



ACM GOVERNMENT OPPORTUNITY FUND, INC.

1345 Avenue of the Americas
New York, New York 10105

October 27, 2006

Dear Stockholders:

The Board of Directors (the “Directors”) of ACM Government Opportunity Fund (“ACM Government Opportunity”) is pleased to invite you to a Special Meeting of Stockholders of ACM Government Opportunity (the “Meeting”) to be held on Tuesday, December 12, 2006. At this Meeting, we are asking you to approve the acquisition of the assets and the assumption of the liabilities of ACM Government Opportunity by ACM Income Fund, Inc. (“ACM Income”) and the dissolution of ACM Government Opportunity. The proposed acquisition is described in more detail in the attached Prospectus/Proxy Statement.

ACM Income is much larger and somewhat more diversified than ACM Government Opportunity. We anticipate that the proposed acquisition will result in benefits to the stockholders of ACM Government Opportunity as more fully discussed in the Prospectus/Proxy Statement.

The Directors of ACM Government Opportunity have given careful consideration to the proposed acquisition and have concluded that the acquisition is in the best interests of ACM Government Opportunity and its stockholders. The Directors of ACM Government Opportunity recommend that you vote “for” the proposed acquisition of ACM Government Opportunity by ACM Income.

If the acquisition of ACM Government Opportunity by ACM Income is approved, each ACM Government Opportunity stockholder will receive shares of ACM Income having an aggregate net asset value (“NAV”) equal to the aggregate NAV of the stockholder’s shares in ACM Government Opportunity. ACM Government Opportunity would then cease operations. You will not be assessed any sales charges or other stockholder 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 votes. The Altman Group, Inc. (the “Proxy Solicitor”), 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,

Marc O. Mayer
President



ACM GOVERNMENT OPPORTUNITY FUND, INC.

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

**NOTICE OF A SPECIAL MEETING OF STOCKHOLDERS
SCHEDULED FOR DECEMBER 12, 2006**

To the stockholders of ACM Government Opportunity Fund, Inc. (“ACM Government Opportunity”), a Maryland corporation:

Notice is hereby given that a Special Meeting of the Stockholders of ACM Government Opportunity (the “Meeting”) will be held at 1345 Avenue of the Americas, 41st Floor, New York, New York 10105 on Tuesday, December 12, 2006, at 11:30 a.m., Eastern Time, to consider and vote on the following proposal, which is more fully described in the accompanying Prospectus/Proxy Statement dated October 27, 2006:

1. To approve an Agreement and Plan of Acquisition and Liquidation (the “Plan”) among ACM Government Opportunity, ACM Income Fund, Inc. (“ACM Income”), a Maryland corporation, and AllianceBernstein L.P., providing for the acquisition by ACM Income of all of the assets and assumption of all of the liabilities of ACM Government Opportunity in exchange for shares of ACM Income (the “Proposal”). A vote in favor of this Proposal by the stockholders of ACM Government Opportunity also will constitute a vote in favor of the dissolution of ACM Government Opportunity and termination of its registration under the Investment Company Act of 1940, as amended.
2. To transact any other business that may properly come before the Meeting and any adjournments or postponements thereof.

Any stockholder of record of ACM Government Opportunity at the close of business on October 13, 2006 (the “Record Date”) 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 stockholder 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,

Marc O. Mayer
President

New York, New York
October 27, 2006

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.

PROSPECTUS/PROXY STATEMENT

Acquisition of the Assets and Assumption of the Liabilities of

ACM GOVERNMENT OPPORTUNITY FUND, INC.

By, and in Exchange for Shares of,

ACM INCOME FUND, INC.

October 27, 2006

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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 prior to 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 ACM Government Opportunity Fund, Inc. (“ACM Government Opportunity”) by ACM Income Fund, Inc. (“ACM Income”) and the subsequent dissolution of ACM Government Opportunity (ACM Government Opportunity and ACM Income are each a “Fund” and collectively, the “Funds”). This document also solicits your vote on the Acquisition by requesting that you approve the Agreement and Plan of Acquisition and Liquidation dated as of September 20, 2006 (the “Plan”), among ACM Government Opportunity, ACM Income and AllianceBernstein L.P. (the “Adviser”).

On September 13, 2006, the Directors approved and declared advisable the Acquisition of ACM Government Opportunity by ACM Income and the subsequent dissolution of ACM Government Opportunity and directed that the Acquisition and dissolution be submitted to stockholders of ACM Government Opportunity for approval at a Special Meeting of Stockholders to be held on December 12, 2006, 11:30 a.m., Eastern Time (the “Meeting”). You are receiving this Prospectus/Proxy Statement because you own shares of ACM Government Opportunity. Each stockholder of record of ACM Government Opportunity as of the close of business on the Record Date has the right under applicable legal and regulatory requirements to vote on the Acquisition and dissolution. The Acquisition will not occur unless it is approved by ACM Government Opportunity stockholders. This Prospectus/Proxy Statement contains the information you should know before voting on the proposed Acquisition.

You may contact a Fund at 1-800-221-5672 or write to a Fund at 1345 Avenue of the Americas, New York, NY 10105.

2. Who is eligible to vote on the Acquisition?

Stockholders of record of ACM Government Opportunity at the close of business on October 13, 2006 (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 ACM Government Opportunity 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 stockholders’ instructions. If you sign and return a proxy card but do not fill in a vote, your shares will be voted “FOR” the Acquisition. 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 ACM Government Opportunity to ACM Income, (ii) the assumption by ACM Income of all of the liabilities of ACM Government Opportunity and the subsequent redemption of shares of ACM Government Opportunity, (iii) the liquidating distribution to ACM Government Opportunity stockholders of shares of ACM Income equal in aggregate net asset value (“NAV”) to the NAV of their former ACM Government Opportunity shares, and (iv) the dissolution of ACM Government Opportunity.

As a result of the Acquisition, stockholders of ACM Government Opportunity will no longer hold shares of ACM Government Opportunity, and instead, will become stockholders of ACM Income having the same aggregate NAV as the shares of ACM Government Opportunity that they held immediately before the Acquisition. Please note that ACM Government Opportunity stockholders who do not participate in ACM Government Opportunity’s Dividend Reinvestment Plan will receive cash in lieu of fractional shares. You will not be assessed any sales charges or other stockholder fees in connection with the proposed Acquisition. ACM Government Opportunity will bear the cost of the Acquisition and certain other costs. The Acquisition will not occur unless it is approved by the stockholders of ACM Government Opportunity.

4. Why is the Acquisition being proposed?

Based on the recommendation of the Adviser, the Board of Directors of ACM Government Opportunity (the "Board") concluded that participation by ACM Government Opportunity in the proposed Acquisition is in the best interests of ACM Government Opportunity and its stockholders. The Board also concluded that the proposed Acquisition would not dilute stockholders' interests. In reaching this conclusion, the Board considered, among other things, the Funds' investment objectives and investment policies, the expense benefits, exclusive of interest expense, for ACM Government Opportunity stockholders expected to result from the Acquisition, the leverage employed by ACM Government Opportunity and ACM Income, the investment performance and trading history of the Funds, the costs of the Acquisition, and the tax-free nature of the Acquisition.

5. When will the Acquisition take place?

If the stockholders of ACM Government Opportunity approve the Acquisition, then the Acquisition is expected to occur in the first quarter of 2007.

6. Where may I find additional information regarding the Funds?

Additional information about the Funds is available in the Statement of Additional Information ("SAI") dated October 27, 2006 that has been filed with the Securities and Exchange Commission ("SEC") in connection with this Prospectus/Proxy Statement. The SAI and each Fund's Annual Report to Stockholders, which contains audited financial statements for the Fund's respective fiscal year, are incorporated by reference into this Prospectus/Proxy Statement. In addition, the Semi-Annual Reports for ACM Income and ACM Government Opportunity for the six months ended June 30, 2006 and January 31, 2006, respectively, are also incorporated by reference into this Prospectus/Proxy Statement. To request a copy of any of these documents, please call AllianceBernstein Investments, Inc. at (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: 1-202-551-8090 (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

The shares of the Funds are listed and publicly traded on the New York Stock Exchange ("NYSE") under the following symbols: ACM Government Opportunity – "AOF" and ACM Income – "ACG". Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE. Additional copies of the annual and semi-annual reports, as well as the Prospectus/Proxy Statement and SAI, are available 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

Other Important Things to Note:

- You may lose money by investing in the Fund.
- 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 AN AGREEMENT AND PLAN OF ACQUISITION AND LIQUIDATION
AMONG ACM INCOME,
ACM GOVERNMENT OPPORTUNITY AND ALLIANCEBERNSTEIN LP

On September 13, 2006, the Board of Directors of ACM Government Opportunity declared advisable and voted to approve the Plan and the Acquisition, subject to the approval of the stockholders of ACM Government Opportunity. The Plan provides for: (i) the transfer of all of the assets of ACM Government Opportunity to ACM Income, (ii) the assumption by ACM Income of all of the liabilities of ACM Government Opportunity, (iii) the liquidating distribution to ACM Government Opportunity stockholders of shares of ACM Income equal in aggregate NAV to the NAV of their former ACM Government Opportunity shares, and (iv) the dissolution of ACM Government Opportunity.

Each holder of ACM Government Opportunity shares will receive the number of full shares of ACM Income, plus fractional shares for stockholders that participate in a Dividend Reinvestment and Cash Purchase Plan (“DRIP”) and cash in lieu of any fractional shares for non-DRIP participating stockholders, having an aggregate NAV that is equal to the aggregate NAV of the stockholder’s shares of ACM Government Opportunity. With respect to this receipt of shares of ACM Income as a result of the Acquisition, stockholders of ACM Government Opportunity will recognize no gain or loss, except with respect to any cash received in lieu of fractional ACM Income shares by non-DRIP participating stockholders. If approved by stockholders of ACM Government Opportunity, the Acquisition is expected to occur in the first quarter of 2007.

An exchange of ACM Government Opportunity shares for ACM Income shares at NAV may result in ACM Government Opportunity stockholders’ receiving ACM Income shares with an aggregate market value on the date of exchange that is higher or lower than the market value of their shares immediately prior to the exchange. The reason for this difference is that the market price for shares of the Funds in relation to their NAVs may be different, *i.e.*, a Fund’s shares may trade at different discounts or premiums to its NAV.

The stockholders of ACM Government Opportunity must approve the Acquisition for it to occur. Approval of the Acquisition requires the affirmative vote of the holders of a majority of the votes entitled to be cast. The Acquisition does not require approval of the stockholders of ACM Income.

A quorum for the transaction of business by stockholders of ACM Government Opportunity at the Meeting will consist of the presence in person or by proxy of the holders of a majority of the shares of ACM Government Opportunity entitled to vote at the Meeting.

The Board of Directors of ACM Government Opportunity concluded that participation by ACM Government Opportunity in the proposed Acquisition is in the best interests of ACM Government Opportunity and its stockholders. The Board also concluded that the proposed Acquisition would not dilute stockholders’ interests. In reaching this conclusion, the Board considered, among other things, the Funds’ investment objectives and investment policies, the expense benefits, exclusive of interest expense, for ACM Government Opportunity stockholders expected to result from the Acquisition, and the cost and the tax-free nature of the Acquisition.

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

SUMMARY

The following summary highlights differences between the Funds. 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. Note that certain information is presented as of March 31, 2006. At the September 13, 2006, Special Meeting of the Board of Directors of ACM Government Opportunity referred to below (the "September 13 Special Meeting"), the Adviser represented to the Board that, if the information was updated, it would not differ in any material respect.

Comparison of Current Investment Advisory Fees

The current management fees of the Funds are shown in the table below. As indicated in the table, we expect that ACM Income on a pro forma basis would have a lower management fee after the Acquisition than the current management fee of ACM Government Opportunity.

	<u>Management Fee</u>
ACM Government Opportunity	.75%
ACM Income	.65%
Combined Fund	.65% (pro forma)

ACM Income's management fee is a combination of a base fee of .30% on the first \$250 million of net assets and .25% on net assets in excess of \$250 million thereafter, plus 4.75% of daily gross income, subject to the limitation that the total management fee will not exceed .95%. The management fee for ACM Income shown above is based on the current and, after the Acquisition, pro forma income of ACM Income but the fee has varied significantly in the past and can be expected to vary in the future based on ACM Income's gross income, which may be affected by, among other things, interest rate levels and the amount of leverage employed.

Fee Table and Comparison of Expenses

The Fee Table, shown below, describes the fees and expenses of each Fund as of March 31, 2006 and includes expenses for the Combined Fund on a pro forma basis assuming that the Acquisition is approved by stockholders of ACM Government Opportunity.

Fee Table

The purpose of the table below is to assist an investor in understanding the various costs and expenses that a stockholder bears directly and indirectly from an investment in the Funds. The table allows you to compare the sales charges, expenses of each Fund and the estimates for ACM Income on a pro forma basis in the first year following the Acquisition. The information is presented as of March 31, 2006.

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>ACM Income Pro Forma</u>
Stockholder Transaction Expenses			
Sales Load (as a percentage of offering price)	None	None	None
Dividend Reinvestment Plan Fees(a)	None	None	None
Annual Expenses (as a percentage of net assets attributable to common shares)			
Management Fees	.75%	.65%	.65%
Interest Payments on Borrowed Funds	1.30%	2.15%	2.15%
Other Expenses	.60%	.11%	.11%(b)
Total Annual Expenses	2.65%	2.91%	2.91%
Waiver and/or Expense Reimbursement(c)	(.10)(c)	None	None
Net Annual Expenses Reflecting Waiver(d)	2.55%	2.91%	2.91%

- (a) There are no charges with respect to shares issued directly by a Fund to satisfy the dividend reinvestment requirements. However, each participant will pay a pro-rata share of brokerage commissions incurred with respect to a Fund's dividend reinvestment plan agent's open market purchases of shares. In each case, the cost per share of shares purchased for each stockholder's account will be the average cost, including brokerage commissions, of any shares purchased in the open market plus the cost of any shares issued by a Fund.
- (b) Based on estimated expenses.
- (c) Reflects the Adviser's voluntary waiver of a portion of its administrative fee since February 11, 2005.
- (d) If interest expenses were excluded net annual expenses reflecting waiver and net of interest expense on borrowed funds would be 1.25%, .76% and .76%, respectively.

Example

You would pay the following on a \$1,000 investment assuming a 5% annual return. The Example assumes the reinvestment of all dividends and distributions at net asset value and reflects all recurring and nonrecurring fees.

	ACM Government Opportunity Fund	ACM Income Fund	ACM Income Pro Forma
After 1 Year	\$ 27	\$ 29	\$ 29
After 3 Years	\$ 82	\$ 90	\$ 90
After 5 Years	\$141	\$153	\$153
After 10 Years	\$299	\$323	\$323

The projected post-Acquisition pro forma Annual Fund Expenses and Example presented above are based upon numerous material assumptions, including that (1) the current contractual agreements will remain in place and (2) certain fixed costs involved in operating ACM Government Opportunity are eliminated. 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 ACM Income or the Adviser. Consequently, the Example should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown.

Comparison of Expenses

As indicated in the Fee Table above, both ACM Government Opportunity and ACM Income make interest payments as a result of their use of leverage. Since ACM Income currently uses significantly more leverage than ACM Government Opportunity, its total annual expense ratio is higher than that of ACM Government Opportunity even though its expenses other than interest expense are significantly lower than those of ACM Government Opportunity. The level of interest expense of a fund in any particular period varies significantly depending on the amount and type of leverage employed and on interest rate levels. Also, the Adviser does not employ leverage unless it expects the leverage to increase a Fund's total returns. The table below illustrates the expected effect of the Acquisition on expenses other than interest expenses as well as on total expenses.

	Expenses Including Management Fees and Other Operating Expenses Only	Total Annual Expenses
ACM Government Opportunity	1.35%*	2.65%
ACM Income	0.76%	2.91%
Combined Fund	0.76% (pro forma)	2.91% (pro forma)

* After waiver, the expenses were 1.25%.

The Acquisition would, as indicated in the Table above, provide a sizeable reduction in Management Fees and Other Operating Expenses for ACM Government Opportunity. With its significantly smaller asset size, ACM Government Opportunity has higher expenses exclusive of interest expense, which is predominantly due to higher Other Operating Expenses. ACM Government Opportunity has "Other Operating Expenses" of 0.60% (0.50% after the waiver of 0.10% of administration fees), while ACM Income has "Other Operating Expenses" of 0.11%. Total expenses including interest expense would be higher after the Acquisition than the current total annual expenses of ACM Government Opportunity but it would be the same as ACM Income's current total annual expense ratio. As noted above, this is because ACM Income currently uses leverage to a significantly greater extent than ACM Government Income and accordingly, has higher interest expense. Interest expense of a fund varies from period to period depending on the amount and type of leverage employed and interest rate levels.

