



**ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC. —
INSURED CALIFORNIA PORTFOLIO**

1345 Avenue of the Americas
New York, New York 10105

November 7, 2008

Dear Shareholders:

The Board of Directors of AllianceBernstein Municipal Income Fund, Inc. (the “Fund”) is pleased to invite you to a Special Meeting of Shareholders of California Portfolio II, currently known as Insured California Portfolio (“Insured California”) and a series of the Fund (the “Meeting”), to be held on Friday, December 12, 2008. At this Meeting, we are asking you to approve the acquisition of the assets and the assumption of the liabilities of California Portfolio II (“California II”) by California Portfolio, another series of the Fund. We sometimes refer to each of California II and California Portfolio as a “Portfolio” and together as the “Portfolios”.

The proposed acquisition is described in more detail in the attached Prospectus/Proxy Statement. You should review the Prospectus/Proxy Statement carefully and retain it for future reference. If the shareholders of California II approve the acquisition by California Portfolio, the acquisition is expected to take place in the first quarter of 2009.

The Board of Directors recently approved the elimination of Insured California’s policy to invest at least 80% of its net assets in insured municipal securities and changes to certain other non-fundamental policies. Consistent with the change in the 80% policy, the Directors approved a proposal to rename the Portfolio California Portfolio II. These changes are expected to become effective on or about December 1, 2008. You will find a further explanation of these changes in the Prospectus/Proxy Statement. For the purposes of this Prospectus/Proxy Statement, we will refer to California II as if the name change had already taken effect.

California II and California Portfolio have identical investment objectives and follow significantly similar investment strategies, except that California II invests principally in securities exempt from the federal alternative minimum tax (“AMT”) while California Portfolio may invest without limit in securities subject to the AMT for certain taxpayers. We anticipate that the proposed acquisition will result in benefits to the shareholders of California II, including a reduction in expenses, as discussed more fully in the Prospectus/Proxy Statement.

The Directors have given careful consideration to the proposed acquisition and have concluded that the acquisition is in the best interests of California II. The Directors recommend that you vote “for” the proposed acquisition of California II by California Portfolio.

If the acquisition of California II by California Portfolio is approved by the shareholders of California II, each California II shareholder will receive shares of California Portfolio of the same class as the shares the shareholder currently owns, which will have an aggregate net asset value (“NAV”) equal to the aggregate NAV of the shareholder’s shares in California II. California II would then terminate. You will not be assessed any initial sales charges, contingent deferred sales charges or other individual shareholder fees in connection with the proposed acquisition.

We welcome your attendance at the Meeting. If you are unable to attend, we encourage you to authorize proxies to cast your vote. Broadridge (the “Proxy Solicitor”), 60 Research Rd., Hingham, MA 02043, a proxy solicitation firm, has been selected to assist in the proxy solicitation process. If we have not received your proxy

as the date of the Meeting approaches, you may receive a telephone call from the Proxy Solicitor to remind you to submit your proxy. No matter how many shares you own, your vote is important.

Sincerely,

Robert M. Keith
President



**ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC. —
INSURED CALIFORNIA PORTFOLIO**

1345 Avenue of the Americas
New York, New York 10105
(800) 221-5672

**NOTICE OF A SPECIAL MEETING OF SHAREHOLDERS
SCHEDULED FOR DECEMBER 12, 2008**

To the shareholders of California Portfolio II, currently known as Insured California Portfolio (“California Portfolio II”), a series of AllianceBernstein Municipal Income Fund, Inc., a Maryland corporation (the “Fund”):

Notice is hereby given that a Special Meeting of the Shareholders of California Portfolio II (the “Meeting”) will be held at 1345 Avenue of the Americas, 8th Floor, New York, New York 10105 on Friday, December 12, 2008, at 3:00 p.m., Eastern time, to consider and vote on the following proposal, which is more fully described in the accompanying Prospectus/Proxy Statement dated November 7, 2008:

1. To approve a Plan of Acquisition and Liquidation of the Fund with respect to its series, California Portfolio II and California Portfolio, providing for the acquisition by California Portfolio of all of the assets and assumption of all of the liabilities of California Portfolio II in exchange for shares of California Portfolio and subsequent termination of California Portfolio II.
2. To transact any other business that may properly come before the Meeting and any adjournments or postponements thereof.

Any shareholder of record of the Portfolio at the close of business on October 31, 2008 is entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. Proxies are being solicited on behalf of the Board of Directors. Each shareholder who does not expect to attend the Meeting and vote in person is requested to complete, date, sign and promptly return the enclosed proxy card, or to submit voting instructions by telephone as described on the enclosed proxy card.

By Order of the Board of Directors,

Robert M. Keith
President

New York, New York
November 7, 2008

YOUR VOTE IS IMPORTANT

Please indicate your voting instructions on the enclosed proxy card, sign and date it, and return it in the envelope provided, which needs no postage if mailed in the United States. Your vote is very important no matter how many shares you own. In order to save any additional costs of further proxy solicitation and to allow the Meeting to be held as scheduled, please complete, date, sign and return your proxy card promptly.

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PROSPECTUS/PROXY STATEMENT

Acquisition of the Assets and Assumption of the Liabilities of

ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC. — CALIFORNIA PORTFOLIO II (the successor to INSURED CALIFORNIA PORTFOLIO)

By, and in Exchange for Shares of,

ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC. — CALIFORNIA PORTFOLIO

November 7, 2008

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QUESTIONS AND ANSWERS

The following questions and answers provide an overview of key features of the proposed acquisition and of the information contained in this Prospectus/Proxy Statement. Please review the full Prospectus/Proxy Statement before casting your vote.

1. What is this document and why did we send it to you?

This is a combined Prospectus/Proxy Statement that provides you with information about the proposed acquisition (the “Acquisition”) of the assets and liabilities of California Portfolio II (“California II”), currently known, prior to the change in name expected to become effective on or about December 1, 2008, as Insured California Portfolio (“Insured California”) and a series of AllianceBernstein Municipal Income Fund, Inc. (the “Fund”), by California Portfolio, a series of the Fund. (California Portfolio, California II and Insured California are each a “Portfolio” and collectively, the “Portfolios”). This document also solicits your vote on the Acquisition by requesting that you approve the Plan of Acquisition and Liquidation, dated as of September 24, 2008 (the “Plan”) of the Fund with respect to its series, California II and California Portfolio, and the subsequent termination of California II (the “Proposal”).

On September 23, 2008, the Board of Directors of the Fund (the “Board”) approved and declared advisable the Acquisition and the subsequent termination of California II and directed that the Acquisition and termination be submitted to the shareholders for approval at a Special Meeting of Shareholders to be held on December 12, 2008 at 3:00 p.m., Eastern time (the “Meeting”). You are receiving this Prospectus/Proxy Statement because you own shares of California II. Each shareholder of record of California II as of the close of business on October 31, 2008 (the “Record Date”) has the right under applicable legal and regulatory requirements to vote on the Acquisition. The Acquisition will not occur unless it is approved by California II shareholders. This Prospectus/Proxy Statement contains the information you should know before voting on the Acquisition.

You may contact a Portfolio at (800) 221-5672 or write to a Portfolio at 1345 Avenue of the Americas, New York, NY 10105.

2. Who is eligible to vote on the Acquisition?

Shareholders of record of California II at the close of business on the Record Date are entitled to notice of, and to vote at, the Meeting or any adjournment or postponement of the Meeting. If you owned shares of California II on the Record Date, you have the right to vote even if you subsequently sold your shares.

Each share is entitled to one vote. Shares represented by properly executed proxies, unless revoked before or at the Meeting, will be voted according to shareholders’ instructions. If you sign and return a proxy card but do not fill in a vote, your shares will be voted “FOR” the Proposal. If any other business properly comes before the Meeting, your shares will be voted at the discretion of the persons named as proxies.

3. How will the Acquisition work?

The Plan provides for (i) the transfer of all of the assets of California II to California Portfolio, (ii) the assumption by California Portfolio of all of the liabilities of California II, (iii) the issuance to California II shareholders of shares of the equivalent class of California Portfolio, equal in aggregate net asset value (“NAV”) to the NAV of their former California II shares, in redemption of their California II shares, and (iv) the termination of California II.

As a shareholder of California II, you will receive the same class of shares of California Portfolio as the shares you currently own, having an aggregate NAV equal to the aggregate NAV of your shares in California II. The contingent deferred sales charge (“CDSC”) period applicable to California II shares prior to the Acquisition will continue to apply to the shares of California Portfolio issued in the Acquisition. Shareholders of California II will not be assessed any sales charges or other shareholder fees in connection with the Acquisition. The Acquisition will not occur unless it is approved by the shareholders of California II.

4. Why is the Acquisition being proposed?

After considering the recommendation of AllianceBernstein L.P. (the “Adviser”), the Board concluded that participation by California II in the Acquisition is in the best interests of California II. The Board also concluded that the Acquisition would not dilute shareholders’ interests. In reaching this conclusion, the Board considered, among other things, the similar investment objectives and strategies and differences among the investment policies of the Portfolios, the expense ratio reduction expected to result from the Acquisition, the continuity of the portfolio management team, the comparison of fees for the Portfolios and the pro forma combined Portfolio, the costs of the Acquisition, and the tax-free nature of the Acquisition.

5. When will the Acquisition take place?

If the shareholders of California II approve the Acquisition on December 12, 2008, the Acquisition is expected to occur in the first quarter of 2009.

6. Who will bear the expenses of the Acquisition?

The expenses of the Acquisition, which are estimated to be approximately \$205,000 or three cents per share, will be borne by California II because the Acquisition is expected to benefit California II shareholders by resulting in overall expense savings and having the potential for increased distribution yield. It will take approximately seven months for California II shareholders to make up the additional cost through the lower expenses of the combined Portfolio.

7. Where May I Find Additional Information Regarding the Portfolios?

Additional information about the Portfolios is available in the Statement of Additional Information (“SAI”) dated November 7, 2008 that has been filed with the Securities and Exchange Commission (“SEC”) in connection with this Prospectus/Proxy Statement. The SAI and the Portfolios’ Annual Reports to Shareholders, which contain audited financial statements for the Portfolios’ fiscal year ended October 31, 2007, are incorporated by reference into this Prospectus/Proxy Statement. In addition, the Portfolios’ Semi-Annual Reports for the six-month period ended April 30, 2008, the prospectus for California II and SAI for the Portfolios dated February 1, 2008, as supplemented (collectively, the “Prospectuses”), are incorporated by reference into this Prospectus/Proxy Statement. (The Portfolios’ file number is 811-04791).

Additional copies of the Annual and Semi-Annual reports are available at www.AllianceBernstein.com and are also available, along with the Prospectus/Proxy Statement and SAI, upon request, without charge, by writing to or calling the address and telephone number listed below.

By mail: AllianceBernstein Investor Services, Inc.
P.O. Box 786003
San Antonio, TX 78278-6003

By phone: For Information: 1-800-221-5672
For Literature: 1-800-227-4618

All of this information is filed with the SEC. You may view or obtain these documents from the SEC:

In person: at the SEC’s Public Reference Room in Washington, D.C.

By phone: 202-551-8090 (for information on the operations of the Public Reference Room only)

By mail: Public Reference Section, Securities and Exchange Commission, Washington, DC
20549-0102 (duplicating fee required)

By electronic mail: publicinfo@sec.gov (duplicating fee required)

On the Internet: www.sec.gov

Other Important Things to Note:

- You may lose money by investing in the Portfolios.
- The SEC has not approved or disapproved these securities or passed upon the adequacy of this Prospectus/Proxy Statement. Any representation to the contrary is a criminal offense.

PROPOSAL**APPROVAL OF A PLAN OF ACQUISITION AND LIQUIDATION OF ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC. WITH RESPECT TO ITS SERIES, CALIFORNIA PORTFOLIO II AND CALIFORNIA PORTFOLIO**

On September 23, 2008, the Board of Directors (the “Directors”) of AllianceBernstein Municipal Income Fund, Inc. declared advisable and voted to approve the Plan and the Acquisition, subject to the approval of the shareholders of California II. The Plan provides for (i) the transfer of all of the assets of California II to California Portfolio, (ii) the assumption by California Portfolio of all of the liabilities of California II, (iii) the issuance to California II shareholders of the equivalent class of shares of California Portfolio, equal in aggregate net asset value (“NAV”) to the NAV of their former California II shares in redemption of their California II shares, and (iv) the termination of California II.

Each California II shareholder will receive the number of full and fractional shares of California Portfolio having an aggregate NAV that, on the effective date of the Acquisition, is equal to the aggregate NAV of the shareholder’s shares of California II. Shareholders of California II will recognize no gain or loss. If approved by the shareholders of California II, the Acquisition is expected to occur in the first quarter of 2009.

The shareholders of California II must approve the Proposal in order for the Acquisition to occur. Approval of the Proposal requires the affirmative vote of the holders of a “majority of the outstanding voting securities” of California II, as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). Under the 1940 Act, a vote of the holders of a majority of the outstanding voting securities of a Portfolio means the vote of the holders of the lesser of: (i) 67% or more of the outstanding shares of the Portfolio present at the Meeting, if the holders of more than 50% of the outstanding shares are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Portfolio.

A quorum for the transaction of business by the shareholders of California II at the Meeting will consist of the presence in person or by proxy of the holders of one-third of the shares of California II entitled to vote at the Meeting.

The Directors concluded that participation by California II in the Acquisition is in the best interests of California II. The Directors also concluded that the Acquisition would not dilute shareholders’ interests. In reaching this conclusion, the Directors considered, among other things, the similar investment objectives and strategies and differences among the investment policies of the Portfolios, the expense ratio reduction expected to result from the Acquisition, the continuity of the portfolio management team, the comparison of fees for each of California II and California Portfolio with those of the pro forma combined Portfolio, the costs of the Acquisition, and the tax-free nature of the Acquisition.

For a more complete discussion of the factors considered by the Directors in approving the Acquisition, see “Reasons for the Acquisition” in Information About the Proposed Transaction.

SUMMARY

The following summary highlights differences between the Portfolios. This summary is not complete and does not contain all of the information that you should consider before voting on the Acquisition. For more complete information, please read this entire document. This Prospectus/Proxy Statement, the accompanying Notice of the Special Meeting of Shareholders and the enclosed proxy card are being mailed to shareholders of California II on or about November 7, 2008. Certain information presented to the Directors at the September 23, 2008 Special Meeting of the Board of Directors of the Fund referred to below (“Board Meeting”) is as of June 30, 2008. The Adviser represented to the Board that, if the information was updated, it would not differ in any material respect.

California II is a non-diversified open-end fund, with assets of, as of June 30, 2008, approximately \$94 million, that invests principally in high-yielding, predominantly investment grade, municipal securities. As a matter of fundamental policy, California II invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest that is exempt from federal and California income tax. California Portfolio is a diversified open-end fund, and is significantly larger than California II, with assets of, as of June 30, 2008, approximately \$745 million. California Portfolio pursues investment strategies that are similar to those of California II. The principal difference between the Portfolios is that California II invests principally in securities exempt from the federal alternative minimum tax (“AMT”) while California Portfolio may invest, without limitation, in securities subject to the AMT for certain taxpayers.

California Portfolio has generally outperformed California II. Comparative performance for the Portfolios’ Class A shares as of September 30, 2008 is shown in the chart below.

	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
California II	-3.94%	0.60%	2.15%	3.36%
California Portfolio	-3.30%	1.35%	3.61%	3.59%

The historical performance of the Portfolios is provided in Appendix C.

Comparison of Operating Expense Ratios

California II, because of its small asset size, has higher operating costs and therefore a higher expense ratio than the California Portfolio. The Acquisition is expected to result in an operating expense ratio for the combined Portfolio that is lower than the current, actual operating expense ratio of California II. The Adviser has adopted an expense cap for California Portfolio’s Class A shares of .77% (with corresponding expense caps for other classes of shares) that is effective for California Portfolio until December 31, 2008. Effective January 1, 2009, the Adviser has adopted a new, lower expense cap for California Portfolio’s Class A shares of .75% (with corresponding expense caps for other classes of shares) that will be effective through the end of California Portfolio’s fiscal year and continue thereafter for one-year periods unless terminated by the Adviser upon 60 days’ notice prior to California Portfolio’s fiscal year end. The Acquisition would result in a significant decrease in the operating expense ratio for California II.

The following table illustrates, as of June 30, 2008, the expected reduction in operating expenses for California II.

	<u>Total Annual Expense Ratio</u>	<u>Total Annual Expense Ratio with Fee Cap</u>
California II	1.16%	—*
California Portfolio (Class A)	0.85%	0.77%
California Portfolio (Class A pro forma)	0.85%	0.75%**

* California II does not have any expense caps.

** As noted above, the current expense cap for California Portfolio Class A shares is .77%, which is effective through December 31, 2008. Effective January 1, 2009, the Adviser has adopted a new, lower expense cap of .75% (with corresponding expense caps for other classes of shares) that will be effective through the end of the Portfolio’s fiscal year and continue thereafter for one-year periods unless the Adviser gives the Portfolio notice of termination at least 60 days prior to the end of the Portfolio’s fiscal year.

As the table indicates, the operating expenses per share, after fee waiver, would be reduced for California II by .41% (.31% before fee waiver) if the Acquisition is consummated. The Fee Table, attached hereto as Appendix A, describes the fees and expenses of each Portfolio as of the Portfolios' fiscal year end and includes pro forma expenses for the combined Portfolio assuming the Acquisition is approved by California II's shareholders.

The expenses of the Acquisition will be borne by California II because the Acquisition is expected to benefit California II's shareholders by resulting in overall expense savings and having the potential for increased distribution yield. It will take approximately seven months for California II shareholders to make up the additional cost through the lower expenses of the combined Portfolio.

Comparison of Investment Advisory Fees

The Portfolios have the same investment advisory agreement and pay a monthly advisory fee at the same annual rate of .45% of each Portfolio's average daily net assets. The advisory fee rates are .45% of the first \$2.5 billion, .40% of the excess of \$2.5 billion up to \$5 billion and .35% of the excess over \$5 billion of each Portfolio's average daily net assets.

	<u>Advisory Fee Rates</u>
California II	.45%
California Portfolio	.45%
California Portfolio (pro forma)	.45%

Comparison of Investment Objectives and Policies

At the Board Meeting, the Directors approved revisions in Insured California's investment policies to remove a non-fundamental investment policy of investing at least 80% of its net assets in insured municipal securities. The Adviser advised the Directors that it believed that, as a result of declines in the credit quality and associated downgrades of most bond insurers, insurance has less value than it did in the past. Previously, insured municipal securities typically received higher credit ratings and the issuer paid a lower interest rate. The market now values insured municipal securities primarily based on the credit quality of the issuer of the security with little value given to the insurance feature. In addition, the supply of insured municipal securities has declined leading to reduced availability of these securities. The Adviser believed that it could better evaluate the risk and return characteristics of municipal securities through its own research and provide investors and shareholders with a greater opportunity for higher risk-adjusted returns than those available from a portfolio primarily invested in insured municipal securities. In connection with the policy change, the Board approved a change in Insured California's name to California Portfolio II. The name and policy changes will become effective on or about December 1, 2008.

