

This attachment contains the two most recent Senior Officer Fee Summaries for the Fund.

SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT¹

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and Sanford C. Bernstein Fund II, Inc. – Intermediate Duration Institutional Portfolio (the "Fund"),² prepared by Philip L. Kirstein, the Senior Officer of the Fund for the Directors of the Fund, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Fund which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;

¹ The information in the fee evaluation was completed on October 25, 2012 and discussed with the Board of Directors on November 6-8, 2012.

² Future references to the Fund do not include "Sanford C. Bernstein Fund II, Inc."

4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Fund grows larger; and
6. Nature and quality of the Adviser's services including the performance of the Fund.

These factors, with the exception of the first factor, are generally referred to as the “*Gartenberg* factors,” which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what §36(b) requires: to face liability under §36(b), “an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm’s length bargaining.” *Jones v. Harris Associates L.P.*, 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of section 36(b) and noted with approval that “*Gartenberg* insists that all relevant circumstances be taken into account” and “uses the range of fees that might result from arm’s length bargaining as the benchmark for reviewing challenged fees.”³

³ *Jones v. Harris* at 1427.

ADVISORY FEES, NET ASSETS, & EXPENSE RATIOS

The Adviser proposed that the Fund pay the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement.⁴ Also shown are the Fund's net assets on September 30, 2012.

<u>Fund</u>	<u>Advisory Fee Based on % of Average Daily Net Assets</u>	<u>Net Assets 09/30/12 (\$MM)</u>
Intermediate Duration Institutional Portfolio ⁵	50 bp on 1 st 1 billion 45 bp on the balance	\$1,123.9

The Adviser has agreed to waive that portion of its advisory fees and/or reimburse the Fund for that portion of the Fund's total operating expenses to the degree necessary to limit the Fund's expense ratio to the amounts set forth below for the Fund's current fiscal year. The waiver agreement is terminable by the Adviser at the end of the Fund's fiscal year upon at least 60 days written notice. In addition, set forth below is the gross expense ratio of the Fund, annualized for the most recent semi-annual period:⁶

<u>Fund</u>	<u>Expense Cap Pursuant to Expense Limitation Undertaking</u>	<u>Gross Expense Ratio (3/31/12)⁷</u>	<u>Fiscal Year End</u>
Intermediate Duration Institutional Portfolio	0.45%	0.54%	September 30

⁴ Most of the AllianceBernstein Mutual Funds, which the Adviser manages, were affected by the Adviser's settlement with the NYAG. The Fund was not affected by the Adviser's agreement with the NYAG since the Fund's fee schedule already had lower breakpoints than the NYAG regulated fee schedule for AllianceBernstein Mutual Funds with a category of "High Income."

⁵ The Fund has an expense cap of 0.45%, which effectively reduces the advisory fee.

⁶ Semi-annual total expense ratios are unaudited.

⁷ Annualized.

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Fund that are not provided to non-investment company clients and sub-advised investment companies include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Fund’ third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Fund are more costly than those for institutional assets due to the greater complexities and time required for investment companies. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent

years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser’s view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Fund.⁸ In addition to the AllianceBernstein Institutional fee schedule, set forth below is what would have been the effective advisory fee of the Fund had the AllianceBernstein Institutional fee schedule been applicable to the Fund versus the Fund’s advisory fee based on September 30, 2012 net assets:⁹

<u>Fund</u>	<u>Net Assets 9/30/12 (\$MM)</u>	<u>AllianceBernstein Institutional Fee Schedule</u>	<u>Effective AB Inst. Adv. Fee (%)</u>	<u>Fund Advisory Fee (%)</u>
Intermediate Duration Institutional Portfolio	\$1,123.9	U.S. Strategic Core Plus Schedule 50 bp on 1 st \$30 million 20 bp on the balance <i>Minimum Account Size: \$25 m</i>	0.208%	0.489%

The Adviser manages Sanford C. Bernstein Fund, Inc. (“SCB Fund”), an open-end management investment company. The Intermediate Duration Portfolio of SCB

⁸ The Supreme Court stated that “courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons.” Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are “higher marketing costs.” *Jones v. Harris* at 1428.