The Acquisition would, as indicated, provide a sizeable reduction in Management Fees and Other Operating Expenses for ACM Government Opportunity. Even were ACM Income to earn the maximum income component of its fee and, therefore, its maximum management fee of .95%, the expenses of ACM Income on a pro forma basis would be 1.06%. This level of expenses exclusive of interest would still remain significantly below ACM Government Opportunity’s current expenses and the Adviser believes that ACM Government Opportunity’s stockholders would benefit from the Acquisition even under a maximum management fee scenario.

Comparison of Investment Objectives and Policies

ACM Income is a fund of significantly larger size and scale that employs investment strategies similar to ACM Government Opportunity although ACM Income has greater investment flexibility than ACM Government Opportunity. Both Funds primarily invest in U.S. Government securities. The following table shows the Funds’ investment objectives and certain principal investment strategies.

	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
ACM Income	ACM Income’s investment objective is high current income consistent with preservation of capital.	ACM Income invests at least 65% of its total assets in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities (“U.S. Government securities”) and repurchase agreements pertaining to U.S. Government securities. ACM Income may invest up to 35% of its total assets in sovereign debt securities, corporate debt securities and high yield debt securities.
ACM Government Opportunity	ACM Government Opportunity’s primary investment objective is high current income consistent with prudent investment risk. The Fund’s secondary investment objective is growth of capital.	ACM Government Opportunity invests at least 65% of its total assets in U.S. Government securities. ACM Government Opportunity may invest up to 35% of its total assets in sovereign debt securities.

As the table above shows, the Funds have similar investment strategies of investing at least 65% of their assets in U.S. Government securities and the balance at least partially in sovereign debt securities. ACM Government Opportunity’s stockholders should benefit from the somewhat broader strategy of ACM Income because ACM Income may invest up to 35% of its assets in sectors other than sovereign debt, such as corporate investment grade and high yield debt securities, while ACM Government Opportunity may invest its other assets only in sovereign debt securities. A more detailed comparison of the Funds’ existing investment strategies and policies is provided in Appendix A. You can find additional information on the Funds in the SAI.

ACM Income has historically had a higher rate of portfolio turnover than ACM Government Opportunity. For example, in fiscal 2005, ACM Income’s portfolio turnover rate was 160% compared to 64% for ACM Government Opportunity. A higher rate of portfolio turnover increases transaction expenses, which are borne by the Fund and its stockholders. Higher portfolio turnover also may result in the realization of net short-term capital gains, which, when distributed are taxable at ordinary income rates to stockholders.

In connection with the Acquisition, at the September 13 Special Meeting, the Board of Directors approved the elimination of ACM Government Opportunity’s policy to invest at least 80% of its net assets in securities issued by any government. The Directors adopted a new policy to permit ACM Government Opportunity to invest up to 35% of its net assets in corporate debt securities (including collateralized mortgage obligations) and securities rated below BBB by S&P or Baa by Moody’s or, if not rated, of comparable investment quality as determined by the Adviser. In addition to the adoption of that policy, the Directors also approved a change in the

Fund's name from "ACM Government Opportunity Fund, Inc." to "ACM Opportunity Fund, Inc." The Board of Directors also granted the Adviser the authority to operate ACM Government Opportunity pursuant to the same investment policies and restrictions that govern ACM Income. Each of the foregoing changes is subject to ACM Government Opportunity stockholders approving the Acquisition.

The intent of these changes is to allow the repositioning of ACM Government Opportunity's portfolio to align it with the broader investment strategies of ACM Income prior to the effective date of the Acquisition. The costs of this portfolio repositioning are expected to be approximately \$112,500. The portfolio repositioning costs on a per share basis is approximately \$0.01 per share. It is anticipated that there will be no capital gain consequences attributable to the portfolio repositioning. Upon the recommendation of the Adviser, the Board of Directors determined that it would be appropriate for ACM Government Opportunity to pay the costs of the portfolio repositioning because ACM Government Opportunity's stockholders would derive the greatest benefits from the Acquisition.

Principal Risks

Each Fund is subject to market risk, interest rate risk, credit risk, leverage risk, foreign risk, and currency risk. A description of each of these and other risks is provided in Appendix B. ACM Income may invest up to 35% of its assets in high yield debt securities, whereas ACM Government Opportunity does not have this investment flexibility. Investments in fixed-income securities with lower ratings have greater credit risks because they tend to have a higher probability that the issuer will default or fail to meet its payment obligations. In addition, because ACM Income uses leverage to a greater extent, ACM Income is riskier than ACM Government Opportunity. Leverage may make a Fund's portfolio more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of a Fund's investments.

Federal Income Tax Consequences

No gain or loss will be recognized by ACM Government Opportunity as a result of the Acquisition. With respect to this receipt of shares of ACM Income, no gain or loss will be recognized by the ACM Government Opportunity stockholders except with respect to cash received in lieu of fractional shares of ACM Income by non-DRIP stockholders, as a result of the Acquisition. The aggregate tax basis of the shares of ACM Income received by a stockholder of ACM Government Opportunity (including any fractional shares to which the stockholder may be entitled) will be the same as the aggregate tax basis of the stockholder's shares of ACM Government Opportunity. The holding period of the shares of ACM Income received by a stockholder of ACM Government Opportunity (including any fractional shares to which the stockholder may be entitled) will include the holding period of the shares of ACM Government Opportunity held by the stockholder, provided that such shares are held as capital assets by the stockholder of ACM Government Opportunity at the time of the Acquisition. The holding period and tax basis of each asset of ACM Government Opportunity in the hands of ACM Income 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 ACM Government Opportunity prior to the Acquisition. Any gain or loss realized by a stockholder of ACM Government Opportunity upon receipt of cash in lieu of fractional shares of ACM Income by non-DRIP stockholders will be recognized by the stockholder and measured by the difference between the amount of cash received and the basis of the fractional share and, provided that the ACM Government Opportunity shares surrendered constitute capital assets in the hands of the stockholder, will be capital gain or loss. This tax information is based on the advice of Seward & Kissel LLP, counsel to the Fund. 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.

ACM Government Opportunity has realized capital gains and no capital loss carryforwards. It is anticipated that ACM Government Opportunity will make a distribution of capital gains to its stockholders prior to the closing of the Acquisition.

The per share amount of capital loss carryforwards of ACM Income before the Acquisition, as of March 31, 2006, was \$1.44 per share and, after giving effect to the Acquisition as if it occurred on such date, the per share amount of capital loss carryforwards of ACM Income on a pro forma basis after the Acquisition would be \$1.36

per share. The decrease in per share amount is due to the spreading of losses remaining available over the merged share base based on the estimated share conversion ratio. ACM Government Opportunity's stockholders would potentially benefit from the increased amount of loss carryforwards available to offset gains. As a practical matter, the availability of the loss carryforwards in ACM Income on a pro forma basis after the Acquisition is unlikely to be meaningful for stockholders because, depending on, among other things, market conditions, it is uncertain whether ACM Income would be able to use the capital loss carryforwards. The Fund's investment strategy focuses on achieving high income, which may mean that its portfolio managers will not sell appreciated securities to recognize gains that would be offset by capital loss carryforwards where it would otherwise be advantageous to retain those securities.

Comparison of Stockholder Services

The stockholder services of each Fund are generally the same. The DRIP, which is available to the Funds' stockholders, provides automatic reinvestment of dividends and capital gain distributions in additional Fund shares. The DRIP also allows stockholders to make optional cash investments in Fund shares through a plan agent. Assuming the Acquisition is approved, the DRIP stockholders of ACM Government Opportunity will automatically be enrolled in the DRIP for ACM Income. A more detailed discussion of the DRIP and other stockholder services and procedures is provided in Appendix C.

Service Providers

The Funds have the same service providers, which will continue in their capacity after the Acquisition, with one exception. State Street Bank and Trust Company, which is ACM Income's custodian, will serve in that capacity after the Acquisition in lieu of ACM Government Opportunity's current custodian, which is The Bank of New York.

Comparison of Business Structures

Each Fund is organized as a Maryland corporation and is governed by its Charter, Bylaws and Maryland law. Generally, there are no significant differences between the Funds in terms of their respective corporate organizational structure. For more information on the comparison of the business structure of the Funds, see Appendix C.

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 ACM Government Opportunity by ACM Income and the subsequent liquidation and dissolution of ACM Government Opportunity. The Meeting will be held at 1345 Avenue of the Americas, 41st Floor, New York, New York 10105 at 11:30 a.m., Eastern Time, on December 12, 2006. This Prospectus/Proxy Statement, the accompanying Notice of a Special Meeting of Stockholders and the enclosed proxy card are being mailed to stockholders of ACM Government Opportunity on or about October 27, 2006.

Description of the Plan

As provided in the Plan, ACM Income will acquire all the assets and assume all the liabilities of ACM Government Opportunity at the effective time of the Acquisition (the "Effective Time"). In return, ACM Income will issue, and ACM Government Opportunity will distribute to its stockholders, a number of full and fractional shares of ACM Income (and cash in lieu of fractional shares for non-DRIP stockholders), determined by dividing the net value of all the assets of ACM Government Opportunity by the NAV of one share of ACM Income. For this purpose, the Plan provides the times for and methods of determining the net value of the assets of each Fund. The Plan provides that stockholders of ACM Government Opportunity will be credited with shares of ACM Income (or cash in lieu of fractional shares for non-DRIP stockholders) corresponding to the aggregate NAV of the ACM Government Opportunity's shares that the stockholder holds of record at the Effective Time.

Following the distribution of shares of ACM Income in full liquidation of ACM Government Opportunity, ACM Government Opportunity will wind up its affairs, and liquidate and dissolve as soon as is reasonably practicable after the Acquisition. In the event the Acquisition does not receive the required stockholder approval, ACM Government Opportunity will continue its operations and its Directors 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 \$224,000 and will be borne by ACM Government Opportunity. The Acquisition costs on a per share basis are approximately \$0.02 per share.

The Acquisition is expected to occur in the first quarter of 2007. The Acquisition is conditioned upon approval of the Plan by ACM Government Opportunity stockholders and ACM Government Opportunity satisfying the terms of the Plan. Under applicable legal and regulatory requirements, none of ACM Government Opportunity's stockholders will be entitled to exercise objecting stockholders' appraisal rights, *i.e.*, to demand the fair value of their shares in connection with the Acquisition. Therefore, stockholders will be bound by the terms of the Acquisition under the Plan. However, any stockholder of ACM Government Opportunity may sell shares of the Fund's common stock on the NYSE prior to the Acquisition. The shares of ACM Government Opportunity may cease trading on the NYSE beginning several days prior to the date of the Acquisition. Any cessation of trading will be accomplished in compliance with NYSE rules, including issuance of a press release.

After the Acquisition, ACM Government Opportunity's shares of common stock will be removed from listing on the NYSE. In addition, ACM Government Opportunity's shares of common stock will be withdrawn from registration under the Securities Exchange Act of 1934 and ACM Government Opportunity will deregister as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act") and will dissolve under Maryland law.

Completion of the Acquisition is subject to certain conditions set forth in the Plan, some of which may be waived by a party to the Plan. The Plan may be amended in any mutually agreed manner, except that no amendment may be made subsequent to stockholder approval of the Acquisition that materially alters the obligations of either party. The parties to the Plan may terminate the Plan by mutual consent and either party has the right to terminate the Plan under certain circumstances. Among other circumstances, either party may at any time terminate the Plan unilaterally upon a determination by the party's Board of Directors that proceeding with the Plan is not in the best interests of the Fund or its stockholders.

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

Reasons for the Acquisition

At the September 13 Special Meeting, the Adviser recommended that the Board of Directors of ACM Government Opportunity approve and recommend to the Fund's stockholders for their approval the proposed Plan and the Acquisition. The Directors considered the factors discussed below from the point of view of the interests of the Fund and its stockholders. After careful consideration, the Board of Directors (including all Directors who are not "interested persons" of the Fund, the Adviser or its affiliates) determined that the Acquisition would be in the best interests of the Fund's stockholders and that the interests of existing stockholders of the Fund would not be diluted as a result of the Acquisition. The Directors of ACM Government Opportunity approved the Plan and the Acquisition and recommended that the stockholders of ACM Government Opportunity vote in favor of the Acquisition by approving the Plan.

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

- The Funds date back to 1987-1988, when they were launched in close succession along with two other similar closed-end funds (these other funds were acquired by ACM Income in early 2001). All of these funds sought high current income, consistent with the preservation of capital, through investments primarily in U.S. Government securities. ACM Income conducted its initial public offering on August 21, 1987 and raised \$512 million in the offering. ACM Income subsequently conducted two rights offerings

raising \$71 million in 1993 and \$547 million in 2001. ACM Income's current net assets are, as of March 31, 2006, \$1.87 billion. ACM Government Opportunity conducted its initial public offering on August 24, 1998 and raised \$123 million in the offering. ACM Government Opportunity's current net assets are, as of March 31, 2006, \$110 million.

The Adviser discussed with the Board that it believes that the Acquisition of ACM Government Opportunity, which is a significantly smaller fund with higher expenses, exclusive of interest, by its larger counterpart, ACM Income, would benefit the Fund and its stockholders. Currently, ACM Income and ACM Government Opportunity have similar investment strategies of investing at least 65% of their assets in U.S. Government securities and the balance at least partially in emerging market government securities. The Adviser believes that ACM Government Opportunity's stockholders would benefit from the somewhat broader strategy of ACM Income because it invests up to 35% of its assets in sectors other than sovereign debt, such as corporate investment grade and high yield debt securities, while ACM Government Opportunity invests its other assets only in sovereign debt securities. The Adviser also discussed that ACM Income has had a modestly better performance track record. For the five-year period ended on July 31, 2006, ACM Income outperformed ACM Government Opportunity by approximately 0.70% on an annualized basis. ACM Income has outperformed ACM Government Opportunity on a calendar year basis in three of the last five years. The Adviser believes that ACM Income's performance advantage is due to its more broadly diversified portfolio and lower expenses.

At the September 13 Special Meeting, the Directors (with the advice and assistance of independent counsel) also considered, among other things:

- potential stockholder benefits including (i) the fact that expenses exclusive of interest expense of ACM Income on a pro forma basis after the Acquisition would be significantly lower than the current expenses before interest expense of ACM Government Opportunity even if ACM Income were to earn its maximum management fee and (ii) the potential for ACM Government Opportunity's stockholders to benefit from increased earnings of ACM Income after the Acquisition due to the repositioning of ACM Government Opportunity's portfolio and the higher level of leverage maintained by ACM Income in contrast to ACM Government Opportunity and the anticipation of increased returns as a result of that higher leverage;
- the higher total annual expense ratio of the Combined Fund as compared to the current total annual expense ratio of ACM Government Opportunity due to the higher level of leverage that will be used by the Combined Fund similar to the current level of leverage used by ACM Income;
- the amount and type of leverage used by the two Funds, including the fact that ACM Income has historically used significantly more leverage than ACM Government Opportunity and the increased interest costs and potential benefits associated with leverage;
- the current asset levels of ACM Government Opportunity and the combined pro forma asset levels of ACM Income;
- the historical investment performance of the Funds, including the fact that ACM Income's investment performance over time has been better than that of ACM Government Opportunity;
- the distribution and trading history of the two Funds, including the fact that ACM Income's dividend has consistently been higher than that of ACM Government Opportunity, and that the trading price of ACM Income's common stock compared to its NAV has, over time and currently, been somewhat more favorable than that of ACM Government Opportunity (trading price information for the two Funds in provided in Appendix F);
- the significantly different advisory and administration fee arrangements of the two Funds, including the fact that, although ACM Income's advisory fee rate is currently significantly lower than that of ACM Government Opportunity, a significant portion of the fee rate is based on ACM Income's gross income and the fee rate may significantly exceed that of ACM Government Opportunity in the future, as it has in the past;

- the amount and type of leverage used by the two Funds, including the fact that ACM Income has historically used significantly more leverage than ACM Government Opportunity and the increased interest costs and potential benefits associated with leverage;
- the investment objectives and principal investment strategies of the Funds; and
- the portfolio management team of ACM Income, one member of which is also part of the portfolio management team of ACM Government Opportunity, would continue to manage ACM Income after the Acquisition.