The Directors also approved a proposal, effective immediately, to eliminate the Portfolio's non-fundamental policies related to an insurer's ratings. These policies include (i) that no more than 25% of the Portfolio's total assets may be invested in insured municipal securities covered by policies issued by issuers with a claims-paying ability rated below AA by Moody's, S&P or Fitch and (ii) that no insured security purchased by the Portfolio can be covered by a policy issued by an insurer with a claims-paying ability rated below A. The Adviser advised the Directors that these restrictions might unduly limit the Portfolio's investment opportunities in light of recent and foreseeable downgrades of certain insurance companies.

Once the policy change described above for Insured California becomes effective and Insured California transitions into California II, the investment objectives and strategies of California II and California Portfolio will be the same except, as discussed below, that California Portfolio may invest, without limitation, in securities subject to the AMT for certain taxpayers while California II's investments are principally limited to securities exempt from the AMT. The following table shows the investment objective and principal investment strategies of each of Insured California, California II and California Portfolio.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Investment Objective	The investment objective of the Portfolio is to earn the highest level of current income, exempt from Federal and State of California taxation, that is available without assuming what the Adviser considers to be undue risk.	Same.	Same.
Principal Investment Strategies	<p>The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax, including the AMT, and 80% of its net assets in municipal securities of California or municipal securities with interest which is otherwise exempt from California state income tax.</p> <p>The Portfolio invests, under normal circumstances, at least 80% of its net assets in insured securities.</p>	<p>The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax, including the AMT, and 80% of its net assets in municipal securities of California or municipal securities with interest which is otherwise exempt from California state income tax.</p>	<p>The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax and at least 80% of its net assets in municipal securities of California or municipal securities with interest that is otherwise exempt from California state income tax.</p> <p>The Portfolio invests, and is permitted to invest without limit, in AMT-subject bonds.</p>

The investment strategies of California II and California Portfolio are the same because both invest primarily in investment grade municipal securities with interest that is exempt from federal income tax and in municipal securities of California or municipal securities with interest that is otherwise exempt from California state income tax. The only difference is that California Portfolio may invest without limit in securities subject to the AMT for certain taxpayers while California II invests principally in securities exempt from the AMT.

As the number of investors subject to the AMT has increased, California Portfolio has reduced its holdings in AMT-subject securities and its holdings in these securities have declined from approximately 60% at the beginning of 2000 to approximately 12% at the end of 2007. The Adviser does not anticipate a significant increase in these investments. In addition, the Adviser believes that its ability to generate higher distribution yields for all shareholders should offset the value to California II's shareholders of investing in AMT-exempt securities. If the Portfolios were combined as of July 31, 2008, the combined Portfolio AMT would be 10.49% and, as the following table illustrates, shareholders subject to the AMT would receive a higher after-tax distribution yield than California II would provide:

	<u>After-Tax Distribution Yield*</u>
California II	3.63%
California Portfolio	4.22%
California Portfolio (Before Tax) (pro forma)	4.20%
California Portfolio (After Tax) (pro forma)	4.08%

* After-tax distribution yields are an estimate, which is based on the highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax distribution yields depend on an individual investor's tax situation and are likely to differ from those shown.

A more detailed comparison of the investment strategies and policies of the Portfolios is provided in Appendix B. You can find additional information on the Portfolios in the SAI.

As a result of the previously discussed decline in the credit quality of most bond insurers, insured municipal bonds are valued in the market primarily with reference to the credit quality of the issuer, with little if any value being ascribed to the insurance component. Consequently, a combination of the Portfolios' holdings will not significantly alter California Portfolio's credit quality or other portfolio characteristics. Therefore, the Adviser does not anticipate any significant portfolio repositioning as a result of the Acquisition. California Portfolio will be the accounting survivor after the consummation of the Acquisition.

Principal Risks

Each Portfolio is subject to market risk, municipal market risk, interest rate risk, credit risk, inflation risk and derivatives risk. California II is also subject to diversification risk because it is non-diversified. A description of each of these risks is provided in Appendix D.

Federal Income Tax Consequences

No gain or loss will be recognized by California II or its shareholders as a result of the Acquisition. The aggregate tax basis of the shares of California Portfolio received by a shareholder of California II (including any fractional shares to which the shareholder may be entitled) will be the same as the aggregate tax basis of the shareholder's shares of California II. The holding period of the shares of California Portfolio received by a shareholder of California II (including any fractional share to which the shareholder may be entitled) will include the holding period of the shares of California II held by the shareholder, provided that such shares are held as capital assets by the shareholder of California II at the time of the Acquisition. The holding period and tax basis of each asset of California II in the hands of California Portfolio as a result of the Acquisition will be the same as the holding period and tax basis of each such asset in the hands of California II prior to the Acquisition. Provided that California II shares surrendered constitute capital assets in the hands of the shareholder, such gain or loss realized by the shareholder will be capital gain or loss upon disposition of the shares. This tax information is based on the advice of Seward & Kissel LLP, counsel to each of the Portfolios. It is a condition to the closing of the Acquisition that such advice be confirmed in a written opinion of counsel. An opinion of counsel is not binding on the Internal Revenue Service.

California II has no capital loss carryforwards and California Portfolio has capital loss carryforwards of approximately \$18.6 million or \$0.26 per share. The combined Portfolio will have the same amount of capital loss carryforwards, which will, as a result of the Acquisition, equal \$0.23 per share. The capital loss carryforwards available to California II's shareholders will increase and those available to California Portfolio's shareholders will decrease slightly. California II has a small amount of capital gains, which will be distributed to shareholders as dividends prior to the Acquisition. Although not anticipated, California II, prior to the closing of the Acquisition, will determine if additional distributions are necessary and will declare a distribution to the California II shareholders which, together with all previous distributions, will have the effect of distributing to the California II shareholders all of California II's investment company taxable income (computed without regard to the deduction for dividends paid) and net realized capital gains, if any, through the closing.

Additional tax considerations are discussed under the section on "Federal Income Tax Consequences" in "Information about the Transaction".

Comparison of Distribution and Purchase Procedures

The distribution and purchase procedures of the Portfolios are identical. The shares of each Portfolio are offered to a broad range of investors. Class A shares of each Portfolio are sold with an initial sales load of up to 4.25% for purchases of less than \$1,000,000. Class B shares are available at NAV without an initial sales charge. Your investment, however, is subject to a CDSC if you redeem shares within three years of purchase. The CDSC varies depending on the number of years you hold the shares. Class C shares are also available at NAV without an initial sales charge. Your investment, however, is subject to a 1% CDSC if you redeem your shares within one year. Advisor Class shares of California Portfolio may be purchased through a financial adviser at NAV.

The CDSCs applicable to shares of California II will continue to apply to California Portfolio shares issued in the Acquisition. The CDSC period will be calculated from the date of the original purchase of California II shares. Class B shares of California II will convert to Class A shares after six years.

Each Portfolio's Class A shares have a .30% distribution (Rule 12b-1) fee. The Class B and Class C shares of each Portfolio have a 1.00% distribution fee. The shares of each Portfolio may be exchanged for comparable classes of shares of other AllianceBernstein mutual funds. More information on distribution and purchase procedures of California Portfolio is provided in Appendix E.

Service Providers

The Portfolios have the same service providers, which will continue in their capacity after the Acquisition.

Comparison of Business Structures

Each Portfolio is a series of the Fund, which is organized as a Maryland corporation and is governed by its Charter, Bylaws and Maryland law. For more information on the organizational structure and governance of the Portfolios, see Appendix F.

INFORMATION ABOUT THE PROPOSED TRANSACTION

Introduction

This Prospectus/Proxy Statement is provided to you to solicit your proxy for exercise at the Meeting to approve the acquisition of the assets and assumption of the liabilities of California II by California Portfolio and the subsequent termination of California II. The Meeting will be held at 1345 Avenue of the Americas, 8th Floor, New York, New York 10105 at 3:00 p.m., Eastern time, on December 12, 2008. This Prospectus/Proxy Statement, the accompanying Notice of the Special Meeting of Shareholders and the enclosed proxy card are being mailed to shareholders of California II on or about November 7, 2008.

Description of the Plan

As provided in the Plan, California Portfolio will acquire all the assets and assume all the liabilities of California II at the effective time of the Acquisition (the "Effective Time"). In return, California Portfolio will issue, and California II will distribute to its shareholders, a number of full and fractional shares of California Portfolio, determined by dividing the net value of all the assets of California II by the NAV of one share of California Portfolio. For this purpose, the Plan provides the times for, and methods of, determining the net value of the assets of each Portfolio. The Plan provides that shareholders of California II will be credited with shares of California Portfolio having an aggregate NAV equal to the aggregate NAV of the California II shares that the shareholder holds of record at the Effective Time.

Following the distribution of California Portfolio shares in full liquidation of California II, California II will wind up its affairs and terminate as soon as is reasonably practicable after the Acquisition. In the event the Acquisition does not receive the required shareholder approval, California II will continue its operations and the Board will consider what future action, if any, is appropriate.

The projected expenses of the Acquisition, largely those for legal, accounting, printing and proxy solicitation expenses, are estimated to total approximately \$205,000. The expenses will be borne by California II because the Acquisition is expected to benefit California II's shareholders by resulting in overall expense savings and having the potential for increased distribution yield.

The Acquisition is expected to occur in the first quarter of 2009. The Acquisition is conditioned upon approval of the Plan by California II shareholders and California II satisfying the terms of the Plan. Under applicable legal and regulatory requirements, none of California II's shareholders will be entitled to exercise shareholders' appraisal rights, *i.e.*, to demand the fair value of their shares in connection with the Acquisition. Therefore, shareholders will be bound by the terms of the Acquisition under the Plan. However, any shareholder of California II may redeem shares of common stock prior to the Acquisition.

Completion of the Acquisition is subject to certain conditions set forth in the Plan. The Directors may terminate the Plan under certain circumstances. Among other circumstances, the Directors may terminate the Plan upon a determination that proceeding with the Plan is not in the best interests of a Portfolio or of its shareholders.

A copy of a form of the Plan is attached as Appendix G.

Reasons for the Acquisition

At the Board Meeting, the Adviser recommended that the Directors approve the proposed Plan and Acquisition. The Directors considered the factors discussed below from the point of view of the interests of California II and its shareholders. After careful consideration, the Directors (including all Directors who are not "interested persons" of the Portfolio, the Adviser or its affiliates) determined that the Acquisition would be in the best interests of California II and that the interests of existing shareholders of the Portfolios would not be diluted as a result of the Acquisition. The Directors have unanimously approved the Plan and Acquisition.

The Adviser presented the following reasons in favor of the Acquisition:

- The Adviser discussed with the Directors that California II commenced operations in November, 1985 under the aegis of another investment adviser and became part of the AllianceBernstein complex of

mutual funds in November, 1986. California Portfolio commenced operations in December, 1986. California II, with net assets, as of June 30, 2008, of approximately \$94 million, is considerably smaller than California Portfolio, with net assets, as of June 30, 2008, of approximately \$745 million.

- The Adviser discussed with the Directors that it believed that combining the relatively small California II with California Portfolio would result in a more efficient investment opportunity with lower expenses. As the Adviser noted, California II's expense ratio is higher than California Portfolio's gross expense ratio due to its small size and dwindling assets as a result of net redemptions over the past six years. In addition, California Portfolio has an expense limitation undertaking which further lowers its expenses as compared to California II.
- The Adviser also discussed with the Directors that the Portfolios have the same investment objectives. The Portfolios also have the same investment policies and restrictions except in two respects. First, California II has historically invested principally in insured municipal securities. But, with the policy change approved by the Directors at the Board Meeting, both Portfolios will, beginning on or about December 1, 2008, be permitted to invest in the same types of municipal securities. Second, California II invests principally in securities exempt from the AMT but California Portfolio can invest without limit in securities subject to the AMT. As the Adviser explained to the Directors, it believes that its ability to generate higher distribution yields for all shareholders should offset the value to California II's shareholders of investing in AMT-exempt securities. In addition, as an increasing number of investors have become subject to the AMT, the Adviser has sought to minimize the tax burden for California Portfolio's shareholders and reduce its holdings in AMT-subject securities. The Portfolio's investments in AMT-subject securities declined from approximately 60% at the beginning of 2000 to approximately 12% at the end of 2007. The Adviser does not anticipate a significant increase in California Portfolio's holdings of AMT-subject securities.

At the Board Meeting, the Directors (with the advice and assistance of independent counsel) also considered, among other things:

- potential shareholder benefits of the Acquisition, including the fact that the expense ratio of the Class A shares of California II, as of June 30, 2008, of 1.16%, was considerably higher than that of California Portfolio, with a gross expense ratio of, as of the same date, .85% and a net expense ratio, after the Adviser's fee waiver/expense limitation, of .77%, and that the pro forma net expense ratio of the combined Fund would be .75%, a decrease of .41% for California II's shareholders;
- the Adviser's anticipation that no significant repositioning of California II's portfolio will be required as a result of the Acquisition because, as insured municipal bonds are currently valued in the market based on the credit quality of the issuer, a combination of the Portfolios' holdings will not significantly alter California Portfolio's credit quality or other portfolio characteristics;
- the current asset levels of the Portfolios and the pro forma asset levels of the combined Portfolio;
- the historical investment performance of the Portfolios;
- the identical investment objectives and similar investment strategies of California II, after the recent changes to its non-fundamental investment policies approved by the Directors, and California Portfolio, except for the requirement that California II invest primarily in AMT-exempt municipal securities, in which, although not required, California Portfolio does not invest significantly;
- the portfolio managers of California II and California Portfolio with the most significant responsibility for the day-to-day management of and investment decisions for the Portfolios' portfolios, which are the same and will continue in that role for the combined Portfolio;
- that California II has no capital loss carryforwards and California Portfolio has capital loss carryforwards of approximately \$18.6 million or \$0.26 per shares and that the combined Portfolio will have the same amount of capital loss carryforwards, which will, as a result of the Acquisition, equal \$0.23 per share, which means that the capital loss carryforwards available to California II's shareholders will increase and those available to California Portfolio's shareholders will decrease slightly;

- that California II has a small amount of capital gains which are expected to be distributed to shareholders as dividends prior to the Acquisition, and that, although not anticipated, California II will determine if additional distributions of capital gains are required prior to the Acquisition;
- the form of the Plan and the terms and conditions of the Acquisition;
- the fact that the Portfolios have identical advisory fee schedules and pay advisory fees at the same rate;
- whether the Acquisition would result in the dilution of shareholders' interests;
- the number of shareholder accounts and average account sizes of the Portfolios;
- that no changes in service providers will result from the Acquisition;
- the benefits of the Acquisition to persons other than California II and its shareholders, in particular, the Adviser, which would benefit from the elimination of monitoring and administering the smaller California II;
- the fact that California Portfolio will assume all the liabilities of California II;
- the expected federal income tax consequences of the Acquisition;
- whether the Acquisition would be preferable to a merger with an unaffiliated fund;
- the Adviser's representation that none of the financial information presented to the Directors had changed materially since June 30, 2008;
- the costs of the Acquisition, which will be borne by California II because the Acquisition is expected to benefit California II's shareholders by resulting in overall expense savings and having the potential for increased distribution yield; and
- the fact that the Adviser has agreed to indemnify the California Portfolio for a three-year period against any liability not disclosed or not reflected in the NAV of California II at the time of the Acquisition, to reimburse California Portfolio for any reasonable legal or other costs and expenses in connection with investigating any such liability, and to continue certain insurance coverage for a six-year period.

Also at the Board Meeting, the Directors approved the proposed Plan on behalf of California Portfolio. No vote of California Portfolio's shareholders is required in connection with the Acquisition.

Description of Securities to be Issued

Under the Plan, California Portfolio will issue additional shares of common stock of its Class A, Class B and Class C for distribution to California II. Under its Charter and Bylaws, California Portfolio may issue up to 3,000,000,000 shares of common stock, par value \$.001 per share, for each of these Classes.

When the Acquisition is consummated, shareholders of Class A, Class B and Class C of California II will receive corresponding class shares of California Portfolio having an aggregate NAV equal to the aggregate NAV of the shareholder's shares in California II.

Each share of California Portfolio represents an equal proportionate interest with other shares of California Portfolio. Each share has equal earnings, assets and voting privileges and is entitled to dividends and other distributions out of the income earned and gain realized on the assets belonging to California Portfolio as authorized by the Board. Shares of California Portfolio entitle their holders to one vote per full share and fractional votes for fractional shares held. Shares of California Portfolio received by California II in the Acquisition will be issued at NAV without a sales charge, fully paid and non-assessable.

Dividends and Other Distributions

On or before the Closing Date, as defined in the Plan, California II will, if necessary, declare and pay as a distribution substantially all of its undistributed net investment income, net short-term capital gain, net long-term capital gain and net gains from foreign currency transactions, as applicable, to maintain its treatment as a regulated investment company.

California II Stock Certificates

After the Plan's Effective Time, each holder of a certificate (or certificates) formerly representing shares of California II will not receive, upon surrender of the certificate, a certificate representing the number of California Portfolio shares distributable as a result of the Acquisition since California Portfolio will not issue certificates representing California Portfolio shares in connection with the Acquisition. Ownership of California Portfolio's shares will be shown on the books of California Portfolio's transfer agent. If you currently hold certificates representing shares of California II, it is not necessary to surrender the certificates.