⁹ The Adviser has indicated that with respect to institutional accounts with assets greater than \$300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.

Fund has a similar investment style as the Fund, and its advisory fee schedule is shown below. In addition, set forth is what would have been the effective fee for the Fund had the advisory fee schedule of Intermediate Duration Portfolio been applicable to the Fund versus the Fund's advisory fee based on September 30, 2012 net assets:

<u>Fund</u>	<u>SCB Fund Portfolio</u>	<u>Fee Schedule</u>	<u>SCB Fund Effective Fee (%)</u>	<u>Fund Advisory Fee (%)</u> ¹⁰
Intermediate Duration Institutional Portfolio	Intermediate Duration Portfolio	50 bp on 1 st \$1 billion 45 bp on next \$2 billion 40 bp on next \$2 billion 35 bp on next \$2 billion 30 bp thereafter	0.494%	0.489% ¹⁰

The AllianceBernstein Variable Products Series Fund, Inc. ("AVPS"), which is managed by the Adviser and is available through variable annuity and variable life contracts offered by other financial institutions, offers policyholders the option to utilize certain AVPS portfolios as the investment option underlying their insurance contracts. The AVPS Intermediate Bond Portfolio has a similar investment style as the Fund, and its advisory fee schedule is set forth below.¹¹ Also shown is what would have been the effective advisory fee of the Fund had the AVPS fee schedule been applicable to the Fund versus the Fund's advisory fee based on September 30, 2012 net assets.

<u>Fund</u>	<u>AVPS Portfolio</u>	<u>Fee Schedule</u>	<u>AVPS Effective Fee (%)</u>	<u>Fund Advisory Fee (%)</u> ¹⁰
Intermediate Duration Institutional Portfolio	Intermediate Bond Portfolio	0.45% on first \$2.5 billion 0.40% on next \$2.5 billion 0.35% on the balance	0.450%	0.489% ¹⁰

¹⁰ The Fund has an expense cap 0.45% which effectively reduces the advisory fees by at least five basis points.

¹¹ AVPS was also affected by the settlement between the Adviser and the NYAG.

The Adviser represented that it does not sub-advise any registered investment companies of other fund families with a substantially similar investment style as the Fund.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Lipper, Inc. (“Lipper”), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Fund with fees charged to other investment companies for similar services offered by other investment advisers.¹² Lipper’s analysis included the comparison of the Fund’s contractual management fee, estimated at the approximate current asset level of the Fund, to the median of the Fund’s Lipper Expense Group (“EG”)¹³ and the Fund’s contractual management fee ranking.¹⁴

Lipper describes an EG as a representative sample of comparable funds. Lipper’s standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset (size) comparability, expense components and attributes. An EG will typically consist of seven to twenty funds.

¹² The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since “these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm’s length.” *Jones v. Harris* at 1429.

¹³ Lipper does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratio than comparable sized funds that have relatively large average account sizes. Note that there are limitations on Lipper expense category data because different funds categorize expenses differently.

¹⁴ The contractual management fee is calculated by Lipper using the Fund’s contractual management fee rate at a hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Fund, rounded up to the next \$25 million. Lipper’s total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of “1” would mean that the Fund had the lowest effective fee rate in the Lipper peer group.

<u>Fund</u>	<u>Contractual Management Fee (%)</u> ¹⁵	<u>Lipper Exp. Group Median (%)</u>	<u>Lipper Group Rank</u>
Intermediate Duration Institutional Portfolio	0.493	0.487	8/14

Lipper also compared the Fund’s total expense ratio to the medians of the Fund’s EG and Lipper Expense Universe (“EU”). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classifications/objective and load type as the subject Fund.