The Directors also considered, among other things:

- the historical and pro forma tax attributes of ACM Government Opportunity, including that ACM Government Opportunity has realized gains and no loss carryforwards and that ACM Income has sizeable capital loss carryforwards, although the availability of these capital loss carryforwards in ACM Income on a pro forma basis after the Acquisition may not be meaningful because the Fund's portfolio managers generally tend to retain appreciated securities as their value is related to their higher income rather than to recognize gains by selling those securities that would be offset by capital loss carryforwards;
- the form of the Plan and the terms and conditions of the Acquisition;
- the effect of the Acquisition on the advisory fees of the Funds;
- whether the Acquisition would result in the dilution of stockholders' interests;
- the number of stockholder accounts and average account sizes of the Funds;
- changes in service providers that would result from the Acquisition;
- the fact that realignment of the investment holdings of ACM Government Opportunity before the effective date of the Acquisition is anticipated and associated costs would be borne by ACM Government Opportunity;
- the benefits of the Acquisition to persons other than ACM Government Opportunity and its stockholders, including the Adviser in particular, which would benefit from the elimination of monitoring and administering ACM Government Opportunity, a relatively small fund, that is substantially duplicative of its larger counterpart, ACM Income;
- the fact that ACM Income will assume all the liabilities of ACM Government Opportunity;
- the expected federal income tax consequences of the Acquisition;
- whether the Acquisition would be preferable to acquisition by potential acquirers other than ACM Income, including funds that are not sponsored by the Adviser;
- the fact that the costs of the Acquisition will be borne by ACM Government Opportunity;
- the Board's understanding that ACM Government Opportunity's largest stockholder would be supportive of the Acquisition notwithstanding that a similar transaction did not secure the necessary level of stockholder support because of opposition from such stockholder in 2000;
- the tender offer/repurchase policies of the two Funds, which are very similar; and
- the fact that the Adviser has agreed to indemnify ACM Income for a three-year period against any undisclosed or other liability of ACM Government Opportunity and to reimburse ACM Income for any costs in connection with investigating any such liability, and to continue certain insurance coverage for ACM Government Opportunity for a six year period.

Also at the September 13 Special Meeting, the Board of Directors of ACM Income (comprised of the same persons as the Board of ACM Government Opportunity) approved the proposed Plan. No vote of stockholders of ACM Income is required in connection with the Acquisition.

Description of Securities to be Issued

Under the Plan, ACM Income will issue additional shares of common stock for distribution to ACM Government Opportunity. Under its Charter and Bylaws, ACM Income may issue up to 300,000,000 shares of common stock, par value \$.01 per share. Each share of ACM Income represents an equal proportionate interest with other shares of the Fund. 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 the Fund as authorized by the Board of Directors. Shares of ACM Income entitle their holders to one vote per full share and fractional votes for fractional shares held. Shares of ACM Income issued in the Acquisition will be fully paid and non-assessable.

Dividends and Other Distributions

On or before the Closing Date, as defined in the Plan, ACM Government Opportunity 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.

Surrender and Exchange of ACM Government Opportunity Stock Certificates

After the Plan's Effective Time, each holder of a certificate (or certificates) formerly representing shares of ACM Government Opportunity will be entitled to receive, upon surrender of the certificate, a certificate representing the number of ACM Income shares distributable as a result of the Acquisition. Promptly, after the Plan's Effective Time, Computershare Trust Company, N.A. will mail to ACM Government Opportunity's certificate holders instructions and a letter of transmittal for use in surrendering the certificates. **Please do not send share certificates at this time.** Although the certificates will be deemed for all purposes to evidence ownership of the equivalent number of ACM Income shares, no dividends will be paid to holders of certificates of ACM Government Opportunity until the holder surrenders the certificates in accordance with the instructions and letter of transmittal. Any dividends on ACM Income shares payable after the Effective Time, will be paid to the certificate holder, without interest, when that holder surrenders an ACM Government Opportunity share certificate for exchange.

Each ACM Government Opportunity stockholder will receive the number of full shares of ACM Income, plus fractional shares for stockholders that participate in a DRIP and cash in lieu of any fractional shares for non-DRIP stockholders, having an aggregate NAV that, on the effective date of the Acquisition, is equal to the aggregate NAV of the stockholder's shares of ACM Government Opportunity. Stockholders of ACM Government Opportunity will recognize no gain or loss, except with respect to any cash received in lieu of fractional ACM Income shares by non-DRIP stockholders.

Federal Income Tax Consequences

Subject to certain stated assumptions contained therein, the Funds 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 Code and that the Funds will each be "a party to a reorganization" within the meaning of section 368(b) of the Code; (ii) a stockholder of ACM Government Opportunity will recognize no gain or loss on the exchange of the stockholder's shares of ACM Government Opportunity solely for shares of ACM Income, except with respect to cash received in lieu of a fractional share of ACM Income by non-DRIP stockholders in connection with the Acquisition; (iii) neither ACM Government Opportunity nor ACM Income will recognize any gain or loss upon the transfer of all of the assets of ACM Government Opportunity to ACM Income in exchange for shares of ACM Income (plus cash in lieu of certain fractional shares by non-DRIP stockholders) and the assumption by ACM Income of the liabilities of ACM Government Opportunity pursuant to the Plan or upon the distribution of shares of ACM Income to stockholders of ACM Government Opportunity (and cash to non-DRIP stockholders for their fractional shares) in exchange for shares of ACM Government Opportunity; (iv) the holding period and tax basis of the assets of ACM Government Opportunity acquired by ACM Income will be the same as the holding period and tax basis that ACM Government Opportunity had in such assets immediately prior to the Acquisition; (v) the aggregate tax basis of shares of ACM Income received in connection with the Acquisition by each stockholder of ACM Government Opportunity (including any fractional share to which the stockholder may be

entitled) will be the same as the aggregate tax basis of the shares of ACM Government Opportunity surrendered in exchange therefor; (vi) the holding period of shares of ACM Income received in connection with the Acquisition by each stockholder of ACM Government Opportunity (including any fractional share to which the stockholder may be entitled) will include the holding period of the shares of ACM Government Opportunity surrendered in exchange therefor, provided that such ACM Government Opportunity shares constitute capital assets in the hands of the stockholder as of the Closing Date; (vii) ACM Income will succeed to the capital loss carryovers of ACM Government Opportunity, if any, under section 381 of the Code, but the use by ACM Income of any such capital loss carryovers (and of capital loss carryovers of ACM Income) may be subject to limitation under section 383 of the Code; and (viii) any gain or loss realized by a non-DRIP stockholder of ACM Government Opportunity upon the receipt of cash for a fractional share of ACM Income to which the stockholder is entitled will be recognized to the stockholder and measured by the difference between the amount of cash received and the basis of the fractional share and, provided that the ACM Government Opportunity shares surrendered constitute capital assets in the hands of the stockholder, will be capital gain or loss. 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.

Stockholders of ACM Government Opportunity are encouraged to consult their tax advisers regarding the effect, if any, of the Acquisition in light of their individual circumstances. Because the foregoing discussion only relates to the federal income tax consequences of the Acquisition, those stockholders also are encouraged to 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 Funds, see Appendix E.

Trading History and Share Price Data

For information on the trading history and share price data for the Funds, see Appendix F.

INFORMATION ABOUT THE FUNDS

ACM Income and ACM Government Opportunity are each a diversified, closed-end management investment companies registered under the 1940 Act and organized as a Maryland corporation in 1987 and 1988, respectively.

Management of the Funds

The Board of Directors of each Fund, which is comprised of the same persons, directs the management of the business and affairs of the Fund. Each Board of Directors approves all significant agreements between the respective Fund and persons or companies furnishing services to it, including a Fund's agreements with the Adviser and the Fund's administrator, custodian and transfer and dividend disbursing agent. The day-to-day operations of a Fund are delegated to its officers and the Fund's Adviser, subject to the Fund's investment objective and policies and to general supervision by the Fund's Board of Directors. Subsequent to the consummation of the Acquisition, the directors and officers of ACM Income will continue to serve as the directors and officers of the Combined Fund. The portfolio managers jointly and primarily for the management of ACM Income are Messrs. Andrew M. Aran, Paul J. DeNoon, Gershon Distenfeld, Douglas J. Peebles, and Kewjin Yuoh. Messrs. Aran and DeNoon are each a Senior Vice President with the Adviser, with which each has been associated since prior to 2001. Mr. Peebles is an Executive Vice President with the Adviser, with which he has been associated since prior to 2001. Messrs. Distenfeld and Yuoh are each a Vice President with the Adviser, with which Mr. Distenfeld has been associated since prior to 2001 and Mr. Yuoh has been associated since March 2003. The portfolio managers jointly and primarily responsible for the management of ACM Government Opportunity are Messrs. Paul J. DeNoon, Michael L. Mon, Douglas J. Peebles and Mathew S. Sheridan. Messrs. Mon and Sheridan are each a Vice President with the Adviser, with which they have been associated since prior to 2001. Subsequent to the Acquisition, Messrs. Aran, DeNoon, Distenfeld, Peebles, and Yuoh will be jointly and primarily responsible for the day-to-day management of the Combined Fund.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in ACM Income.

Advisory Agreement and Fees

Each Fund's investment adviser is AllianceBernstein L.P., 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, 2006 totaling more than \$625 billion (of which more than \$88 billion represented the assets of investment companies). As of June 30, 2006, the Adviser managed retirement assets for many of the largest public and private employee benefit plans (including 41 of the nations' FORTUNE 100 companies), for public employee retirement funds in 37 states, for investment companies, and for foundations, endowments, banks and insurance companies worldwide. The 45 registered investment companies managed by the Adviser, comprising 126 separate investment portfolios, currently have approximately 4.0 million stockholder accounts.

Under each Fund's advisory agreement with the Adviser (the "Advisory Agreement"), the Adviser provides office space, investment advisory services, and order placement facilities for the Fund and pays all compensation of directors and officers of the Fund who are affiliated persons of the Adviser. Under the Advisory Agreement of ACM Government Opportunity, the Fund pays the Adviser, as of January 31, 2006, an investment advisory fee at an annual rate of .75% of average daily net assets. Under the Advisory Agreement of ACM Income, the Fund pays the Adviser, as of January 31, 2006, an investment advisory fee of .65% of its average weekly net assets. ACM Income's advisory fee is a combination of a base fee of .30% on the first \$250 million of net assets and .25% on net assets in excess of \$250 million thereafter, plus 4.75% of daily gross income, subject to the limitation that the total advisory fee will not exceed .95%. Such fees are accrued daily and paid monthly.

The Advisory Agreements by their terms continue in effect from year to year if such continuance is specifically approved, at least annually, by a majority vote of the directors of a 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 a Board of Directors approving the investment advisory contracts of ACM Government Opportunity and ACM Income is available in each Fund's Annual Report to Stockholders for fiscal years ended July 31, 2005 and December 31, 2005, respectively.

The Adviser is the subject of certain legal proceedings instituted by the SEC and the Office of the New York Attorney General. A discussion of those proceedings is presented in Appendix G.

Administrator

Under an administration agreement, Princeton Administrators, L.P. serves as administrator for ACM Income. The Adviser serves as administrator for ACM Government Opportunity. Under the administrative agreements, Princeton Administrators, L.P. and the Adviser perform standard administrative services for the Funds.

ACM Income pays a fee at the annual rate of .02 of 1% of the Fund's average weekly net assets. Such fee is accrued daily and paid monthly. ACM Government Opportunity pays an administrative fee at an annual rate of .15% of the Fund's average weekly net assets. Such fee is accrued daily and paid monthly. Currently, the Adviser has voluntarily agreed to waive a portion of its administrative fees so as to charge the Fund at a reduced annual rate of .05% of the Fund's average weekly net assets.

Other Service Providers

The Acquisition will result in a change to the custodian for ACM Government Opportunity as described below. AllianceBernstein Investor Services, Inc. ("ABIS"), an affiliate of the Adviser, provides stockholder services for the Funds. The Funds compensate ABIS for these services. Computershare Trust Company, N.A. (formerly known as Equiserve Trust Company), P.O. Box 43010, Providence, RI 02940-3010 serves as the Funds' transfer agent. The Bank of New York, One Wall Street, New York, NY 10286 serves as the custodian for ACM Government Opportunity. State Street Bank and Trust Company, 225 Franklin Street, Boston, MA 02110 serves as the custodian for ACM Income. After the Acquisition, State Street Bank and Trust Company will serve as custodian for the Combined Fund. Ernst & Young LLP serves as the Funds' independent registered public accounting firm.

VOTING INFORMATION

The Board of Directors of ACM Government Opportunity has fixed the close of business on October 13, 2006 as the Record Date for the determination of stockholders entitled to notice of, and to vote at, the Meeting and at any adjournments or postponements thereof. Appendix H to this Prospectus/Proxy Statement lists the total number of ACM Government Opportunity's shares outstanding as of August 15, 2006. It also identifies holders of more than five percent of shares of each Fund, and contains information about the executive officers and Directors of each Fund and their shareholdings in each Fund.

Those stockholders who hold shares directly and not through a broker or nominee (that is, a stockholder of record) may authorize their proxies to cast their votes by completing a proxy card and returning it by mailing the enclosed postage-paid envelope as well as telephoning toll free 1-800-331-5817. Owners of shares held through a broker or nominee (who is the stockholder of record for those shares) should follow the directions provided to the stockholder by the broker or nominee to submit voting instructions. Instructions to be followed by a stockholder of record to submit a proxy via telephone, including use of the Control Number on the stockholder's proxy card, are designed to verify stockholder identities, to allow stockholders to give voting instructions and to confirm that stockholder instructions have been recorded properly. Stockholders who authorize proxies by telephone should not also return a proxy card. A stockholder of record may revoke that stockholder's proxy at any time prior to exercise thereof by giving written notice to the Secretary of ACM Government Opportunity 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 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 votes entitled to be cast. Abstentions and broker non-votes will be considered present for purposes of determining the existence of a quorum for the transaction of business but will have the effect of a vote against the Proposal.

On September 19, 2006, Aon Corporation/Aon Advisers, Inc. ("Aon"), which beneficially owns 26.5% of ACM Government Opportunity's shares, disclosed in a filing with the SEC that, based on the respective prices at which the shares of ACM Government Opportunity and ACM Income were then trading, it intends to vote its shares in favor of the Acquisition. Aon also disclosed that it reserves the right to reconsider its initial determination to vote in favor of the Acquisition should market circumstances change.

If any proposal, other than the Proposal, 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. ACM Government Opportunity has not received notice of, and is not otherwise aware of, any other matter to be presented at the Meeting.

A quorum for the transaction of business by stockholders of ACM Government Opportunity at the Meeting will consist of the presence in person or by proxy of the holders of a majority of the shares of the Fund 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 of Directors on the Proposal are not timely received, the Chairman of the Board may authorize, or the persons named as proxies may propose and vote for, one or more adjournments of the Meeting with no other notice than announcement at the Meeting, 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.

ACM Government Opportunity has engaged The Altman Group, Inc. (the "Proxy Solicitor"), 60 East 42nd Street, Suite 405, New York, New York 10165 to assist in soliciting proxies for the Meeting. The Proxy Solicitor will receive a fee of approximately \$12,500 from the Fund 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 the Funds by Seward & Kissel LLP. Seward & Kissel LLP will rely upon the opinion of Venable LLP for certain matters relating to Maryland law.

EXPERTS

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

FINANCIAL HIGHLIGHTS

Financial highlights information for the Funds is available at Appendix I.

**THE DIRECTORS OF ACM GOVERNMENT OPPORTUNITY RECOMMEND
THAT YOU VOTE FOR THE ACQUISITION OF THE ASSETS
AND LIABILITIES OF ACM GOVERNMENT OPPORTUNITY BY ACM INCOME AND THE
DISSOLUTION OF ACM GOVERNMENT OPPORTUNITY.**

APPENDIX A

COMPARISON OF INVESTMENT OBJECTIVES AND POLICIES

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Investment Objective	The primary investment objective of the Fund is high current income consistent with prudent investment risk. The Fund's secondary investment objective is growth of capital. (F)	The investment objective of the Fund is high current income consistent with preservation of capital. (F)	As a practical matter, the Funds' investment objectives are the same.
<i>Investment Policies¹</i>			
Status	The Fund is a diversified closed-end management investment company.	Same.	None.
80% Policy	The Fund will invest, under normal circumstances, at least 80% of its net assets in securities issued by any government.	The Fund will invest, under normal circumstances, at least 80% of its net assets in income producing securities.	Both Funds invest primarily in U.S. Government Securities (see next row). However, in accordance with SEC rules, ACM Government Opportunity will invest at least 80% of its assets in government securities because the Fund's name includes the term "Government".
U.S. Government Securities	The Fund will invest at least 65% of its total assets in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities ("U.S. Government Securities") and repurchase agreements pertaining to U.S. Government Securities. (F)	Same. (F)	None.

¹ Policies with the notation "F" denote fundamental policies, which mean they may not be changed without a stockholder vote.