Federal Income Tax Consequences

Subject to certain stated assumptions contained therein, California II will receive an opinion of Seward & Kissel LLP, its counsel, substantially to the following effect: (i) the Acquisition will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986 (the "Code") and that California II and California Portfolio will each be "a party to a reorganization" within the meaning of Section 368(b) of the Code; (ii) a shareholder of California II will recognize no gain or loss on the exchange of the shareholder's shares of California II solely for shares of California Portfolio; (iii) neither California II nor California Portfolio will recognize any gain or loss upon the transfer of all of the assets of California II to California Portfolio in exchange for shares of California Portfolio and the assumption by California Portfolio of the liabilities of California II pursuant to the Plan or upon the distribution of shares of California Portfolio to shareholders of California II in exchange for their respective shares of California II; (iv) the holding period and tax basis of the assets of California II acquired by California Portfolio will be the same as the holding period and tax basis that California II had in such assets immediately prior to the Acquisition; (v) the aggregate tax basis of shares of California Portfolio received in connection with the Acquisition by each shareholder of California II (including any fractional share to which the shareholder may be entitled) will be the same as the aggregate tax basis of the shares of California II surrendered in exchange therefore; (vi) the holding period of shares of California Portfolio received in connection with the Acquisition by each shareholder of California II (including any fractional share to which the shareholder may be entitled) will include the holding period of the shares of California II surrendered in exchange therefore, provided that such California II shares constitute capital assets in the hands of the shareholder as of the Closing Date; and (vii) California Portfolio will succeed to the capital loss carryovers of California II, if any, under Section 381 of the Code, but the use by California Portfolio of any such capital loss carryovers (and of capital loss carryovers of California Portfolio) may be subject to limitation under certain sections of the Code. This opinion of counsel will not be binding on the Internal Revenue Service or a court and there is no assurance that the Internal Revenue Service or a court will not take a view contrary to those expressed in the opinion.

The Adviser does not anticipate the sale of the assets of California II in connection with the Acquisition. If any sale occurred, the actual tax impact of such sales will depend on the difference between the price at which such portfolio assets are sold and California II's basis in such assets. Any capital gains recognized in these sales will be distributed to California II shareholders as capital gain dividends (to the extent of the excess of net realized long-term capital gains over net realized short-term capital losses) and ordinary dividends (to the extent of net realized short-term capital gains) during or with respect to the year of sale, and such distributions will be taxable to shareholders.

Shareholders of California II are encouraged to consult their tax advisers regarding the effect, if any, of the Acquisition in light of their individual circumstances. Because the foregoing only relates to the federal income tax consequences of the Acquisition, those shareholders also should consult their tax advisers as to state and local tax consequences, if any, of the Acquisition.

Capitalization Information

For information on the existing and pro forma capitalization of the Portfolios, see Appendix H.

INFORMATION ABOUT THE PORTFOLIOS

The Portfolios are each a series of the Fund, an open-end management investment company registered under the 1940 Act and organized as a Maryland corporation in 1987 under the name Alliance Municipal Income Fund, Inc. The company's name became AllianceBernstein Municipal Income Fund, Inc. on March 31, 2003.

Management of the Portfolios

The Directors of the Fund direct the management of the business and affairs of the Portfolios. The Directors approve all significant agreements between the respective Portfolio and persons or companies furnishing services to it, including a Portfolio's agreements with the Adviser and the Portfolio's custodian, transfer and dividend disbursing agent. The day-to-day operations of a Portfolio are delegated to its officers and the Portfolio's Adviser, subject to the Portfolio's investment objective and policies and to general supervision by the Directors.

Both California II and California Portfolio are overseen by the Adviser's Municipal Bond Investment Team. The investment professionals with the most significant responsibility for the day-to-day management of the Portfolios' portfolios are Michael G. Brooks, Fred S. Cohen, Robert B. (Guy) Davidson III and Terrance T. Hults. Messrs. Brooks, Cohen, Davidson and Hults are Senior Vice Presidents of the Adviser, with which they have been associated in a substantially similar capacity to their current positions since prior to 2003.

Subsequent to the consummation of the Acquisition, Messrs. Brooks, Cohen, Davidson and Hults will be primarily responsible for day-to-day management of the combined Portfolio. The SAI provide additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio manager's ownership of securities in the Portfolios.

Advisory Agreement and Fees

Each Portfolio's investment adviser is AllianceBernstein L.P. (the "Adviser"), 1345 Avenue of the Americas, New York, New York 10105. The Adviser is a leading international investment adviser managing client accounts with assets as of June 30, 2008 totaling over \$717 billion (of which approximately \$96 billion represented the assets of investment companies). As of June 30, 2008, the Adviser managed retirement assets for many of the largest public and private employee benefit plans (including 53 of the nation's FORTUNE 100 companies), for public employee retirement funds in 38 states, for investment companies, and for foundations, endowments, banks and insurance companies worldwide. Currently, there are 37 registered investment companies managed by the Adviser, comprising 111 separate investment portfolios, with approximately 4.2 million retail accounts. The Adviser also serves as administrator for each Portfolio.

Under the Fund's advisory agreement with the Adviser with respect to the Portfolios (the "Advisory Agreement"), the Adviser provides investment advisory services and order placement facilities for the Portfolios and pays all compensation of directors and officers of the Portfolios who are affiliated persons of the Adviser. Under the Advisory Agreement, each Portfolio pays the Adviser an advisory fee at an annual rate of .45% of its average daily net assets.

The Advisory Agreement, by its terms, continues in effect from year to year if such continuance is specifically approved, at least annually, by a majority vote of the Directors of the Fund who neither are interested persons of the Fund nor have any direct or indirect financial interest in the Advisory Agreement, cast in person at a meeting called for the purpose of voting on such approval. A discussion regarding the basis for the Directors' approval of the Advisory Agreement is available in the Semi-Annual Report to Shareholders for the Portfolios for the six-month period ended April 30, 2008.

The Adviser is the subject of certain legal proceedings and a discussion of those proceedings is presented in Appendix I.

Administrator

The Adviser serves as administrator and performs standard administration services for the Portfolios. Each of California II and California Portfolio reimburses the Adviser for its costs incurred for providing administrative services. For the most recently completed fiscal years ended October 31, 2007, these reimbursements amounted to .08% and .01% for California II and California Portfolio, respectively.

Distributor

AllianceBernstein Investments, Inc. (“ABI” or the “Distributor”), a wholly-owned subsidiary of the Adviser, serves as the distributor of California II’s and California Portfolio’s shares. Under a Distribution Services Agreement, adopted under each Portfolio’s Rule 12b-1 plan, California II and California Portfolio pay distribution and service fees to the Distributor at an annual rate of up to .30% of each Portfolio’s average daily net assets attributable to their Class A shares and up to 1.00% of each Portfolio’s average daily net assets attributable to their Class B and Class C shares. The Distribution Agreement provides that the Distributor will use such payments in their entirety for distribution assistance and promotional activities. Because these fees are paid out of the Portfolios’ assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Other Service Providers

The Portfolios will have the same service providers after the Acquisition. AllianceBernstein Investor Services, Inc. (“ABIS”), an affiliate of the Adviser, provides shareholder services for the Portfolios. The Portfolios compensate ABIS for these services. State Street Bank and Trust Company, One Lincoln Street, Boston, MA 02111, serves as custodian for the Portfolios. ABIS, P.O. Box 786003, San Antonio, TX 78278-6003, serves as transfer agent for the Portfolios. After the Acquisition, State Street Bank and Trust Company and ABIS will serve, respectively, as custodian and accounting agent, and transfer agent for the combined Portfolio. Ernst & Young LLP serves as the independent registered public accounting firm for the Portfolios and will continue to serve in that capacity for the combined Portfolio after the Acquisition.

VOTING INFORMATION

The Directors have fixed the close of business on October 31, 2008 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Meeting and at any adjournments thereof. As of the Record Date, California II had 6,737,002 shares of common stock issued and outstanding. Appendix J to this Prospectus/Proxy statement lists the total number of shares outstanding as of September 19, 2008 for each class of shares of California II entitled to vote at the Meeting. It also identifies holders of more than five percent of any class of shares of each Portfolio, and contains information about the executive officers and Directors of the Fund and their shareholdings in the Portfolios.

Those shareholders who hold shares directly and not through a broker or nominee (that is, a shareholder of record) may authorize their proxies to cast their votes by completing a Proxy Card and returning it by mail in the enclosed postage-paid envelope as well as either telephoning toll free 1-800-690-6903. Shares held for a shareholder through a broker or nominee (who is the shareholder of record for those shares) should be voted by following the instructions provided to the shareholder by the broker or nominee. The telephone and Internet voting instructions to be followed by a shareholder of record, including use of the Control Number on the shareholder’s Proxy Card, are designed to verify shareholder identities, to allow shareholders to give voting instructions and to confirm that shareholder instructions have been recorded properly. Shareholders who authorize proxies by telephone or through the Internet should not also return a Proxy Card. Shareholders who authorize proxies through the Internet should be aware that they are responsible for any applicable telecommunication and access charges. A shareholder of record may revoke that shareholder’s proxy at any time prior to exercise thereof by giving written notice to the Secretary of the Fund at 1345 Avenue of the Americas, New York, New York 10105, by authorizing a later-dated proxy (either by signing and mailing another Proxy Card or, by telephone or through the Internet as indicated above), or by personally attending and voting at the Meeting.

Properly executed proxies may be returned with instructions to abstain from voting or to withhold authority to vote (an “abstention”) or represent a broker “non-vote” (which is a proxy from a broker or nominee indicating that the broker or nominee has not received instructions from the beneficial owner or other person entitled to vote shares on a particular matter with respect to which the broker or nominee does not have the discretionary power to vote).

Approval of the Proposal requires the affirmative vote of the holders of a “majority of the outstanding voting securities” of California II, as defined in the 1940 Act. Under the 1940 Act, a vote of the holders of a majority of the outstanding voting securities of a Portfolio means the vote of the holders of the lesser of: (i) 67% or more of the outstanding shares of the Portfolio present at the Meeting, if the holders of more than 50% of the outstanding shares are present or represented by proxy, or (ii) more than 50% of the outstanding shares of the Portfolio.

Abstentions and broker non-votes will be considered present for purposes of determining the existence of a quorum for the transaction of business at the meeting but will have the effect of a vote against the Proposal. If any proposal, other than the Proposal to be voted on by the shareholders of California II, properly comes before the Meeting, the shares represented by proxies will be voted on all such proposals in the discretion of the person or persons voting the proxies. The Portfolios have not received notice of, and are not otherwise aware of, any other matter to be presented at the Meeting.

A quorum for the transaction of business by the shareholders of California II at the Meeting will consist of the presence in person or by proxy of the holders of one-third of the shares of California II entitled to vote at the Meeting. In the event that a quorum is not represented at the Meeting or, even if a quorum is so present, in the event that sufficient votes in favor of the position recommended by the Board on the Proposal are not timely received, the persons named as proxies may propose and vote in favor of one or more adjournments of the Meeting, with no other notice than an announcement at the Meeting, for up to 120 days after the Record Date, in order to permit further solicitation of proxies. Shares represented by proxies indicating a vote against the Proposal will be voted against adjournment.

California II has engaged Broadridge (the “Proxy Solicitor”), 60 Research Road, Hingham, MA 02043, to assist in soliciting proxies for the Meeting. The Proxy Solicitor will receive a fee of approximately \$3,500 for its solicitation services, plus reimbursement of out-of-pocket expenses.

LEGAL MATTERS

The validity of the shares offered hereby will be passed upon for California II by Seward & Kissel LLP.

EXPERTS

The audited financial statements and financial highlights in the Prospectus/Proxy Statement and the SAI have been included in reliance on the reports of Ernst & Young LLP, 5 Times Square, New York, NY 10036, the registered public accounting firm for the Portfolios, given on its authority as experts in auditing and accounting.

FINANCIAL HIGHLIGHTS

Financial highlights information for each of the Portfolios is available at Appendix K.

THE DIRECTORS RECOMMEND THAT YOU VOTE FOR THE PROPOSAL

APPENDIX A

FEE TABLE

The purpose of the tables below is to assist an investor in understanding the various costs and expenses that a shareholder bears directly and indirectly from an investment in the Portfolios. The tables allow you to compare the sales charges, expenses of each Portfolio and estimates for the combined Portfolio in its first year following the Acquisition. The tables also include Annual Portfolio Operating Expenses and Expense Examples on a pro forma combined basis.

Shareholder Fees

(fees paid directly from your investment)

	<u>California II Class A California Portfolio Class A California Portfolio (pro forma Class A)</u>	<u>California II Class B California Portfolio Class B California Portfolio (pro forma Class B)</u>	<u>California II Class C California Portfolio Class C California Portfolio (pro forma Class C)</u>
Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	4.25%(a)	None	None
Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption price, whichever is lower)	None(a)	3.00%(a)(b)	1.00%(a)(c)
Exchange Fee	None	None	None

- (a) Class A sales charges may be reduced or eliminated in certain circumstances, typically for large purchases and for certain group retirement plans. In some cases, however, 1%, 1-year contingent deferred sales charge or CDSC may apply to Class A shares. CDSCs for Class A, Class B and Class C shares may also be subject to waiver in certain circumstances.
- (b) Class B shares automatically convert to Class A shares after 6 years. The CDSC decreases over time. For Class B shares, the CDSC decreases 1.00% annually to 0% after the third year.
- (c) For Class C shares, the CDSC is 0% after the first year.

Annual Portfolio Operating Expenses^{#+}

(expenses that are deducted from Portfolio assets)

Class A

	<u>California II</u>	<u>California Portfolio</u>	<u>California Portfolio (pro forma)</u>
Management Fees	.45%	.45%	.45%
Distribution and/or Service (12b-1) Fees	.30%	.30%	.30%
Other Expenses			
Transfer Agent	.04%	.04%	.04%
Other Expenses	.37%	.06%	.06%
Total Other Expenses	.41%	.10%	.10%
Total Portfolio Operating Expenses	1.16%	.85%	.85%
Waiver and/or Expense Reimbursement(a)	0%	(.08)%	(.10)%
Net Expenses	1.16%	.77%	.75%

Class B

	<u>California II</u>	<u>California Portfolio</u>	<u>California Portfolio (pro forma)</u>
Management Fees	.45%	.45%	.45%
Distribution and/or Service (12b-1) Fees	1.00%	1.00%	1.00%
Other Expenses			
Transfer Agent	.06%	.05%	.05%
Other Expenses	.37%	.06%	.06%
Total Other Expenses	.43%	.11%	.11%
Total Portfolio Operating Expenses	1.88%	1.56%	1.56%
Waiver and/or Expense Reimbursement(a)	0%	(.09)%	(.11)%
Net Expenses	1.88%	1.47%	1.45%

Class C

	<u>California II</u>	<u>California Portfolio</u>	<u>California Portfolio (pro forma)</u>
Management Fees	.45%	.45%	.45%
Distribution and/or Service (12b-1) Fees	1.00%	1.00%	1.00%
Other Expenses			
Transfer Agent	.05%	.04%	.04%
Other Expenses	.37%	.06%	.06%
Total Other Expenses	.42%	.10%	.10%
Total Portfolio Operating Expenses	1.87%	1.55%	1.55%
Waiver and/or Expense Reimbursement(a)	0%	(.08)%	(.10)%
Net Expenses	1.87%	1.47%	1.45%

The Annual Portfolio Operating Expenses information is as of June 30, 2008.

+ The expenses of the Acquisition will be borne by California II. It will take approximately seven months for California II shareholders to make up the additional cost through the lower expenses of the combined Portfolio.

(a) The Adviser has contractually agreed to waive a portion of its advisory fee and/or reimburse California Portfolio for a portion of its operating expenses. Effective January 1, 2009, the fee waiver and/or expense reimbursement will limit operating expenses to .75% for Class A shares, 1.45% for Class B shares, 1.45% for Class C shares and .45% for Advisor Class shares. This waiver extends through October 31, 2009 and may be extended by the Adviser for additional one-year term.

EXAMPLE

The Examples are to help you compare the cost of investing in each Portfolio with the cost of investing in the combined Portfolio on a pro forma combined basis. They assume that you invest \$10,000 in a Portfolio for the time periods indicated and then redeem all of your shares at the end of those periods. They also assume that your investment has a 5% return each year, that a Portfolio's operating expenses stay the same and that all dividends and distributions are reinvested.

California II

	<u>Class A</u>	<u>Class B†</u>	<u>Class B††</u>	<u>Class C†</u>	<u>Class C††</u>
After 1 Year	\$ 538	\$ 491	\$ 191	\$ 290	\$ 190
After 3 Years	\$ 778	\$ 691	\$ 591	\$ 588	\$ 588
After 5 Years	\$1,036	\$1,016	\$1,016	\$1,011	\$1,011
After 10 Years	\$1,774	\$1,835	\$1,835	\$2,190	\$2,190

California Portfolio

	<u>Class A</u>	<u>Class B†</u>	<u>Class B††</u>	<u>Class C†</u>	<u>Class C††</u>
After 1 Year	\$ 500	\$ 450	\$ 150	\$ 250	\$ 150
After 3 Years*	\$ 677	\$ 584	\$ 484	\$ 482	\$ 482
After 5 Years*	\$ 869	\$ 841	\$ 841	\$ 837	\$ 837
After 10 Years*	\$1,422	\$1,478	\$1,478	\$1,839	\$1,839

California Portfolio (Pro Forma)

	<u>Class A</u>	<u>Class B†</u>	<u>Class B††</u>	<u>Class C†</u>	<u>Class C††</u>
After 1 Year(a)	\$ 500	\$ 449	\$ 149	\$ 249	\$ 149
After 3 Years*	\$ 677	\$ 584	\$ 484	\$ 481	\$ 481
After 5 Years*	\$ 869	\$ 841	\$ 841	\$ 837	\$ 837
After 10 Years*	\$1,422	\$1,477	\$1,477	\$1,838	\$1,838

† Assumes redemption at end of period and, with respect to shares held 10 years, conversion of Class B shares to Class A shares after 6 years.

†† Assumes no redemption at end of period and, with respect to shares held 10 years, conversion of Class B shares to Class A shares after 6 years.

* These examples assume that the Adviser's agreement to waive advisory fees and/or reimburse portfolio operating expenses is not extended beyond its current period.

(a) Example assumes that the new fee waiver was in effect from January 1, 2009 to October 31, 2009.

The projected post-Acquisition pro forma Annual Portfolio Operating Expenses and Examples presented above are based upon numerous material assumptions. Although these projections represent good faith estimates, there can be no assurance that any particular level of expenses or expense savings will be achieved, because expenses depend on a variety of factors, including the future level of fund assets, many of which are beyond the control of California Portfolio and the Adviser.

