

IMPORTANT NOTICE REGARDING CHANGE IN INVESTMENT POLICY

AllianceBernstein Municipal Income Fund, Inc. – Insured California Portfolio

September 24, 2008

As required by a policy adopted by Insured California Portfolio (the “Portfolio”), a series of AllianceBernstein Municipal Income Fund, Inc. (the “Fund”), this is to provide you with notice of a change in the Portfolio’s non-fundamental policy to invest at least 80% of its net assets in insured municipal securities. On September 23, 2008, the Board of Directors (the “Board”) of the Fund approved the elimination of this policy. The Board also approved a change in the Portfolio’s name to California Portfolio II. In light of recent credit declines and downgrades of insurers, the Fund’s adviser, AllianceBernstein L.P. (the “Adviser”), advised the Board that it believes that insured municipal securities generally no longer offer a higher credit-quality investment than uninsured municipal securities. In addition, the supply of insured municipal securities has declined leading to reduced availability of these securities. The Adviser concluded that it could provide better investment opportunities for the Portfolio’s shareholders through its own evaluation of the credit quality of municipal securities without being restricted to investments primarily in insured municipal securities.

The name and policy changes will not become effective until at least 60 days after the date of this notice and are currently expected to become effective on or about December 1, 2008.

The Board also approved a proposal, effective immediately, to eliminate the Portfolio’s non-fundamental policies relating to the ratings of insured municipal securities, including that (i) no more than 25% of the Portfolio’s total assets may be invested in insured municipal securities covered by policies issued by insurers with a claims-paying ability rated below AA by Moody’s, S&P or Fitch and (ii) 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. The Portfolio will continue to invest predominantly in investment grade securities.