Other Securities

<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
<p>The Fund may invest up to 35% of its total assets in</p> <ul style="list-style-type: none">• obligations issued or guaranteed by a foreign government or any of its political subdivisions, authorities, agencies or instrumentalities,• dividend-paying equity securities,• certificates of deposit, bankers' acceptances and interest-bearing savings deposits of banks having total assets of more than \$1 billion and which are members of the FDIC,• commercial paper of prime quality rated Prime-1 or higher by Moody's or A-1 or higher by S&P or, if not rated, issued by companies which have an outstanding debt issue rated Aa or higher by Moody's or AA or higher by S&P, and• put and call options, futures contracts and options on futures contracts, options on foreign currencies and forward foreign currency exchange contracts.	<p>The Fund may invest up to 35% of its total assets in securities other than U.S. Government Securities, including (i) Foreign Government Securities, (ii) corporate debt securities (including collateralized mortgage obligations), (iii) certificates of deposit, bankers' acceptances and interest bearing savings deposits of banks having total assets of more than \$1 billion and which are members of the FDIC, (iv) commercial paper of prime quality rated Prime-1 or higher by Moody's or A-1 or higher by S&P or, if not rated, issued by companies which have an outstanding debt issue dated Aa or higher by Moody's or AA or higher by S&P, and (v) put and call options, futures contracts and options on futures contracts, options on foreign currencies, and forward foreign currency exchange contracts.</p> <p>The Fund may maintain up to 35% of its net assets in securities rated below Baa by Moody's or below BBB by S&P or, if not rated, of comparable investment quality as determined by the Adviser.</p> <p>The Fund may invest up to 35% of its total assets in Foreign Government Securities of issuers considered stable by the Adviser, although the Fund will not invest 25% or more of its total assets in the Foreign Government Securities of any one country.</p>	<p>ACM Income may invest in lower-rated debt securities and corporate debt securities. ACM Government Opportunity does not invest in those types of securities. ACM Government Opportunity may invest in equity securities. ACM Income does not invest in equity securities. Both Funds may invest in Foreign Government Securities. ACM Income may not invest more than 25% of its assets in the Foreign Government Securities of any one country; whereas, ACM Government Opportunity's investment in these securities in any one country would be subject to its 35% limitation.</p>

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Equity Securities	Not more than 20% of the Fund's total assets may be invested in equity securities		ACM Government Opportunity may invest in equity securities. ACM Income does not invest in equity securities.
Options	The Fund intends to write covered put and call options and purchase put and call options on securities of the types in which it is permitted to invest that are traded on U.S. and foreign securities exchanges. The Fund may also write call options for cross-hedging purposes. There are no specific percentage limitations on the Fund's writing and purchasing of options.	Same.	None.
Restricted Securities	The Fund may invest up to 20% of its total assets in securities purchased in direct placements.	The Fund may invest up to 20% of its total assets in illiquid securities. These securities include, among others, (i) direct placements or other securities which are subject to legal or contractual restrictions on resale or for which there is no readily available market, (ii) over-the-counter options and assets used to cover over-the-counter options, and (iii) repurchase agreements not terminable within seven days.	As a practical matter, there are no significant differences in the Funds' investments in restricted securities since ACM Income's investment in restricted securities would primarily be comprised of securities purchased in direct placements.
Securities Lending	The Fund may lend portfolio securities to brokers, dealers and financial institutions and receive collateral in the form of cash or U.S. Government Securities. Collateral for such loans must be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The Fund will neither lend portfolio securities in excess of 30% of the value of its total assets nor lend its portfolio securities to any officer, director, employee or affiliate of the Fund or the Adviser.	Same.	None.

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Futures Contracts and Options on Futures Contracts General	The Fund may enter into contracts for the purchase or sale for future delivery of fixed-income securities or foreign currencies, or contracts based on financial indices, including any index of U.S. Government Securities, Foreign Government Securities or common stocks (“futures contracts”) and may purchase and write put and call options to buy or sell futures contracts (“options on futures contracts”).	The Fund may enter into contracts for the purchase or sale for future delivery of U.S. and Foreign Government Securities, or contracts based on financial indices including any index of U.S. and Foreign Government Securities (“futures contracts”) and may purchase and write put and call options to buy or sell futures contracts (“options on futures contracts”). Futures contracts and options on futures contracts can only be used as a hedge and not for speculation. In addition, there are two percentage restrictions: (i) the Fund will not enter into any futures contracts or options on futures contracts if immediately thereafter the aggregate amount of initial margin deposits on all the futures contracts of the Fund and premiums paid on options on futures contracts would exceed 5% of the market value of the total assets of the Fund; and (ii) the aggregate market value of the futures contracts purchased by the Fund cannot exceed 50% of the market value of the total assets of the Fund.	ACM Government Opportunity may enter into futures contracts based on common stocks since that Fund is permitted to invest in equity securities. ACM Income’s investments in futures contracts are subject to the 5% and 50% restrictions, which were previously requirements of the Commodity Futures Trading Commission for investment companies that invested in futures contracts. As these requirements are no longer required, ACM Income intends to eliminate these restrictions. ACM Government Opportunity’s investments in futures contracts are not subject to this limitation.
Futures Contracts and Options on Futures Contracts Specific	The Fund may not purchase or sell commodities or commodity contracts (except currencies, currency futures, forward contracts or contracts for the future acquisition or delivery of fixed income securities and related options futures contracts and options on futures contracts and other similar contracts). (F)	The Fund may not purchase or sell commodities or commodity contracts (except currencies, currency futures, forward contracts or contracts for the future acquisition or delivery of fixed income securities and related options and other similar contracts). (F)	As a practical matter, there is no difference in these policies.

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Options on Foreign Currencies	The Fund may purchase and write put and call options on foreign currencies for the purpose of protecting against declines in the U.S. dollar value of foreign currency denominated portfolio securities and against increases in the U.S. dollar costs of such securities to be acquired.	Same.	None.
Forward Commitments	The Fund may enter into forward commitments for the purchase or sale of fixed-income securities.	The Fund may enter into forward commitments for the purchase or sale of securities.	As a practical matter, there is no difference in these policies.
Forward Foreign Currency Exchange Contracts	The Fund may purchase or sell forward foreign currency exchange contracts (“forward contracts”) to attempt to minimize the risk to the Fund from adverse changes in the relationship between the U.S. dollar and foreign currencies.	Same.	None.
Future Developments	The Fund may, following written notice to stockholders, take advantage of opportunities in the area of options and futures contracts and options on futures contracts which are not presently contemplated or which are not currently available, consistent with the Fund’s investment objective and legally permissible.	The Fund may, following written notice to stockholders, take advantage of opportunities in the area of investment practices which are not presently contemplated or which are not currently available, consistent with the Fund’s investment objective and legally permissible.	ACM Income’s strategy is somewhat broader because it is not restricted to opportunities in the areas of options and futures contracts and options on futures contracts.
Dollar Rolls	The Fund may enter into dollar rolls.	Same.	None.
Swaps	The Fund may use swaps.	Same.	None.
Repurchase Agreements	The Fund may enter into repurchase agreements only pertaining to U.S. Government Securities	The Fund may enter into repurchase agreements pertaining to U.S. Government Securities with member banks of the Federal Reserve System or “primary dealers” in such securities. The Fund may also use reverse repurchase agreements. The Fund may enter into repurchase agreement with respect to up to 35% of its total assets (SAI).	As a practical matter, the Funds’ policies on repurchase agreements are the same, but ACM Income may also invest in reverse repurchase agreements.

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Industry Concentration	The Fund will not invest 25% or more of its total assets in securities of companies engaged principally in any one industry, except that this restriction does not apply to U.S. Government and Foreign Government Securities. (F)	The Fund will not invest 25% or more of its total assets in securities of companies engaged principally in any one industry, except that this restriction does not apply to U.S. Government Securities. (F)	As a practical matter, the Funds' policies on industry concentration are the same.
Lending	The Fund will 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; or (iii) the use of repurchase agreements. (F)	Same. (F)	None.
Borrowing	The Fund may not borrow money, except (i) from a bank or other entity in a privately arranged transaction and issue commercial paper, bonds, debentures or notes, in series or otherwise, with such interest rates, conversion rights and other terms and provisions as are determined by the Board, if after such borrowing or issuance there is asset coverage of at least 300% as defined in the 1940 Act and (ii) for temporary purposes in an amount not exceeding 5% of the value of the total assets of the Fund. (F)	Same. (F)	None.
Pledging of Assets	The Fund may not pledge, hypothecate, mortgage or otherwise encumber its assets, except to secure permitted borrowings. (F)	Same. (F)	None.
Securities Trading	The Fund may not participate on a joint or joint and several basis in any securities trading account. (F)	Same. (F)	None.
Investing for Control	The Fund may not invest in companies for the purpose of exercising control. (F)	Same. (F)	None.
Illiquid Securities	The Fund may not invest in illiquid securities, including direct placements or other securities which are subject to legal or contractual restrictions on resale or for which there is no readily available market, if more than 20% of the Fund's total assets would be invested in such securities. (F)	Same. (F)	None.

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Principal Differences</u>
Short Sales	The Fund may not make short sales of securities or maintain a short position unless at all times when a short position is open it owns an equal amount of such securities or securities convertible into or exchangeable for, without payment of any further consideration, securities of the same issue as, and equal in amount to, the securities sold short (“short sales against the box”) and unless more than 10% of the Fund’s net assets is held as collateral for such sales at any one time. (F)	Same. (F)	None.
Other Investment Companies	The Fund may not purchase a security if, as a result the Fund would own any securities of an open-end investment company or more than 3% of the total outstanding voting stock of any closed-end investment company or more than 5% of the value of the Fund’s total assets would be invested in securities of any closed-end investment company or more than 10% of such value in closed-end investment companies in general. (F)		As a practical matter, there is no difference between the Funds’ ability to invest in other investment companies. Both Funds are subject to restrictions under the 1940 Act, which limit an investment company’s ability to invest in another investment company. ACM Government Opportunity’s policy restates the 1940 Act restrictions.
Real Estate	The Fund may not purchase or sell real estate, except that it may purchase and sell securities of companies which deal in real estate or interests therein. (F)	Same. (F)	None.
Mineral Exploration	The Fund may not invest in interests in oil, gas, or other mineral exploration or development programs. (F)	Same. (F)	None.
Margin	The Fund may not purchase securities on margin, except for such short-term credits as may be necessary for the clearance of transactions. (F)	Same. (F)	None.
Underwriting	The Fund may not act as an underwriter of securities, except that the Fund may acquire restricted securities under circumstances in which, if such securities were sold, the Fund might be deemed to be an underwriter for purposes of the Securities Act. (F)	Same. (F)	None.

APPENDIX B

DESCRIPTION OF PRINCIPAL RISKS OF THE FUNDS

Among the principal risks of investing in a Fund are market risk, interest rate risk, credit risk, leveraging risk, foreign (non-U.S.) risk, emerging markets risk, currency risk, derivatives risk, liquidity risk and management risk. Each of these risks is more fully described below. Each Fund could become subject to additional risks because the types of investments made by each Fund can change over time.

Market Risk and Net Asset Value of Shares

This is the risk that the value of a Fund's investments will fluctuate as the stock or bond markets fluctuate and that prices overall will decline over shorter or longer-term periods. Shares of common stock of closed-end investment companies, such as the Funds, frequently trade at a discount to their NAVs. Whether an investor will realize gains or losses upon the sale of shares of a Fund does not depend directly upon changes in the Fund's NAV, but rather upon whether the market price of the shares at the time of sale is above or below the investor's purchase price for the shares. The market price of the shares of each Fund is determined by such factors as relative demand for and supply of the shares in the market, general market and economic conditions, changes in the Fund's NAV and other factors beyond the control of the Fund. This market risk is separate and distinct from the risk that each Fund's NAV may decrease.

Interest Rate Risk

This is the risk that changes in interest rates will affect the yield and value of a Fund's investments in fixed-income securities. When interest rates rise, the value of a Fund'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 investment companies that invest in fixed-income securities with longer maturities or durations. This risk is compounded for the Fund because they invest a significant portion of their assets in mortgage-related securities. The value of these securities is affected more by changes in interest rates because when interest rates rise, the maturities of these types of securities tend to lengthen and the value of the securities decreases more significantly. In addition, these types of securities are subject to prepayment when interest rates fall, which generally results in lower returns because a Fund must reinvest its assets in debt securities with lower interest rates.

Credit Risk

This is the risk that the issuer or the guarantor 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 issuer or guarantor may default causing a loss of the full principal amount of a security and any accrued interest. The degree of risk for a particular security may be reflected in its credit rating. 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. Because ACM Income may invest a significant percentage of its assets in high yield debt securities, ACM Income may be subject to greater credit risk than ACM Government Opportunity.

Leverage Risk

When a Fund borrows money or otherwise leverages its portfolio, it may be more volatile because leverage tends to exaggerate the effect of any increase or decrease in the value of the portfolio's investments. A Fund may create leverage through the use of one or more of the following techniques: reverse repurchase arrangements, forward contracts or dollar rolls or by borrowing money. This risk is greater for ACM Income because this Fund historically has employed higher levels of leverage than ACM Government Opportunity.

Foreign (Non-U.S.) Risk

This is the risk of investments in issuers located in foreign countries. Because the Funds may invest in foreign securities, they are subject to this risk. A Fund's investments in foreign securities may experience more rapid and extreme changes in value than investments in securities of U.S. companies. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of securities. Foreign companies usually are not subject to the same degree of regulation as U.S. issuers. Reporting, accounting, and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Nationalization, expropriation or confiscatory taxation, currency blockage, political changes, or diplomatic developments could adversely affect a Fund's investments in a foreign country. These risks are heightened for emerging market countries because there may be more economic, political and social instability and investments in companies in emerging markets may have more risk because these securities may be more volatile and less liquid. To the extent a Fund invests in a particular country or geographic region, the Fund may have more significant risk due to market changes or other factors affecting that country or region, including political instability and unpredictable economic conditions.

Emerging Markets Risk

Foreign investment risk may be particularly high to the extent a Fund invests in emerging market securities of issuers based in countries with developing economies. These securities may present market, credit, currency, liquidity, legal, political and other risks different from, or greater than, the risks of investing in developed foreign (non-U.S.) countries.

Currency Risk

This is the risk that fluctuations in the exchange rates between the U.S. Dollar and foreign (non-U.S.) currencies may negatively affect the value of a Fund's investments or reduce the returns of a Fund.

Derivatives Risk

The Funds may use derivatives. These investment strategies may be riskier than other investment strategies and may result in greater volatility for a Fund, particularly during periods of market declines.

Liquidity Risk

Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing a Fund from selling out of these illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk tend to involve greater liquidity risk.

Management Risk

Each Fund 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 each Fund, but there can be no guarantee that its decisions will produce the desired results.

APPENDIX C

OTHER INFORMATION

The following information provides only a summary of the key features of the organizational structure, governing documents, and stockholder services of the Funds.

Each Fund is organized as a Maryland corporation. The Bylaw provisions that govern each of the Funds are the same. Unless noted below, there are no significant differences among the Funds in terms of their respective corporate organizational structures.

The procedures available to a Fund's stockholders for calling stockholders' meetings and for the removal of directors are the same. Under the Funds' charters, a director may be removed only for cause by the affirmative vote of two-thirds of all the votes entitled to be cast in the election of directors. Special meetings of stockholders for any purpose may be called by a Fund's Secretary only upon the written request of holders of shares entitled to cast not less than a majority of the votes entitled to be cast at a meeting.

Except as otherwise required by law, the presence in person or by proxy of the holders of a majority of the shares entitled to be cast constitutes a quorum at any meeting of stockholders of a Fund. Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Subject to various exceptions, each Fund's charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. The Bylaws of each Fund provides that each director shall be elected by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon. For other matters not requiring a vote under the 1940 Act, when a quorum is present, the affirmative vote of a majority of the votes cast shall decide any question brought before such meeting unless a statute or charter requires a higher voting margin.

Shares of Common Stock of the Funds

There are no subscription/preemptive or exchange rights under any of the charters. Each share of a Fund has equal voting, dividend, distribution and liquidation rights. Stockholders 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 a 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. Under the rules of the NYSE applicable to listed companies, each Fund is required to hold an annual meeting of stockholders each year.

Distributions

The Funds intend to distribute all of their net investment income. Dividends from such net investment income will be declared and paid monthly to stockholders. All net realized long or short-term capital gains, if any, will be distributed at least annually. To permit a Fund to maintain a more stable monthly distribution, a Fund may, from time to time, pay out less than the entire amount of net investment income and net realized short-term capital gains earned in any particular period. Any such amount retained by a Fund would be available to stabilize future distributions. As a result, distributions paid by a Fund for any particular period may be more or less than the amount of net investment income and net realized short-term capital gains actually earned by the Fund during such period. There are no assurances that a Fund will be able to maintain a constant level of monthly distributions to stockholders.

Distributions are taxable to stockholders as ordinary income or capital gains. Stockholders may be proportionately liable for taxes on income and gains of a Fund but stockholders not subject to tax on their income

will not be required to pay tax on amounts distributed to them. A Fund distributes written notice to stockholders regarding the tax status of all distributions made during each calendar year.

Dividend Reinvestment Plans

Stockholders of a Fund whose shares are registered in their own names may elect to be participants in a Fund's Dividend Reinvestment and Cash Purchase Plan (the "DRIP"), under which dividends and capital gain distributions to stockholders will be paid or reinvested in additional shares of the Fund (the "Dividend Shares"). Assuming the Acquisition is approved, the DRIP stockholders of the ACM Government Opportunity will automatically be enrolled in the DRIP for ACM Income. Computershare Trust Company (the "Agent") acts as the agent for participants under the ACM Income DRIP. Stockholders whose shares are held in the name of a broker or nominee will automatically have distributions reinvested by the broker or nominee in additional shares under the DRIP, unless the automatic reinvestment service is not provided by the particular broker or nominee or the stockholder elects to receive distributions in cash.