APPENDIX B

COMPARISON OF INVESTMENT OBJECTIVES AND POLICIES

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Investment Objective	The investment objective of the Portfolio is to earn the highest level of current income, exempt from Federal and State of California taxation, that is available without assuming what AllianceBernstein L.P. (the “Adviser”) considers to be undue risk.	Same. ¹	Same.
<i>Investment Policies²</i>			
Status	The Portfolio is non-diversified.	Same.	The Portfolio is diversified. (F)
Rule 35d-1/80% Policy	The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax, including the AMT, and 80% of its net assets in municipal securities of California or municipal securities with interest which is otherwise exempt from California state income tax. (F) The Portfolio invests, under normal circumstances, at least 80% of its net assets in insured securities.	The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax, including the AMT, and 80% of its net assets in municipal securities of California or municipal securities with interest which is otherwise exempt from California state income tax. (F)	The Portfolio invests, under normal circumstances, at least 80% of its net assets in municipal securities with interest which is exempt from federal income tax and at least 80% of its net assets in municipal securities of California or municipal securities with interest that is otherwise exempt from California state income tax. (F)
AMT Subject Bonds	The Portfolio does not, and is not permitted to, invest in AMT-subject bonds.	Same.	The Portfolio invests, and is permitted to invest without limit, in AMT-subject bonds.
Insured Securities	The Portfolio may obtain insurance on its municipal securities or purchase insured municipal securities covered by policies issued by any insurer having a claims-paying ability rated A or higher by Moody’s, S&P, or Fitch. No more than 25% of the Portfolio’s total assets may be invested in insured municipal securities covered by policies issued by insurers having a claims-paying ability rated below AA by Moody’s, S&P or Fitch.	None.	None.
Investment Quality	The Portfolio pursues its objective by investing principally in high-yielding, predominantly investment grade, municipal securities. The Portfolio invests at least 75% of its total assets in municipal securities rated Baa or higher by Moody’s or BBB or higher by S&P or Fitch or, if unrated, determined by the Adviser to be of equivalent quality. The high tax-free yields sought by the Portfolio are generally obtainable from medium-quality municipal securities rated A or Baa by Moody’s, or A or BBB by S&P or Fitch.	Same. Same. Same.	Same. Same. Same.

¹ “Same” means the same as Insured California, unless otherwise noted.

² Policies with the notation “F” are fundamental policies.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Below Investment Grade Securities	The Portfolio invests principally in investment grade fixed-income securities.	Same.	Same.
Investment Quality-Downgrades	It is expected that normally that the Portfolio will not retain a municipal security downgraded below Caa by Moody's and CCC by S&P and Fitch, or if unrated, determined by the Adviser to have undergone similar credit quality deterioration. The Adviser may, however, choose to retain such a security if it determines that doing so is in the best interests of the Portfolio and its shareholders; provided, however, that securities subject to such a downgrade will at no time comprise more than 10% of the Portfolio's net assets.	Same.	Same.
Unrated Securities	The Portfolio may invest in unrated securities which the Adviser believes are comparable to rated securities that are consistent with the Portfolio's objectives and policies.	Same.	Same.
Maturity	The average dollar weighted maturity of securities in the Portfolio will normally range between 10 and 30 years.	Same.	Same.
Illiquid Securities	The Portfolio will limit its investment in illiquid securities to no more than 15% of net assets or such other amount permitted by guidance regarding the 1940 Act.	Same.	Same.
Zero Coupon Securities	The Portfolio may invest in zero coupon securities.	Same.	Same.
Forward Commitments	The Portfolio may invest in forward commitments.	Same.	Same.
Variable and Floating Rate Instruments	The Portfolio may invest in municipal securities that have fixed, variable, floating or inverse floating rates of interest.	Same.	Same.
Revenue Bonds	The Portfolio may invest more than 25% of its net assets in revenue bonds.	Same.	Same.
	The Portfolio may invest more than 25% of its total assets in securities or obligations that are related in such a way that business or political developments or changes affecting one such security could also affect the others, for example, securities with interest that is paid from projects of a similar type.	Same.	Same.
Municipal Lease Obligations	The Portfolio may invest in municipal lease obligations.	Same.	Same.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Other Municipal Securities/ Municipal Notes/ Taxable Cash Investments	For temporary defensive purposes to attempt to respond to adverse market, economic, political, or other conditions, the Portfolio may invest without limit in other municipal securities that are in all other respects consistent with the Portfolio's investment policies. For temporary defensive purposes, the Portfolio also may invest without limit in high-quality municipal notes or variable rate demand obligations, or in taxable cash equivalents.	Same.	Same.
Derivatives-General	The Portfolio may, but is not required to, use derivatives for risk management purposes or as part of its investment strategies.	Same.	Same.
	The Portfolio may use derivatives to earn income and enhance returns, to hedge or adjust the risk profile of a portfolio, to replace more traditional direct investments and to obtain exposure to otherwise inaccessible markets.	Same.	Same.
	The principal types of derivatives in which the Portfolios invest are options, futures, forwards and swaps.	Same.	Same.
Swaps	The Portfolio may invest in interest rate swaps, swaptions, caps, and floor transactions and credit default swaps.	Same.	Same.
	Each Portfolio that may enter into interest rate swap, swaptions, cap or floor transactions expects to do so primarily for hedging purposes, which may include preserving a return or spread on a particular investment or portion of its portfolio or protecting against an increase in the price of securities the Portfolio anticipates purchasing at a later date. The Portfolio does not intend to use these transactions in a speculative manner.	Same.	Same.
	There is no limit on the amount of interest rate transactions that may be entered into by the Portfolio.	Same.	Same.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Options	Options on futures contracts written or purchased by a Portfolio will be traded on U.S. exchanges and will be used only for hedging purposes.	Same.	Same.
	The Portfolio may write covered put and call options and purchase put and call options on municipal securities, U.S. Government securities and financial indices or reference rates. The Portfolio may also enter into options on the yield “spread” or yield differential between securities.	Same.	Same.
	The Portfolio may write covered straddles.	Same.	Same.
Short-Term Trading	Although the Portfolio typically has a low turnover rate, the Portfolio may engage in active short-term trading to benefit from yield disparities among different issues of municipal securities, to seek short-term profits during periods of fluctuating interest rates, or for other reasons.	Same.	Same.
Structured Instruments	The Portfolio may invest up to 20% of its total assets in structured instruments.	Same.	Same.
Repurchase Agreements	The Portfolio may invest in repurchase agreements.	Same.	Same.
Preferred Stock	The Portfolio may invest in preferred stock.	Same.	Same.
Other Investment Companies	The Portfolio may invest in other investment companies, as permitted by the 1940 Act or the rules and regulations thereunder. The Portfolio intends to invest uninvested cash balances in an affiliated money market fund as permitted by Rule 12d1-1 under the 1940 Act.	Same.	Same.
Securities Lending	The Portfolio may lend portfolio securities to the extent permitted under the 1940 Act or the rules and regulations thereunder (as such statute, rules or regulations may be amended from time to time) or by guidance regarding, interpretations of, or exemptive orders under, the 1940 Act.	Same.	Same.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Margin	The Portfolio may not purchase securities on margin, except (i) as otherwise provided under rules adopted by the SEC under the 1940 Act or by guidance regarding the 1940 Act, or interpretations thereof, and (ii) that the Portfolio may obtain such short-term credits as are necessary for the clearance of portfolio transactions, and the Portfolio may make margin payments in connection with futures contracts, options, forward contracts, swaps, caps, floors, collars and other financial instruments.	Same.	Same.
Industry Concentration	The Portfolio may not concentrate investments in an industry, as concentration may be defined under the 1940 Act or the rules and regulations thereunder (as such statute, rules or regulations may be amended from time to time) or by guidance regarding, interpretations of, or exemptive orders under, the 1940 Act or the rules or regulations thereunder published by appropriate regulatory authorities. (F)	Same.	Same.
Borrowing	The Portfolio may not issue any senior security (as that term is defined in the 1940 Act) or borrow money, except to the extent permitted by the 1940 Act or the rules and regulations thereunder (as such statute, rules or regulations may be amended from time to time) or by guidance regarding, or interpretations of, or exemptive orders under, the 1940 Act or the rules or regulations thereunder published by appropriate regulatory authorities. (F)	Same.	Same.
	For the purposes of this restriction, margin and collateral arrangements, including, for example, with respect to permitted borrowings, options, futures contracts, options on futures contracts and other derivatives such as swaps are not deemed to involve the issuance of a senior security.	Same.	Same.

	<u>Insured California</u>	<u>California II</u>	<u>California Portfolio</u>
Lending	The Portfolio may not make loans except through (i) the purchase of debt obligations in accordance with its investment objectives and policies; (ii) the lending of portfolio securities; (iii) the use of repurchase agreements; or (iv) the making of loans to affiliated funds as permitted under the 1940 Act, the rules and regulations thereunder (as such statutes, rule or regulations may be amended from time to time), or by guidance regarding, and interpretations of, or exemptive orders under, the 1940 Act. (F)	Same.	Same.
Underwriting	The Portfolio may not act as an underwriter of securities of other issuers, except that the Portfolio may acquire restricted securities under circumstances in which, if such securities were sold, the Portfolio might be deemed to be an underwriter for purposes of the Securities Act of 1933, as amended (the "Securities Act"). (F)	Same.	Same.
Commodities	The Portfolio may not purchase or sell commodities regulated by the Commodity Futures Trading Commission under the Commodity Exchange Act or commodities contracts except for futures contracts and options on futures contracts. (F)	Same.	Same.
Real Estate	The Portfolio may not purchase or sell real estate except that it may dispose of real estate acquired as a result of the ownership of securities or other instruments. (F)	Same.	Same.
	This restriction does not prohibit the Portfolio from investing in securities or other instruments backed by real estate or in securities of companies engaged in the real estate business.	Same.	Same.

¹ Policies with the notation "F" are fundamental policies.

APPENDIX C
PORTFOLIO PERFORMANCE

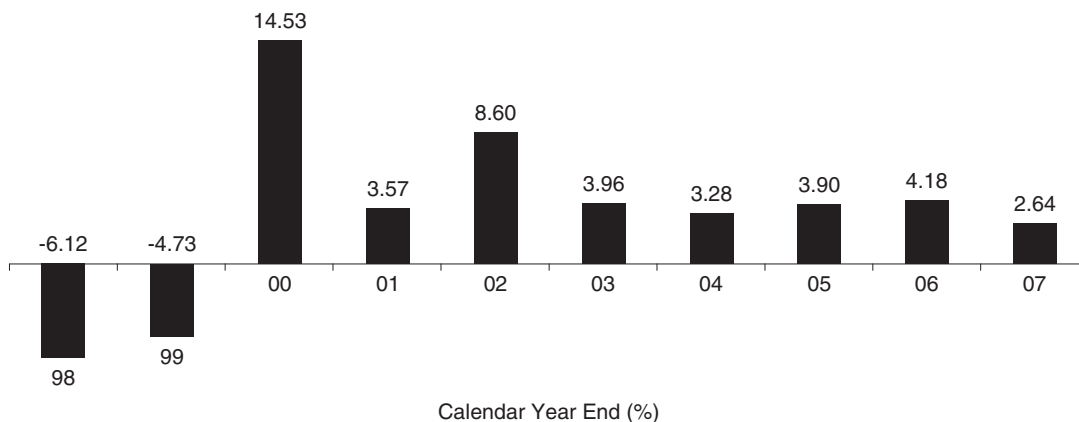
The charts below show the percentage gain or loss in each calendar year for the ten-year period ended December 31, 2007, for Class A shares of each Portfolio.

They should give you a general idea of how each Portfolio's return has varied from year to year. The charts include the effects of Portfolio expenses, but not applicable sales charges. Returns would be lower if any applicable sales charges were included. The calculations of annual total return assume the reinvestment of all dividends and capital gain distributions on the reinvestment date. Performance results included the effect of expense reduction arrangements, if any. If these arrangements had not been in place, the performance results would have been lower. As with all mutual funds, past performance is not an indication of future results. No assurance can be given that California Portfolio will achieve any particular level of performance after the Acquisition. Additional discussion of the manner of calculation of total return is contained in the prospectus of each Portfolio.

Calendar Year Total Returns

California II

The annual returns in the bar chart are for the Portfolio's Class A shares and do not reflect sales loads. If sales loads were reflected, returns would be less than those shown.



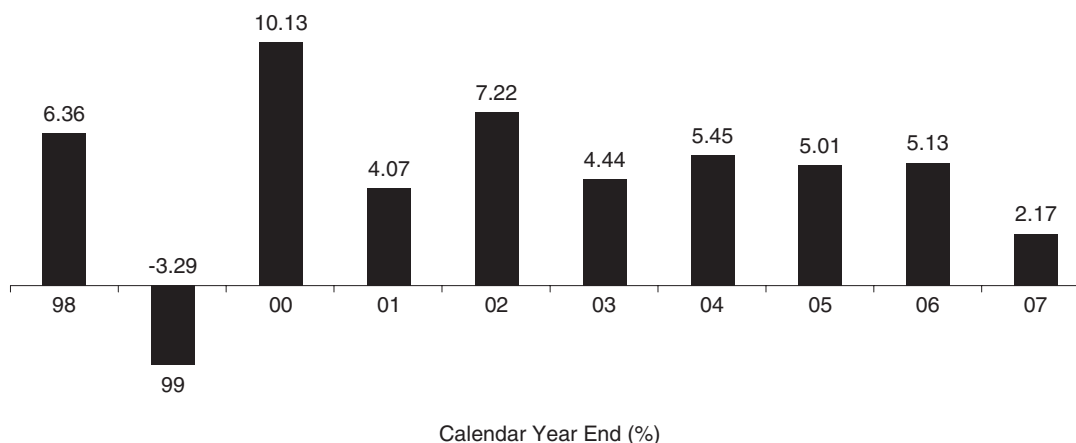
You should consider an investment in the Portfolio as a long-term investment. The Portfolio's returns will fluctuate over long and short periods. For example, during the period shown in the bar chart, the Portfolio's:

Best quarter was up 6.52% in the 3rd quarter, 2002; and Worst quarter was down -3.24% in the 2nd quarter, 2004.

The performance return for the period January 1, 2008 through September 30, 2008 was -5.40%.

California Portfolio

The annual returns in the bar chart are for the Portfolio's Class A shares and do not reflect sales loads. If sales loads were reflected, returns would be less than those shown.



You should consider an investment in the Portfolio as a long-term investment. The Portfolio's returns will fluctuate over long and short periods. For example, during the period shown in the bar chart, the Portfolio's:

Best quarter was up 4.87% in the 3rd quarter, 2002; and Worst quarter was down -2.61% in the 4th quarter, 1999.

The performance return for the period January 1, 2008 through September 30, 2008 was -4.04%.

The following tables list each Portfolio's average annual total return before taxes for each class of shares that will be involved in the Acquisition for the one-year, five-year and ten-year periods ending December 31, 2007 for each Portfolio (including applicable sales charges). These tables are intended to provide you with some indication of the risks of investing in the Portfolios. At the bottom of each table, you can compare the Portfolios' performance with the performance of a broad-based market index.

Average Annual Total Returns

California II

PERFORMANCE TABLE

Average Annual Total Returns*

(For the periods ended December 31, 2007)

		<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Class A**	Return Before Taxes	-1.71%	2.69%	4.05%
	Return After Taxes on Distributions	-1.80%	2.56%	3.90%
	Return After Taxes on Distributions and Sale of Portfolio Shares	0.15%	2.83%	3.99%
Class B	Return Before Taxes	-1.04%	2.87%	4.05%

		<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Class C	Return Before Taxes	0.94%	2.87%	3.75%
Lehman Brothers Municipal Bond Index+		3.36%	4.30%	5.18%

* Average annual total returns reflect imposition of the maximum front-end or contingent deferred sales charges as well as conversion of Class B shares to Class A shares after the applicable period.

** After-tax Returns:

- Are shown for Class A shares only and will vary for Class B and Class C shares because these Classes have different expense ratios;
- Are an estimate, which is based on the highest historical individual federal marginal income tax rates and do not reflect the impact of state and local taxes; actual after-tax returns depend on an individual investor's tax situation and are likely to differ from those shown; and
- Are not relevant to investors who hold Portfolio shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

+ Reflects no deduction for fees, expenses or taxes.

California Portfolio

PERFORMANCE TABLE

Average Annual Total Returns*

(For the periods ended December 31, 2007)

		<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Class A**	Return Before Taxes	-2.17%	3.54%	4.16%
	Return After Taxes on Distributions	-2.18%	3.51%	4.11%
	Return After Taxes on Distributions and Sale of Portfolio Shares	-0.02%	3.64%	4.19%
Class B	Return Before Taxes	-1.39%	3.71%	4.18%
Class C	Return Before Taxes	0.57%	3.71%	3.89%
Advisor Class ***	Return Before Taxes	2.47%	4.75%	4.93%
Lehman Brothers Municipal Bond Index+		3.36%	4.30%	5.18%

* Average annual total returns reflect imposition of the maximum front-end or contingent deferred sales charges as well as conversion of Class B shares to Class A shares after the applicable period.

** After-tax Returns:

- Are shown for Class A shares only and will vary for Class B, Class C and Advisor Class shares because these Classes have different expense ratios;
- Are an estimate, which is based on the highest historical individual federal marginal income tax rates and do not reflect the impact of state and local taxes; actual after-tax returns depend on an individual investor's tax situation and are likely to differ from those shown; and
- Are not relevant to investors who hold Portfolio shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts.

*** Inception date for Advisor Class shares: 8/06/2008. Performance information for periods prior to the inception of Advisor Class shares is the performance of the Portfolio's Class A shares adjusted to reflect the lower expense ratio of Advisor Class shares.

+ Reflects no deduction for fees, expenses or taxes.

APPENDIX D

DESCRIPTION OF PRINCIPAL RISKS OF THE PORTFOLIOS

Among the principal risks of investing in the Portfolios are market risk, municipal market risk, interest rate risk, credit risk, inflation risk and derivatives risk. California II is also subject to diversification risk because it is non-diversified. Each of these risks is more fully described below. Each Portfolio could become subject to additional risks because the types of investments made by each Portfolio can change over time.

Market Risk

This is the risk that the value of a Portfolio's investments will fluctuate as the stock or bond markets fluctuate and that prices overall will decline over shorter- or longer-term periods.

Municipal Market Risk

This is the risk that special factors may adversely affect the value of municipal securities and have a significant effect on the yield or value of a Portfolio's investments in municipal securities. These factors include political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. Because the Portfolios may invest a large portion of their assets in municipal securities issued within the State of California, they are more vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. A Portfolio's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

Interest Rate Risk

Changes in interest rates will affect the value of a Portfolio's investments in fixed-income securities. When interest rates rise, the value of a Portfolio's investments tends to fall and this decrease in value may not be offset by higher interest income from new investments. Interest rate risk is generally greater for Portfolios that invest in fixed-income securities with longer maturities or durations.

Credit Risk

This is the risk that the issuer, the guarantor or the insurer of a fixed-income security, or the counterparty to a derivatives or other contract, will be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security or its guarantor or insurer may be downgraded after purchase of the security and adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.

Inflation Rate Risk

This is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the value of each Portfolio's assets can decline as can the value of the Portfolio's distributions. This risk is generally greater for those Portfolios that invest a significant portion of their assets in fixed-income securities with longer maturities.

