

**THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

_____	:	Civ. No. 04-md-15862
IN RE MUTUAL FUNDS INVESTMENT	:	
LITIGATION	:	
	:	The Honorable J. Frederick Motz
ALLIANCE, FRANKLIN/TEMPLETON	:	
BANK OF AMERICA/NATIONS FUND,	:	
AND PILGRIM BAXTER	:	
	:	
(ALLIANCE)	:	
_____	:	
_____	:	
LOGUE v. CALVERT, ET AL.	:	Civ. No. 04-md-00859
_____	:	

STIPULATION OF SETTLEMENT

This Stipulation of Settlement (the “Stipulation”), dated March 9, 2011, is entered into among (a) intervenor plaintiff Steven Goldstein (“Plaintiff”); and (b) nominal defendant AllianceBernstein Holding, LP (f/k/a Alliance Capital Management Holding LP) (“AllianceBernstein Holding”); (c) defendants AllianceBernstein LP (f/k/a Alliance Capital Management LP); (d) AllianceBernstein Corporation (f/k/a Alliance Capital Management Corporation) (“ACMC”)¹; (e) individual defendants Bruce W. Calvert, Donald H. Brydon, John D. Carifa, Henri DeCastris, Christopher Condron, Denis Duverne, Richard Dziadzio, Herve Hatt, Alfred Harrison, Roger Hertog, Michael Hegarty, Benjamin D. Holloway, W. Edwin Jarmain, Peter D. Noris, Lewis A. Sanders, Frank Savage, Lorie Slutsky, Peter J. Tobin, Stanley B. Tulin, David H. Williams, and Reba Williams (collectively, the “ACMC Director

¹ For the purposes of this Stipulation, AllianceBernstein Holding, Alliance Capital and ACMC are referred to collectively herein as “AllianceBernstein” or the “Company.”

Defendants”); (f) individual defendants Gerald Malone, Charles Schaffran, and Michael J. Laughlin (collectively, the “Alliance Capital Officer Defendants”); (g) defendants Equitable Life Assurance Society of the United States (“Equitable”), AXA Financial, and AXA, SA (“AXA”) (collectively, the “Controlling Shareholder Defendants”); and (h) defendants Daniel Calugar and Securities Brokerage, Inc. (the “Calugar Defendants”). The defendants described at (b), (c), (d), (e), (f) (g), and (h) are collectively referred to herein as the “Settling Defendants” and, with the Plaintiff defined above, are collectively referred to herein as the “Settling Parties.” This Stipulation is intended by the Settling Parties to fully, finally and forever compromise, resolve, discharge, and settle the Released Claims (as set forth in paragraph 1.16 below) in accordance with the terms and conditions set forth below, subject to the approval of the United States District Court for the District of Maryland:

HISTORY OF THE LITIGATION AND SETTLEMENT PROCESS

A. The present Derivative Action, brought on behalf of AllianceBernstein Holding was filed on November 11, 2003 in the United States District Court for the District of New Jersey. The Derivative Action sought recovery for damages caused by alleged breaches of fiduciary duty owed to AllianceBernstein Holding and its unitholders, and for contribution under the federal securities laws.

B. The Derivative Action, along with multiple other securities law and derivative actions brought against, *inter alia*, investment companies, were subsequently the subject of a Multidistrict Litigation Panel consolidated proceeding. Pursuant to Order of the MDL Panel dated February 20, 2004, all of these mutual fund cases were transferred to the United States District Court for the District of Maryland (the “Court”).

C. By Case Management Order No. 1, entered on May 25, 2004, the Court appointed the firm of Morris and Morris LLC Counselors At Law as lead counsel for the Derivative Action.

D. On September 29, 2004, Plaintiff's Counsel filed a Verified Amended Derivative Complaint For Breach Of Fiduciary Duty And For Contribution Under The Federal Securities Laws (the "Amended Complaint"). Beginning in November 2004 and proceeding thereafter as produced on a rolling basis, Plaintiff's Counsel reviewed and analyzed approximately 110,000 pages of discovery. In early February 2005, the Settling Parties negotiated a tolling agreement in connection with the Derivative Action, which the Court entered by Stipulated Order dated March 11, 2005.

E. The Settling Parties have engaged in extensive settlement discussions over a lengthy period and have also been assisted in these discussions by a mediator, the Honorable Edward J. Infante, retired federal magistrate judge. The parties' settlement discussions have addressed both monetary relief, as well as corporate governance and compliance remedies, and have included extensive negotiations with the relevant insurance carriers. These efforts have resulted in a \$23,000,000 cash settlement funded by the relevant insurance carriers and the governance and compliance relief set forth in Exhibit A hereto.

F. The proposed Settlement (as defined in paragraph 1.19 below) is conditioned on the Court granting the intervention of Mr. Steven Goldstein as named representative. The Settling Defendants do not object to the intervention of Mr. Goldstein.

G. As the result of the litigation, aforementioned discussions, negotiations and mediation, the Settling Parties have agreed to the material terms of a settlement, resulting in the agreement set forth herein.

THE SETTLING DEFENDANTS' DENIAL OF WRONGDOING AND LIABILITY

H. The Settling Defendants have denied and continue to deny each and every one of the claims and contentions alleged in the Derivative Action. The Settling Defendants also have denied and continue to deny any and all allegations that AllianceBernstein Holding has suffered damage by or as a result of the conduct alleged in the Derivative Action with respect to the Settling Defendants. In order to eliminate the burden, expense and risks inherent in the litigation, the Settling Defendants have determined that it is desirable that the Derivative Claims be settled in the manner and upon the terms and conditions set forth in this Stipulation.

I. Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment (defined in ¶ 1.9 below), nor any document or exhibit referred or attached to this Stipulation, nor any action taken to carry out this Stipulation, is, may be construed as, or may be used as evidence of the validity of any Released Claims (defined in ¶ 1.16 below) or as an admission by or against the Settling Defendants of any fault, wrongdoing, or concession of liability whatsoever.

J. Neither this Stipulation nor the Exhibits hereto shall be offered or received into evidence in any action or proceeding in any court or other tribunal for any purpose whatsoever other than to enforce the provisions of this Stipulation, except that this Stipulation and the Exhibits hereto may be filed as evidence of the Settlement to support a defense of *res judicata*, collateral estoppel, release, or other theory of claim or issue preclusion or similar defense in any action against the Released Parties (as defined in ¶ 1.17 below).

THE DERIVATIVE CLAIMS AND THE BENEFITS OF SETTLEMENT

K. Based on their review and analysis of the relevant facts and controlling legal principles, the Settling Parties believe that the Settlement set forth in this Stipulation confers

substantial benefits upon, and is in the best interests of, AllianceBernstein Holding and its unitholders. The Settling Parties have agreed to settle pursuant to the terms and provisions of this Stipulation after considering, *inter alia*, the substantial benefits that AllianceBernstein Holding will receive.

L. Although the Plaintiff believes that the Derivative Claims have substantial merit, Plaintiff and his counsel recognize and acknowledge the expense and time required to prosecute the Derivative Action through trial and appeal. Plaintiff and his counsel have also taken into account the uncertain outcome and the risks of litigating the Derivative Action, as well as the difficulties and delays inherent in such litigation.

M. The Settling Parties acknowledge that the Derivative Action has been filed, commenced, prosecuted and defended in good faith and with adequate basis in fact and law under Federal Rule of Civil Procedure 11, and that the Derivative Claims are being voluntarily settled based on the advice of counsel.

N. Plaintiff, through his counsel, and the Settling Defendants have conducted extensive arm's length negotiations over an extended period of time and have reached agreement regarding certain corporate governance, compliance and risk management provisions, reflected in Exhibit A hereto. Pursuant to the proposed Settlement, Alliance Bernstein has adopted, implemented and/or will maintain certain corporate governance and compliance provisions designed to identify, monitor, and address legal, regulatory and internal compliance issues throughout the Company's business and operations. Plaintiff and the Settling Defendants acknowledge and agree that Plaintiff's corporate governance and compliance proposals and prosecution of the Derivative Action, were the cause of, or a substantial factor in, the Company's decision to adopt, implement and/or maintain the Governance and Compliance Provisions set

forth in Exhibit A. The Governance and Compliance Provisions provide a substantial benefit to the Company, including in the detection and prevention of potential wrongful conduct.

O. The proposed Settlement was achieved as the result of protracted arm's length negotiations among the Settling Parties, through their counsel with the assistance of a mediator. Plaintiff's Counsel have conducted an extensive investigation into the underlying facts and strength of the Derivative Claims. This investigation, Plaintiff's Counsel's independent corporate governance analysis and research, analysis of ten of thousands of pages of documentary production, and the opinion of Plaintiff's experts have been integral to the assessment of Plaintiff's Counsel of the claims and the fashioning of an appropriate settlement. It is on the basis of, among other things, discovery and legal and factual analysis and investigation that Plaintiff's Counsel have concluded that the terms and conditions of the Stipulation confer substantial benefits upon, and are in the best interests of AllianceBernstein Holding and its unitholders, and have agreed to settle the claims raised in the Derivative Action pursuant to the terms and provisions of this Stipulation.

NOW, THEREFORE, in consideration of these premises, without any admission or concession on the part of Plaintiff of any lack of merit of the Derivative Action whatsoever, and without admission or concession on the part of the Settling Defendants as to the merits of the Derivative Action, or as to any alleged liability or purported wrongdoing whatsoever, it is **STIPULATED AND AGREED**, by and among the Settling Parties, through their respective attorneys, subject to the approval of the Court pursuant to Rule 23.1 of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the parties hereto from this Settlement, that all Released Claims as against the Released Parties and the Releasing Parties (as defined in

paragraphs 1.16, 1.17 and 1.18, respectively, below) shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

1. DEFINITIONS

As used in this Stipulation, the following terms shall have the following meanings:

1.1 “AllianceBernstein Holding Unitholder” means any Person (other than AllianceBernstein Holding) who owned AllianceBernstein Holding units as of the Record Date.

1.2 “Amended Complaint” means the Verified Derivative Complaint for Breach of Fiduciary Duty and for Contribution under the Federal Securities Laws, filed on September 29, 2004, Docket No. 296.

1.3 “Complaint in Intervention” means the Verified Derivative Complaint in Intervention for Breach of Fiduciary Duty and for Contribution under the Federal Securities Laws.

1.4 “Defendants’ Counsel” means counsel for each of the Settling Defendants in connection with the Derivative Claims and this Settlement.

1.5 “Derivative Action” means all complaints filed alleging Derivative Claims as reflected in the Amended Complaint and the Complaint in Intervention.

1.6 “Derivative Claims” means all of the claims asserted or encompassed in the Derivative Action.