Stockholders who do not elect to participate in the DRIP will receive all distributions in cash paid by check mailed directly to the stockholder of record (or, if the shares are held in street or other nominee name, then to the nominee) by Computershare Trust Company as dividend paying agent.

The automatic reinvestment of dividends and distributions will not relieve participants of any income taxes that may be payable (or required to be withheld) on dividends and distributions.

A stockholder who has elected to participate in the DRIP may withdraw from the DRIP at any time. There will be no penalty for withdrawal from the DRIP and stockholders who have previously withdrawn from the DRIP may rejoin it at any time. Changes in elections must be in writing and should include the stockholder's name and address as they appear on the share certificate. An election to withdraw from the DRIP will, until such election is changed, be deemed to be an election by a stockholder to take all subsequent distributions in cash. An election will be effective only for a distribution declared and having a record dated of at least 10 days after the date on which the election is received. A stockholder whose shares are held in the name of a broker or nominee should contact such broker or nominee concerning changes in that stockholder's election.

All correspondence concerning the DRIP for ACM Income should be directed to Computershare Trust Company, P.O. Box 43011, Providence, RI 02940-3011.

Repurchase of Shares

Each Fund's Board of Directors has determined that it would be in the interest of stockholders of a Fund to attempt to reduce or eliminate any market value discount should it exist. To that end, each Fund's Board of Directors presently contemplates that a Fund would from time to time take action either to repurchase in the open market or to make a tender offer for its own shares at net asset value. Each Board of Directors has approved a share repurchase program for its Fund. As of July 31, 2006, only ACM Government Opportunity has made repurchases under this program. The Boards of Directors presently intend each quarter to consider the making of a tender offer. A Board of Directors may at any time, however, decide that a Fund should not make a tender offer.

Any tender offer made by a Fund will be at a price equal to the NAV of the shares on a date subsequent to receipt by the Fund of all tenders. Each offer will be made and stockholders notified in accordance with the requirements of the Securities and Exchange Act of 1934 and the 1940 Act, either by publication or mailing or both. Each offering document will contain such information as is prescribed by such laws and the rules and regulations promulgated thereunder. When a tender offer is authorized to be made by a Board of Directors, a stockholder wishing to accept the offer will be required to tender all (and not less than all) of the shares owned by such stockholder (or attributed to the stockholder for federal income tax purposes under Section 318 of the Code). A Fund will purchase all shares tendered in accordance with the terms of the offer unless it determines to accept none of them (based upon one of the conditions set forth above). Each person tendering shares will be required to submit a check in the amount of \$25.00, payable to the Fund, which will be used to help defray the costs associated with effecting the tender offer. This \$25.00 fee will be imposed upon each tendering stockholder any of

whose tendered shares are purchased in the offer, and will be imposed regardless of the number of shares purchased. A Fund expects the cost to the Fund of effecting a tender offer will exceed the aggregate of all such fees received from those who tender offer their shares. Costs associated with the tender offer will be charged against capital. During the period of the tender offer, a Fund's stockholders will be able to obtain the Fund's current net asset value by use of a toll-free telephone number.

Possible Future Conversion to Open-End Investment Company

ACM Government Opportunity's charter provides that if, during any fiscal year of ACM Government Opportunity, (i) shares of ACM Government Opportunity's common stock have traded on the principal securities exchange where listed at an average discount from net asset value of more than 10%, determined on the basis of the discount as of the end of the last trading day in each week during the period of 12 calendar weeks preceding December 31 in such year, and (ii) during such year ACM Government Opportunity receives written requests from the holders of 10% or more of ACM Government Opportunity's outstanding shares of common stock that such a proposal be submitted to ACM Government Opportunity's stockholders, ACM Government Opportunity will submit to its stockholders at the next succeeding annual meeting of stockholders a proposal, to the extent consistent with the 1940 Act, to amend ACM Government Opportunity's Charter. Such amendment would provide that, upon its adoption by the holders of 66 $\frac{2}{3}$ % of ACM Government Opportunity's outstanding shares of common stock, ACM Government Opportunity will convert from a closed-end to an open-end investment company. The 66 $\frac{2}{3}$ % vote requirement is higher than the minimum vote required under the 1940 Act. If ACM Government Opportunity converted to an open-end investment company, it would be able to continuously issue and offer shares of its common stock and each outstanding share of ACM Government Opportunity's common stock could be presented to ACM Government Opportunity at the option of the holder thereof for redemption at net asset value per share. In such event, ACM Government Opportunity might be required to liquidate portfolio securities to meet requests for redemption, and its shares would no longer be listed on the NYSE.

ACM Income's charter has similar provisions. However, the vote required to approve a conversion is 75% of the outstanding shares of common stock.

A Fund cannot predict whether any repurchase of shares made while the Fund is a closed-end investment company (as described under "Repurchase of Shares" above) would increase or decrease the discount from NAV. To the extent that any such repurchase decreased the discount from NAV to below 10% during the measurement period described in (i) above, a Fund would not be required to submit to stockholders a proposal to convert the Fund to an open-end investment company at the next annual meeting of stockholders.

Certain Anti-Takeover Provisions of the Funds' Charters and Bylaws

The Funds presently have provisions in their Charters and Bylaws (together, the "Charter Documents") that are intended to limit (i) the ability of other entities or persons to acquire control of a Fund, (ii) a Fund's freedom to engage in certain transactions, or (iii) the ability of a Fund's directors or stockholders to amend the Charter Documents or effect changes in the Fund's management. These provisions of the Charter Documents may be regarded as "anti-takeover" provisions.

The Board of Directors of each Fund is divided into three classes, each having a term of three years. Each class of Directors serves for a three-year term. Accordingly, only those directors in one class may be changed in any one year, and it would require two years to change a majority of the Board of Directors (although under Maryland law procedures are available for the removal of directors even if they are not then standing for re-elections and under SEC regulations procedures are available for including stockholder proposals in management's annual proxy statement). Such a system of electing directors may have the effect of maintaining the continuity of management and, thus, make it more difficult for a Fund's stockholders to change the majority of directors. Generally, under a Fund's Charter, the affirmative vote of the holders of a majority of the votes entitled to be cast is required for the consolidation of the Fund with another corporation, a merger of the Fund with or into another corporation (except for certain mergers in which the Fund is the successor), a statutory share exchange in which the Fund is not the successor, a sale or transfer of all or substantially all of the Fund's assets, the

dissolution of the Fund and certain amendments to the Fund's Charter. In addition, the affirmative vote of 75% (which is higher than that required under Maryland law or the 1940 Act) of the outstanding shares of common stock of a Fund is required generally to authorize any of the following transactions or to amend the provisions of the Charter relating to such transactions:

- (i) merger, consolidation or statutory share exchange of the Fund with or into any person, corporation or other entity;
- (ii) issuance of any securities of the Fund to any person, corporation or other entity for cash;
- (iii) sale, lease or exchange of all or any substantial part of the assets of the Fund to any person, corporation or other entity (except assets having an aggregate fair market value of less than \$1,000,000); or
- (iv) sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any person, corporation or other entity (except assets having an aggregate fair market value of less than \$1,000,000);

if such corporation, person or entity is directly, or indirectly through affiliates or associates, the beneficial owner of more than 5% of the outstanding shares of the Fund (a "principal stockholder"). However, such vote would not be required where, under certain conditions, the Board of Directors approves the transaction, although in certain cases involving merger, consolidation or statutory share exchange or sale of all or substantially all of a Fund's assets the affirmative vote of a majority of the outstanding shares of the Fund would nevertheless be required.

The provisions of the Charter Documents described above and a Fund's right to repurchase or make a tender offer for its common stock could have the effect of depriving the owners of shares of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a principal stockholder. However, they provide the advantage of potentially requiring persons seeking control of the Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's management and investment objective and policies. The Board of Directors of each Fund has considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund and its stockholders.

Indemnification and Liability of Directors and Officers

The charters of each of the Funds generally provides for the indemnification of its officers and directors, as applicable, to the full extent permitted by law. This indemnification does not protect any such person against any liability to a Fund or any stockholder 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 stockholders 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. Each Fund's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law. This indemnification does not protect any such person against any liability to a Fund or any stockholder 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 D

**FORM OF AGREEMENT AND PLAN OF ACQUISITION AND LIQUIDATION
RELATING TO THE ACQUISITION OF ALL OF THE ASSETS AND LIABILITIES
OF ACM GOVERNMENT OPPORTUNITY FUND, INC.**

This Agreement and Plan of Acquisition and Liquidation (the “Plan”) is made as of this [] day of [], 2006, by and among (the “Acquiring Fund”), a Maryland corporation, (the “Acquired Fund”), a Maryland corporation, and AllianceBernstein L.P. (the “Adviser”).

WHEREAS, the Acquiring Fund and the Acquired Fund are closed-end management investment companies registered with the Securities and Exchange Commission (the “SEC”) under the Investment Company Act of 1940, as amended (the “1940 Act”) and the Securities Exchange Act of 1934, as amended (the “1934 Act”) and shares of common stock of each Fund are currently purchased and sold on the New York Stock Exchange (the “NYSE”);

WHEREAS, the parties desire that the Acquiring Fund acquire the assets and assume the liabilities of the Acquired Fund in exchange for shares of equal net asset value of the Acquiring Fund and the distribution of such shares of the Acquiring Fund to the stockholders of the Acquired Fund (the “Acquisition”) and that the Acquired Fund thereafter liquidate and dissolve; and

WHEREAS, the parties intend 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 Fund and the Acquired Fund will each be a “party to a reorganization” within the meaning of section 368(b) of the Code;

Now, therefore, the Acquiring Fund and the Acquired Fund agree as follows:

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.
Acquiring Fund Share	A share of common stock of the Acquiring Fund.
Assets	All assets of any kind and all interests, rights, privileges and powers of or attributable to the Acquired Fund or its shares, as appropriate, whether or not determinable at the appropriate Effective Time 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 Fund or attributable to its shares and any deferred or prepaid expense, other than unamortized organizational expenses, shown as an asset on the Acquired Fund’s books.
Closing Date	Shall be on such date following the date that stockholders of the Acquired Fund approve the Plan, as the parties may agree.
Effective Time	5:00 p.m. Eastern Time on the Closing Date, or such other time as the parties may agree to in writing.

Financial Statements	The audited financial statements of the relevant Fund for its most recently completed fiscal year and, if applicable, the unaudited financial statements of that Fund for its most recently completed semi-annual period.
Fund	The Acquiring Fund and/or the Acquired Fund, as the case may be.
Liabilities	All liabilities, expenses and obligations of any kind whatsoever of the Acquired Fund, whether known or unknown, accrued or unaccrued, absolute or contingent or conditional or unmatured, except that expenses of the Acquisition, if any, contemplated hereby to be paid by the Acquired Fund pursuant to Section 25 of this Plan, which shall not be assumed or paid by the Acquiring Fund and shall not fall within the definition of Liabilities for purposes of this Plan.
N-14 Registration Statement	The Registration Statement of the Acquiring Fund on Form N-14 under the 1940 Act that will register the Acquiring Fund Shares to be issued in the Acquisition and will include the proxy materials necessary for the stockholders of the Acquired Fund to approve the Acquisition.
Valuation Time	The close of regular session trading on the NYSE on the Closing Date, when for purposes of the Plan, the Acquiring Fund determines its net asset value per Acquiring Fund Share and the Acquired Fund determines the net value of the Assets.
NAV	A Fund'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 Fund shall promptly prepare and file the N-14 Registration Statement with the SEC, and the Acquiring Fund and the Acquired Fund also shall make any other required or appropriate filings with respect to the actions contemplated hereby.

3. Stockholder Action

As soon as practicable after the effective date of the N-14 Registration Statement, the Acquired Fund shall hold a stockholders meeting to consider and approve the Acquisition and this Plan and such other matters as the Board of Directors may determine. Such approval by the stockholders of the Acquired Fund shall, to the extent necessary to permit the consummation of the transactions contemplated herein without violating any investment objective, policy or restriction of the Acquired Fund, be deemed to constitute approval by the stockholders of a temporary amendment of any investment objective, policy or restriction that would otherwise be inconsistent with or violated upon the consummation of such transactions solely for the purpose of consummating such transactions.

4. Transfer of the Acquired Fund's Assets.

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

- (a) On or prior to the Closing Date, the Acquired Fund shall pay or provide for the payment of all of the Liabilities, expenses, costs and charges of or attributable to the Acquired Fund that are known to the Acquired Fund 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 Fund will declare to Acquired Fund shareholders 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) Acquired Fund's investment income excludable from gross income under section 103(a) of the Code over (ii) Acquired Fund's deductions disallowed under section 265 and 171(a)(2) of the Code, (b) all of Acquired Fund'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 Acquired Fund's net realized capital gain (as defined in Code section 1222), if any (after reduction for any capital loss carryover), in each case for both the taxable year ending on [], and the short taxable year beginning on [], and ending on the Closing Date. Such dividends will be made to ensure continued qualification of the Acquired Fund as a "regulated investment company" for tax purposes and to eliminate fund-level tax.
- (c) At the Effective Time, pursuant to Articles of Transfer accepted for record by the State Department of Assessments and Taxation of Maryland (the "SDAT"), the Acquired Fund shall assign, transfer, deliver and convey the Assets to the Acquiring Fund, subject to the Liabilities. The Acquiring Fund shall then accept the Assets and assume the Liabilities such that at and after the Effective Time (i) the Assets at or after the Effective Time shall become and be assets of the Acquiring Fund, and (ii) the Liabilities at the Effective Time shall attach to the Acquiring Fund, and shall be enforceable against the Acquiring Fund to the same extent as if initially incurred by the Acquiring Fund.
- (d) Within a reasonable time prior to the Closing Date, the Acquired Fund shall provide, if requested, a list of the Assets to the Acquiring Fund. The Acquired Fund may sell any asset on such list prior to the Effective Time. After the Acquired Fund provides such list, the Acquired Fund 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 Fund. Within a reasonable time after receipt of the list and prior to the Closing Date, the Acquiring Fund will advise the Acquired Fund in writing of any investments shown on the list that the Acquiring Fund has determined to be inconsistent with its investment objective, policies and restrictions. The Acquired Fund will dispose of any such securities prior to the Closing Date to the extent practicable and consistent with applicable legal requirements, including the Acquired Fund's investment objectives, policies and restrictions. In addition, if the Acquiring Fund determines that, as a result of the Acquisition, the Acquiring Fund would own an aggregate amount of an investment that would exceed a percentage limitation applicable to the Acquiring Fund, the Acquiring Fund will advise the Acquired Fund in writing of any such limitation and the Acquired Fund 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 Fund's investment objectives, policies and restrictions.
- (e) The Acquired Fund shall assign, transfer, deliver and convey the Assets to the Acquiring Fund at the Effective Time on the following basis:
- (1) The value of the Assets less the Liabilities, both determined as of the Valuation Time, shall be divided by the then NAV of one Acquiring Fund Share, and, in exchange for the transfer of the Assets, the Acquiring Fund shall simultaneously issue and deliver to the Acquired Fund the number of full Acquiring Fund Shares so determined that are allocable to all shares held by or for those stockholders of the Acquired Fund on a stockholder by stockholder basis plus fractional Acquiring Fund Shares, rounded to the second decimal place or such other decimal place as the parties may agree to in writing, allocable to those stockholders of the Acquired Fund that at the Effective Time participate in the Acquired Fund's Dividend Reinvestment Plan ("DRIP Stockholders"), regardless of whether the shares of the Acquired Fund with respect to which such fractional Acquiring Fund Shares are to be issued and delivered are held by or for the DRIP Stockholders directly or in the Acquired Fund's Dividend Reinvestment Plan. The Acquiring Fund shall at the same time deliver to the Acquired Fund cash in lieu of any fractional Acquiring Fund Shares allocable to those stockholders of the Acquired Fund that are not DRIP Stockholders;

- (2) The NAV of the Acquiring Fund Shares to be delivered to the Acquired Fund shall be determined as of the Valuation Time in accordance with the Acquiring Fund's then applicable valuation procedures, and the net value of the Assets to be conveyed to the Acquiring Fund shall be determined as of the Valuation Time in accordance with the then applicable valuation procedures of the Acquired Fund; and
- (3) The portfolio securities of the Acquired Fund shall be made available by the Acquired Fund to _____, as custodian for the Acquiring Fund (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 Fund's cash shall be delivered by the Acquired Fund to the Custodian for the account of the Acquiring Fund, 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 Fund.
- (f) Promptly after the Closing Date, the Acquired Fund will deliver to the Acquiring Fund a Statement of Assets and Liabilities of the Acquired Fund as of the Closing Date.