Derivatives Risk

The Portfolios may use derivative securities. These investment strategies may be riskier than other investment strategies and may result in greater volatility for a Portfolio, particularly during periods of market declines.

Diversification Risk

Portfolios that are “non-diversified” may invest more of their assets in a relatively small number of issuers. Portfolios that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

Management Risk

Each Portfolio is subject to management risk because it is an actively managed investment portfolio. The Adviser will apply its investment techniques and risk analyses in making investment decisions for the Portfolios, but there can be no guarantee that its techniques will produce the intended results.

APPENDIX E

CERTAIN INFORMATION APPLICABLE TO CLASS A, CLASS B, CLASS C AND ADVISOR CLASS SHARES OF CALIFORNIA PORTFOLIO

How to Buy Shares

Class A, Class B and Class C Shares

You may purchase the Portfolio's Class A, Class B, or Class C shares through financial intermediaries, such as broker-dealers or banks. You also may purchase shares directly from the Portfolio's principal underwriter, AllianceBernstein Investments, Inc., or ABI.

Purchases Minimums and Maximums

Minimums:*

—Initial:	\$2,500
—Subsequent:	\$ 50

* These purchase minimums may not apply to accounts established in connection with the Automatic Investment Program and to some retirement-related investment programs. Please see "Automatic Investment Program" and "Retirement and Employee Benefit Plans", respectively, below. Additionally, these investment minimums do not apply to persons participating in a fee-based program, sponsored and maintained by a registered broker-dealer or other financial intermediary and approved by ABI.

Maximum Individual Purchase Amount:

—Class A shares	None
—Class B shares	\$ 100,000
—Class C shares	\$1,000,000

Advisor Class Shares

You may purchase Advisor Class shares through your financial advisor at NAV. Advisor Class shares may be purchased and held solely:

- through accounts established under a fee-based program, sponsored and maintained by a registered broker-dealer or other financial intermediary and approved by the Fund's principal underwriter;
- through a defined contribution employee benefit plan (*e.g.*, a 401(k) plan) that has at least \$10,000,000 in assets and that purchases shares directly without the involvement of a financial intermediary; and
- by investment advisory clients of, and certain other persons associated with, the Adviser and its affiliates or the Fund.

The Portfolio's prospectus has more detailed information about who may purchase and hold Advisor Class shares.

Retirement and Employee Benefit Plans

Special eligibility rules apply to some retirement and employee benefit plans. Although the Portfolio offers its shares to various types of tax-deferred accounts as described below, investments in the Portfolio may not be appropriate for tax-deferred accounts because the Portfolio's returns consist primarily of tax-exempt interest income. Except as indicated, there are no investment minimums for the plans listed below. Class A shares are available to:

- Traditional and Roth IRAs (the minimums listed in the table above apply);
- SEPs, SAR-SEPs, SIMPLE IRAs, and individual 403(b) plans;

- all 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans, and non-qualified deferred compensation plans where plan level or omnibus accounts are held on the books of the Portfolio (“group retirement plans”) with assets of \$1,000,000 or more;
- AllianceBernstein-sponsored Coverdell Education Savings Accounts (\$2,000 initial investment minimum, \$150 automatic investment program monthly minimum);
- AllianceBernstein-sponsored group retirement plans;
- AllianceBernstein Link, AllianceBernstein Individual 401(k), and AllianceBernstein SIMPLE IRA plans; and
- Certain defined contribution retirement plans that do not have plan level or omnibus accounts on the books of the Portfolio.

Class B shares are generally not available to group retirement plans; however, group retirement plans that selected Class B shares as an investment alternative under their plan before September 2, 2003 may continue to purchase Class B shares.

Class C shares are available to AllianceBernstein Link, AllianceBernstein Individual 401(k), and AllianceBernstein SIMPLE IRA plans with less than \$250,000 in plan assets and 100 employees and to group retirement plans with plan assets of less than \$1,000,000.

Required Information

The Portfolio is required by law to obtain, verify and record certain personal information from you or persons on your behalf in order to establish an account. Required information includes name, date of birth, permanent residential address and taxpayer identification number (for most investors, your social security number). The Portfolio may also ask to see other identifying documents. If you do not provide the information, the Portfolio will not be able to open your account. If the Portfolio is unable to verify your identity, or that of another person(s) authorized to act on your behalf, or if the Portfolio believes it has identified potential criminal activity, the Portfolio reserves the right to take action it deems appropriate or as required by law, which may include closing your account. If you are not a U.S. citizen or Resident Alien, your account must be affiliated with a Financial Industry Regulatory Authority, or FINRA, member firm.

The Portfolio is required to withhold 28% of taxable dividends, capital gains distributions, and redemptions paid to any shareholder who has not provided the Portfolio with his or her certified taxpayer identification number. To avoid this, you must provide your correct tax identification number (social security number for most investors) on your Mutual Fund Application.

General

ABI may refuse any order to purchase shares. The Portfolio reserves the right to suspend the sale of its shares to the public in response to conditions in the securities markets or for other reasons.

The Different Share Class Expenses

This section describes the different expenses of investing in each class and explains factors to consider when choosing a class of shares. The expenses can include distribution and/or service (Rule 12b-1) fees or contingent deferred sales charges (“CDSCs”). Please see below for a discussion of how CDSCs are calculated.

This section describes the different expenses of investing in each class and explains factors to consider when choosing a class of shares. The expenses can include distribution and/or service (Rule 12b-1) fees, initial sales charges and/or CDSCs. Please see below for a discussion of how CDSCs are calculated. If you are not eligible to buy Advisor Class shares, you will need to choose among Class A, Class B and Class C shares. Only Class A shares offer Quantity Discounts, as described below under “Sales Charge Reduction Programs.”

What is a Rule 12b-1 Fee?

A Rule 12b-1 fee is a fee deducted from the Portfolio's assets that is used to pay for personal service, maintenance of shareholder accounts and distribution costs, such as advertising and compensation of financial intermediaries. The amount of each share class's Rule 12b-1 fee, if any, is disclosed below and in the Portfolio's fee table near the front of its Prospectus.

Asset-Based Sales Charges or Distribution and/or Service (Rule 12b-1) Fees

The Portfolio has adopted plans under SEC Rule 12b-1 that allow the Portfolio to pay asset-based sales charges or distribution and/or service fees for the distribution and sale of its shares. The amount of these fees for each class of the Portfolio's shares involved in the Acquisition is:

	<u>Distribution and/or Service (Rule 12b-1) Fee (as a Percentage of Aggregate Average Daily Net Assets)</u>
Class A	.30%
Class B	1.00%
Class C	1.00%
Advisor Class	None

Because these fees are paid out of the Portfolio's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales fees. Class B and Class C shares are subject to higher Rule 12b-1 fees than Class A shares. (Class B shares are subject to these higher fees for a period of six years, after which they convert to Class A shares.) The higher fees mean a higher expense ratio, so Class B and Class C shares pay correspondingly lower dividends and may have a lower NAV (and returns) than Class A shares. All or some of these fees may be paid to financial intermediaries, including your financial advisor's firm.

Class A Shares – Initial Sales Charge Alternative

You can purchase Class A shares at their public offering price (or cost), which is NAV plus an initial sales charge of up to 4.25% of the offering price. Purchases of Class A shares in the amount of \$1,000,000 or more are not subject to a sales charge but, if redeemed within one year, may be subject to a CDSC of up to 1%. When a non-AllianceBernstein sponsored group retirement plan terminates the Portfolio within one year, all investments in Class A shares of the Portfolio through the plan are subject to a 1% CDSC upon redemption. Moreover, when a group retirement plan ceases to participate in an AllianceBernstein-sponsored group retirement plan program within one year, investments in the Portfolio's Class A shares through the plan are subject to a 1% CDSC upon redemption.

Class B Shares – Deferred Sales Charge Alternative

You can purchase Class B shares at NAV without an initial sales charge. Your investment, however, is subject to a CDSC if you redeem shares within three years of purchase. The CDSC varies depending on the number of years you hold the shares. The CDSC amounts for Class B shares are:

<u>Year Since Purchase</u>	<u>CDSC</u>
First	3.00%
Second	2.00%
Third	1.00%
Fourth and thereafter	None

If you exchange your shares for the Class B shares of another AllianceBernstein Mutual Fund, the CDSC also will apply to the Class B shares received. If you redeem your shares and directly invest the proceeds in units

of *CollegeBoundfund*, the CDSC will apply to the units of the *CollegeBoundfund*. The CDSC period begins with the date of your original purchase, not the date of exchange for the other Class B shares or purchase of *CollegeBoundfund* units.

Class B shares purchased for cash automatically convert to Class A shares six years after the end of the month of your purchase. If you purchase shares by exchange for the Class B shares of another AllianceBernstein Mutual Fund, the conversion period runs from the date of your original purchase.

Class C Shares – Asset-Based Sales Charge Alternative

You can purchase Class C shares at NAV without an initial sales charge. Your investment, however, is subject to a 1% CDSC if you redeem your shares within one year. If you exchange your shares for the Class C shares of another AllianceBernstein Mutual Fund, the 1% CDSC also will apply to the Class C shares received. The one-year period for the CDSC begins with the date of your original purchase, not the date of the exchange for the other Class C shares. Class C shares do not convert to any other class of shares of the Portfolio.

Advisor Class Shares – Fee-Based Program Alternative

You may purchase Advisor Class shares through your financial advisor. Advisor Class shares are not subject to any initial or contingent sales charges. However, when you purchase Advisor Class shares through your financial advisor, your financial advisor may charge a fee. Advisor Class shares are not available to everyone. See “How to Buy Shares” above.

Distribution Arrangements for Group Retirement Plans

The Portfolio offers distribution arrangements for group retirement plans. However, plan sponsors, plan fiduciaries and other financial intermediaries may establish requirements for group retirement plans as to the purchase, sale or exchange of shares of the Portfolio, including maximum and minimum initial investment requirements that are different from those described in the Portfolio’s Prospectus and SAI. Therefore, plan sponsors or fiduciaries may not impose the same share class parameters as set forth in the Portfolio’s Prospectus and SAI. Group retirement plans also may not offer all classes of shares of the Portfolio. The Portfolio is not responsible for, and has no control over, the decision of any plan sponsor or fiduciary to impose such differing requirements.

Payments to Financial Intermediaries

Financial intermediaries market and sell shares of the Portfolio. These financial intermediaries may receive compensation for selling shares of the Portfolio. This compensation is paid from various sources, including any CDSC and/or Rule 12b-1 fee that you may pay.

What is a Financial Intermediary?

A financial intermediary is a firm that receives compensation for selling shares of the Portfolio offered in the Portfolio’s prospectus and/or provides services to the Portfolio’s shareholders. Financial intermediaries may include, among others, brokers, financial planners or advisors, banks, pension plan consultants and insurance companies. Financial intermediaries may employ financial advisors who deal with you and other investors on an individual basis.

In the case of Class A shares, the Portfolio’s principal underwriter, ABI, may pay financial intermediaries a fee of up to 1%. Additionally, up to 100% of the Rule 12b-1 fees applicable to Class A shares each year may be paid to financial intermediaries, including your financial intermediary, that sell Class A shares.

In the case of Class B shares, ABI must pay, at the time of your purchase, a commission to financial intermediaries selling Class B shares in an amount equal to 4% of your investment. Additionally, up to 30% of the Rule 12b-1 fees applicable to Class B shares each year may be paid to financial intermediaries, including your financial intermediary, that sell Class B shares.

In the case of Class C shares, ABI must pay, at the time of your purchase, a commission to firms selling Class C shares in an amount equal to 1% of your investment. Additionally, up to 100% of the Rule 12b-1 fees applicable to Class C shares each year may be paid to financial intermediaries, including your financial intermediary, that sell Class C shares.

In the case of Advisor Class shares, your financial advisor may charge ongoing fees or transactional fees.

Your financial advisor's firm receives compensation from the Portfolio, ABI and/or the Adviser in several ways from various sources, which include some or all of the following:

- upfront sales commissions;
- Rule 12b-1 fees;
- additional distribution support;
- defrayal of costs for educational seminars and training; and
- payments related to providing shareholder recordkeeping and/or transfer agency services.

Other Payments for Distribution Services and Educational Support

In addition to the Rule 12b-1 fees described above, ABI, at its expense, currently provides additional payments to firms that sell shares of the AllianceBernstein Mutual Funds. Although the individual components may be higher and the total amount of payments made to each qualifying firm in any given year may vary, the total amount paid to a financial intermediary in connection with the sale of shares of the AllianceBernstein Mutual Funds will generally not exceed the sum of (a) 0.25% of the current year's fund sales by that firm and (b) 0.10% of average daily net assets attributable to that firm over the year. These sums include payments to reimburse directly or indirectly the costs incurred by these firms and their employers in connection with educational seminars and training efforts about the AllianceBernstein Mutual Funds for the firm's employees and/or their clients and potential clients. The costs and expenses associated with these efforts may include travel, lodging, entertainment, and meals.

For 2008, ABI's additional payments to these firms for educational support and distribution assistance related to the AllianceBernstein Mutual Funds is expected to be approximately \$1.5 million. In 2007, ABI paid additional payments of approximately \$1.2 million, for the AllianceBernstein Mutual Funds.

A number of factors are considered in determining the additional payments, including each firm's AllianceBernstein Mutual Fund sales, assets and redemption rates, and the willingness and ability of the firm to allow ABI to provide information for educational and marketing purposes. In some cases, firms will include the AllianceBernstein Mutual Funds on a "preferred" list. ABI's goal is to make the financial intermediaries who interact with current and prospective investors and shareholders more knowledgeable about the AllianceBernstein Mutual Funds so that they can provide suitable information and advice about the funds and related investor services.

The Portfolio and ABI also make payments for recordkeeping and other transfer agency services to financial intermediaries that sell AllianceBernstein Mutual Fund shares. These expenses paid by the Fund are included in "Other Expenses" under "Fees and Expenses of the Funds – Annual Fund Operating Expenses" in the Fund's Prospectus.

If one mutual fund sponsor makes greater distribution assistance payments than another, a financial advisor and his or her firm may have an incentive to recommend one fund complex over another. Similarly, if a financial intermediary receives more distribution assistance for one share class versus another, the financial intermediary may have an incentive to recommend that class.

Please speak with your financial advisor to learn more about the total amounts paid to your financial advisor and his or her firm by the Portfolio, the Adviser, ABI, and by sponsors of other mutual funds he or she may recommend to you. You should also consult disclosures made by your financial advisor at the time of purchase.

ABI anticipates that the firms that will receive additional payments for distribution services and/or educational support include:

- AIG Advisor Group
- Ameriprise Financial Services
- AXA Advisors
- Banc of America
- Cadaret, Grant & Co.
- CCO Investment Services Corp.
- Chase Investment Services
- Citigroup Global Markets
- Commonwealth Financial Network
- Donegal Securities
- ING Advisors Network
- LPL Financial Corporation
- Merrill Lynch
- Morgan Stanley
- Raymond James
- RBC Dain Rauscher
- Robert W. Baird
- Securities America
- Signator Investors
- UBS AG
- UBS Financial Services
- Wachovia Securities
- Wells Fargo Investments

Although the Portfolio may use brokers or other financial intermediaries that sell shares of the Portfolio to effect portfolio transactions, the Portfolio does not consider the sale of AllianceBernstein Mutual Fund shares as a factor when selecting brokers or dealers to effect portfolio transactions.

How to Exchange Shares

You may exchange your Portfolio shares for shares of the same class of other AllianceBernstein Mutual Portfolios (including AllianceBernstein Exchange Reserves, a money market fund managed by the Adviser). Exchanges of shares are made at the next-determined NAV, without sales or service charges. You may request an exchange by mail or telephone or through your financial intermediary. In order to receive a day's NAV, ABIS or your financial intermediary must receive and confirm your telephone exchange request by 4:00 p.m., Eastern Time, on that day. The Portfolio may modify, restrict or terminate the exchange privilege on 60 days' written notice.

How to Sell or Redeem Shares

You may "redeem" your shares (*i.e.*, sell your shares to the Portfolio) on any day the New York Stock Exchange (the "Exchange") is open. Your sale price will be the next-determined NAV, less any applicable CDSC, after the Portfolio receives your redemption request in proper form. Normally, redemption proceeds are sent to you within 7 days. If you recently purchased your shares by check or electronic funds transfer, your redemption payment may be delayed until the Portfolio is reasonably satisfied that the check or electronic funds transfer has been collected (which may take up to 15 days). For Advisor Class shares, if you are in doubt about what procedures or documents are required by your fee-based program or employee benefit plan to sell your shares, you should contact your financial advisor. Your financial intermediary must receive your sales request by 4:00 p.m., Eastern Time, and submit it to the Portfolio by a pre-arranged time for you to receive the next-determined NAV, less any applicable CDSC. Your financial intermediary is responsible for submitting all necessary documentation to the Portfolio and may charge you a fee for this service.

Frequent Purchases and Redemptions of Portfolio Shares

The Fund's Board of Directors (the "Board") has adopted policies and procedures designed to detect and deter frequent purchases and redemptions of the Portfolio's shares or excessive or short-term trading that may disadvantage long-term shareholders of the Portfolio. These policies are described below. The Portfolio reserves the right to restrict, reject or cancel, without any prior notice, any purchase or exchange order for any reason, including any purchase or exchange order accepted by any shareholder's financial intermediary.

Risks Associated With Excessive Or Short-Term Trading Generally

While the Portfolio will try to prevent market timing by utilizing the procedures described below, these procedures may not be successful in identifying or stopping excessive or short-term trading in all circumstances. By realizing profits through short-term trading, shareholders that engage in rapid purchases and sales or exchanges of a Portfolio's shares dilute the value of shares held by long-term shareholders. Volatility resulting from excessive purchases and sales or exchanges of Portfolio shares, especially involving large dollar amounts, may disrupt efficient portfolio management. In particular, the Portfolio may have difficulty implementing its long-term investment strategies if it is forced to maintain a higher level of its assets in cash to accommodate significant short-term trading activity. Excessive purchases and sales or exchanges of the Portfolio's shares may force the Portfolio to sell portfolio securities at inopportune times to raise cash to accommodate short-term trading activity. In addition, the Portfolio may incur increased expenses if one or more shareholders engage in excessive or short-term trading. For example, the Portfolio may be forced to liquidate investments as a result of short-term trading and incur increased brokerage costs and realization of taxable capital gains without attaining any investment advantage. Similarly, the Portfolio may bear increased administrative costs due to asset level and investment volatility that accompanies patterns of short-term trading activity. All of these factors may adversely affect Portfolio performance.