<u>Fund</u>	<u>Expense Ratio (%)</u> ¹⁶	<u>Lipper Exp. Group Median (%)</u>	<u>Lipper Group Rank</u>	<u>Lipper Exp. Universe Median (%)</u>	<u>Lipper Universe Rank</u>
Intermediate Duration Institutional Portfolio	0.450	0.521	4/14	0.643	37/213

Based on this analysis, the Fund has a more favorable ranking on a total expense ratio basis than on a management fee basis.

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE MANAGEMENT FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser’s profitability in connection with investment advisory services provided to the Fund. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

¹⁵ The contractual management fee does not reflect any expense reimbursements made by the Fund to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fee does not reflect any advisory fee waivers or expense reimbursements made by the Adviser that would effectively reduce the actual effective management fee.

¹⁶ Most recently completed fiscal year total expense ratio.

IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Fund' profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Fund increased during calendar year 2011, relative to 2010.

V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through pricing to scale, breakpoints, fee reductions/waivers and enhancement to services.

An independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since

late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AllianceBernstein Mutual Funds managed by the Adviser through lower fees.

Previously in February 2008, the independent consultant provided the Board of Directors an update of the Deli¹⁷ study on advisory fees and various fund characteristics.¹⁸ The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.¹⁹ The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AllianceBernstein Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

¹⁷ The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years.

¹⁸ As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

¹⁹ The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

VI. NATURE AND QUALITY OF THE ADVISER’S SERVICES,
INCLUDING THE PERFORMANCE OF THE FUND

With assets under management of approximately \$419 billion as of September 30, 2012, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Fund.

The information prepared by Lipper shows the 1, 3, 5 and 10 year performance returns and rankings²⁰ of the Fund relative to its Lipper Performance Group (“PG”) and Lipper Performance Universe (“PU”)²¹ for the periods ended July 31, 2012.²²

	Fund Return (%)	PG Median (%)	PU Median (%)	PG Rank	PU Rank
Intermediate Duration Institutional Portfolio					
1 year	6.47	7.53	7.41	13/14	245/302
3 year	8.65	9.07	8.06	10/14	73/255
5 year	7.21	7.21	6.84	7/13	74/199
10 year	5.91	5.91	5.68	6/11	48/122

Set forth below are the 1, 3, 5 year and since inception performance returns of the Fund (in bold) versus its benchmark.²³ Fund and benchmark volatility and reward-to-variability ratio (“Sharpe Ratio”) information is also shown.²⁴

²⁰ Fund performance returns were provided by Lipper.

²¹ The Fund’s PG is identical to the Fund’s EG. The Fund’s PU is not identical to the Fund’s EU as the criteria for including/excluding a fund from a PU is somewhat different from that of an EU.

²² The current Lipper investment classification/objective dictates the PG and PU throughout the life of the Fund even if a Fund had a different investment classification/objective at a different point in time.

²³ The Adviser provided Fund and benchmark performance return information for periods through July 31, 2012.

²⁴ Fund and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield to vary over time. A Sharpe Ratio is a risk adjusted measure of return that divides a fund’s return in excess of the riskless return by the fund’s standard deviation. A fund with a greater volatility would be viewed as more risky than a fund with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky fund. A fund with a higher Sharpe Ratio would be viewed as better performing than a fund with a lower Sharpe Ratio.

Periods Ending July 31, 2012
Annualized Net Performance (%)

	1 Year <u>(%)</u>	3 Year <u>(%)</u>	5 Year <u>(%)</u>	10 Year <u>(%)</u>	Since Inception <u>(%)</u>	Annualized Volatility <u>(%)</u>	Annualized Sharpe <u>(%)</u>	Risk Period <u>(Year)</u>
Intermediate Duration Institutional Portfolio	6.47	8.65	7.21	5.91	5.93	4.23	0.92	10
Barclays Capital U.S Aggregate Bond Index <i>Inception Date: May 17, 2002</i>	7.25	6.85	6.91	5.65	5.84	3.62	1.01	10

CONCLUSION:

Based on the factors discussed above the Senior Officer's conclusion is that the proposed advisory fee for the Fund is reasonable and within the range of what would have been negotiated at arm's length in light of all the surrounding circumstances. This conclusion in respect of the Fund is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: December 3, 2012

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SUMMARY OF SENIOR OFFICER'S EVALUATION OF INVESTMENT ADVISORY AGREEMENT¹

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and Sanford C. Bernstein Fund II, Inc. – Intermediate Duration Institutional Portfolio (the "Fund"),² prepared by Philip L. Kirstein, the Senior Officer of the Fund for the Directors of the Fund, as required by the August 2004 agreement between the Adviser and the New York State Attorney General (the "NYAG"). The Senior Officer's evaluation of the Investment Advisory Agreement is not meant to diminish the responsibility or authority of the Board of Directors to perform its duties pursuant to Section 15 of the Investment Company Act of 1940 (the "40 Act") and applicable state law. The purpose of the summary is to provide shareholders with a synopsis of the independent evaluation of the reasonableness of the advisory fees proposed to be paid by the Fund which was provided to the Directors in connection with their review of the proposed approval of the continuance of the Investment Advisory Agreement.

The Senior Officer's evaluation considered the following factors:

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;

¹ The information in the fee evaluation was completed on October 20, 2011 and discussed with the Board of Directors on November 1-3, 2011.

² Future references to the Fund do not include "Sanford C. Bernstein Fund II, Inc."

4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Fund grows larger; and
6. Nature and quality of the Adviser's services including the performance of the Fund.

These factors, with the exception of the first factor, are generally referred to as the “*Gartenberg* factors,” which were articulated by the United States Court of Appeals for the Second Circuit in 1982. *Gartenberg v. Merrill Lynch Asset Management, Inc.*, 694 F. 2d 923 (2d Cir. 1982). On March 30, 2010, the Supreme Court held the *Gartenberg* decision was correct in its basic formulation of what §36(b) requires: to face liability under §36(b), “an investment adviser must charge a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm’s length bargaining.” *Jones v. Harris Associates L.P.*, 130 S. Ct. 1418 (2010). In *Jones*, the Court stated the *Gartenberg* approach fully incorporates the correct understanding of fiduciary duty within the context of section 36(b) and noted with approval that “*Gartenberg* insists that all relevant circumstances be taken into account” and “uses the range of fees that might result from arm’s length bargaining as the benchmark for reviewing challenged fees.”³

³ *Jones v. Harris* at 1427.

ADVISORY FEES, NET ASSETS, & EXPENSE RATIOS

The Adviser proposed that the Fund pay the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement.⁴ Also shown are the Fund's net assets on September 30, 2011.

Advisory Fee Based on % of Average Daily <u>Net Assets</u>	<u>Portfolio</u>	September 30, 2011 <u>Net Assets (\$MM)</u>
50 bp on 1 st 1 billion 45 bp on the balance	Intermediate Duration Institutional Portfolio ⁵	\$1,180.6

The Adviser has agreed to waive that portion of its advisory fees and/or reimburse the Fund for that portion of the Fund's total operating expenses to the degree necessary to limit the Fund's expense ratio to the amounts set forth below for the Fund's current fiscal year. The waiver agreement is terminable by the Adviser at the end of the Fund's fiscal year upon at least 60 days written notice. In addition, set forth below is the gross expense ratio of the Fund, annualized for the most recent semi-annual period:⁶

<u>Fund</u>	Expense Cap Pursuant to Expense Limitation <u>Undertaking</u>	Gross Expense Ratio <u>(3/31/11)</u> ⁷	<u>Fiscal Year End</u>
Intermediate Duration Institutional Portfolio	0.45%	0.54%	September 30

I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional

⁴ Most of the AllianceBernstein Mutual Funds, which the Adviser manages, were affected by the Adviser's settlement with the NYAG. The Fund was not affected by the Adviser's agreement with the NYAG since the Fund's fee schedule already had lower breakpoints than the NYAG regulated fee schedule for AllianceBernstein Mutual Funds with a category of "High Income."