1.7 “Effective Date” means the date upon which the Judgment approving the Settlement in accordance with this Stipulation becomes Final.

1.8 “Final” means the latest of: (a) the expiration of the time for the filing or noticing of any motion for reconsideration or appeal of the Judgment; (b) the final affirmance of the Judgment on an appeal or after reconsideration, the expiration of the time for a petition, or a denial of any petition, to review the affirmance of the Judgment on appeal, or, if such petition is

granted, the final affirmance of the Judgment following review pursuant to that grant; or (c) the final dismissal of any appeal from the Judgment or the final resolution of any proceeding to review any appeal from the Judgment without any material change to the Judgment. Any proceeding or order, or any appeal or petition for a review of a proceeding or order, pertaining solely to any application for or award of attorneys' fees or expenses shall not in any way delay or preclude the Judgment from becoming Final.

1.9 "Judgment" means the proposed Order and Final Judgment to be entered approving the Settlement, substantially in the form attached hereto as Exhibit C.

1.10 "Lead Counsel" means the law firm of Morris and Morris LLC Counselors At Law.

1.11 "Notice Administrator" means The Garden City Group ("GCG").

1.12 "Person" means an individual, business or legal entity, including any corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.13 "Plaintiff's Counsel" means any counsel who has appeared on behalf of any plaintiff in the Derivative Action, including Morris and Morris LLC Counselors At Law, Law Offices of Bernard M. Gross, P.C., Bull & Lifshitz, LLP, Tydings & Rosenberg LLP, Abraham, Fruchter & Twersky, LLP., Paskowitz & Associates, Law Office of Kenneth A. Elan, and Lasky & Rifkind LTD.

1.14 "Preliminary Approval Order" means the proposed Order preliminarily approving the Settlement, substantially in the form attached hereto as Exhibit B.

1.15 “Record Date” means April 1, 2011.

1.16 “Released Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation (whether foreign or domestic), including both known claims and Unknown Claims (as defined below), accrued claims and not accrued claims, foreseen claims and unforeseen claims, matured claims and not matured claims, that have been or could have been asserted, in any form, in the Derivative Action: (i) by the Releasing Parties against the Released Parties (as defined in paragraphs 1.17 and 1.18 below); (ii) by the Released Parties against the Releasing Parties, from the beginning of time through the Record Date; (iii) by any Released Party against any other Released Party; or (iv) by any AllianceBernstein Holding Unitholder claiming in the right of, or on behalf of AllianceBernstein Holding, arising out of or related, directly or indirectly, in any way to any of the facts, allegations, transactions, events, occurrences, acts, disclosures, statements, omissions, failures to act, or matters set forth, referred to, or alleged in the Derivative Action. By operation of the Judgment, the Releasing Parties shall have waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code § 1542 (*see* ¶ 1.23 below).

1.17 “Released Parties” means the Settling Defendants and each and all members of their families, and any current or former parent entities, affiliates, or subsidiaries, and each and all of their respective past, present, or future officers, directors, employees, attorneys, accountants, insurers, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, custodians, agents, representatives, trusts, trustees, trust beneficiaries

and assigns and other individual or entity in which it, he or she has a controlling interest or which is related to or affiliated with any of them or any of the parties listed above.

1.18 “Releasing Parties” means AllianceBernstein Holding, AllianceBernstein Holding Unitholders and any plaintiff (individually, and derivatively on behalf of AllianceBernstein Holding) and each and all members of their families, and any current or former parent entities, affiliates, or subsidiaries, and each and all of their respective past, present, or future officers, directors, employees, attorneys, accountants, insurers, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, custodians, agents, representatives, trusts, trustees, trust beneficiaries, and assigns, and all Persons acting in concert with any of the aforementioned persons and entities.

1.19 “Settlement” means the agreement made and entered into by and among the Settling Parties and set forth in this Stipulation.

1.20 “Settlement Hearing” means the hearing the Settling Parties will request that the Court hold after distribution of the Settlement Notice and publication of the Summary Notice in order to consider and determine, among other things, whether the Settlement should be approved, whether the Judgment should be entered dismissing the Derivative Action with prejudice, and whether and in what amount attorneys’ fees and reimbursement of expenses should be awarded.

1.21 “Settlement Notice” means the Notice of Derivative Action Settlement, substantially in the form attached hereto as Exhibit D, which is to be disseminated to AllianceBernstein Holding Unitholders in accordance with the terms set forth in this Stipulation.

1.22 “Summary Notice” means the Summary Notice of Pendency of Unitholder Derivative Action, Proposed Settlement and Settlement Hearing, substantially in the form

attached hereto as Exhibit E, which is to be published in accordance with terms set forth in this Stipulation.

1.23 “Unknown Claims” means any Released Claims that any Releasing Party does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Parties that, if known by him, her, or it might have affected his, her, or its settlement with, and release of, the Released Parties, or might have affected his, her, or its decision not to object to this Settlement, including claims based on the discovery of facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the Released Claims. The Settling Parties further agree that the Released Claims constitute an express waiver of all rights and protections afforded by California Civil Code § 1542 and all similar federal, state or foreign laws, rights, rules, or legal principles. Section 1542 states:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Releasing Parties shall be deemed by operation of the Judgment to have acknowledged that the release of Unknown Claims was separately bargained for and is a key element of the Settlement.

