2010 Credit Facility would automatically become immediately due and payable, and the lender's commitments would automatically terminate.

The 2010 Credit Facility provides for possible increases in principal amount by up to an aggregate incremental amount of \$250 million ("accordion feature"), any such increase being subject to the consent of the affected lenders. Amounts under the 2010 Credit Facility may be borrowed, repaid and re-borrowed by AllianceBernstein or the Company from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by AllianceBernstein or the Company are permitted at any time without fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the 2010 Credit Facility bear interest at a rate per annum, which will be, at

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AllianceBernstein's or the Company's option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AllianceBernstein, plus one of the following indexes: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

On January 17, 2012, the 2010 Credit Facility was amended and restated. The principal amount was amended to \$900 million from the original principal amount of \$1.0 billion. Also, the amendment increased the accordion feature from \$250 million to \$350 million. In addition, the maturity date of the 2010 Credit Facility has been extended from December 9, 2013 to January 17, 2017. There were no other significant changes in terms and conditions included in this amendment.

As of December 31, 2011 the Company had no amounts outstanding under the 2010 Credit Facility.

In addition, the Company has five uncommitted lines of credit with four financial institutions. Two of these lines of credit permit the Company to borrow up to an aggregate of approximately \$200 million while three lines have no stated limit.

As of December 31, 2011 there were no uncommitted bank loans outstanding. Average daily borrowings of uncommitted bank loans during 2011 were \$6.4 million with a weighted average interest rate of approximately 1.3%.

(k) Subsequent Events

We evaluated subsequent events through February 27, 2012, the date the financial statements were available to be issued.

(3) Securities and Cash segregated under Federal Regulations

As of December 31, 2011, \$1,239,944 (cost of \$1,239,870) of United States Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of customers under Rule 15c3-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act").

(4) Receivables from and Payables to Brokers and Dealers

Amounts receivable from and payable to brokers and dealers as of December 31, 2011 consist of the following:

| | Receivables | Payables |
|---|--------------------|-------------------|
| Deposits for securities borrowed/loaned | \$ 32,037 | \$ 151,559 |
| Receivables/payables on unsettled trades..... | 129,418 | 20,323 |
| Securities failed-to-deliver/receive | 9,883 | 8,226 |
| | \$ 171,338 | \$ 180,108 |

SANFORD C. BERNSTEIN & CO., LLC
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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

(5) Investments

As of December 31, 2011, investments consist of:

Trading:

| | |
|---|------------------|
| United States Treasury Bills | \$ 37,998 |
| Equity securities | 43,915 |
| Long exchange-traded options | 14,323 |
| Investments in limited partnerships hedge funds.... | 956 |
| Other (cost basis) | 140 |
| | \$ 97,332 |

As of December 31, 2011, United States Treasury Bills of \$37,998 (cost of \$37,998) were held in the Company's investment account and are pledged as collateral with clearing organizations.

The following is a summary of the cost and fair value of trading investments held as of December 31, 2011:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|------------------------------------|-------------------|------------------------------|-------------------------------|------------------|
| Trading: | | | | |
| United States Treasury Bills..... | \$ 37,998 | \$ - | \$ - | \$ 37,998 |
| Equity investments | 43,764 | 151 | - | 43,915 |
| Long exchange-traded options | 15,839 | - | 1,516 | 14,323 |
| | \$ 97,601 | \$ 151 | \$ 1,516 | \$ 96,236 |

(6) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The three broad levels of fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets are available for identical assets or liabilities as of the reported date.
- Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reported date.
- Level 3 – Prices or valuation techniques that are both significant to the fair value measurement and unobservable as of the reported date. These financial instruments do not have two-way

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December 31, 2011

(dollars in thousands)

markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following table summarizes the valuation of our financial instruments by pricing observability levels as of December 31, 2011:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|--------------------------|----------------------------|--------------------|----------------------------|
| Money market | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| U.S. Treasury bills | - | 1,277,942 | - | 1,277,942 |
| Equity securities ⁽¹⁾ | 43,915 | - | - | 43,915 |
| Long exchange-traded options | 14,323 | - | - | 14,323 |
| Total assets measured at fair value | <u>\$ 158,238</u> | <u>\$ 1,277,942</u> | <u>\$ -</u> | <u>\$ 1,436,180</u> |
| Securities sold not yet purchased | | | | |
| Short equities-corporate | \$ 34,469 | \$ - | \$ - | \$ 34,469 |
| Short exchange-traded options | 3,567 | - | - | 3,567 |
| Other | 1,271 | - | - | 1,271 |
| Total liabilities measured at fair value | <u>\$ 39,307</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,307</u> |

⁽¹⁾ Primarily long positions in corporate equities traded through our options desk.

Following is a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- **Money market:** We invest excess cash in a money market fund that is valued based on quoted prices in active markets; this is included in Level 1 of the valuation hierarchy.
- **U.S. Treasury bills:** We hold United States Treasury bills, which are primarily segregated in a special reserve bank custody account as required by Rule 15c3-3 of the Exchange Act. These are valued based on quoted yields in secondary markets and are included in Level 2 of the valuation hierarchy.
- **Equity securities:** Our equity securities consist principally of long positions in corporate equities (traded through our options desk) with quoted prices in active markets, which are included in Level 1 of the valuation hierarchy.
- **Options:** The Company holds long exchange-traded options that are included in Level 1 of the valuation hierarchy.
- **Securities sold not yet purchased:** Securities sold but not yet purchased, primarily reflecting short positions in equities and exchange-traded options, are included in Level 1 of the valuation hierarchy.