5. Liquidation and Dissolution of the Acquired Fund, Registration of Acquiring Fund Shares and Access to Records.

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

- (a) At or as soon as reasonably practical after the Effective Time, the Acquired Fund shall liquidate and dissolve by transferring pro rata to its stockholders of record, the Acquiring Fund Shares and cash it receives pursuant to Section 4(e)(1) of this Plan. The Acquiring Fund shall record on its books the ownership by the Acquired Fund's stockholders of the Acquiring Fund Shares so transferred to such stockholders, and the Acquired Fund shall simultaneously cancel on its books all of the issued and outstanding shares of the Acquired Fund. The Acquiring Fund shall not issue certificates representing Acquiring Fund Shares to replace certificates representing Acquired Fund shares unless the Acquired Fund share certificates are first surrendered to the Acquiring Fund.

Following distribution by the Acquired Fund to its stockholders of all the Acquiring Fund Shares delivered to the Acquired Fund, the Acquired Fund shall wind up its affairs and shall take all steps as are necessary and proper to liquidate and dissolve as soon as is reasonably possible after the Effective Time, including filing of Articles of Dissolution with SDAT.

- (b) At and after the Closing Date, the Acquired Fund shall provide the Acquiring Fund and its transfer agent with immediate access to: (i) all records containing the names, addresses and taxpayer identification numbers of all of the Acquired Fund's stockholders and the number and percentage ownership of the outstanding shares of the Acquired Fund 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 Fund stockholders' taxpayer identification numbers and their liability for or exemption from back-up withholding. The Acquired Fund shall preserve and maintain, or shall direct its service providers to preserve and maintain, records with respect to the Acquired Fund as required by Section 31 of, and Rules 31a-1 and 31a-2 under, the 1940 Act.

6. Certain Representations and Warranties of the Acquired Fund.

The Acquired Fund represents and warrants to the Acquiring Fund as follows:

- (a) The Acquired Fund is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland. The Acquired Fund is registered with the SEC as a closed-end management investment company under the 1940 Act and is duly registered with the SEC under the 1934 Act, and such registrations will be in full force and effect as of the Effective Time.
- (b) The Acquired Fund has the power and all necessary federal, state and local qualifications and authorizations to own all of the Assets, to carry on its business, to enter into this Plan and to consummate the transactions contemplated herein.
- (c) The Board of Directors of the Acquired Fund has duly authorized the execution and delivery of this Plan and the transactions contemplated herein. Duly authorized officers of the Acquired Fund have executed and delivered the Plan. The Plan represents a valid and binding contract, enforceable in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization, arrangement, moratorium, and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. The execution and delivery of this Plan does not, and, subject to the approval of stockholders referred to in Section 3 hereof, the consummation of the transactions contemplated by this Plan will not, violate the Acquired Fund's Charter, its Bylaws or any material agreement to which the Acquired Fund is subject. Except for the approval of its stockholders, the Acquired Fund does not need to take any other action to authorize its officers to effectuate this Plan and the transactions contemplated herein.
- (d) The Acquired Fund has qualified as a regulated investment company under Part I of Subchapter M of Subtitle A, Chapter 1, of the Code, in respect of each taxable year since the commencement of its operations and intends to continue to qualify as a regulated investment company for its taxable year ending upon its liquidation.
- (e) The information pertaining to the Acquired Fund included within the N-14 Registration Statement when filed with the SEC, when Part A of the N-14 Registration Statement is distributed to stockholders, at the time of the stockholders meeting of the Acquired Fund for approval of the Acquisition and at the Effective Time shall (i) comply in all material respects with the applicable provisions of the 1933 Act, the 1934 Act and the 1940 Act, and the rules and regulations thereunder and applicable state securities laws, and (ii) not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein not misleading.
- (f) The Acquired Fund has duly authorized and validly issued all of its issued and outstanding shares of common stock, and all such shares are fully paid and non-assessable and were offered for sale and sold in conformity with the registration requirements of all applicable federal and state securities laws. There are no outstanding options, warrants or other rights to subscribe for or purchase any of the shares of the Acquired Fund, nor are there any securities convertible into shares of the Acquired Fund.
- (g) The Acquired Fund shall operate its business in the ordinary course between the date hereof and the Effective Time. Such ordinary course of business will include the declaration and payment of customary dividends and distributions and any other dividends and distributions referred to in Section 4(b) hereof.
- (h) At the Effective Time, the Acquired Fund will have good and marketable title to the Assets and full right, power and authority to assign, transfer, deliver and convey the Assets.
- (i) The Financial Statements of the Acquired Fund, a copy of which has been previously delivered to the Acquiring Fund, fairly present the financial position of the Acquired Fund as of the Acquired Fund's most recent fiscal year-end and the results of the Acquired Fund's operations and changes in the Acquired Fund's net assets for the periods indicated.

- (j) To the knowledge of the Acquired Fund, the Acquired Fund has no liabilities, whether or not determined or determinable, other than the Liabilities disclosed or provided for in its Financial Statements or Liabilities incurred in the ordinary course of business subsequent to the date of the most recent Financial Statement referencing Liabilities.
- (k) To the knowledge of the Acquired Fund, except as has been disclosed in writing to the Acquiring Fund, no claims, actions, suits, investigations or proceedings of any type are pending or threatened against the Acquired Fund or any of its properties or assets or any person whom the Acquired Fund may be obligated to indemnify in connection with such litigation, proceeding or investigation. Subject to the foregoing, there are no facts that the Acquired Fund has reason to believe are likely to form the basis for the institution of any such claim, action, suit, investigation or proceeding against the Acquired Fund. The Acquired Fund is not a party to nor subject to the provisions of any order, decree or judgment of any court or governmental body that adversely affects, or is reasonably likely to adversely affect, its financial condition, results of operations, or the Assets or its ability to consummate the transactions contemplated by the Plan.
- (l) Except for agreements entered into or granted in the ordinary course of its business, in each case under which no material default exists, and this Plan, the Acquired Fund is not a party to or subject to any material contract or other commitments, which if terminated, may result in material liability to the Acquired Fund or under which (whether or not terminated) any material payment for periods subsequent to the Closing Date will be due from the Acquired Fund.
- (m) The Acquired Fund has filed its federal income tax returns, copies of which have been previously made available to the Acquiring Fund, for all taxable years for which such returns are due and has paid all taxes payable pursuant to such returns. All of the Acquired Fund's tax liabilities will have been adequately provided for on its books. No such return is currently under audit and no unpaid assessment has been asserted with respect to such returns. To the best of the Acquired Fund's knowledge, it will not have any tax deficiency or liability asserted against it or question with respect thereto raised, and it will not be under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. The Acquired Fund will timely file its federal income tax return for each subsequent taxable year including its current taxable year.
- (n) For federal income tax purposes, the Acquired Fund qualifies as a "regulated investment company," and the provisions of section 851 through 855 of the Code apply to the Acquired Fund for the remainder of its current taxable year beginning [], and will continue to apply through the Closing Date.
- (o) Since the date of the Financial Statements of the Acquired Fund, there has been no material adverse change in its financial condition, results of operations, business, or Assets. For this purpose, negative investment performance shall not be considered a material adverse change.
- (p) The Acquired Fund's investment operations from inception to the date hereof have been in compliance in all material respects with the investment policies and investment restrictions set forth in its prospectus or prospectuses and statement or statements of additional information as in effect from time to time, except as previously disclosed in writing to the Acquiring Fund.
- (q) The Acquiring Fund Shares to be issued to the Acquired Fund pursuant to paragraph 4(e)(1) will not be acquired for the purpose of making any distribution thereof other than to the Acquired Fund Stockholders as provided in paragraph 4(e)(1).
- (r) The Acquired Fund, or its agents, (i) holds a valid Form W-8Ben, Certificate of Foreign Status of Beneficial Owner for United States Withholding (or other appropriate series of Form W-8, as the case may be) or Form W-9, Request for Taxpayer Identification Number and Certification, for each Acquired Fund stockholder of record, which Form W-8 or Form W-9 can be associated with reportable payments made by the Acquired Fund to such stockholder, and/or (ii) has otherwise timely instituted the appropriate backup withholding procedures with respect to such stockholder as provided by Section 3406 of the Code and the regulations thereunder.

7. Certain Representations and Warranties of Acquiring Fund.

The Acquiring Fund represents and warrants to the Acquired Fund as follows:

- (a) The Acquiring Fund is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland. The Acquiring Fund is registered with the SEC as a closed-end management investment company under the 1940 Act and is duly registered with the SEC under the 1934 Act, and such registrations will be in full force and effect as of the Effective Time.
- (b) The Acquiring Fund shall operate its business in the ordinary course between the date hereof and the Effective Time. Such ordinary course of business will include the declaration and payment of customary dividends and distributions and any other dividends and distributions referred to in Section 4(b) hereof.
- (c) The Acquiring Fund has the power and all necessary federal, state and local qualifications and authorizations to own all of its assets, to carry on its business, to enter into this Plan and to consummate the transactions contemplated herein.
- (d) The Board of Directors of the Acquiring Fund has duly authorized execution and delivery of this Plan and the transactions contemplated herein. Duly authorized officers of the Acquiring Fund have executed and delivered the Plan. The Plan represents a valid and binding contract, enforceable in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. The execution and delivery of this Plan does not, and the consummation of the transactions contemplated by this Plan will not violate the Charter of the Acquiring Fund, its By-laws or any material agreement to which the Acquiring Fund is subject. Except for the approval of its Board, the Acquiring Fund does not need to take any other action to authorize its officers to effectuate the Plan and the transactions contemplated herein.
- (e) The Acquiring Fund has qualified as a regulated investment company under Part I of Subchapter M of Subtitle A, Chapter 1, of the Code, in respect of each taxable year since the commencement of its operations and qualifies and intends to continue to qualify as a regulated investment company for its current taxable year.
- (f) The N-14 Registration Statement, when filed with the SEC, when Part A of the N-14 Registration Statement is distributed to stockholders, at the time of the stockholder meeting of the Acquired Fund for approval of the Acquisition and at the Effective Time, insofar as it relates to the Acquiring Fund shall (i) comply in all material respects with the applicable provisions of the 1933 Act, the 1934 Act and the 1940 Act, and the rules and regulations thereunder and applicable state securities laws and (ii) not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- (g) The Acquiring Fund has duly authorized and validly issued all issued and outstanding Acquiring Fund Shares, and all such shares are fully paid and non-assessable and were offered for sale and sold in conformity with the registration requirements of all applicable federal and state securities laws. The Acquiring Fund has duly authorized the Acquiring Fund Shares referred to in Section 4(e) hereof to be issued and delivered to the Acquired Fund as of the Effective Time. When issued and delivered, such Acquiring Fund Shares shall be validly issued, fully paid and non-assessable, and no stockholder of the Acquiring Fund shall have any preemptive right of subscription or purchase in respect of any such share. There are no outstanding options, warrants or other rights to subscribe for or purchase any Acquiring Fund Shares, nor are there any securities convertible into Acquiring Fund Shares.
- (h) To the knowledge of the Acquiring Fund, except as has been disclosed in writing to the Acquiring Fund, no claims, actions, suits, investigations or proceedings of any type are pending or threatened against the Acquiring Fund or any of its properties or assets or any person whom the Acquiring Fund

may be obligated to indemnify in connection with such litigation, proceeding or investigation. Subject to the foregoing, there are no facts that the Acquiring Fund currently has reason to believe are likely to form the basis for the institution of any such claim, action, suit, investigation or proceeding against the Acquiring Fund. The Acquiring Fund is not a party to or subject to the provisions of any order, decree or judgment of any court or governmental body that adversely affects, or is reasonably likely to adversely affect its financial condition, results of operations, its assets or its ability to consummate the transactions contemplated by this Plan.

- (i) Except for agreements entered into or granted in the ordinary course of its business, in each case under which no material default exists, the Acquiring Fund is not a party to or subject to any material contract, debt instrument, employee benefit plan, lease, franchise, license or permit of any kind or nature whatsoever.
- (j) The Acquiring Fund has filed its federal income tax returns, copies of which have been previously made available to the Acquired Fund, for all taxable years for which such returns are due and has paid all taxes payable pursuant to such returns. All of the Acquiring Fund's tax liabilities will have been adequately provided for on its books. No such return is currently under audit and no unpaid assessment has been asserted with respect to such returns. To the best of the Acquiring Fund's knowledge, it will not have any tax deficiency or liability asserted against it or question with respect thereto raised, and it will not be under audit by the Internal Revenue Service or by any state or local tax authority for taxes in excess of those already paid. The Acquiring Fund will timely file its federal income tax return for each subsequent taxable year including its current taxable year.
- (k) For federal income tax purposes, the Acquiring Fund qualifies as a "regulated investment company," and the provisions of section 851 through 855 of the Code apply to the Acquiring Fund for the remainder of its current taxable year beginning [], and will continue to apply through the Closing Date.
- (l) The Financial Statements of the Acquiring Fund, a copy of which has been previously delivered to the Acquired Fund, fairly present the financial position of the Acquiring Fund's most recent fiscal year-end and the results of the Acquiring Fund's operations and changes in the Acquiring Fund's net assets for the period indicated.
- (m) Since the date of the Financial Statements of the Acquiring Fund, there has been no material adverse change in its financial condition, results of operations, business or assets. Negative investment performance shall not be considered a material adverse change.
- (n) The Acquiring Fund's investment operations from inception to the date hereof have been in compliance in all material respects with the investment policies and investment restrictions set forth in its prospectus or prospectuses and statement or statements of additional information as in effect from time to time, except as previously disclosed in writing to the Acquired Fund.
- (o) The Acquiring Fund will use all reasonable efforts to obtain the approvals and authorizations required by the 1933 Act, the 1940 Act and such other state securities laws as it may deem appropriate in order to continue its operations after the Closing Date.

8. Conditions to the Obligations of the Acquiring Fund and the Acquired Fund.

The obligations of the Acquiring Fund and the Acquired Fund with respect to the Acquisition shall be subject to the following conditions precedent:

- (a) The stockholders of the Acquired Fund shall have approved the Acquisition in the manner required by the Charter of the Acquired Fund, its Bylaws and applicable law. If stockholders of the Acquired Fund fail to approve the Acquisition as required, that failure shall release the Funds of their obligations under this Plan.

- (b) The Acquiring Fund and the Acquired Fund shall have delivered to the other party a certificate dated as of the Closing Date and executed in its name by its Secretary or an Assistant Secretary, in a form reasonably satisfactory to the receiving party, stating that the representations and warranties of the Acquiring Fund or the Acquired Fund, as applicable, in this Plan that apply to the Acquisition are true and correct in all material respects at and as of the Valuation Time.
- (c) The Acquiring Fund and the Acquired Fund shall have performed and complied in all material respects with each of its representations and warranties required by this Plan to be performed or complied with by it prior to or at the Valuation Time and the Effective Time.
- (d) There has been no material adverse change in the financial condition, results of operations, business, properties or assets of the Acquiring Fund or the Acquired Fund since the date of the most recent Financial Statements. Negative investment performance shall not be considered a material adverse change.
- (e) The Acquiring Fund and the Acquired Fund shall have received an opinion of Seward & Kissel LLP reasonably satisfactory to each of them, 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 Fund and the Acquired Fund will each be “a party to a reorganization” within the meaning of section 368(b) of the Code;
 - (2) a stockholder of the Acquired Fund will recognize no gain or loss on the exchange of the stockholder’s shares of the Acquired Fund solely for Acquiring Fund Shares, except with respect to cash received in lieu of a fractional share of the Acquiring Fund in connection with the Acquisition;
 - (3) neither the Acquired Fund nor the Acquiring Fund will recognize any gain or loss upon the transfer of all of the Assets to the Acquiring Fund in exchange for Acquiring Fund Shares (plus cash in lieu of fractional shares) and the assumption by Acquiring Fund of the Liabilities pursuant to this Plan or upon the distribution of Acquiring Fund Shares and cash to stockholders of the Acquired Fund in exchange for their respective shares of the Acquired Fund;
 - (4) the holding period and tax basis of the Assets acquired by the Acquiring Fund will be the same as the holding period and tax basis that the Acquired Fund had in such Assets immediately prior to the Acquisition;
 - (5) the aggregate tax basis of the Acquiring Fund Shares received in connection with the Acquisition by each stockholder of the Acquired Fund (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 Fund surrendered in exchange therefor, decreased by any cash received and increased by any gain recognized on the exchange;
 - (6) the holding period of the Acquiring Fund Shares received in connection with the Acquisition by each stockholder of the Acquired Fund (including any fractional share to which the stockholder may be entitled) will include the holding period of the shares of the Acquired Fund surrendered in exchange therefor, provided that such Acquired Fund shares constitute capital assets in the hands of the stockholder as of the Closing Date;
 - (7) The Acquiring Fund will succeed to the capital loss carryovers of the Acquired Fund, if any, under section 381 of the Code, but the use by the Acquiring Fund of any such capital loss carryovers (and of capital loss carryovers of the Acquiring Fund) may be subject to limitation under section 383 of the Code; and
 - (8) any gain or loss realized by a stockholder of the Acquired Fund upon the sale of a fractional share of the Acquiring Fund to which the stockholder is entitled will be recognized to the stockholder and measured by the difference between the amount of cash received and the basis of the fractional

share and, provided that the Acquired Fund shares surrendered constitute capital assets in the hands of the stockholder, will be a capital gain or loss.