Significant investments in foreign securities may be particularly susceptible to short-term trading strategies. This is because foreign securities are typically traded on markets that close well before the time a fund calculates its NAV at 4:00 p.m., Eastern Time, which gives rise to the possibility that developments may have occurred in the interim that would affect the value of these securities. The time zone differences among international stock markets can allow a shareholder engaging in a short-term trading strategy to exploit differences in fund share prices that are based on closing prices of foreign securities established some time before a fund calculates its own share price (referred to as "time zone arbitrage"). This risk is generally not applicable to the Portfolio because it does not invest in foreign securities.

Investments in other types of securities may also be susceptible to short-term trading strategies. These investments include securities that are, among other things, thinly traded, traded infrequently, or relatively illiquid has the risk that the current market price for the securities may not accurately reflect current market values. A shareholder may seek to engage in short-term trading to take advantage of these pricing differences (referred to as "price arbitrage"). The Portfolio may be adversely affected by price arbitrage.

Policy Regarding Short-Term Trading

Purchases and exchanges of shares of the Portfolio should be made for investment purposes only. The Portfolio seeks to prevent patterns of excessive purchases and sales or exchanges of Portfolio shares. The Portfolio will seek to prevent such practices to the extent they are detected by the procedures described below. The Portfolio reserves the right to modify this policy, including any surveillance or account blocking procedures established from time to time to effectuate this policy, at any time without notice.

Transaction Surveillance Procedures. The Portfolio, through its agents, ABI and ABIS, maintains surveillance procedures to detect excessive or short-term trading in Portfolio shares. This surveillance process involves several factors, which include scrutinizing transactions in Portfolio shares that exceed certain monetary thresholds or numerical limits within a specified period of time. Generally, more than two exchanges of Portfolio shares during any 90-day period or purchases of shares followed by a sale within 90 days will be identified by these surveillance procedures. For purposes of these transaction surveillance procedures, the Portfolio may consider trading

activity in multiple accounts under common ownership, control or influence. Trading activity identified by either, or a combination, of these factors, or as a result of any other information available at the time, will be evaluated to determine whether such activity might constitute excessive or short-term trading. These surveillance procedures may be modified from time to time, as necessary or appropriate to improve the detection of excessive or short-term trading or to address specific circumstances, such as for certain retirement plans, to conform to plan exchange limits or U.S. Department of Labor regulations, or for certain automated or pre-established exchange, asset allocation or dollar cost averaging programs, or omnibus account arrangements.

Account Blocking Procedures. If the Portfolio determines, in its sole discretion, that a particular transaction or pattern of transactions identified by the transaction surveillance procedures described above is excessive or short-term trading in nature, the relevant Portfolio account(s) will be immediately “blocked” and no future purchase or exchange activity will be permitted. However, sales of Portfolio shares back to a Portfolio or redemptions will continue to be permitted in accordance with the terms of the Portfolio’s current Prospectus. In the event an account is blocked, certain account-related privileges, such as the ability to place purchase, sale and exchange orders over the internet or by phone, may also be suspended. A blocked account will generally remain blocked unless and until the account holder or the associated broker, dealer or other financial intermediary provides evidence or assurance acceptable to the Portfolio that the account holder did not or will not in the future engage in excessive or short-term trading.

Applications of Surveillance Procedures and Restrictions to Omnibus Accounts. Omnibus account arrangements are common forms of holding shares of the Portfolio, particularly among certain brokers, dealers and other financial intermediaries, including sponsors of retirement plans and variable insurance products. The Portfolio applies its surveillance procedures to these omnibus account arrangements. As required by Commission rules, the Portfolio has entered into agreements with all of their financial intermediaries that require the financial intermediaries to provide the Portfolio, upon request of the Portfolio or its agents, with individual account level information about their transactions. If the Portfolio detects excessive trading through its monitoring of omnibus accounts, including trading at the individual account level, the financial intermediaries will also execute instructions from the Portfolio to take actions to curtail the activity, which may include applying blocks to accounts to prohibit future purchases and exchanges of Portfolio shares. For certain retirement plan accounts, the Portfolio may request that the retirement plan or other intermediary revoke the relevant participant’s privilege to effect transactions in Portfolio shares via the internet or telephone, in which case the relevant participant must submit future transaction orders via the U.S. Postal Service (*i.e.*, regular mail).

Risks to Shareholders Resulting From Imposition of Account Blocks in Response to Excessive Short-Term Trading Activity

A shareholder identified as having engaged in excessive or short-term trading activity whose account is “blocked” and who may not otherwise wish to redeem his or her shares effectively may be “locked” into an investment in the Portfolio that the shareholder did not intend to hold on a long-term basis or that may not be appropriate for the shareholder’s risk profile. To rectify this situation, a shareholder with a “blocked” account may be forced to redeem Portfolio shares, which could be costly if, for example, these shares have declined in value, the shareholder recently paid an initial sales charge, the shares are subject to a CDSC, or the sale results in adverse tax consequences to the shareholder. To avoid this risk, a shareholder should carefully monitor the purchases, sales and exchanges of Portfolio shares and avoid frequent trading in Portfolio shares.

Limitations on Ability to Detect and Curtail Excessive Trading Practices

Shareholders seeking to engage in excessive short-term trading activities may deploy a variety of strategies to avoid detection and, despite the efforts of the Portfolio and its agents to detect excessive or short duration trading in Portfolio shares, there is no guarantee that the Portfolio will be able to identify these shareholders or curtail their trading practices. In particular, the Portfolio may not be able to detect excessive or short-term trading in Portfolio shares attributable to a particular investor who effects purchase and/or exchange activity in Portfolio shares through omnibus accounts. Also, multiple tiers of these entities may exist, each utilizing an omnibus account arrangement, which may further compound the difficulty of detecting excessive or short duration trading activity in Portfolio shares.

How the Portfolio Values Its Shares

The Portfolio's NAV is calculated at the close of regular trading on the Exchange (ordinarily, 4:00 p.m., Eastern Time), only on days when the Exchange is open for business. To calculate NAV, the Portfolio's assets are valued and totaled, liabilities are subtracted, and the balance, called net assets, is divided by the number of shares outstanding. If the Portfolio invests in securities that are primarily traded on foreign exchanges that trade on weekends or other days when the Portfolio does not price its shares, the NAV of the Portfolio's shares may change on days when shareholders will not be able to purchase or redeem their shares in the Portfolio.

The Portfolio values its securities at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are unreliable, at "fair value" as determined in accordance with procedures established by and under the general supervision of the Board. When the Portfolio uses fair value pricing, it may take into account any factors it deems appropriate. The Portfolio may determine fair value based upon developments related to a specific security and/or U.S. sector or broader stock market indices. The prices of securities used by the Portfolio to calculate its NAV may differ from quoted or published prices for the same securities. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security is materially different than the value that could be realized upon the sale of that security.

Securities for which market quotations are not readily available or deemed unreliable (including restricted securities) are valued at fair market value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer or analysts, or by analysis of the issuer's financial statements. The Portfolio may use fair value pricing more frequently for securities primarily traded in non-U.S. markets because, among other things, most foreign markets close well before the Portfolio values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim. To account for this, the Portfolio may frequently value many of these securities using fair value prices based on independent pricing services or third party vendor tools to the extent available.

Subject to the Board's oversight, the Board has delegated responsibility for valuing the Portfolio's assets to the Adviser. The Adviser has established a Valuation Committee, which operates under the policies and procedures approved by the Board, to value the Portfolio's assets on behalf of the Portfolio. The Valuation Committee values Portfolio assets as described above.

Your order for purchase, sale, or exchange of shares is priced at the next-determined NAV after your order is received in proper form by the Portfolio.

Dividends, Distributions and Taxes

Dividends and Distributions

The Portfolio declares dividends on its shares on each business day from the Portfolio's net investment income. Dividends on shares for Saturdays, Sundays and holidays will be declared on the previous business day. The Portfolio pays dividends on its shares after the close of business on the twentieth day of each month or, if such day is not a business day, the first business day after that day. At your election (which you may change at least 30 days prior to the record date for a particular dividend or distribution), dividends and distributions are paid in cash or reinvested without charge in additional shares of the same class having an aggregate NAV as of the payment date of the dividend or distribution equal to the cash amount thereof.

If you receive an income dividend or capital gains distribution in cash, you may, within 120 days following the date of its payment, reinvest the dividend or distribution in additional shares of the Portfolio without charge by returning to the Adviser, with appropriate instructions, the check representing the dividend or distribution. Thereafter, unless you otherwise specify, you will be deemed to have elected to reinvest all subsequent dividends and distributions in shares of the Portfolio.

There is no fixed dividend rate and there can be no assurance that the Portfolio will pay any dividends. The amount of any dividend distribution paid on shares of the Portfolio must necessarily depend upon the realization of income and capital gains from the Portfolio's investments.

Taxes – General

Distributions to shareholders out of tax-exempt interest income earned by the Portfolio are not subject to federal income tax. Under current tax law, some individuals and corporations may be subject to the AMT on distributions to shareholders out of income from the private activity bonds (“AMT-Subject bonds”), in which the Portfolio invests. Further, under current tax law, certain corporate taxpayers may be subject to the AMT based on their “adjusted current earnings.” Distributions from the Portfolio that are excluded from gross income will be included in such corporation’s “adjusted current earnings” for purposes of computation of the AMT. Distributions out of taxable interest, other investment income, and net realized short-term capital gains are taxable to shareholders as ordinary income. Any distributions of long-term capital gains generally will be taxable to you as long-term capital gains regardless of how long you have held your shares. Since the Portfolio’s investment income is derived from interest rather than dividends, no portion of its distributions will be eligible for the dividends-received deduction available to corporations, and for non-corporate shareholders no portion of such distributions will be treated as “qualified dividend income” taxable at a maximum rate of 15% (5% for non-corporate shareholders in lower tax brackets).

Interest on indebtedness incurred by shareholders to purchase or carry shares of the Portfolio is not deductible for federal income tax purposes. Further, persons who are “substantial users” (or related persons) of facilities financed by AMT-Subject bonds, as defined below, should consult their tax advisers before purchasing shares of the Portfolio.

If you buy shares just before the Portfolio deducts a distribution from its NAV, you will pay the full price for the shares and then receive a portion of the price back as a distribution, which may be taxable.

For tax purposes, an exchange is treated as a sale of Portfolio shares. The sale or exchange of Portfolio shares is a taxable transaction for federal income tax purposes.

The Portfolio anticipates that substantially all of its dividends will be exempt from regular federal income taxes. Shareholders may be subject to state and local taxes on distributions from the Portfolio, including distributions that are exempt from federal income taxes. The Portfolio will report annually to shareholders the percentage and source of interest earned by the Portfolio that is exempt from federal income tax and relevant state and local personal income taxes.

Each investor should consult his or her own tax adviser to determine the tax status, with regard to his or her tax situation, of distributions from the Portfolio.

State Taxation of the Portfolio

Substantially all of the dividends paid by the Portfolio will be exempt from California personal income tax. Dividends will be exempt from this tax to the extent derived from interest income from municipal securities issued by the State of California or its political subdivisions. Distributions of capital gains will be subject to California personal income tax. Distributions paid to corporate shareholders will be subject to the California corporate franchise tax but exempt from the California corporate income tax.

Alternative Minimum Tax

Under current federal income tax law, (1) interest on tax-exempt municipal securities issued after August 7, 1986 which are “specified private activity bonds,” and the proportionate share of any exempt-interest dividend paid by a regulated investment company which receives interest from such specified private activity bonds, will be treated as an item of tax preference for purposes of the AMT imposed on individuals and corporations, though for regular Federal income tax purposes such interest will remain fully tax-exempt, and (2) interest on all tax-exempt obligations will be included in “adjusted current earnings” of corporations for AMT purposes. Such AMT-Subject bonds, which include industrial development bonds and bonds issued to finance such projects as airports, housing projects, solid waste disposal facilities, student loan programs and water and sewage projects, have provided, and may continue to provide, somewhat higher yields than other comparable municipal securities.

Investors should consider that, in most instances, no state, municipality or other governmental unit with taxing power will be obligated with respect to AMT-Subject bonds. AMT-Subject bonds are in most cases revenue bonds and do not generally have the pledge of the credit or the taxing power, if any, of the issuer of such bonds. AMT-Subject bonds are generally limited obligations of the issuer supported by payments from private business entities and not by the full faith and credit of a state or any governmental subdivision. Typically the obligation of the issuer of AMT-Subject bonds is to make payments to bond holders only out of, and to the extent of, payments made by the private business entity for whose benefit the AMT-Subject bonds were issued. Payment of the principal and interest on such revenue bonds depends solely on the ability of the user of the facilities financed by the bonds to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment. It is not possible to provide specific detail on each of these obligations in which Portfolio assets may be invested.

APPENDIX F

OTHER INFORMATION

The following information provides only a summary of the key features of the organizational structure and governing documents of the Portfolios. Each Portfolio is organized as a series of the same Maryland corporation. The Charter and Bylaw provisions that govern the Fund apply to California II and California Portfolio. Accordingly, there are no differences between California II and California Portfolio in terms of their corporate organizational structures.

General

Each Portfolio has procedures available to its respective shareholders for calling shareholders' meetings and for the removal of directors. Under Maryland law, unless the charter provides otherwise (which the Fund's does not), a director may be removed, either with or without cause, at a meeting duly called and at which a quorum is present by the affirmative vote of the holders of a majority of the votes entitled to be cast for the election of directors. Under the Bylaws, shareholder-requested special meetings of shareholders for any other purpose shall be called by the Fund's Secretary only upon the written request of shareholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting.

For each Portfolio, the presence in person or by proxy of the holders of one-third of the shares entitled to be cast constitutes a quorum at any meeting of shareholders of the Portfolio. When a quorum is present at any meeting, the affirmative vote of a majority of the votes (or with respect to the election of directors, a plurality of votes) cast shall decide any question brought before such meeting, except as otherwise required by law.

Shares of Common Stock of the Portfolios

The Portfolios' shares have no preemptive rights. Each share has equal voting, dividend, distribution and liquidation rights. Shareholders are entitled to one vote per share. All voting rights for the election of directors are non-cumulative, which means that the holders of more than 50% of the shares of common stock of the Fund can elect 100% of the directors then nominated for election if they choose to do so and, in such event, the holders of the remaining shares of common stock will not be able to elect any directors. The Portfolios are organized as series of the same Maryland corporation and thus their shareholders have the same rights due to them under state law. The Portfolios are not required to, and do not, hold annual meetings of shareholders and have no current intention to hold such meetings, except as required by the 1940 Act. Under the 1940 Act, California II and California Portfolio are required to hold a shareholder meeting if, among other reasons, the number of Directors elected by shareholders is less than a majority of the total number of Directors, or if a Portfolio seeks to change its fundamental investment policies.

Dividends and Distributions

The Portfolios have the same dividends and distributions policies. While each of the Portfolios intends to distribute to its shareholders substantially all of each fiscal year's net income and net realized capital gains, if any, the amount and time of any dividend or distribution will depend on the realization by the Portfolio of income and capital gains from investments. There is no fixed dividend rate and there can be no assurance that the Portfolio will pay any dividends or realize any capital gains. The final determination of the amount of the Portfolio's return of capital distributions for the period will be made after the end of each calendar year.

Each of the Portfolio's income dividends and capital gains distributions, if any, declared by the Portfolio on its outstanding shares will, at the election of each shareholder, be paid in cash or in additional shares. If paid in additional shares, the shares will have an aggregate net asset value as of the close of business on the declaration date of the dividend or distribution equal to the cash amount of the dividend or distribution. A shareholder may make an election to receive dividends and distributions in cash or in shares at the time of purchase of shares. The shareholder's election can be changed at any time prior to a record date for a dividend. There is no sales or other charge in connection with the reinvestment of dividends or capital gains distributions.

Indemnification and Liability of Directors and Officers

The charter of the Fund generally provides for the indemnification of officers and directors, as applicable, to the full extent permitted by Maryland law. This indemnification does not protect any such person against any liability to a Portfolio or any shareholder thereof to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the satisfaction of such person's office.

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its shareholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. The Fund's charter contains such a provision that eliminates directors' and officers' liability to the maximum extent permitted by Maryland law. This exculpation does not protect any such person against any liability to a Portfolio or any shareholder thereof to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the satisfaction of such person's office.

APPENDIX G
FORM OF PLAN OF ACQUISITION AND LIQUIDATION
ALLIANCEBERNSTEIN MUNICIPAL INCOME FUND, INC.
WITH RESPECT TO ITS SERIES
CALIFORNIA PORTFOLIO II AND
CALIFORNIA PORTFOLIO

As of
[], 2008

This Plan of Acquisition and Liquidation (the “Plan”) has been adopted by the Board of Directors of AllianceBernstein Municipal Income Fund, Inc., a Maryland corporation (the “Corporation”), as of this [] day of [], 2008, to provide for the reorganization of California Portfolio II (the “Acquired Portfolio”) into California Portfolio (the “Acquiring Portfolio”). The Acquired Portfolio and the Acquiring Portfolio (together, the “Portfolios”) are each separate series of the Corporation, an open-end management investment company registered with the Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Board of Directors (the “Board”) has determined that it is in the best interest of the stockholders of the Acquiring Portfolio and the Acquired Portfolio that the Acquired Portfolio transfer all of the assets attributable to its Class A shares held by its stockholders (“Stockholders”) in exchange for Class A shares of equal net asset value of the Acquiring Portfolio (“Class A Acquisition Shares”), transfer all of the assets attributable to its Class B shares held by its Stockholders in exchange for Class B shares of equal net asset value of the Acquiring Portfolio (“Class B Acquisition Shares”) and transfer all of the assets attributable to its Class C shares held by its Stockholders in exchange for Class C shares of equal net asset value of the Acquiring Portfolio (“Class C Acquisition Shares” and together with Class A Acquisition Shares and Class B Acquisition Shares, the “Acquisition Shares”) and distribute Class A Acquisition Shares, Class B Acquisition Shares and Class C Acquisition Shares, respectively, of the Acquired Portfolio and that the Corporation redeem the outstanding shares (the “Acquired Portfolio Shares”) of the Acquired Portfolio, all as provided for below (the “Acquisition”).

In this Plan of Acquisition, any references to a Portfolio taking action shall mean and include all necessary actions of the Corporation on behalf of a Portfolio, unless the context of this Plan of Acquisition or the 1940 Act requires otherwise.

The Corporation intends that the Acquisition qualify as a “reorganization” within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the “Code”), and any successor provisions, and that with respect to the Acquisition, the Acquiring Portfolio and the Acquired Portfolio will each be a “party to a reorganization” within the meaning of Section 368(b) of the Code.