⁵ The Fund has an expense cap of 0.45%, which effectively reduces the advisory fee.

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accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Fund that are not provided to non-investment company clients and sub-advised investment companies include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Fund’ third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Fund are more costly than those for institutional assets due to the greater complexities and time required for investment companies. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly,

the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

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<u>Fund</u>	<u>Net Assets 9/30/11 (\$MM)</u>	<u>AllianceBernstein Institutional Fee Schedule</u>	<u>Effective AB Inst. Adv. Fee (%)</u>	<u>Fund Advisory Fee (%)</u>
Intermediate Duration Institutional Portfolio	\$1,180.6	U.S. Strategic Core Plus Schedule 50 bp on 1 st \$30 million 20 bp on the balance <i>Minimum Account Size: \$25 m</i>	0.208%	0.485%

The Adviser manages Sanford C. Bernstein Fund, Inc. (“SCB Fund”), an open-end management investment company. The Intermediate Duration Portfolio of SCB Fund has a similar investment style as the Fund, and its advisory fee schedule is shown below. In addition, set forth is what would have been the effective fee for the Fund had

⁸ The Supreme Court stated that “courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons.” Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are “higher marketing costs.” *Jones v. Harris* at 1428.

⁹ The Adviser has indicated that with respect to institutional accounts with assets greater than \$300 million, it will negotiate a fee schedule. Discounts that are negotiated vary based upon each client relationship.

the advisory fee schedule of Intermediate Duration Portfolio been applicable to the Fund versus the Fund’s advisory fee based on September 30, 2011 net assets:

<u>Fund</u>	<u>SCB Fund Portfolio</u>	<u>Fee Schedule</u>	<u>SCB Fund Effective Fee (%)</u>	<u>Fund Advisory Fee (%)</u>
Intermediate Duration Institutional Portfolio	Intermediate Duration Portfolio	50 bp on 1 st \$1 billion 45 bp on next \$2 billion 40 bp on next \$2 billion 35 bp on next \$2 billion 30 bp thereafter	0.492%	0.485% ¹⁰

The AllianceBernstein Variable Products Series Fund, Inc. (“AVPS”), which is managed by the Adviser and is available through variable annuity and variable life contracts offered by other financial institutions, offers policyholders the option to utilize certain AVPS portfolios as the investment option underlying their insurance contracts. The AVPS Intermediate Bond Portfolio has a similar investment style as the Fund, and its advisory fee schedule is set forth below.¹¹ Also shown is what would have been the effective advisory fee of the Fund had the AVPS fee schedule been applicable to the Fund versus the Fund’s advisory fee based on September 30, 2011 net assets.

<u>Fund</u>	<u>AVPS Portfolio</u>	<u>Fee Schedule</u>	<u>AVPS Effective Fee (%)</u>	<u>Fund Advisory Fee (%)</u>
Intermediate Duration Institutional Portfolio	Intermediate Bond Portfolio	0.45% on first \$2.5 billion 0.40% on next \$2.5 billion 0.35% on the balance	0.450%	0.485% ¹⁰

The Adviser provides sub-advisory investment services to certain other investment companies managed by other fund families. The Adviser charges the

¹⁰ The Fund has an expense cap 0.45% which effectively reduces the advisory fees by at least five basis points.

¹¹ AVPS was also affected by the settlement between the Adviser and the NYAG.

following fee for the sub-advisory relationship that has a somewhat similar investment style as the Portfolio. Also shown is the Portfolio's advisory fee and what would have been the effective advisory fee of the Portfolio had the fee schedule of the sub-advisory relationship been applicable to the Portfolio based on September 30, 2011 net assets:

<u>Portfolio</u>	<u>Sub-advised Fund</u>	<u>Sub-advised Fund Fee Schedule</u>	<u>Sub-Advised Management Fund Effective Fee</u>	<u>Portfolio Advisory Fee</u>
Intermediate Duration Institutional Portfolio	Client #1	0.29% on first \$100 million 0.20% thereafter	0.208%	0.450%

It is fair to note that the services the Adviser provides pursuant to sub-advisory agreements are generally confined to the services related to the investment process; in other words, they are not as comprehensive as the services provided to the Portfolio by the Adviser. In addition to the extent that the sub-advisory relationship is with an affiliate of the Adviser, the fee schedule may not reflect arm's-length bargaining or negotiations.

