

September 2008

## For Shareholders of AllianceBernstein Municipal Income Fund— Insured National Portfolio

The Board of Directors of AllianceBernstein Municipal Income Fund—Insured National Portfolio (“Insured National Portfolio”) has approved our recommendation to change certain policies relating to insurance and insurer ratings. The Fund’s name will change to reflect the revised policies.

These policy changes reflect our ongoing effort to meet shareholders’ needs effectively by evaluating our family of funds relative to the evolving market landscape. Based on our most recent research, we’ve concluded that modifying the Insured National Portfolio’s policies will improve our ability to pursue attractive investment opportunities for the benefit of shareholders.

### What changes are being made to the Fund?

- › We’re eliminating the requirement that the Fund maintain at least 80% of its assets in insured bonds.
- › We’re removing restrictions regarding insurer ratings, giving the Fund the flexibility to pursue investment opportunities without the limitations imposed by a bond insurer’s credit quality. The Fund previously didn’t invest in securities backed by insurers with credit ratings below A, and limited its investments in below-AA insured bonds to 25% of the portfolio.
- › We’re changing the name of the Insured National Portfolio to the Alliance Bernstein Municipal Income Fund—National Portfolio II, to reflect the elimination of the insurance requirement.

### Why make these changes?

Credit rating agencies recently downgraded most bond insurers, causing upheaval in the municipal market. Over recent years, these insurers had expanded their core businesses from insuring municipal bonds to insuring risky mortgage securities. As the credit crunch unfolded, the value of these securities plummeted, exposing the insurers to significant losses and undermining their financial strength.

As the bond insurers’ ratings declined, the market questioned the value of municipal bond insurance. Bonds insured by these companies saw their credit ratings fall as well, as investors began evaluating most bonds based principally on an issuer’s credit quality—without taking into account the bond’s insurance component. These ratings downgrades have also made bonds with insurance more volatile.

Many municipalities have responded to this turmoil by simply choosing not to insure the bonds they issue, significantly reducing new issuance of insured bonds. Together with the lowered credit ratings, this development has reduced the pool of municipal bonds that fall within the Fund’s existing guidelines, limiting the available investment opportunities.

In light of these events, our research indicates that a portfolio comprised primarily of insured bonds no longer provides an attractive balance of risk and return potential.

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**What are the key benefits of the changes?**

- By eliminating these investment restrictions, we believe we'll be able to achieve higher returns for a given amount of risk than would be possible from a portfolio composed principally of insured bonds.
- A larger investment universe allows for broader diversification in pursuing the Fund's objective of achieving the highest level of income without undue risk.

**Will the changes impact the Fund's risk/return profile?**

We believe the expanded guidelines will improve the risk/return characteristics of the Fund, because the current policies unduly limit the investment universe given the current market environment. The Fund will continue to pursue the same investment objective.

**Will these changes impact the Fund's yield?**

In our view, a larger opportunity set and broader diversification will allow us to achieve a more attractive yield for investors without taking on undue risk: achieve the highest level of current income, exempt from federal taxation, that's available without assuming what the Adviser believes to be undue risk.

**Will the portfolio management team change?**

No. There will be no changes to the portfolio management team as a result of these enhancements.

<b>AllianceBernstein Municipal Investment Policy Group</b>			
<b>Name</b>	<b>Title/Responsibilities</b>	<b>Years Experience</b>	<b>Years at Firm</b>
R.B. Davidson III	Senior Vice President, Director—Municipal Bonds	25	16
Michael Brooks	Senior Vice President, Portfolio Manager	36	17
Fred S. Cohen	Senior Vice President, Director—Municipal Bond Trading	29	23
Terrance T. Hults	Senior Vice President, Portfolio Manager	17	13
<b>Average</b>		<b>27</b>	<b>17</b>

As of February 1, 2008

**Will CUSIP numbers and stock symbols change?**

No. The Fund will retain its current CUSIPs and ticker symbols:

<b>AllianceBernstein Municipal Income Fund—National Portfolio II</b>		
<b>Class</b>	<b>CUSIP</b>	<b>Ticker Symbol</b>
A	18642405	CABTX
B	18642603	CBBBX
C	18642827	CACCX

**Timing**

**When will the changes take effect?**

- We're removing the investment restrictions regarding insurer ratings effective immediately, allowing the portfolio management team to adjust the portfolio over time.
- We'll change the Fund's name to AllianceBernstein Municipal Income Fund—National Portfolio II and will eliminate the insurance requirement on or about December 1, 2008.

**How will shareholders be notified?**

We'll notify investors with a prospectus supplement, which we'll distribute on or about September 26, 2008.

AllianceBernstein L.P. does not provide tax advice. In considering this message, you should discuss your individual circumstances with your tax advisor before making any decisions.

#### A Word About Risk

Price fluctuations in the Portfolio's securities may be caused by changes in the general level of interest rates or changes in bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. Please note, as interest rates rise, existing bond prices fall and can cause the value of your investment in the Portfolio to decline. Municipal income securities may realize gains; therefore, shareholders will incur a tax liability from time to time. Income may be subject to the alternative minimum tax. A municipal security could be downgraded or its issuer could default in payment of principal or interest. If applicable, for bonds that are issued at higher interest rates, the issuer may exercise its right to recall some or all of the outstanding bonds to investors prior to their maturity. While the Portfolio invests principally in bonds and other fixed-income securities, in order to achieve its investment objectives, the Portfolio may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. These risks are fully discussed in the Portfolio's prospectus.

The Portfolio may purchase municipal securities that are insured under policies issued by certain insurance companies. Insured municipal securities typically receive a higher credit rating which means that the issuer of the securities pays a lower interest rate. In purchasing such insured securities, the Adviser gives consideration to both the insurer and the credit quality of the underlying issuer. The insurance reduces the credit risk for a particular municipal security by supplementing the creditworthiness of the underlying bond and provides additional security for payment of the principal and interest of a municipal security. Certain of the insurance companies that provide insurance for municipal securities provide insurance for other types of securities, including some involving subprime mortgages. The value of subprime mortgage securities has declined recently and some may default increasing a bond insurer's risk of having to make payments to holders of subprime mortgage securities. Because of this risk, the ratings of some insurance companies have been, or may be, downgraded and it is possible that an insurance company may become insolvent. If an insurance company's rating is downgraded or the company becomes insolvent, the prices of municipal securities insured by the insurance company may decline.

**An investor should consider the investment objectives, risks and charges and expenses of a fund carefully before investing. For a free copy of a fund's prospectus, which contains this and other information, visit our website at [www.alliancebernstein.com](http://www.alliancebernstein.com) or call AllianceBernstein Investments at 800.227.4618. Investors should read the prospectus carefully before investing.**

AllianceBernstein Investments, Inc. is an affiliate of AllianceBernstein L.P., the manager of the funds, and a member of FINRA.

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