The opinion will be based on certain factual certifications made by officers of the Funds 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 (e), 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 Fund shall agree to make and provide additional representations to Seward & Kissel LLP with respect to the Funds that are reasonably necessary to enable Seward & Kissel LLP to deliver the tax opinion. Notwithstanding anything in this Plan to the contrary, neither Fund may waive in any material respect the conditions set forth under this subparagraph (e).

- (f) The N-14 Registration Statement shall have become effective under the 1933 Act as to the Acquiring Fund Shares, and the SEC shall not have instituted and to the knowledge of the Acquiring Fund is not contemplating instituting, any stop order suspending the effectiveness of the N-14 Registration Statement.
- (g) 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.
- (h) 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.
- (i) Neither party shall have terminated this Plan with respect to the Acquisition pursuant to Section 13 of this Plan.
- (j) The NYSE shall have approved, upon official notice of issuance, the listing of the Acquiring Fund Shares to be issued and delivered to the Acquired Fund pursuant hereto.

9. Conditions to the Obligations of the Acquired Fund.

The obligations of the Acquired Fund with respect to the Acquisition shall be subject to the following conditions precedent:

- (a) The Acquired Fund shall have received an opinion of Seward & Kissel LLP, counsel to the Acquiring Fund, in form and substance reasonably satisfactory to the Acquired Fund and dated as of the Closing Date, substantially to the effect that:
 - (1) The Acquiring Fund is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland and is a closed-end, management investment company registered under the 1940 Act and duly registered under the 1934 Act;
 - (2) This Plan has been duly authorized, executed and delivered by the Acquiring Fund and, assuming the N-14 Registration Statement referred to in Section 2 of this Plan does not contain any material misstatements or omissions, and assuming due authorization, execution and delivery of this Plan by the Acquired Fund, represents a legal, valid and binding contract, enforceable in accordance with its terms, subject to the effect of bankruptcy, insolvency, moratorium, fraudulent conveyance and transfer and similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto, and further subject to the application of equitable principles in any proceeding, whether at law or in equity or with respect to the enforcement of provisions of the Plan and the effect of judicial decisions which have held that certain provisions are unenforceable when their enforcement would violate an implied covenant of good faith and fair dealing or would be commercially unreasonable or when default under the Plan is not material;

- (3) The Acquiring Fund Shares to be delivered as provided for by this Plan are duly authorized and upon delivery will be validly issued, fully paid and non-assessable by the Acquiring Fund;
- (4) The execution and delivery of this Plan did not, and the consummation of the Acquisition will not, violate the Charter of the Acquiring Fund, its Bylaws or any agreement of the Acquiring Fund known to such counsel, after reasonable inquiry; and
- (5) To the knowledge of such counsel, no consent, approval, authorization or order of any federal or state court or administrative or regulatory agency, other than the acceptance of record of Articles of Transfer by the SDAT, is required for the Acquiring Fund to enter into this Plan or carry out its terms, except those that have been obtained under the 1933 Act, the 1934 Act, the 1940 Act and the rules and regulations under those Acts or that may be required under state securities laws or subsequent to the Effective Time or when the failure to obtain the consent, approval, authorization or order would not have a material adverse effect on the operation of the Acquiring Fund.

In rendering such opinion, Seward & Kissel LLP may (i) rely on the opinion of Venable LLP as to matters of Maryland law to the extent set forth in such opinion, (ii) make assumptions regarding the authenticity, genuineness and/or conformity of documents and copies thereof without independent verification thereof, (iii) limit such opinion to applicable federal and state law, (iv) define the word “knowledge” and related terms to mean the knowledge of attorneys then with such firm who have devoted substantive attention to matters directly related to this Plan and (v) rely on certificates of officers or directors of the Acquiring Fund as to factual matters.

- (b) The Acquiring Fund shall have received a letter from the Adviser with respect to insurance matters in form and substance satisfactory to the Acquired Fund.

10. Conditions to the Obligations of the Acquiring Fund.

The obligations of the Acquiring Fund with respect to the Acquisition shall be subject to the following conditions precedent:

- (a) The Acquiring Fund shall have received an opinion of Seward & Kissel LLP, counsel to the Acquired Fund, in form and substance reasonably satisfactory to the Acquiring Fund and dated as of the Closing Date, substantially to the effect that:
 - (1) The Acquired Fund is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland and is a closed-end management investment company registered under the 1940 act and duly registered under the 1934 Act;
 - (2) This Plan has been duly authorized, executed and delivered by the Acquired Fund and, assuming the N-14 Registration Statement referred to in Section 2 of this Plan does not contain any material misstatements or omissions, and assuming due authorization, execution and delivery of this Plan by the Acquiring Fund, represents a legal, valid and binding contract, enforceable in accordance with its terms, subject to the effect of bankruptcy, insolvency, moratorium, fraudulent conveyance and transfer and similar laws relating to or affecting creditors’ rights generally and court decisions with respect thereto, and further subject to the application of equitable principles in any proceeding, whether at law or in equity or with respect to the enforcement of provisions of the Plan and the effect of judicial decisions which have held that certain provisions are unenforceable when their enforcement would violate an implied covenant of good faith and fair dealing or would be commercially unreasonable or when default under the Plan is not material;
 - (3) The execution and delivery of this Plan did not, and the consummation of the Acquisition will not, violate the Charter of the Acquired Fund, its Bylaws or any agreement of the Acquired Fund known to such counsel, after reasonable inquiry, and no approval of the Plan by stockholders of the Acquiring Fund is required under its Charter, Bylaws or applicable law; and

- (4) To the knowledge of such counsel, no consent, approval, authorization or order of any federal or state court or administrative or regulatory agency, other than the acceptance of record of Articles of Transfer by the SDAT, is required for the Acquired Fund to enter into the Plan or carry out its terms, except those that have been obtained under the 1933 Act, the 1934 Act, the 1940 Act and the rules and regulations under those Acts or that may be required under state securities laws or subsequent to the Effective Time or when the failure to obtain the consent, approval, authorization or order would not have a material adverse effect on the operation of the Acquired Fund.

In rendering such opinion, Seward & Kissel LLP may (i) rely on the opinion of Venable LLP as to matters of Maryland law, (ii) make assumptions regarding the authenticity, genuineness and/or conformity of documents and copies thereof without independent verification thereof, (iii) limit such opinion to applicable federal and state law, (iv) define the word “knowledge” and related terms to mean the knowledge of attorneys then with such firm who have devoted substantive attention to matters directly related to this Plan and (v) rely on certificates of officers or directors of the Acquired Fund as to factual matters.

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

11. Closing

- (a) The Closing shall be held at the offices of the Funds, 1345 Avenue of the Americas, New York, New York 10105, or at such other time place as the parties may agree.
- (b) In the event that at the Valuation Time (a) the New York Stock Exchange shall be closed to trading or trading thereon shall be restricted, or (b) 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 Fund or the Acquiring Fund 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 either the Acquired Fund or the Acquiring Fund upon the giving of written notice to the other party.
- (c) The Acquiring Fund will provide to the Acquired Fund evidence satisfactory to the Acquired Fund that the Acquiring Fund Shares issuable pursuant to the Acquisition have been credited to the Acquired Fund’s account on the books of the Acquiring Fund. After the Closing Date, the Acquiring Fund will provide to the Acquired Fund evidence satisfactory to the Acquired Fund that such Shares have been credited pro rata to open accounts in the names of the Acquired Fund 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 the Plan.

12. Survival of Representations and Warranties.

No representations, warranties or covenants in or pursuant to this Plan (including certificates of officers) hereto shall survive the completion of the transactions contemplated herein.

13. Termination of Plan.

A majority of either Fund’s Board of Directors may terminate this Plan with respect to that Fund at any time before the applicable Effective Time if: (i) the Fund’s conditions precedent set forth in Sections 8, 9 or 10 as appropriate, are not satisfied; or (ii) the Board of Directors determines that the consummation of the Acquisition is not in the best interests of the Fund or its stockholders and gives notice of such termination to the other party.

14. Governing Law.

This Plan and the transactions contemplated hereby shall be governed, construed and enforced in accordance with the laws of the State of New York, except to the extent preempted by federal law, without regard to conflicts of law principles.

15. Brokerage Fees.

Each party represents and warrants that there are no brokers or finders entitled to receive any payments in connection with the transactions provided for in the Plan.

16. Amendments.

The parties may, by agreement in writing authorized by their respective Board of Directors, amend this Plan at any time before or after the stockholders of the Acquired Fund approve the Acquisition. However, after stockholders of the Acquired Fund approve the Acquisition, the parties may not amend this Plan in a manner that materially alters the obligations of the other party. This Section shall not preclude the parties from changing the Closing Date or the Effective Time by mutual agreement.

17. Waivers.

At any time prior to the Closing Date, either party may by written instrument signed by it (i) waive the effect of any inaccuracies in the representations and warranties made to it contained herein and (ii) waive compliance with any of the agreements, covenants or conditions made for its benefit contained herein. Any waiver shall apply only to the particular inaccuracy or requirement for compliance waived, and not any other or future inaccuracy or lack of compliance.

18. Indemnification of Directors.

The Acquiring Fund agrees that all rights to indemnification and all limitations of liability existing in favor of the Acquired Fund's current and former Directors and officers, acting in their capacities as such, under the Acquired Fund's Articles of Incorporation and Bylaws as in effect as of the date of this Plan shall survive the Acquisition as obligations of the Acquiring Fund and shall continue in full force and effect, without any amendment thereto, and shall constitute rights which may be asserted against the Acquiring Fund, its successors or assigns.

19. Other Matters.

Pursuant to Rule 145 under the 1933 Act, and in connection with the issuance of any shares to any person who at the time of the Acquisition is, to the Acquiring Fund's knowledge, an affiliate of a party to the Acquisition pursuant to Rule 145(c), the Acquiring Fund will cause to be affixed upon the certificate(s) issued to such person (if any) a legend as follows:

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFER UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO ACQUIRING FUND (OR ITS STATUTORY SUCCESSOR) UNLESS (I) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SHARES IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933 OR (II) IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE FUND, SUCH REGISTRATION IS NOT REQUIRED.

20. Cooperation and Further Assurances.

Each party will cooperate with the other in fulfilling its obligations under this Plan and will provide such information and documentation as is reasonably requested by the other in carrying out the Plan's terms. Each party will provide such further assurances concerning the performance of its obligations hereunder and execute all documents for or in connection with the consummation of the Acquisition as, with respect to such assurances or documents, the other shall deem necessary or appropriate.

21. Updating of N-14 Registration Statement.

If at any time prior to the Effective Time, a party becomes aware of any untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements made not misleading in the N-14 Registration Statement, the party discovering the item shall notify the other party and the parties shall cooperate in promptly preparing, filing and clearing with the SEC and, if appropriate, distributing to stockholders appropriate disclosure with respect to the item.

22. Limitation on Liabilities.

The obligations of the Acquired Fund and the Acquiring Fund shall not bind any of the directors, stockholders, nominees, officers, agents, employees or agents of the Acquired Fund or the Acquiring Fund personally, but shall bind only the Acquired Fund or Acquiring Fund, as appropriate. The execution and delivery of this Plan by an officer of either party shall not be deemed to have been made by the officer individually or to impose any liability on the officer personally, but shall bind only the Acquired Fund or the Acquiring Fund, as appropriate.

23. Termination of the Acquired Fund.

If the parties complete the Acquisition, the Acquired Fund shall terminate its registration under the 1940 Act, the 1933 Act, and the 1934 Act and will liquidate and dissolve.

24. Notices.

Any notice, report, statement, certificate or demand required or permitted by any provision of the Plan shall be in writing and shall be given in person or by telecopy, certified mail or overnight express courier to:

For the Acquired Fund:

[Acquired Fund]
1345 Avenue of the Americas
New York, New York 10105
Attention: Secretary

For the Acquiring Fund:

[Acquiring Fund]
1345 Avenue of the Americas
New York, New York 10105
Attention: Secretary

25. Expenses.

The Acquisition expenses shall be paid by the Acquired Fund.

26. General.

This Plan supersedes all prior agreements between the parties with respect to the subject matter hereof and may be amended only in writing signed by both parties. The headings contained in this Plan are for reference only and shall not affect in any way the meaning or interpretation of this Plan. Whenever the context so requires, the use in the Plan of the singular will be deemed to include the plural and vice versa. Nothing in this Plan, expressed or implied, confers upon any other person any rights or remedies under or by reason of this Plan. Neither party may assign or transfer any right or obligation under this Plan without the written consent of the other party.

In Witness Whereof, the parties hereto have executed this Plan as of the day and year first above written.

[Acquired Fund]

Attest:

_____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

[Acquiring Fund]

Attest:

_____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

AllianceBernstein L.P.

By: AllianceBernstein Corporation, its General Partner

By: _____

Name: _____

Title: _____

APPENDIX E

EXISTING AND PRO FORMA CAPITALIZATION

The following tables set forth (i) the capitalization of the Funds and (ii) the pro forma capitalization of ACM Income as adjusted giving effect to the proposed acquisition of assets at net asset value as of March 31, 2006:

	<u>ACM Government Opportunity</u>	<u>ACM Income</u>	<u>Adjustments</u>	<u>ACM Income (pro forma)</u>
Total Net Assets	\$109,677,570	\$1,869,167,537	\$(112,500)	\$1,978,732,607
Shares outstanding	12,903,932	229,436,279	554,156	242,894,367
NAV per share	\$ 8.50	\$ 8.15	—	\$ 8.15

APPENDIX F

TRADING HISTORY AND SHARE PRICE DATA

Shares of the Funds are traded on the NYSE under the following symbols: ACM Government Opportunity—“AOF” and ACM Income—“ACG”. Shares of closed-end management companies frequently trade at discounts from their NAVs, and the Funds’ shares have also traded at a discount in recent times. The following tables set forth for each Fund’s fiscal quarter within the two most recent fiscal years and each Fund’s fiscal quarter since the beginning of the current fiscal year: (a) the per share high and low sales prices as reported by the NYSE; (b) the NAV per share, based on the Fund’s computation as of 4:00 p.m. on the last NYSE business day for the week corresponding to the dates on which the respective high and low prices were recorded; and (c) the discount or premium to NAV represented by the high and low sales prices shown. The range of NAVs and of premiums and discounts for the shares during the periods shown may be broader than is shown in this table. On September 15, 2006, the closing price per share was \$7.96 and \$8.21, the NAV per share was \$8.13 and \$8.51 and the discount to NAV was (2.09)% and (3.53)%, for ACM Government Opportunity and ACM Income, respectively.

FYE: July 31

<u>ACM Government Opportunity</u>	<u>Sales Price</u>		<u>Corresponding Net Asset Value</u>		<u>(Discount) or Premium to Net Asset Value</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	Quarter Ended					
10/31/04	\$8.88	\$7.99	\$8.41	\$8.40	5.85%	(5.59)%
1/31/05	\$8.19	\$7.74	\$8.66	\$8.50	(5.23)%	(10.03)%
4/30/05	\$8.23	\$7.49	\$8.71	\$8.34	(5.43)%	(10.27)%
7/31/05	\$7.92	\$7.63	\$8.57	\$8.42	(7.28)%	(9.68)%
10/31/05	\$7.93	\$7.42	\$8.63	\$8.42	(7.55)%	(11.88)%
1/31/06	\$7.76	\$7.48	\$8.58	\$8.41	(9.56)%	(11.57)%
4/30/06	\$7.78	\$7.51	\$8.70	\$8.41	(9.14)%	(11.30)%
7/31/06	\$7.67	\$7.37	\$8.46	\$8.16	(7.98)%	(10.63)%

FYE: December 31

<u>ACM Income</u>	<u>Sales Price</u>		<u>Corresponding Net Asset Value</u>		<u>(Discount) or Premium to Net Asset Value</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
	Quarter Ended					
3/31/04	\$8.87	\$8.47	\$8.43	\$8.41	5.25%	0.71%
6/30/04	\$8.75	\$7.20	\$8.41	\$7.69	4.04%	(6.37)%
9/30/04	\$8.36	\$7.88	\$7.98	\$7.84	4.76%	(0.50)%
12/31/04	\$8.20	\$7.94	\$8.15	\$8.08	0.99%	(1.73)%
3/31/05	\$8.44	\$7.97	\$8.35	\$8.05	1.58%	(1.34)%
6/30/05	\$8.31	\$8.03	\$8.36	\$8.10	0.86%	(1.35)%
9/30/05	\$8.38	\$8.22	\$8.31	\$8.27	0.85%	(0.84)%
12/31/05	\$8.34	\$8.04	\$8.30	\$8.14	1.85%	(1.23)%
3/31/06	\$8.49	\$8.06	\$8.36	\$8.14	3.07%	(0.98)%
6/30/06	\$8.14	\$7.33	\$8.17	\$7.82	(0.25)%	(7.05)%

APPENDIX G

LEGAL PROCEEDINGS

The staff of the U.S. Securities and Exchange Commission (“SEC”) and the Office of the New York Attorney General (“NYAG”) have been investigating practices in the mutual fund industry identified as “market timing” and “late trading” of mutual fund shares. Certain other regulatory authorities have also been conducting investigations into these practices within the industry and have requested that the Adviser provide information to them. The Adviser has been cooperating and will continue to cooperate with all of these authorities.