While it appears that the sub-advisory relationship is paying a lower fee than investment companies managed by the Adviser, it is difficult to evaluate the relevance of such fees due to the differences in the services provided, risks involved and other competitive factors between the investment companies and the sub-advisory relationship. There could be various business reasons why an investment adviser would be willing to provide a sub-advised relationship investment related services at a different fee level than an investment company it is sponsoring where the investment adviser is provided all the

services, not just investment services, generally required by a registered investment company.

II. MANAGEMENT FEES CHARGED BY OTHER MUTUAL FUND COMPANIES FOR LIKE SERVICES.

Lipper, Inc. (“Lipper”), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Fund with fees charged to other investment companies for similar services offered by other investment advisers.¹² Lipper’s analysis included the comparison of the Fund’s contractual management fee, estimated at the approximate current asset level of the Fund, to the median of the Fund’s Lipper Expense Group (“EG”)¹³ and the Fund’s contractual management fee ranking.¹⁴

Lipper describes an EG as a representative sample of comparable funds. Lipper’s standard methodology for screening funds to be included in an EG entails the consideration of several fund criteria, including fund type, investment classification/objective, load type and similar 12b-1/non-12b-1 service fees, asset (size) comparability, expense components and attributes. An EG will typically consist of seven to twenty funds.

¹² The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since “these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm’s length.” *Jones v. Harris* at 1429.

¹³ Lipper does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratio than comparable sized funds that have relatively large average account sizes. Note that there are limitations on Lipper expense category data because different funds categorize expenses differently.

¹⁴ The contractual management fee is calculated by Lipper using the Fund’s contractual management fee rate at a hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of the Fund, rounded up to the next \$25 million. Lipper’s total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of “1” would mean that the Fund had the lowest effective fee rate in the Lipper peer group.

<u>Fund</u>	<u>Contractual Management Fee (%)</u> ¹⁵	<u>Lipper Exp. Group Median (%)</u>	<u>Lipper Group Rank</u>
Intermediate Duration Institutional Portfolio	0.493	0.445	11/15

Lipper also compared the Fund’s total expense ratio to the medians of the Fund’s EG and Lipper Expense Universe (“EU”). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classifications/objective and load type as the subject Fund.

<u>Fund</u>	<u>Expense Ratio (%)</u> ¹⁶	<u>Lipper Exp. Group Median (%)</u>	<u>Lipper Group Rank</u>	<u>Lipper Exp. Universe Median (%)</u>	<u>Lipper Universe Rank</u>
Intermediate Duration Institutional Portfolio	0.450	0.498	5/15	0.563	24/109

Based on this analysis, the Fund has a more favorable ranking on a total expense ratio basis than on a management fee basis.

III. COSTS TO THE ADVISER AND ITS AFFILIATES OF SUPPLYING SERVICES PURSUANT TO THE MANAGEMENT FEE ARRANGEMENT, EXCLUDING ANY INTRA-CORPORATE PROFIT.

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser’s profitability in connection with investment advisory services provided to the Fund. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

¹⁵ The contractual management fee does not reflect any expense reimbursements made by the Fund to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fee does not reflect any advisory fee waivers or expense reimbursements made by the Adviser that would effectively reduce the actual effective management fee.

¹⁶ Most recently completed fiscal year total expense ratio.

IV. PROFIT MARGINS OF THE ADVISER AND ITS AFFILIATES FOR SUPPLYING SUCH SERVICES.

The Fund's profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Fund decreased during calendar year 2010, relative to 2009.