2. THE SETTLEMENT CONSIDERATION

The Company will receive substantial benefits in connection with the settlement of the Derivative Action:

2.1 Monetary Payment. As the direct result of the filing and the prosecution of the Derivative Action, the parties were able to negotiate and obtain from the relevant insurance carriers a total payment of \$23,000,000.00.

2.2 Corporate Governance and Compliance Relief. Alliance Bernstein has adopted, implemented and/or will maintain the Governance and Compliance Provisions (set forth at Exhibit A hereto), which are designed to identify, monitor, and address legal, regulatory and internal compliance issues throughout the Company's business and operations.

2.3 Term of Agreement. The Company agrees to maintain the Governance and Compliance Provisions for a period of not less than three years from the Effective Date of the Settlement ("the Settlement Commitment Term").

2.4 Funding. Alliance Bernstein agrees that for at least the period of the Settlement Commitment Term, it will commit all funds as are necessary to fully implement and maintain the Governance and Compliance Provisions set forth at Exhibit A.

3. PRELIMINARY APPROVAL, NOTICE ORDERS AND SETTLEMENT HEARING

3.1 Promptly following the execution of this Stipulation, the Settling Parties shall submit this Stipulation, together with its Exhibits, to the Court, and Plaintiff shall move for entry of a Preliminary Approval Order, substantially in the form of Exhibit B hereto.

3.2 The Notice Administrator shall provide the Settlement Notice to AllianceBernstein Holding Unitholders via first class mail within ten (10) business days following entry of the Preliminary Approval Order. The Settlement Notice shall advise AllianceBernstein Holding Unitholders of the terms of the Settlement of the Derivative Action, the time and date of the Settlement Hearing, and Plaintiff's Counsel's request for attorneys' fees and reimbursement of expenses. The Settlement Notice shall be substantially in the form attached hereto as Exhibit D. The Notice Administrator shall cause the Summary Notice, substantially in the form attached hereto as Exhibit E, to be published once in the *Investors*

Business Daily and disseminated on Business Wire not later than fifteen (15) days following entry of the Preliminary Approval Order.

3.3 AllianceBernstein Holding shall be responsible for paying all costs incurred in connection with the dissemination of the Settlement Notice and the Summary Notice and the costs incurred by the Notice Administrator.

3.4 The Settling Parties shall request that, after notice of the Settlement is made and the time for objections has passed, the Court hold a Settlement Hearing to consider and determine: (a) whether to approve the Settlement; (b) whether the Judgment should be entered dismissing the Derivative Action with prejudice, with each party bearing its own costs; (c) whether permanently to bar and enjoin the Releasing Parties from litigating any of the Released Claims against any of the Released Parties; and (d) whether to approve an award of attorneys' fees and reimbursement of expenses for Plaintiff's Counsel.

4. RELEASES AND BAR

4.1 Upon the Effective Date, each of the Releasing Parties on behalf of himself, herself and/or itself and each and all members of his, her and/or its families, parent entities, affiliates, or subsidiaries, and each and all of his, her and/or its respective past, present, or future officers, directors, employees, attorneys, accountants, insurers, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, custodians, agents, representatives, trusts, trustees, trust beneficiaries and assigns, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims as against the Released Parties, will be forever barred and enjoined from commencing, instituting, or prosecuting any of the Released Claims and covenant not to bring any Released Claims.

4.2 Upon the Effective Date, each of the Settling Defendants, on behalf of himself, herself and/or itself and each and all members of his, her and/or its families, parent entities, affiliates, or subsidiaries, and each and all of his, her and/or its respective past, present, or future officers, directors, employees, attorneys, accountants, insurers, auditors, heirs, executors, personal representatives, estates, administrators, predecessors, successors, custodians, agents, representatives, trusts, trustees, trust beneficiaries and assigns, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Releasing Parties and Plaintiff's Counsel from all claims or demands relating to or arising out of, or connected with the institution, prosecution, assertion, settlement, or resolution of the Derivative Claims and/or the Released Claims.

4.3 Pending final approval of the Settlement by the Court, neither Plaintiff, AllianceBernstein Holding, nor any AllianceBernstein Holding Unitholder shall commence, maintain, or prosecute any action or proceeding against the Released Parties in any court or tribunal asserting any of the Released Claims.

5. ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES

5.1 Plaintiff's Counsel will together apply to the Court for an award of attorneys' fees in the amount of \$5,750,000, and the reimbursement of expenses in an amount not to exceed \$85,000. These amounts, arrived at by the parties pursuant to arm's length negotiations undertaken only after the other terms of the Settlement were reached, were the subject of mediation before retired federal Magistrate Judge, the Honorable Edward M. Infante. Judge Infante's efforts were instrumental in arriving at an amount of proposed fees and expenses which all of the parties support as reflective of the services Plaintiff's Counsel rendered to the Company. Accordingly, Defendants will support Plaintiff's Counsels' requests in these

amounts. Defendants and AllianceBernstein have agreed, subject to Court approval, that Plaintiff's attorneys' fees and the reimbursement of expenses will be paid from the \$23 million payment from insurance carriers achieved as the result of the litigation.