1. Definitions

In addition to the terms elsewhere defined herein, each of the following terms shall have the meaning indicated for that term as follows:

1933 Act	Securities Act of 1933, as amended.
Assets	All assets of any kind and all interests, rights, privileges and powers of or attributable to the Acquired Portfolio or its shares, as appropriate, whether or not determinable at the Effective Time (as defined herein) and wherever located, including, without limitation, all cash, cash equivalents, securities, claims (whether absolute or contingent, known or unknown, accrued or unaccrued or conditional or unmatured), contract rights and receivables (including dividend and interest receivables)

	owned by the Acquired Portfolio or attributable to its shares and any deferred or prepaid expense, other than unamortized organizational expenses, shown as an asset on the Acquired Portfolio's books.
Closing Date	Such date as the officers of the Corporation shall designate.
Effective Time	5:00 p.m., Eastern Time, on the Closing Date, or such other time as the officers of the Corporation shall designate.
Financial Statements	The audited financial statements of the relevant Portfolio for its most recently completed fiscal year and, if applicable, the unaudited financial statements of that Portfolio for its most recently completed semi-annual period.
Liabilities	All liabilities, expenses and obligations of any kind whatsoever of the Acquired Portfolio, whether known or unknown, accrued or unaccrued, absolute or contingent or conditional or unmatured.
N-14 Registration Statement	The Registration Statement of the Acquiring Portfolio on Form N-14 under the 1940 Act that will register the Acquisition Shares to be issued in the Acquisition.
Valuation Time	The close of regular session trading on the New York Stock Exchange ("NYSE") on the Closing Date, when for purposes of the Plan, the Corporation determines the net asset value per Acquisition Share of the Acquiring Portfolio and the net value of the assets of the Acquired Portfolio.
NAV	A Portfolio's net asset value is calculated by valuing and totaling assets and then subtracting liabilities and then dividing the balance by the number of shares that are outstanding.

2. Regulatory Filings

The Acquiring Portfolio shall promptly prepare and file the N-14 Registration Statement with the SEC, and the Acquiring Portfolio and the Acquired Portfolio also shall make any other required or appropriate filings with respect to the actions contemplated hereby.

3. Transfer of the Acquired Portfolio's Assets

The Acquiring Portfolio and the Acquired Portfolio shall take the following steps with respect to the Acquisition, as applicable:

- (a) On or prior to the Closing Date, the Acquired Portfolio shall pay or provide for the payment of all of the Liabilities, expenses, costs and charges of or attributable to the Acquired Portfolio that are known to the Acquired Portfolio and that are due and payable prior to or as of the Closing Date.
- (b) Prior to the Effective Time, except to the extent prohibited by Rule 19b-1 under the 1940 Act, the Acquired Portfolio will declare to Acquired Portfolio Stockholders of record a dividend or dividends which, together with all previous such dividends, shall have the effect of distributing (a) all the excess of (i) the Acquired Portfolio's investment income excludable from gross income under Section 103(a) of the Code over (ii) the Acquired Portfolio's deductions disallowed under Sections 265 and 171(a)(2) of the Code, (b) all of the Acquired Portfolio's investment company taxable income (as defined in Code Section 852), (computed in each case without regard to any deduction for dividends paid), and (c) all of the Acquired Portfolio's net realized capital gain (as defined in Code Section 1222), if any (after reduction for any capital loss carryover), for the taxable year ending on December 31, 2007 and for the short taxable year beginning on January 1, 2008, and ending on the Closing Date. Such dividends will be declared and paid to ensure continued qualification of the Acquired Portfolio as a "regulated investment company" for tax purposes and to eliminate fund-level tax.

- (c) At the Effective Time, the Acquired Portfolio shall assign, transfer, deliver and convey the Assets to the Acquiring Portfolio, subject to the Liabilities, and the Acquiring Portfolio shall then accept the Assets and assume the Liabilities such that at and after the Effective Time (i) the Assets at and after the Effective Time shall become and be assets of the Acquiring Portfolio, and (ii) the Liabilities at the Effective Time shall attach to the Acquiring Portfolio, and shall be enforceable against the Acquiring Portfolio to the same extent as if initially incurred by the Acquiring Portfolio. The Corporation shall redeem the outstanding shares of the Acquired Portfolio by issuance of shares of the Acquiring Portfolio as described more fully below.
- (d) Within a reasonable time prior to the Closing Date, the Acquired Portfolio shall provide, if requested, a list of the Assets to the Acquiring Portfolio. The Acquired Portfolio may sell any asset on such list prior to the Effective Time. After the Acquired Portfolio provides such list, the Acquired Portfolio will not acquire any additional securities or permit to exist any encumbrances, rights, restrictions or claims not reflected on such list, without the approval of the Acquiring Portfolio. Within a reasonable time after receipt of the list and prior to the Closing Date, the Acquiring Portfolio will advise the Acquired Portfolio in writing of any investments shown on the list that the Acquiring Portfolio has determined to be inconsistent with its investment objective, policies and restrictions. The Acquired Portfolio will dispose of any such securities prior to the Closing Date to the extent practicable and consistent with applicable legal requirements, including the Acquired Portfolio's investment objectives, policies and restrictions. In addition, if the Acquiring Portfolio determines that, as a result of the Acquisition, the Acquiring Portfolio would own an aggregate amount of an investment that would exceed a percentage limitation applicable to the Acquiring Portfolio, the Acquiring Portfolio will advise the Acquired Portfolio in writing of any such limitation and the Acquired Portfolio shall dispose of a sufficient amount of such investment as may be necessary to avoid the limitation as of the Effective Time, to the extent practicable and consistent with applicable legal requirements, including the Acquired Portfolio's investment objectives, policies and restrictions.
- (e) The Acquired Portfolio shall assign, transfer, deliver and convey the Assets to the Acquiring Portfolio at the Effective Time on the following basis:
 - (1) The value of the Assets less the Liabilities of the Acquired Portfolio attributable to shares of Class A held by Stockholders, shares of Class B held by Stockholders and shares of Class C held by Stockholders, determined as of the Valuation Time, shall be divided by the then NAV of one Class A, Class B and Class C Acquisition Share, as applicable, and, in exchange for the transfer of the Assets, the Acquiring Portfolio shall simultaneously issue and deliver to the Acquired Portfolio the number of Class A, Class B and Class C Acquisition Shares (including fractional shares) so determined, rounded to the second decimal place or such other decimal place as the officers of the Corporation shall designate;
 - (2) The NAV of Class A, Class B and Class C Acquisition Shares to be delivered to the Acquired Portfolio shall be determined as of the Valuation Time in accordance with the Acquiring Portfolio's then applicable valuation procedures, and the net value of the Assets to be conveyed to the Acquiring Portfolio shall be determined as of the Valuation Time in accordance with the then applicable valuation procedures of the Acquired Portfolio; and
 - (3) The portfolio securities of the Acquired Portfolio shall be made available by the Acquired Portfolio to The Bank of New York, as custodian for the Acquiring Portfolio (the "Custodian"), for examination no later than five business days preceding the Valuation Time. On the Closing Date, such portfolio securities and all the Acquired Portfolio's cash shall be delivered by the Acquired Portfolio to the Custodian for the account of the Acquiring Portfolio, such portfolio securities to be duly endorsed in proper form for transfer in such manner and condition as to constitute good delivery thereof in accordance with the custom of brokers or, in the case of portfolio securities held in the U.S. Treasury Department's book-entry system or by The Depository Trust Company, Participants Trust Company or other third party depositories, by transfer to the account of the Custodian in accordance with Rule 17f-4, Rule 17f-5 or Rule 17f-7, as the case may be, under the

1940 Act and accompanied by all necessary federal and state stock transfer stamps or a check for the appropriate purchase price thereof. The cash delivered shall be in the form of currency or certified or official bank checks, payable to the order of the Custodian, or shall be wired to an account pursuant to instructions provided by the Acquiring Portfolio.

- (f) Promptly after the Closing Date, the Acquired Portfolio will deliver to the Acquiring Portfolio a Statement of Assets and Liabilities of the Acquired Portfolio as of the Closing Date.

4. Termination of the Acquired Portfolio, Registration of Acquisition Shares and Access to Records

The Acquired Portfolio and the Acquiring Portfolio also shall take the following steps, as applicable:

- (a) At or as soon as reasonably practical after the Effective Time, the Acquired Portfolio shall terminate by transferring pro rata to its Class A Stockholders of record Class A Acquisition Shares received by the Acquired Portfolio pursuant to Section 3(e)(1) of this Plan, to its Class B Stockholders of record Class B Acquisition Shares received by the Acquired Portfolio pursuant to Section 3(e)(1) of this Plan and to its Class C Stockholders of record Class C Acquisition Shares received by the Acquired Portfolio pursuant to Section 3(e)(1) of this Plan. The Acquiring Portfolio shall establish accounts on its share records and note on such accounts the names of the former Acquired Portfolio Stockholders and the types and amounts of the Acquisition Shares that former Acquired Portfolio Stockholders are due based on their respective holdings of the Acquired Portfolio Shares as of the close of business on the Closing Date. Fractional Acquisition Shares shall be carried to the second decimal place. The Acquiring Portfolio shall not issue certificates representing the Acquisition Shares in connection with such exchange. All issued and outstanding Acquired Portfolio Shares will be simultaneously redeemed and cancelled on the books of the Acquired Portfolio. Ownership of the Acquisition Shares will be shown on the books of the Acquiring Portfolio's transfer agent.

Following distribution by the Acquired Portfolio to its Stockholders of all Acquisition Shares delivered to the Acquired Portfolio, the Acquired Portfolio shall wind up its affairs and shall take all steps as are necessary and proper to terminate as soon as is reasonably possible after the Effective Time.

- (b) At and after the Closing Date, the Acquired Portfolio shall provide the Acquiring Portfolio and its transfer agent with immediate access to: (i) all records containing the names, addresses and taxpayer identification numbers of all of the Acquired Portfolio's Stockholders and the number and percentage ownership of the outstanding shares of the Acquired Portfolio owned by Stockholders as of the Effective Time, and (ii) all original documentation (including all applicable Internal Revenue Service forms, certificates, certifications and correspondence) relating to the Acquired Portfolio Stockholders' taxpayer identification numbers and their liability for or exemption from back-up withholding. The Acquired Portfolio shall preserve and maintain, or shall direct its service providers to preserve and maintain, records with respect to the Acquired Portfolio as required by Section 31 of, and Rules 31a-1 and 31a-2 under, the 1940 Act.

5. Conditions to Consummation of the Acquisition

The consummation of the Acquisition shall be subject to the following conditions precedent:

- (a) There shall have been no material adverse change in the financial condition, results of operations, business, properties or assets of the Acquiring Portfolio or the Acquired Portfolio since the date of the most recent Financial Statements. Negative investment performance shall not be considered a material adverse change.
- (b) The Corporation shall have received an opinion of Seward & Kissel LLP, substantially to the effect that for federal income tax purposes:
 - (1) The Acquisition will constitute a "reorganization" within the meaning of Section 368(a) of the Code and that the Acquiring Portfolio and the Acquired Portfolio will each be "a party to a reorganization" within the meaning of Section 368(b) of the Code;

- (2) A Stockholder of the Acquired Portfolio will recognize no gain or loss on the exchange of the Stockholder's shares of the Acquired Portfolio solely for Acquisition Shares;
- (3) Neither the Acquired Portfolio nor the Acquiring Portfolio will recognize any gain or loss upon the transfer of all of the Assets to the Acquiring Portfolio in exchange for Acquisition Shares and the assumption by the Acquiring Portfolio of the Liabilities pursuant to this Plan or upon the distribution of Acquisition Shares to Stockholders of the Acquired Portfolio in exchange for their respective shares of the Acquired Portfolio;
- (4) The holding period and tax basis of the Assets acquired by the Acquiring Portfolio will be the same as the holding period and tax basis that the Acquired Portfolio had in such Assets immediately prior to the Acquisition;
- (5) The aggregate tax basis of Acquisition Shares received in connection with the Acquisition by each Stockholder of the Acquired Portfolio (including any fractional share to which the Stockholder may be entitled) will be the same as the aggregate tax basis of the shares of the Acquired Portfolio surrendered in exchange therefor, and increased by any gain recognized on the exchange;
- (6) The holding period of Acquisition Shares received in connection with the Acquisition by each Stockholder of the Acquired Portfolio (including any fractional share to which the Stockholder may be entitled) will include the holding period of the shares of the Acquired Portfolio surrendered in exchange therefor, provided that such Acquired Portfolio shares constitute capital assets in the hands of the Stockholder as of the Closing Date; and
- (7) The Acquiring Portfolio will succeed to the capital loss carryovers of the Acquired Portfolio but the use of the Acquiring Portfolio's existing capital loss carryovers (as well as the carryovers of the Acquired Portfolio) may be subject to limitation under Section 383 of the Code after the Acquisition.

The opinion will be based on certain factual certifications made by officers of the Portfolios and will also be based on customary assumptions and subject to certain qualifications. The opinion is not a guarantee that the tax consequences of the Acquisition will be as described above.

Notwithstanding this subparagraph (b), Seward & Kissel LLP will express no view with respect to the effect of the Acquisition on any transferred asset as to which any unrealized gain or loss is required to be recognized at the end of a taxable year (or on the termination or transfer thereof) under federal income tax principles. Each Portfolio shall provide additional factual representations to Seward & Kissel LLP with respect to the Portfolios that are reasonably necessary to enable Seward & Kissel LLP to deliver the tax opinion. Notwithstanding anything in this Plan to the contrary, neither Portfolio may waive in any material respect the conditions set forth under this subparagraph (b).

- (c) The N-14 Registration Statement shall have become effective under the 1933 Act as to the Acquisition Shares, and the SEC shall not have instituted and, to the knowledge of the Acquiring Portfolio, is not contemplating instituting any stop order suspending the effectiveness of the N-14 Registration Statement.
- (d) No action, suit or other proceeding shall be threatened or pending before any court or governmental agency in which it is sought to restrain or prohibit, or obtain damages or other relief in connection with the Acquisition.
- (e) The SEC shall not have issued any unfavorable advisory report under Section 25(b) of the 1940 Act nor instituted any proceeding seeking to enjoin consummation of the Acquisition under Section 25(c) of the 1940 Act.
- (f) The Acquired Portfolio shall have received a letter from AllianceBernstein L.P. (the "Adviser") with respect to insurance matters in form and substance satisfactory to the Acquired Portfolio.

- (g) The Acquiring Portfolio shall have received a letter from the Adviser agreeing to indemnify the Acquiring Portfolio in respect of certain liabilities of the Acquired Portfolio in form and substance satisfactory to the Acquiring Portfolio.

6. Closing

- (a) The Closing shall be held at the offices of the Corporation, 1345 Avenue of the Americas, New York, New York 10105, or at such other place as the officers of the Corporation may designate.
- (b) In the event that at the Valuation Time (i) the NYSE shall be closed to trading or trading thereon shall be restricted, or (ii) trading or the reporting of trading on said Exchange or elsewhere shall be disrupted so that accurate appraisal of the value of the net assets of the Acquired Portfolio or the Acquiring Portfolio is impracticable, the Closing Date shall be postponed until the first business day after the day when trading shall have been fully resumed and reporting shall have been restored; provided that if trading shall not be fully resumed and reporting restored within three business days of the Valuation Time, this Plan may be terminated by the Board.
- (c) The Acquiring Portfolio will provide to the Acquired Portfolio evidence satisfactory to the Acquired Portfolio that Acquisition Shares issuable pursuant to the Acquisition have been credited to the Acquired Portfolio's account on the books of the Acquiring Portfolio. After the Closing Date, the Acquiring Portfolio will provide to the Acquired Portfolio evidence satisfactory to the Acquired Portfolio that such Shares have been credited pro rata to open accounts in the names of the Acquired Portfolio Stockholders.
- (d) At the Closing, each party shall deliver to the other such bills of sale, instruments of assumption of liabilities, checks, assignments, stock certificates, receipts or other documents as such other party or its counsel may reasonably request in connection with the transfer of assets, assumption of liabilities and liquidation contemplated by this Plan.

7. Termination of Plan

A majority of the Corporation's Board may terminate this Plan before the applicable Effective Time if: (i) any of the conditions precedent set forth herein are not satisfied; or (ii) the Board determines that the consummation of the Acquisition is not in the best interests of either Portfolio or its Stockholders.

8. Termination of the Acquired Portfolio

If the Acquisition is consummated, the Acquired Portfolio shall terminate its registration under the 1940 Act and the 1933 Act and will terminate.

9. Expenses

The Acquisition expenses shall be borne by the Acquired Portfolio.

APPENDIX H
CAPITALIZATION

The following table shows on an unaudited basis the capitalization of each of California II and California Portfolio as of September 30, 2008 and on a pro forma combined basis, giving effect to the acquisition of the assets and liabilities of California II by California Portfolio at net asset value as of September 30, 2008.

	<u>California II</u>	<u>California Portfolio</u>	<u>Pro Forma Adjustments</u>	<u>California Portfolio (Pro Forma)⁽¹⁾</u>
<u>Class A</u>				
Net Asset Value	\$72,441,786	\$577,582,949	\$ —	\$650,024,735
Shares outstanding	5,785,651	57,333,993	1,405,310 ⁽²⁾	64,524,954
Net asset value per share	\$ 12.52 ⁽³⁾	\$ 10.07		\$ 10.07
<u>Class B</u>				
Net Asset Value	\$ 2,301,034	\$ 20,382,680	\$ —	\$ 22,683,714
Shares outstanding	183,852	2,023,760	44,614 ⁽²⁾	2,252,226
Net asset value per share	\$ 12.52 ⁽³⁾	\$ 10.07		\$ 10.07
<u>Class C</u>				
Net Asset Value	\$13,028,673	\$104,749,842	\$ —	\$117,778,515
Shares outstanding	1,041,250	10,400,372	252,337 ⁽²⁾	11,693,959
Net asset value per share	\$ 12.51 ⁽³⁾	\$ 10.07		\$ 10.07
<u>Advisor Class</u>				
Net Asset Value	\$ N/A ⁽⁴⁾	\$ 1,500,117	\$ —	\$ 1,500,117
Shares outstanding	N/A ⁽⁴⁾	148,867	0	148,867
Net asset value per share	\$ N/A ⁽⁴⁾	\$ 10.08		\$ 10.08

(1) Assumes the Acquisition was consummated on September 30, 2008 and is for information purposes only. No assurance can be given as to how many shares of California Portfolio will be received by the shareholders of California II on the date the Acquisition takes place, and the foregoing should not be relied upon to reflect the number of shares of California Portfolio that actually will be received on or after such date.