V. POSSIBLE ECONOMIES OF SCALE

The Adviser has indicated that economies of scale are being shared with shareholders through fee structures,¹⁷ subsidies and enhancement to services. Based on some of the professional literature that has considered economies of scale in the mutual fund industry, it is thought that to the extent economies of scale exist, they may more often exist across a fund family as opposed to a specific fund. This is because the costs incurred by the Adviser, such as investment research or technology for trading or compliance systems can be spread across a greater asset base as the fund family increases in size. It is also possible that as the level of services required to operate a successful investment company has increased over time, and advisory firms make such investments in their business to provide services, there may be a sharing of economies of scale without a reduction in advisory fees.

In February 2008, an independent consultant, retained by the Senior Officer, provided the Board of Directors an update of the Deli¹⁸ study on advisory fees and

¹⁷ Fee structures include fee reductions, pricing at scale and breakpoints in advisory fee schedules.

¹⁸ The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of data used in the presentation and the changes experienced in the industry over the last four years.

various fund characteristics.¹⁹ The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.²⁰ The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AllianceBernstein Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

VI. NATURE AND QUALITY OF THE ADVISER'S SERVICES, INCLUDING THE PERFORMANCE OF THE FUND

With assets under management of approximately \$402 billion as of September 30, 2011, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Fund.

The information prepared by Lipper shows the 1, 3 and 5 year performance rankings²¹ of the Fund relative to its Lipper Performance Group ("PG") and Lipper Performance Universe ("PU")²² for the periods ended July 31, 2011.²³

¹⁹ As mentioned previously, the Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

²⁰ The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

²¹ Fund performance returns were provided by Lipper.

²² The Fund's PG is identical to the Fund's EG. The Fund's PU is not identical to the Fund's EU as the criteria for including/excluding a fund from a PU is somewhat different from that of an EU.

	<u>Fund Return (%)</u>	<u>PG Median (%)</u>	<u>PU Median (%)</u>	<u>PG Rank</u>	<u>PU Rank</u>
Intermediate Duration Institutional Portfolio					
1 year	6.07	5.95	5.65	7/15	43/107
3 year	8.92	8.07	8.19	3/13	21/97
5 year	6.93	6.59	6.73	3/13	28/81

Set forth below are the 1, 3, 5 year and since inception performance returns of the Fund (in bold) versus its benchmark.²⁴ Fund and benchmark volatility and reward-to-variability ratio (“Sharpe Ratio”) information is also shown.²⁵

Periods Ending July 31, 2011
Annualized Net Performance (%)

	<u>1 Year (%)</u>	<u>3 Year (%)</u>	<u>5 Year (%)</u>	<u>Since Inception (%)</u>	<u>Annualized Volatility (%)</u>	<u>Annualized Sharpe (%)</u>	<u>Risk Period (Year)</u>
Intermediate Duration Institutional Portfolio	6.07	8.93	6.93	5.88	4.91	0.97	5
Barclays Capital U.S Aggregate Bond Index <i>Inception Date: May 17, 2002</i>	4.44	7.05	6.57	5.70	3.60	1.24	5

CONCLUSION:

Based on the factors discussed above the Senior Officer’s conclusion is that the proposed advisory fee for the Fund is reasonable and within the range of what would have been negotiated at arm’s length in light of all the surrounding circumstances. This

²³ The current Lipper investment classification/objective dictates the PG and PU throughout the life of the Fund even if a Fund had a different investment classification/objective at a different point in time.

²⁴ The Adviser provided Fund and benchmark performance return information for periods through July 31, 2011.

²⁵ Fund and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield to vary over time. A Sharpe Ratio is a risk adjusted measure of return that divides a fund’s return in excess of the riskless return by the fund’s standard deviation. A fund with a greater volatility would be viewed as more risky than a fund with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky fund. A fund with a higher Sharpe Ratio would be regarded as better performing than a fund with a lower Sharpe Ratio.

conclusion in respect of the Fund is based on an evaluation of all of these factors and no single factor was dispositive.

Dated: November 28, 2011