5.2 The fee and expenses award, as approved by the Court, and interest earned thereon, if any, will be paid to Plaintiff's Counsel, in accordance with instructions from Plaintiff's Lead Counsel, immediately after the entry of the Judgment, notwithstanding the existence of any timely filed objections thereto, or potential for appeal therefrom, or collateral attack on the Settlement, subject to the obligation of Plaintiff's Counsel to make appropriate refunds or repayments to AllianceBernstein, plus accrued interest, if any, at the rate paid on the escrow account by the financial institution holding it, if and when, as a result of any appeal and/or further proceedings on remand, or successful collateral attack, the fee or cost award is reduced or reversed. Neither AllianceBernstein, its insurance carriers nor any Released Party shall have any obligation with respect to Plaintiff's Counsel's fees and/or reimbursement of expenses beyond the amounts awarded by the Court in response to the application for fees and expenses agreed to in paragraph 5.1 above.

5.3 Plaintiff's Lead Counsel shall be escrow agent for receipt of the payment of the sum awarded and shall have responsibility for the allocation and distribution of fees and reimbursement of expenses to all Plaintiff's Counsel in the Derivative Action. The Settling Defendants, AllianceBernstein, and their insurers shall have no obligations or liability with respect to the apportionment or distribution of any attorneys' fees or expenses awarded by the Court.

5.4 No order of the Court, or modification or reversal on appeal of any order of the Court, concerning the amount or allocation of attorneys' fees or expenses referenced in

paragraph 5.1 above shall constitute grounds for cancellation or termination of this Stipulation or prevent the Judgment from becoming Final.

5.5 Except as otherwise expressly provided in paragraphs 3.3 and 5.1 above, the Settling Parties shall bear their own attorneys' fees and costs incurred in connection with the Derivative Claims and the Settlement.

6. CONDITIONS OF SETTLEMENT; EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION

6.1 The Settling Parties, each in his, her or its sole discretion, shall have the right to terminate the Settlement and this Stipulation by providing written notice to counsel identified in provision 7.16 below of his, her or its election to do so within thirty (30) days of: (a) the Court declining to enter in any material respect the proposed Preliminary Approval Order attached hereto as Exhibit B; (b) the Court declining to grant the intervention of Mr. Steven Goldstein as named representative; (c) the Court refusing to approve the Stipulation or any material part of it; (d) the Court declining to enter in any material respect the proposed Judgment attached hereto as Exhibit C; or (e) the date upon which the Judgment is modified or reversed in any material respect on appeal or by writ, except that, with respect to subparagraphs (c), (d) and (e) of this provision, an award of attorneys' fees and reimbursement of expenses that is less than the amount requested by Plaintiff shall not be grounds for termination or cancellation of the Settlement.

6.2 In the event that the Settlement is not approved by the Court, or is terminated for any reason, the Settling Parties shall be restored to their respective positions in the Derivative Action immediately prior to the signing of this Stipulation, and all negotiations, proceedings, documents prepared, and statements made in connection with the Settlement shall be without

prejudice to the Settling Parties, shall not be deemed or construed to be an admission by any Settling Party of any act, matter or proposition, and shall not be offered or used in any manner or admissible for any purpose in the Derivative Action or in any other action or proceeding.

6.3 In the event that the Settlement is not approved by the Court, or is terminated for any reason, the terms and provisions of this Stipulation shall have no further force and effect with respect to the Settling Parties, and shall not be used or admitted in the Derivative Action or in any other action or proceeding for any purpose, and any judgments or orders entered by the Court in accordance with the terms of this Stipulation shall be treated as vacated.

7. MISCELLANEOUS PROVISIONS

7.1 The Settling Parties: (a) acknowledge that it is their intent to consummate the terms and conditions of this Stipulation; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of this Stipulation, to exercise their best efforts to accomplish the foregoing terms and conditions of this Stipulation, and to obtain preliminary and final approval of the Settlement.

7.2 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes among themselves with respect to the Derivative Action. The Settlement compromises claims that are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim, demand, or defense. While the Settling Defendants deny that the claims and contentions advanced in the Derivative Action are meritorious, the Settling Defendants agree that the Derivative Action and the Derivative Claims were filed in good faith and are being settled voluntarily after negotiating at arm's length and in good faith after consultation with competent legal counsel. The Settling Parties agree not to assert in any forum that the Derivative Action or the Derivative Claims were brought, commenced, prosecuted or defended in bad faith. The Settling Parties shall assert no claims of any violation of Rule 11 of

the Federal Rules of Civil Procedure relating to the prosecution, defense, or settlement of the Derivative Claims.

7.3 The Settling Parties agree that the terms of this Settlement, including the amount of attorneys' fees and reimbursement of expenses, were negotiated at arm's length and in good faith by the Settling Parties with the assistance of a mediator, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

7.4 This Stipulation and its exhibits constitute the entire agreement among the Settling Parties concerning the settlement of the Derivative Action and the Derivative Claims, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

7.5 All of the Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

7.6 Each of the agreements made and orders entered in the Derivative Action concerning the confidentiality of documents and information and each of the agreements made by Plaintiff's Counsel concerning the confidentiality of documents and information shall survive this Stipulation and Settlement.

7.7 Any written or oral public statement regarding the Settlement contained in this Stipulation shall be limited to the terms set forth in this Stipulation and to statements that the Derivative Action and the Derivative Claims were resolved to the mutual satisfaction of the Settling Parties. None of the Settling Parties shall make any public statement regarding the terms of this Stipulation or the Settlement contained herein that is critical of or disparages the Settlement or the conduct of the Settling Parties.

7.8 This Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

7.9 This Stipulation may be executed in one or more counterparts, including by facsimile and/or electronically scanned counterparts. All executed counterparts, including facsimile and/or electronically scanned counterparts, shall be deemed to be one and the same instrument.