Excluding the occurrences of tender offers or stock repurchases, the shares of a Fund are not redeemable by a Fund, but are traded on an exchange at prices established by the market. Accordingly, the Fund and its stockholders are not subject to the market timing and late trading practices that are the subject of the investigations mentioned above or the lawsuits described below. Please see below for a description of the agreements reached by the Adviser and the SEC and NYAG in connection with the investigations mentioned above.

Numerous lawsuits have been filed against the Adviser and certain other defendants in which plaintiffs make claims purportedly based on or related to the same practices that are the subject of the SEC and NYAG investigations referred to above. Some of these lawsuits name one or more of the Funds as a party. The lawsuits are now pending in the United States District Court for the District of Maryland pursuant to a ruling by the Judicial Panel on Multidistrict Litigation transferring and centralizing all of the mutual funds involving market and late trading in the District of Maryland (the “Mutual Fund MDL”). Management of the Adviser believes that these private lawsuits are not likely to have a material adverse effect on the results of operations or financial condition of a Fund.

On December 18, 2003, the Adviser confirmed that it had reached terms with the SEC and the NYAG for the resolution of regulatory claims relating to the practice of “market timing” mutual fund shares in some of the AllianceBernstein Mutual Funds. The agreement with the SEC is reflected in an Order of the Commission (“SEC Order”). The agreement with the NYAG is memorialized in an Assurance of Discontinuation dated September 1, 2004 (“NYAG Order”). Among the key provisions of these agreements are the following:

- (i) The Adviser agreed to establish a \$250 million fund (the “Reimbursement Fund”) to compensate mutual fund stockholders for the adverse effects of market timing attributable to market timing relationships described in the SEC Order. According to the SEC Order, the Reimbursement Fund is to be paid, in order of priority, to fund investors based on (i) their aliquot share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by such fund during the period of such market timing;
- (ii) The Adviser agreed to reduce the advisory fees it receives from some of the AllianceBernstein long-term, open-end retail funds, commencing January 1, 2004, for a period of at least five years; and
- (iii) The Adviser agreed to implement changes to its governance and compliance procedures. Additionally, the SEC Order contemplates that the Adviser’s registered investment company clients, including the Fund, will introduce governance and compliance changes.

The shares of a Fund are not redeemable by a Fund, but are traded on an exchange at prices established by the market. Accordingly, a Fund and its stockholders are not subject to the market timing practices described in the SEC Order and are not expected to participate in the Reimbursement Fund. Since the Funds are closed-end funds, they will not have their advisory fee reduced pursuant to the terms of the agreements mentioned above.

On February 10, 2004, the Adviser received (i) a subpoena duces tecum from the Office of the Attorney General of the State of West Virginia and (ii) a request for information from West Virginia’s Office of the State Auditor, Securities Commission (the “West Virginia Securities Commission”) (together, the “Information Requests”). Both Information Requests require the Adviser to produce documents concerning, among other things, any market timing or late trading in the Adviser’s sponsored mutual funds. The Adviser responded to the Information Requests and has been cooperating fully with the investigation.

On April 11, 2005, a complaint entitled *The Attorney General of the State of West Virginia v. AIM Advisors, Inc., et al.* (“WVAG Complaint”) was filed against the Adviser, Alliance Capital Management Holding L.P. (“Alliance Holding”), and various other defendants not affiliated with the Adviser. The WVAG Complaint was filed in the Circuit Court of Marshall County, West Virginia by the Attorney General of the State of West Virginia. The WVAG Complaint makes factual allegations generally similar to those in certain of the complaints related to the lawsuits discussed above. On May 31, 2005, defendants removed the WVAG Complaint to the United States District Court for the Northern District of West Virginia. On July 12, 2005, plaintiff moved to remand. On October 19, 2005, the WVAG Complaint was transferred to the Mutual fund MDL.

On August 30, 2005, the deputy commissioner of securities of the West Virginia Securities Commission signed a “Summary Order to Cease and Desist, and Notice of Right to Hearing” addressed to the Adviser and Alliance Holding. The Summary Order claims that the Adviser and Alliance Holding violated the West Virginia Uniform Securities Act, and makes factual allegations generally similar to those in the SEC Order and the NYAG Order. On January 26, 2006, the Adviser, Alliance Holding, and various unaffiliated defendants filed a Petition for Writ of Prohibition and Order Suspending Proceedings in West Virginia state court seeking to vacate the Summary Order and for other relief. The Adviser intends to vigorously defend against the allegations in the WVAG Complaint.

On June 22, 2004, a purported class action complaint entitled *Aucoin, et al. v. Alliance Capital Management L.P., et al.* (“Aucoin Complaint”) was filed against the Adviser, Alliance Capital Management Holding L.P., Alliance Capital Management Corporation, AXA Financial, Inc., AllianceBernstein Investment Research & Management, Inc., certain current and former directors of the AllianceBernstein Mutual Funds, and unnamed Doe defendants. The Aucoin Complaint names certain of the AllianceBernstein mutual funds as nominal defendants. The Funds were not named as defendants in the Aucoin Complaint. The Aucoin Complaint was filed in the United States District Court for the Southern District of New York by an alleged stockholder of an AllianceBernstein mutual fund. The Aucoin Complaint alleges, among other things, (i) that certain of the defendants improperly authorized the payment of excessive commissions and other fees from fund assets to broker-dealers in exchange for preferential marketing services, (ii) that certain of the defendants misrepresented and omitted from registration statements and other reports material facts concerning such payments, and (iii) that certain defendants caused such conduct as control persons of other defendants. The Aucoin Complaint asserts claims for violation of Sections 34(b), 36(b) and 48(a) of the Investment Company Act, Sections 206 and 215 of the Advisers Act, breach of common law fiduciary duties, and aiding and abetting breaches of common law fiduciary duties. Plaintiffs seek an unspecified amount of compensatory damages and punitive damages, rescission of their contracts with the Adviser, including recovery of all fees paid to the Adviser pursuant to such contracts, an accounting of all fund-related fees, commissions and soft dollar payments, and restitution of all unlawfully or discriminatorily obtained fees and expenses.

Since June 22, 2004, nine additional lawsuits making factual allegations substantially similar to those in the Aucoin Complaint were filed against the Adviser and certain other defendants. All nine of the lawsuits (i) were brought as class actions filed in the United States District Court for the Southern District of New York, (ii) assert claims substantially identical to the Aucoin Complaint, and (iii) are brought on behalf of stockholders of the Funds.

On February 2, 2005, plaintiffs filed a consolidated amended class action complaint (“Aucoin Consolidated Amended Complaint”) that asserts claims substantially similar to the Aucoin Complaint and the nine additional lawsuits referenced above. On October 19, 2005, the District Court dismissed each of the claims set forth in the Aucoin Consolidated Amended Complaint, except for plaintiff’s claim under Section 36(b) of the Investment Company Act. On January 11, 2006, the District Court granted defendants’ motion for reconsideration and dismissed the remaining Section 36(b) claim. Plaintiffs have moved for leave to amend their consolidated complaint.

On October 19, 2005, the District Court granted in part, and denied in part, defendants’ motion to dismiss the Aucoin Complaint and as a result the only claim remaining is plaintiffs’ Section 36(b).

On August 7, 2006, the Mutual Fund MDL signed an Order staying the actions (including discovery) against the Alliance defendants pending settlement.

The Adviser believes that these matters are not likely to have a material adverse effect on the Funds or the Adviser’s ability to perform advisory services relating to the Funds.

APPENDIX H
SHARE OWNERSHIP INFORMATION

Outstanding Shares

As of August 15, 2006 each Fund had the following number of shares of common stock outstanding.

<u>Fund</u>	<u>Amount Outstanding</u>
ACM Government Opportunity	12,903,932
ACM Income	229,436,279

Share Ownership

As of August 15, 2006, the directors and officers of each Fund as a group beneficially owned less than 1% of the outstanding shares of common stock of that Fund and, to the knowledge of each Fund, the following persons owned either of record or beneficially, 5% or more of the outstanding shares of the Fund.

<u>Fund</u>	<u>Name and Address of Stockholder</u>	<u>Number of Outstanding Shares Owned</u>	<u>Percentage of Outstanding Shares Owned</u>
ACM Government Opportunity	Aon Corporation/Aon Advisors, Inc./Combined Insurance Company of America 200 E. Randolph Street Chicago, IL 60601	3,425,736	26.50%
	Karpus Management, Inc. d/b/a Karpus Investment Fund 183 Sully's Trail Pittsford, NY 14534	677,695	5.25%
ACM Income	N/A	N/A	N/A

The following table shows the percentage of ACM Income's shares on a pro forma basis after the Acquisition to be owned by the above listed stockholders, if the Acquisition had been consummated as of August 15, 2006.

<u>Name and Address of Stockholder</u>	<u>Percentage of Outstanding Shares of ACM Income on a pro forma basis</u>
Aon Corporation/Aon Advisors, Inc./Combined Insurance Company of America 200 E. Randolph Street Chicago, IL 60601	1.48%
Karpus Management, Inc. d/b/a Karpus Investment Fund 183 Sully's Trail Pittsford, NY 14534	0.29%

APPENDIX I
FINANCIAL HIGHLIGHTS TABLE

The financial highlights table is intended to help you understand each Fund's financial performance for the past 5 years. Certain information reflects financial results for a single share of a Fund. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in a Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Ernst & Young LLP, the independent registered public accounting firm for the Funds, whose reports, along with the Funds' financial statements, are included in the Funds' annual report, which is available upon request.

ACM Government Opportunity

	Six Months Ended January 31, 2006 (unaudited)	Year Ended July 31,				
		2005	2004	2003	2002(a)	2001
Net asset value, beginning of period	\$ 8.50	\$ 8.30	\$ 8.46	\$ 7.95	\$ 7.99	\$ 7.90
Income From Investment Operations						
Net investment income(b)	.24(c)	.53(c)	.57	.67	.61	.69
Net realized and unrealized gain (loss) on investment and foreign currency transactions	.12	.20	(.07)	.56	.13	.12
Net increase in net asset value from operations	.36	.73	.50	1.23	.74	.81
Less: Dividends and Distributions						
Dividends from net investment income	(.24)	(.53)	(.60)	(.72)	(.61)	(.64)
Tax return of capital	-0-	-0-	-0-	-0-	(.02)	(.08)
Distributions in excess of net investment income	-0-	-0-	-0-	-0-	(.15)	-0-
Distributions from net realized gain on investments	(.04)	-0-	(.06)	-0-	-0-	-0-
Total dividends and distributions	(.28)	(.53)	(.66)	(.72)	(.78)	(.72)
Net asset value, end of period	\$ 8.58	\$ 8.50	\$ 8.30	\$ 8.46	\$ 7.95	\$ 7.99
Market value, end of period	\$ 7.70	\$ 7.83	\$ 8.29	\$ 8.50	\$ 9.20	\$ 8.67
Premium/(Discount)	(10.26)%	(7.88)%	(.12)%	.47%	15.72%	8.51%
Total Return						
Total investment return based on:(d)						
Market value	1.96%	.86%	5.28%	.43%	16.45%	32.38%
Net asset value	4.66%	9.36%	5.90%	15.68%	9.30%	11.00%
Ratios/Supplemental Data						
Net assets, end of period (000's omitted)	\$110,688	\$109,734	\$106,990	\$108,339	\$100,554	\$99,888
Ratio to average net assets of:						
Expenses, net of waivers/ reimbursements	2.55%(e)	1.95%	1.54%(f)	1.83%	1.92%	2.88%
Expenses, before waivers/ reimbursements	2.65%(e)	2.00%	1.54%	1.83%	1.92%	2.88%
Expenses, excluding interest expense	1.24%(e)	1.32%	1.28%	1.35%	1.33%	1.45%
Net investment income	5.62%(c)(e)	6.20%(c)	6.65%	7.88%	7.58%	8.69%
Portfolio turnover rate	34%	64%	124%	100%	173%	98%

(a) As required, effective August 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide, Audits of Investment Companies, and began amortizing premium on debt securities for financial reporting purposes only. The effect of this change for the year ended July 31, 2002 was to decrease net investment income per share by \$0.13, increase net realized and unrealized gain on investment transactions per share by \$0.13, and decrease the ratio of net investment income to average net assets from 9.16% to 7.58%. Per share, ratios and supplemental data for periods prior to August 1, 2001 have not been restated to reflect this change in presentation.

(b) Based on average shares outstanding.

(c) Net of expenses waived by the Adviser.

(d) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of each period reported. Distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on the net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total investment return calculated for a period of less than one year is not annualized.

(e) Annualized.

(f) Reflects a \$1,125 waiver by the Adviser which had no effect to the ratio.

ACM Income

	Six Months Ended June 30, 2006 (unaudited)	Year Ended December 31,				
		2005	2004(a)	2003	2002	2001(b)
Net asset value, beginning of period	\$ 8.25	\$ 8.27	\$ 8.39	\$ 7.91	\$ 7.87	\$ 8.45
Income From Investment Operations						
Net investment income(c)	.30	.66	.67	.76	.89	.76
Net realized and unrealized gain (loss) on investment and foreign currency transactions	(.31)	-0-	(.01)	.59	.07	(.11)
Net increase in net asset value from operations	(.01)	.66	.66	1.35	.96	.65
Less: Dividends and Distributions						
Dividends from net investment income	(.32)	(.68)	(.78)	(.87)	(.85)	(.77)
Distributions in excess of net investment income	-0-	-0-	-0-	-0-	-0-	(.07)
Tax return of capital	-0-	-0-	-0-	-0-	(.07)	-0-
Total dividends and distributions	(.32)	(.68)	(.78)	(.87)	(.92)	(.84)
Less: Fund Share Transactions						
Dilutive effect of rights offering	-0-	-0-	-0-	-0-	-0-	(.32)
Offering costs charged to paid-in-capital in excess of par	-0-	-0-	-0-	-0-	-0-	(.07)
Total fund share transactions	-0-	-0-	-0-	-0-	-0-	(.39)
Net asset value, end of period	\$ 7.92	\$ 8.25	\$ 8.27	\$ 8.39	\$ 7.91	\$ 7.87
Market value, end of period	\$ 7.41	\$ 8.28	\$ 8.16	\$ 8.58	\$ 8.46	\$ 7.30
Premium/(Discount)	(6.44)%	.36%	(1.33)%	2.26%	6.95%	(7.24)%
Total Investment Return						
Total investment return based on:(d)						
Market value	(6.94)%	10.18%	4.63%	12.50%	30.60%	7.80%
Net asset value	(.18)%	8.32%	8.44%	17.66%	13.27%	3.11%
Ratios/Supplemental Data						
Net assets, end of period (000's omitted)	\$1,817,170	\$1,889,926	\$1,888,272	\$1,904,853	\$1,785,164	\$1,764,895
Ratio to average net assets of:						
Expenses	3.04%(f)	2.46%	1.66%	1.67%	1.87%	2.31%
Expenses, excluding interest expense(e)	.74%(f)	.79%	.98%	1.10%	1.26%	1.18%
Net investment income	7.45%(f)	7.99%	8.27%	9.28%	11.69%	9.33%
Portfolio turnover rate	90%	160%	139%	276%	414%	676%
Asset coverage ratio	413%	443%	492%	559%	376%	379%
Bank borrowing outstanding (in millions)	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 300

- (a) As of January 1, 2004, the Fund has 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 January 1, 2004, these interim payments were reflected within interest income/expense on the statement of operations. The effect of this change for the year ended December 31, 2004, was to decrease net investment income per share and increase net realized and unrealized gain (loss) on investment transactions. The effect on the per share amounts was less than \$0.005. The ratio of net investment income to average net assets was decreased by 0.02%.
- (b) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies, and began amortizing premium on debt securities for financial reporting purposes only. The effect of this change for the year ended December 31, 2001, was to decrease net investment income per share by \$.05, decrease net realized and unrealized loss on investment transactions per share by \$.05, and decrease the ratio of net investment income to average net assets from 9.92% to 9.33%.
- (c) Based on average shares outstanding.
- (d) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale of common stock on the closing of the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's Dividend Reinvestment Plan. Generally, total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or a decrease in the premium of the market value to the net asset value from the beginning to the end of such periods. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value to the net asset value from the beginning to the end of such periods. Total investment return calculated for a period of less than one year is not annualized.
- (e) Excludes net interest expense of 1.67%, .68%, .57%, .61% and 1.13%, respectively, on borrowings.
- (f) Annualized.

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