(2) In connection with the Acquisition, shares of California Portfolio will be issued to the shareholders of California II. The number of shares assumed to be issued is equal to the net asset value of California II divided by the net asset value per share of California Portfolio as of September 30, 2008.

(3) Costs associated with the Acquisition in the amount of \$205,000 were borne by California II and reflected in the NAV of California II as of September 30, 2008.

(4) There are currently no Advisory Class Shares offered on California II. No repositioning of California II's portfolio securities is expected in connection with the Acquisition.

APPENDIX I

LEGAL PROCEEDINGS

On October 2, 2003, a purported class action complaint entitled *Hindo, et al. v. AllianceBernstein Growth & Income Fund, et al.* (“Hindo Complaint”) was filed against the Adviser, AllianceBernstein Holding L.P. (“Holding”), AllianceBernstein Corporation, AXA Financial, Inc., the AllianceBernstein Funds, certain officers of the Adviser (“AllianceBernstein defendants”), and certain other unaffiliated defendants, as well as unnamed Doe defendants. The Hindo Complaint was filed in the United States District Court for the Southern District of New York by alleged shareholders of two of the AllianceBernstein Mutual Funds. The Hindo Complaint alleges that certain of the AllianceBernstein defendants failed to disclose that they improperly allowed certain hedge funds and other unidentified parties to engage in “late trading” and “market timing” of AllianceBernstein Mutual Fund securities, violating Sections 11 and 15 of the Securities Act of 1933, as amended, Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934, as amended, and Sections 206 and 215 of the Investment Advisers Act of 1940, as amended. Plaintiffs seek an unspecified amount of compensatory damages and rescission of their contracts with the Adviser, including recovery of all fees paid to the Adviser pursuant to such contracts.

Following October 2, 2003, additional lawsuits making factual allegations generally similar to those in the Hindo Complaint were filed in various federal and state courts against the Adviser and certain other defendants. On September 29, 2004, plaintiffs filed consolidated amended complaints with respect to four claim types: mutual fund shareholder claims; mutual fund derivative claims; derivative claims brought on behalf of Holding; and claims brought under ERISA by participants in the Profit Sharing Plan for Employees of the Adviser. All four complaints include substantially identical factual allegations, which appear to be based in large part on the Order of the SEC dated December 18, 2003 as amended and restated January 15, 2004 and the New York State Attorney General Assurance of Discontinuance dated September 1, 2004.

On April 21, 2006, the Adviser and attorneys for the plaintiffs in the mutual fund shareholder claims, mutual fund derivative claims, and ERISA claims entered into a confidential memorandum of understanding containing their agreement to settle these claims. The agreement will be documented by a stipulation of settlement and will be submitted for court approval at a later date. The settlement amount (\$30 million), which the Adviser previously accrued and disclosed, has been disbursed. The derivative claims brought on behalf of Holding, in which plaintiffs seek an unspecified amount of damages, remain pending.

It is possible that these matters and/or other developments resulting from these matters could result in increased redemptions of the affected fund’s shares or other adverse consequences to those funds. This may require those funds to sell investments held by those funds to provide for sufficient liquidity and could also have an adverse effect on the investment performance of the Portfolio. However, the Adviser believes that these matters are not likely to have a material adverse effect on its ability to perform advisory services relating to those funds or the Portfolio.

APPENDIX J
SHARE OWNERSHIP INFORMATION

Shares Outstanding

As of September 19, 2008, each Portfolio had the following number of shares of common stock outstanding.

<u>Fund</u>	<u>Class</u>	<u>Number of Outstanding Shares of Common Stock</u>
California II	A	5,798,695.3450
	B	190,800.5960
	C	1,044,140.8560
California Portfolio	A	57,217,819.568
	B	2,042,419.2190
	C	10,431,532.9210
	Advisor	134,127.7590

Ownership of Shares

As of September 19, 2008, the Directors and officers of the Fund as a group beneficially owned approximately 2.12% of the outstanding shares of common stock of California Portfolio. To the knowledge of each Portfolio, the following table shows the persons owning, as of September 19, 2008, either of record or beneficially, 5% or more of the outstanding shares of the Portfolio and the percentage of the combined Portfolio's shares to be owned by the persons if the Acquisition had been consummated as of that date.

<u>Portfolio and Class</u>	<u>Name and Address of Shareholder</u>	<u>Number of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding of Combined Portfolio Class Owned</u>	
California II Class A	MLPF&S For the Sole Benefit of its Customers Attn Fund Admin Jacksonville FL 32246-6484	559,015	9.64%	1.08%	
	Citigroup Global Markets House Account Attn Cindy Tempesta 333 W 34th St FL 3 New York NY 10001-2402	602,362	10.39%	1.17%	
	Class B	Morgan Stanley & Co Harborside Financial Center Plaza II 3rd FL Jersey City NJ 07311	9,653	5.06%	0.53%
Class C	Pershing LLC PO Box 2052 Jersey City NJ 07303-2052	10,324	5.41%	0.57%	
	Class C	Citigroup Global Markets House Account Attn Cindy Tempesta 333 W 34th St FL 3 New York NY 10001-2402	342,855	32.84%	3.65%

<u>Portfolio and Class</u>	<u>Name and Address of Shareholder</u>	<u>Number of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding of Combined Portfolio Class Owned</u>
	MLPF&S For the Sole Benefit of its Customers Attn Fund Admin 4800 Deer Lake Dr E FL 2 Jacksonville FL 32246-6484	226,351	21.68%	2.41%
	AG Edwards & Sons Inc One North Jefferson St Louis MO 63103	149,308	14.30%	1.59%
California Portfolio Class A	MLPF&S For the Sole Benefit of its Customers Attn Fund Admin Jacksonville FL 32246-6484	4,958,215	8.67%	7.69%
	Citigroup Global Markets House Account Attn Cindy Tempesta 333 W 34th St FL 3 New York NY 10001-2402	6,049,641	10.57%	9.38%
	First Clearing LLC Special Custody Acct for the Exclusive Benefit of Customer 10750 Wheat First Dr Glen Allen VA 23060-9245	2,894,604	5.06%	4.49%
	Morgan Stanley & Co Harborside Financial Center Plaza II 3rd FL Jersey City NJ 07311	4,877,908	8.53%	7.57%
Class B	MLPF&S For the Sole Benefit of its Customers Attn Fund Admin 4800 Deer Lake Dr E FL 2 Jacksonville FL 32246-6484	147,727	7.23%	6.48%
	Citigroup Global Markets House Account Attn Cindy Tempesta 333 W 34th St FL 3 New York NY 10001-2402	115,389	5.65%	5.06%
Class C	Morgan Stanley & Co Harborside Financial Center Plaza II 3rd FL Jersey City NJ 07311	678,965	6.51%	5.78%

<u>Portfolio and Class</u>	<u>Name and Address of Shareholder</u>	<u>Number of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding Shares of Class Owned</u>	<u>Percentage of Outstanding of Combined Portfolio Class Owned</u>
	Citigroup Global Markets House Account Attn Cindy Tempesta 333 W 34th ST FL 3 New York NY 10001-2402	833,969	7.99%	7.11%
	MLPF&S For the Sole Benefit of its Customers Attn Fund Admin 4800 Deer Lake Dr E FL 2 Jacksonville FL 32246-6484	2,799,099	26.83%	23.85%
Advisor Class	Citigroup Global Markets 333 W 34th St 3rd FL New York NY 10001-2402	141,504	100.00%	100.00%

APPENDIX K
FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand each Portfolio's financial performance for the past 5 years. Certain information reflects financial results for a single share of each Portfolio. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Portfolio (assuming reinvestment of all dividends and distributions). Except as otherwise indicated, this information has been audited by Ernst & Young LLP, the independent registered public accounting firm for both Insured California, the predecessor to California II, and California Portfolio as of the end of the Portfolios' last fiscal year, whose reports, along with each Portfolio's financial statements, are included in the Portfolios' annual reports and available upon request. There is no financial information available for the Advisor Class shares of California Portfolio, as these shares were not offered prior to August 6, 2008.

Insured California – Class A

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$ 13.61	\$ 13.95	\$ 14.01	\$ 14.21	\$ 14.03	\$ 14.17
Income From Investment Operations						
Net investment income+(a) .....	.24	.48	.53	.57	.61	.60
Net gains or losses on investments (both realized and unrealized)	(.16)	(.18)	.17	(.20)	.18	(.12)
Total from investment operations .....	.08	.30	.70	.37	.79	.48
Less Dividends and Distributions						
Dividends from net investment income	(.24)	(.48)	(.53)	(.57)	(.61)	(.62)
Distributions from capital gains	(.07)	(.16)	(.23)	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.31)	(.64)	(.76)	(.57)	(.61)	(.62)
Net asset value, end of period	\$ 13.38	\$ 13.61	\$ 13.95	\$ 14.01	\$ 14.21	\$ 14.03
Total return(b) .....	.58%	2.17%	5.19%	2.60%	5.75%	3.39%
Net assets, end of period (000s omitted)	\$77,387	\$85,238	\$89,501	\$97,079	\$103,414	\$124,817
Ratios/Supplemental Data						
Ratio of expenses to average net assets*	1.15%(c)	1.08%	1.03%(e)	1.02%	1.00%(d)	1.07%
Ratio of net income (loss) to average net assets+ ...	3.56%(c)	3.52%	3.85%(e)	3.99%	4.29%	4.24%
Portfolio turnover rate	0%	18%	26%	37%	5%	34%

Please refer to the footnotes on page 59.

Insured California – Class B

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$13.60	\$13.95	\$ 14.01	\$ 14.20	\$ 14.02	\$ 14.16
Income From Investment Operations						
Net investment income+(a)	.19	.38	.44	.47	.50	.50
Net gains or losses on investments (both realized and unrealized)	(.16)	(.19)	.16	(.19)	.19	(.12)
Total from investment operations	.03	.19	.60	.28	.69	.38
Less Dividends and Distributions						
Dividends from net investment income	(.19)	(.38)	(.43)	(.47)	(.51)	(.52)
Distributions from capital gains	(.07)	(.16)	(.23)	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.26)	(.54)	(.66)	(.47)	(.51)	(.52)
Net asset value, end of period	<u>\$13.37</u>	<u>\$13.60</u>	<u>\$ 13.95</u>	<u>\$ 14.01</u>	<u>\$ 14.20</u>	<u>\$ 14.02</u>
Total return(b)	.22%	1.38%	4.45%	1.96%	5.02%	2.67%
Net assets, end of period (000s omitted)	\$3,450	\$6,046	\$11,013	\$15,626	\$21,559	\$29,285
Ratios/Supplemental Data						
Ratio of expenses to average net assets*	1.87%(c)	1.79%	1.74%(e)	1.73%	1.71%(d)	1.77%
Ratio of net income (loss) to average net assets+	2.83%(c)	2.81%	3.15%(e)	3.29%	3.58%	3.52%
Portfolio turnover rate	0%	18%	26%	37%	5%	34%

Insured California – Class C

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$ 13.60	\$ 13.94	\$ 14.00	\$ 14.20	\$ 14.02	\$ 14.16
Income From Investment Operations						
Net investment income+(a)	.19	.39	.43	.47	.51	.50
Net gains or losses on investments (both realized and unrealized)	(.16)	(.19)	.17	(.20)	.18	(.12)
Total from investment operations	.03	.20	.60	.27	.69	.38
Less Dividends and Distributions						
Dividends from net investment income	(.19)	(.38)	(.43)	(.47)	(.51)	(.52)
Distributions from capital gains	(.07)	(.16)	(.23)	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.26)	(.54)	(.66)	(.47)	(.51)	(.52)
Net asset value, end of period	<u>\$ 13.37</u>	<u>\$ 13.60</u>	<u>\$ 13.94</u>	<u>\$ 14.00</u>	<u>\$ 14.20</u>	<u>\$ 14.02</u>
Total return(b)	.23%	1.46%	4.46%	1.88%	5.02%	2.67%
Net assets, end of period (000s omitted)	\$13,813	\$14,300	\$16,184	\$18,204	\$19,603	\$21,951
Ratios/Supplemental Data						
Ratio of expenses to average net assets*	1.85%(c)	1.78%	1.73%(e)	1.73%	1.70%(d)	1.77%
Ratio of net income (loss) to average net assets+	2.86%(c)	2.82%	3.15%(e)	3.29%	3.59%	3.53%
Portfolio turnover rate	0%	18%	26%	37%	5%	34%

Please refer to the footnotes on page 59.

California Portfolio – Class A

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$ 10.88	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63	\$ 10.84
Income from Investment Operations						
Net investment income+(a) . . . . .	.23	.46	.47	.48	.51	.53
Net gains or losses on investments (both realized and unrealized)	(.24)	(.20)	.21	(.07)	.30	(.19)
Total from investment operations	(.01)	.26	.68	.41	.81	.34
Less Dividends and Distributions						
Dividends from net investment income	(.22)	(.45)	(.47)	(.48)	(.51)	(.55)
Distributions from capital gains	0.00	0.00	0.00	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.22)	(.45)	(.47)	(.48)	(.51)	(.55)
Net asset value, end of period	\$ 10.65	\$ 10.88	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63
Total return(b)	(.05)%	2.45%	6.42%	3.78%	7.80%	3.15%
Net assets, end of period (000s omitted)	\$594,167	\$594,039	\$594,150	\$590,042	\$587,874	\$644,868
Ratios/Supplemental Data						
Ratio of expenses to average net assets* . . . . .	.77%(c)(f)	.77%(f)	.77%(e)(f)	.77%(f)	.78%(f)	.77%(f)
Ratio of net income (loss) to average net assets	4.25%(c)	4.19%	4.33%(e)	4.36%	4.75%	4.93%
Portfolio turnover rate	1%	21%	10%	17%	34%	33%

California Portfolio – Class B

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$ 10.87	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63	\$ 10.84
Income from Investment Operations						
Net investment income+(a) . . . . .	.19	.38	.40	.40	.44	.46
Net gains or losses on investments (both realized and unrealized)	(.22)	(.20)	.21	(.07)	.30	(.20)
Total from investment operations	(.03)	.18	.61	.33	.74	.26
Less Dividends and Distributions						
Dividends from net investment income	(.19)	(.38)	(.40)	(.40)	(.44)	(.47)
Distributions from capital gains	0.00	0.00	0.00	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.19)	(.38)	(.40)	(.40)	(.44)	(.47)
Net asset value, end of period	\$ 10.65	\$ 10.87	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63
Total return(b)	(.30)%	1.65%	5.69%	3.06%	7.05%	2.43%
Net assets, end of period (000s omitted)	\$30,796	\$43,581	\$80,928	\$122,128	\$175,215	\$237,147
Ratios/Supplemental Data						
Ratio of expenses to average net assets*	1.47%(c)(f)	1.47%(f)	1.47%(e)(f)	1.47%(f)	1.48%(f)	1.48%(f)
Ratio of net income (loss) to average net assets	3.54%(c)	3.48%	3.64%(e)	3.66%	4.05%	4.22%
Portfolio turnover rate	1%	21%	10%	17%	34%	33%

Please refer to the footnotes on page 59.

California Portfolio – Class C

	11/1/07 to 4/30/08 (unaudited)	Year Ended October 31,				
		2007	2006	2005	2004**	2003
Fiscal Year or Period						
Net asset value, beginning of period	\$ 10.88	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63	\$ 10.84
Income from Investment Operations						
Net investment income+(a) . . . . .	.19	.38	.40	.40	.44	.46
Net gains or losses on investments (both realized and unrealized)	(.23)	(.19)	.21	(.07)	.30	(.20)
Total from investment operations	(.04)	.19	.61	.33	.74	.26
Less Dividends and Distributions						
Dividends from net investment income	(.19)	(.38)	(.40)	(.40)	(.44)	(.47)
Distributions from capital gains	0.00	0.00	0.00	0.00	0.00	0.00
Less Distributions						
Total dividends and distributions	(.19)	(.38)	(.40)	(.40)	(.44)	(.47)
Net asset value, end of period	\$ 10.65	\$ 10.88	\$ 11.07	\$ 10.86	\$ 10.93	\$ 10.63
Total return(b)	(.40)%	1.73%	5.69%	3.06%	7.05%	2.43%
Net assets, end of period (000s omitted)	\$112,603	\$111,697	\$120,731	\$125,067	\$141,031	\$170,003
Ratios/Supplemental Data						
Ratio of expenses to average net assets*	1.47%(c)(f)	1.47%(f)	1.47%(e)(f)	1.47%(f)	1.48%(f)	1.47%(f)
Ratio of net income (loss) to average net assets	3.55%(c)	3.49%	3.64%(e)	3.66%	4.05%	4.23%
Portfolio turnover rate	1%	21%	10%	17%	34%	33%

* Net of any waivers/reimbursements and interest expense.

** As of November 1, 2003, the Portfolios have adopted the method of accounting for interim payments on swap contracts in accordance with Financial Accounting Standards Board Statement No. 133. These interim payments are reflected within net realized and unrealized gain (loss) on swap contracts; however, prior to November 1, these interim payments were reflected within interest income/expense on the statement of operations. For the year ended October 31, 2004, the effect of this change to the net investment income and the net realized and unrealized gain (loss) on investment transactions was less than \$0.01 per share. The effect on the ratio of net investment income to average net assets for the aforementioned year ends was as follows:

	Class A	Class B	Class C
Insured California	0.00%*	0.00%*	0.00%*
California Portfolio	0.00*	0.00*	0.00*

* Amount is less than .01%

+ Net of expenses assumed and/or waived by the Adviser for all fiscal periods, except in the case of the Insured California Portfolio for the fiscal period ended October 31, 2004.

(a) Based on average shares outstanding.

(b) Total investment return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at the net asset value during the period, and a redemption on the last day of the period. Initial sales charge or contingent deferred sales charge, if applicable, is not reflected in the calculation of total investment return. Total investment return does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Total investment returns calculated for periods of less than one year are not annualized.

(c) Annualized.

(d) If the Insured California had borne all expenses, the expense ratios for the fiscal period ended October 31, 2004 would have been 1.07% for Class A shares, 1.77% for Class B shares and 1.77% for Class C shares.

(e) The ratio includes expenses attributable to costs of proxy solicitation.

(f) If the California Portfolio had borne all expenses, the expense ratios would have been as follows:

	Six Months Ended April 30, 2008 (unaudited)	Year Ended October 31, 2007	Year Ended October 31, 2006	Year Ended October 31, 2005	Year Ended October 31, 2004	Year Ended October 31, 2003
California Portfolio						
Class A	.86%	.85%	.85%	.86%	1.01%	1.02%
Class B	1.57	1.56	1.56	1.56	1.71	1.73
Class C	1.56	1.55	1.56	1.56	1.71	1.72

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