7.10 This Stipulation shall be binding upon, and inure to the benefit of, the Settling Parties and their respective successors, assigns, heirs, spouses, marital communities, executors, administrators, and legal representatives.

7.11 This Stipulation shall not be construed more strictly against any Settling Party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that this Stipulation is the result of arm's length negotiations between the Settling Parties and all Settling Parties have contributed substantially and materially to the preparation of this Stipulation.

7.12 All Persons executing this Stipulation and any of the Exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

7.13 The waiver by any party of any breach of this Stipulation shall not be deemed or construed as a waiver of any other breach, whether prior or subsequent to, or contemporaneous with, the execution of this Stipulation.

7.14 Without affecting the finality of the Judgment entered in accordance with this Stipulation, the Court shall retain jurisdiction with respect to the implementation and

enforcement of the terms of this Stipulation, and the Settling Parties hereto submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in this Stipulation.

7.15 The rights and obligations of the Settling Parties to this Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of Maryland, without giving effect to any state's choice-of-law principles.

7.16 Any notice required by this Stipulation shall be submitted in writing and delivered by overnight mail, electronic mail, facsimile, or in person as follows:

If to Plaintiff's Counsel:

Karen L. Morris
Patrick F. Morris
MORRIS AND MORRIS LLC
COUNSELORS AT LAW
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If to Counsel for the Settling Defendants:

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Fax: (212) 351-4035
gschieren@gibsondunn.com

IN WITNESS WHEREOF, the Settling Parties have caused this Stipulation to be executed by their duly authorized attorneys.

DATED: March 9, 2011

**MORRIS AND MORRIS LLC
COUNSELORS AT LAW**

By: 

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Lead Counsel for Plaintiff

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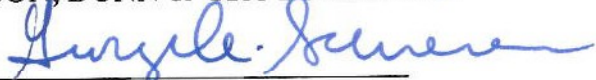
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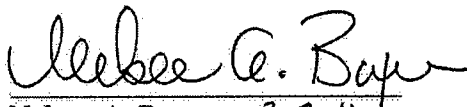
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EXHIBIT A

GOVERNANCE AND COMPLIANCE PROVISIONS

1.1 AllianceBernstein¹ has adopted, implemented and/or will maintain certain corporate governance and compliance provisions designed to identify, monitor, and address legal, regulatory and internal compliance issues throughout the Company's business and operations. As reflected below, Plaintiff's corporate governance and compliance proposals and prosecution of the Derivative Action were the cause of, or a substantial factor in, the Company's decision to adopt, implement and/or maintain these provisions.

1.2 As the result of the Settlement, AllianceBernstein agrees to maintain the provisions described below for a period of not less than three years from the Effective Date (the "Settlement Commitment Term").

1.3 As a result of the Settlement, AllianceBernstein agrees that, for at least the period of the Settlement Commitment Term, it will commit all funds as are necessary to fully implement and maintain the corporate governance and compliance commitments set forth below.

1.4 AllianceBernstein agrees that the corporate governance and compliance provisions described below provide a substantial benefit to the Company, including in the detection and prevention of potential wrongful conduct.

Board Level Provisions

1.5 Audit Committee. The Company has adopted the following practices relating to the Audit Committee of the Board ("Audit Committee"):

¹ For the purposes of these Governance and Compliance Provisions, "AllianceBernstein" or the "Company" refers collectively to all three of the following: AllianceBernstein Corporation, AllianceBernstein Holding L.P. and AllianceBernstein L.P.

- (i) The Audit Committee shall be knowledgeable about the content and operation of, and has ultimate oversight responsibility for, the implementation and effectiveness of the Company's internal audit function and shall assist the Board in its oversight of the implementation and effectiveness of the Company's compliance and risk management functions.
- (ii) Among other things, the Audit Committee:
 - (1) reviews and approves the annual internal audit plan and receives reports from the Chief Audit Officer ("CAO") as described in Section 1.17 below;
 - (2) oversees and monitors the adequacy of funding for the internal audit function;
 - (3) retains outside advisors and consultants as it deems appropriate;
 - (4) receives reports from the Chief Compliance Officer ("CCO") as described in Sections 1.11 and 1.12 below;
 - (5) receives annual reports from the Global Head of Operational and Credit/Counterparty Risk Officer ("GOCRO") as described in Section 1.15 below;
 - (6) at least annually, assesses the adequacy of the information flow from management to support the Audit Committee's oversight and support responsibilities;
 - (7) regularly reports to the Board significant matters reported or discussed at Audit Committee meetings and any significant actions taken by written consent without meeting;

- (8) meets regularly in executive sessions with the CAO and, upon request, with the General Counsel and the CCO;
- (9) exercises oversight responsibility over the hiring, retention and compensation of the CAO;
- (10) annually evaluates its own effectiveness and provides a report of that evaluation to the Board; and
- (11) unless the Chair is elected by the Board, the members of the Audit Committee, with the assistance of the Corporate Governance Committee, may designate the Chair by vote of the majority of the Audit Committee.

1.6 Lead Independent Director. The Company has adopted the following practices relating to the Lead Independent Director (“LID”):

- (i) The LID presides over meetings of the Independent Directors of the Board in executive sessions, including meetings of the non-management directors of the Board. Executive sessions are held at least once during the calendar year and on such other occasions at special meetings as directed by the non-management directors;
- (ii) the LID receives from the Corporate Secretary communications from shareholders and others seeking to communicate with the Board;
- (iii) the LID may call meetings of the Board;
- (iv) the LID enhances the effectiveness of the Board by fostering collegiality and respect for differing views among the directors; and

- (v) in his capacity as Chairman of the Audit Committee, serves as liaison to senior management and consults with senior management on schedules, agenda and participants at meetings of the Audit Committee.