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Assets Measured at Fair Value on a Nonrecurring Basis

There were no impairments recognized for long-lived assets as of December 31, 2011.

(7) 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 asset is as follows:

Deferred tax asset:

Differences between book and tax basis:

| | |
|-----------------------------|--------------|
| Deferred compensation plans | <u>\$922</u> |
| Net deferred tax asset | <u>\$922</u> |

The deferred tax asset is included in other assets. Management has determined that realization of the deferred tax asset is more likely than not based on anticipated future taxable income.

(8) Commitments and Contingencies

Legal proceedings

The Company is involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege substantial damages. While any inquiry, proceeding or litigation has the element of uncertainty, management believes that the outcome of any one of the regulatory inquiries, administrative proceedings, lawsuits or claims that is pending or threatened, or all of them combined, will not have a material adverse effect on the Company's financial condition.

(9) Related Party Transactions

Receivables from officers and payables to officers at December 31, 2011 of \$10,221 and \$317, respectively, represent brokerage cash accounts of principal officers of the Company and the Parent.

The Company utilizes the Parent's advisory services for the management of discretionary accounts and, as such, is liable to the Parent for these services. The Company earns investment management fees from its customers and remits the full amount of these fees to the Parent. Included in the balance of receivables from customers as of December 31, 2011, was \$5,965 of investment management fees.

At December 31, 2011 due to Parent also includes a loan from the Parent in the amount of \$35 million. Interest rates charged on these borrowings are at the option of the Parent and is a floating rate based on the

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federal funds rate. As of December 31, 2011, the interest rate was 0.17%. Average daily borrowings from the Parent during 2011 were \$106.6 million with a weighted average interest rate charged of 0.19%.

The Company maintains an introducing broker agreement with Sanford C. Bernstein Limited ("SCBL"), an affiliate located in the United Kingdom. Accordingly, the Company receives from SCBL a percentage of the revenues generated by executions of European securities by SCBL for the Company's customers. In addition, the Company pays SCBL a percentage of revenues generated by executions of U.S. securities by SCBL for the Company's customers. Receivables from affiliates as of December 31, 2011 included a net balance of \$9,387 due from SCBL for these transactions.

In November, 2011 the Company entered into a clearing agreement with Sanford C. Bernstein (Hong Kong) Limited ("SCB HK"). Accordingly, SCB HK engaged the Company to act as an agent in providing clearing and settlement services. The Company executes orders for the proprietary and customer accounts of SCB HK, but only in securities listed or traded on markets in North or South America. The Company also performs the cashiering functions associated with these activities which include but are not limited to the receipt, deliver and transfer of securities purchased, sold, borrowed and loaned and the associated receipt and distribution of payments thereof. Payables to affiliates as of December 31, 2011 included a net balance of \$1,585 due to SCB HK for these transactions.

Certain employees of the Company participate in an unfunded, non-qualified incentive compensation program maintained by AllianceBernstein. Aggregate awards made to these plans by AllianceBernstein on behalf of the employees of the Company for 2011 were \$17.1 million.

The Company also awarded 51 thousand restricted Holding Units in connection with certain employment and separation agreements with vesting schedules ranging between two and five years.

Employees of the Company are eligible to participate in a 401(k) plan maintained by AllianceBernstein. Employer contributions are discretionary and generally limited to the maximum amount deductible for federal income tax purposes.

(10) Net Capital Requirement

As a broker-dealer and member organization of the NYSE, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Exchange Act. The Company computes its net capital under the alternative method permitted by the rule, which requires that minimum net capital, as defined, equal the greater of \$1.0 million or two percent of aggregate debit items arising from customer transactions, as defined. As of December 31, 2011, the Company had net capital of \$111,340 which was \$95,997 in excess of the minimum net capital requirement of \$15,343. Advances, dividend payments and other equity withdrawals are restricted by the regulations of the SEC, FINRA and other securities agencies.

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Notes to the Statement of Financial Condition

December 31, 2011

(dollars in thousands)

(11) Risk Management

(a) Customer Activities

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

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

The Company may enter into forward foreign currency contracts on behalf of accounts for which the Company acts as custodian. The Company minimizes credit risk associated with these contracts by monitoring these positions on a daily basis, as well as by virtue of the Parent's discretionary authority and the Company's role as custodian.

In accordance with industry practice, the Company records customer transactions on a settlement date basis, which is generally three business days after trade date. The Company is 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 the Company may have to purchase or sell financial instruments at prevailing market prices. The risks assumed by the Company in connection with these transactions are not expected to have a material effect upon the Company's financial condition.

(b) Other Counterparties

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

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December 31, 2011

(dollars in thousands)

In connection with the Company's security borrowing and lending arrangements, the Company 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 the Company to deposit cash collateral with the lender. With respect to security lending arrangements, the Company receives collateral in the form of cash in amounts generally in excess of the market value of the securities loaned. The Company 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 the Company as necessary.

(c) Market Risk

Market risk is defined as the exposure to adverse changes in the market value of a portfolio due to the change in the values of various risk factors. The four standard market risk categories are equity, interest rate, currency and commodity. The associated market risks relate to changes in stock prices, interest rates, foreign exchange rates, commodity prices and/or their implied volatilities when derivative financial instruments reside in the portfolios.

In the course of facilitating institutional customer orders, the company will engage in principal trading transactions that result in market risk exposures. Firm trading positions are only taken in listed equities and options and are hedged with similar securities. The company manages the market risks associated with these activities through a variety of risk measures and techniques, by establishing limits and by monitoring exposures and limits on a daily basis (including intra-day). All positions are valued at fair value (*See Note 6, Fair Value*) based on exchange prices.

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