1.7 Special Committee of the Board. The Company has established a Special Committee of the Board of Directors of AllianceBernstein Corporation consisting of all Independent Directors of the Board (“Special Committee”). The Special Committee directs and oversees any matters referred to it by the Board and/or management including, but not limited to, matters relating to conflicts of interest, the relationship among AllianceBernstein L.P., AllianceBernstein Holding L.P. and AXA S.A., and all matters which may arise under this agreement. The Special Committee provides an additional forum for open discussion among the Independent Directors. The following provisions are applicable to the Special Committee:

- (i) the Chair of the Special Committee is elected by the Board; and
- (ii) the Special Committee will meet at such times as circumstances warrant.

1.8 Director Training and Orientation. New Board member orientation and the Board’s continuing education include timely briefings regarding applicable regulatory risks and governance standards, processes and trends.

1.9 Board Composition. In part in response to Plaintiffs’ board composition objectives, the Company has reduced the overall size of the Board from eighteen directors (four of whom were independent) at the commencement of the action to thirteen director positions (five of whom are independent) as of the execution of the Stipulation.

1.10 Employee Performance Evaluation. The Company has implemented an employee performance management process (“PMP”). The PMP is designed to evaluate individual performance and potential for future contribution to the Company, strengthen

employee engagement and maximize employee retention. The PMP identifies factors against which employees are evaluated including knowledge and adherence to the Company's values, including placing clients' interests first and unimpeachable integrity. Employee performance evaluations generated through the PMP form part of the processes utilized by management in formulating its recommendations to the Compensation Committee regarding the compensation of officers of the Company. The Compensation Committee has oversight responsibility with respect to these recommendations.

Management Level Provisions

A. Compliance

1.11 Chief Compliance Officer. In accordance with SEC Rule 206(4)-7, AllianceBernstein has designated a Chief Compliance Officer ("CCO"). In addition, the Company has adopted the following provisions with respect to the CCO:

- (i) the CCO is an executive no less senior than a Senior Vice President;
- (ii) the CCO has responsibility for the design, implementation and monitoring of an integrated compliance function across the entire organization to ensure compliance with all laws, regulations and Company policies;
- (iii) the CCO makes quarterly reports to the Audit Committee on compliance and ethics matters;
- (iv) as a member of the COO Committee (see Section D.1.17(ix)), the CCO engages in dialogue with other members of the COO Committee and members of other control and monitoring functions including risk management, quality assurance, legal, internal audit and external audit;

- (v) the CCO is a member of the Operational Risk Oversight Committee (“OROC”);²
- (vi) any exceptions to AllianceBernstein’s compliance-related policies and procedures must be approved in advance by the CCO. The CCO may provide for and adopt policies that provide for the delegation of this responsibility to subordinate compliance officers, as appropriate. The CCO shall include any material exceptions in his reports to the Audit Committee; and
- (vii) investigations of potential compliance violations are conducted under the authority of the CCO. The CCO may consult with the General Counsel or other functional personnel as necessary. The CCO may, where appropriate, refer the conduct of the investigation to another functional group, including Human Capital.

1.12 Compliance Committee. Pursuant to the Order of the Securities and Exchange Commission dated December 18, 2003 (amended and restated January 15, 2004) (“SEC Order”), AllianceBernstein has implemented and maintains an Internal Compliance Controls Committee (“Compliance Committee”).³ The CCO chairs the Compliance Committee, whose members shall include the senior executives heading AllianceBernstein’s operating businesses. The primary purpose of the Compliance Committee is to oversee compliance issues throughout

² The OROC’s primary purpose is assisting the Company to evaluate operational risks in its business and operations.

³ As disclosed in the Company’s Report on Form 10-K filed February 23, 2009, at page 16, the creation of this committee was “in part, pursuant to the [SEC Order] and the New York State Attorney General’s Assurance of Discontinuance dated September 1, 2004 (“NYAG AoD”).”

AllianceBernstein's businesses. As part of its oversight responsibility, the Committee develops, implements, and evaluates solutions to compliance and control issues of a regulatory nature arising in the course of the conduct of the business. In addition, the Company has adopted the following provisions with respect to the Compliance Committee:

- (i) the Compliance Committee shall also include the CEO, COO, CFO, General Counsel, Chief Technology Officer and Head of Global Operations;
- (ii) the Compliance Committee shall meet at least quarterly, or more frequently as circumstances warrant;
- (iii) the CCO may call additional meetings of the Compliance Committee whenever necessary in his or her discretion;
- (iv) the chairs of AllianceBernstein's Risk Oversight Committees ("ROCs") report on a regular basis, and promptly as necessary, to the Compliance Committee and the CCO on issues of compliance risk; and
- (v) the CCO reports on a not less than quarterly basis to the Audit Committee concerning the activities of the Compliance Committee, including significant compliance issues, internal and external audit and investigative findings.

B. Ethics and Conflicts

1.13 Ethics Committee. Pursuant to the SEC Order, AllianceBernstein has implemented and maintains a Code of Ethics Oversight Committee ("Ethics Committee").⁴ The primary purpose of the Ethics Committee is to oversee all matters relating to issues arising under

⁴ As disclosed in the Company's Report on Form 10-K filed February 23, 2009, at page 16, the creation of this committee was "in part, pursuant to the [SEC Order] and the [NYAG AOD]."

the Company's Code of Business Conduct and Ethics ("Code of Ethics"). The Committee is comprised of senior executives of AllianceBernstein's operating businesses. It meets at least quarterly to review violations of the Code of Ethics and consider policy matters related to the Code of Ethics. The Committee reports on issues arising under the Code of Ethics, including all violations thereof, to the Audit Committee of the Board of Directors of AllianceBernstein mutual funds at least quarterly. In addition, the Company has adopted the following provisions with respect to the Ethics Committee:

- (i) both the CCO and the Conflicts Officer shall serve on the committee;
- (ii) any material violations and investigations of material violations of the Code of Ethics are reported promptly to the Audit Committee by the CCO; and
- (iii) the Chair rotates among the senior executives on the Committee on a periodic basis.

1.14 Conflicts Committee. The Company has adopted the following provisions with respect to the Conflicts Committee:

- (i) AllianceBernstein has established a Conflicts Committee;
- (ii) the Conflicts Committee includes the Conflicts Officer,⁵ who is an executive no less senior than a Senior Vice President, senior legal and compliance staff and members of the internal audit and operational risk management departments;
- (iii) the Conflicts Officer provides reports periodically to the Ethics Committee, as well as relevant management committees and applicable Business Unit Heads on conflicts of interest arising in the conduct of the Company's business; and

- (iv) the Conflicts Committee assists the Conflicts Officer in identifying, evaluating, prioritizing and managing conflicts of interest arising in the conduct of AllianceBernstein's business and operations.

C. Risk Management

1.15 Global Head of Operational and Credit/Counterparty Risk Officer (“GOCRO”). The Company has adopted enhanced functions relating to the position of GOCRO and the following related provisions:

- (i) the GOCRO shall be an executive no less senior than a Vice President;
- (ii) the GOCRO is responsible for the management and operation of the Operational Risk Management Department, which together with the ROCs,⁶ identifies, evaluates, manages and controls the array of operational risks inherent in the Company's business and operations;
- (iii) the GOCRO chairs the OROC; and
- (iv) the GOCRO regularly attends meetings of the Audit Committee and makes annual reports to the Audit Committee, including a presentation of an annual risk review, which addresses operational risk identification, assessment and monitoring.

1.16 Operational Risk Oversight Committee. The Company has implemented an Operational Risk Oversight Committee (“OROC”) with enhanced responsibilities, as follows:

[Footnote continued from previous page]

⁵ As disclosed in the Company's Report on Form 10-K filed February 23, 2009, at page 16, the position of Conflicts Officer was established, in part, pursuant to the SEC Order.

⁶ The ROCs include the Equity, Fixed Income and Operations Risk Oversight Committees.

- (i) the primary purpose of the OROC is to identify, evaluate, manage and control operational risks;
- (ii) operational risk management (“ORM”) activities include reviewing firm-wide operations reports and monitoring significant errors, compliance breaches and issues resulting from systems or operational failures;
- (iii) the OROC is chaired by the GOCRO and includes executives from each of the Company’s principal business units, the General Counsel, and the CCO; and
- (iv) together with ROCs in each of AllianceBernstein’s strategic business units, the OROC is responsible for reviewing, assessing and directing the implementation of ORM practices within the Company.

D. Internal Audit Function

1.17 Chief Audit Officer. The Company has adopted an enhanced internal audit program encompassing financial, operational and compliance auditing functions. The internal audit group is headed by the Chief Audit Officer (“CAO”), the senior internal audit executive with substantive reporting responsibilities to the Audit Committee. This enhanced internal audit function includes the following:

- (i) the CAO reports to the Audit Committee and administratively reports to the General Counsel;
- (ii) the CAO meets with the CEO on a monthly basis;
- (iii) the CAO is responsible for the development and implementation of the annual internal audit plan and the audit planning risk assessment process;

- (iv) areas of audit review and assessment include operational and compliance matters and periodic assessments of pertinent operational compliance and risk management activities;
- (v) the CAO reports all significant audit findings to the Audit Committee on a timely basis, including prompt reporting of material developments;
- (vi) the CAO provides the Audit Committee with quarterly summary reports of internal audits completed and in progress;
- (vii) the CAO shall be an executive no less senior than a Senior Vice President;
- (viii) the CAO has full and free access to the Audit Committee;
- (ix) as part of the audit planning risk assessment process, the CAO may consult with, among other groups, the COO Committee, which consists of the COO, CFO, General Counsel and CCO;
- (x) the annual internal audit plan is designed, using a qualitative and quantitative annual risk assessment process, to support an annual assessment, by the CAO, of the effectiveness and adequacy of the Company's internal controls, risk management and governance processes;
- (xi) the annual internal audit plan is reviewed and approved by the Audit Committee;
- (xii) the CAO reports periodically to the Audit Committee on the progress of the annual internal audit;
- (xiii) following completion of the annual internal audit, the CAO reports the audit findings to the Audit Committee, including findings related to the effectiveness

and adequacy of the Company's internal controls, risk management and governance processes;

- (xiv) the CAO keeps the Audit Committee informed of emerging trends in relevant regulatory matters, internal control issues, and internal audit matters; and
- (xv) the CAO provides the Audit Committee with a report of outstanding audit issues and the current status of management's efforts to resolve and improve the control environment.