

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

THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE  
FINANCIAL STATEMENTS

SUMMARY OF SENIOR OFFICER'S EVALUATION OF  
INVESTMENT ADVISORY AGREEMENT<sup>1</sup>

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and AB Municipal Income Fund (the "Fund") in respect of the following Portfolios (the "Portfolios"):<sup>2</sup>

California Portfolio  
National Portfolio  
New York Portfolio  
High Income Municipal Portfolio

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

The Senior Officer's evaluation considered the following factors:

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<sup>1</sup> The information in the fee evaluation was completed on October 20, 2016 and discussed with the Board of Directors on November 1-3, 2016.

<sup>2</sup> Future references to the Portfolios do not include "AB." References in the fee summary pertaining to performance and expense ratios refer to Class A shares of the Portfolios.

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Portfolios grow larger; and
6. Nature and quality of the Adviser's services including the performance of the Portfolios.

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

circumstances be taken into account” and “uses the range of fees that might result from arm’s length bargaining as the benchmark for reviewing challenged fees.”<sup>3</sup>

#### INVESTMENT ADVISORY FEES, NET ASSETS, EXPENSE CAPS & RATIOS

The Adviser proposed that each Portfolio pays the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement. The fee schedule below, implemented in January 2004 in consideration of the Adviser’s settlement with the NYAG in December 2003, is based on a master schedule that contemplates eight categories of funds with almost all funds in each category having the same advisory fee schedule.<sup>4</sup>

<u>Category</u>	<u>Advisory Fee Schedule</u> <sup>5</sup>	<u>Portfolio</u>
Low Risk Income	0.45% on 1 <sup>st</sup> \$2.5 billion 0.40% on next \$2.5 billion 0.35% on the balance	California Portfolio National Portfolio New York Portfolio
High Income	0.50% on 1 <sup>st</sup> \$2.5 billion 0.45% on next \$2.5 billion 0.40% on the balance	High Income Municipal Portfolio

The Portfolios’ net assets on September 30, 2016 are set forth below:

<u>Portfolio</u>	<u>September 30, 2016 Net Assets (\$MM)</u>
California Portfolio	\$722.6
National Portfolio	\$1,336.1
New York Portfolio	\$637.4
High Income Municipal Portfolio	\$2,823.5

<sup>3</sup> *Jones v. Harris* at 1427.

<sup>4</sup> Most of the AB Mutual Funds, which the Adviser manages, were affected by the Adviser’s settlement with the NYAG.

<sup>5</sup> The advisory fees for each Portfolio are based on the percentage of each Portfolio’s average daily net assets, not a combination of any of the Portfolios.

The Portfolios' Investment Advisory Agreements provide for the Adviser to be reimbursed for certain clerical, legal, accounting, administrative and other services provided to each Portfolio. Indicated below are the reimbursement amounts, which the Adviser received from the Portfolios during their most recently completed fiscal year, expressed in dollars and as a percentage of average daily net assets:

<u>Portfolio</u>	<u>Amount</u>	<u>As a % of Average Daily Net Assets</u>
California Portfolio	\$49,468	0.008%
National Portfolio	\$54,263	0.005%
New York Portfolio	\$54,263	0.010%
High Income Municipal Portfolio	\$49,466	0.002%

The Adviser has agreed to waive that portion of its advisory fees and/or reimburse the Portfolios for that portion of the Portfolios' total operating expenses to the degree necessary to limit each Portfolio's expense ratio to the amounts set forth below for each Portfolio's current fiscal year. The waiver is terminable by the Adviser upon at least 60 days' notice prior to each Portfolio's prospectus update. In addition, set forth below are the gross expense ratios of the Portfolios for the fiscal year ended May 31, 2016.

<u>Fund</u>	<u>Expense Cap Pursuant to Expense Limitation Undertaking</u>	<u>Gross Expense Ratio</u>	<u>Fiscal Year End</u>
California Portfolio	Advisor	0.50%	May 31
	Class A	0.75%	
	Class B	1.50%	
	Class C	1.50%	

<u>Fund</u>	<u>Expense Cap Pursuant to Expense Limitation Undertaking</u>	<u>Gross Expense Ratio</u>	<u>Fiscal Year End</u>
National Portfolio	Advisor	0.50%	May 31
	Class A	0.75%	
	Class B	1.50%	
	Class C	1.50%	
New York Portfolio	Advisor	0.50%	May 31
	Class A	0.75%	
	Class B	1.50%	
	Class C	1.50%	
High Income Municipal Portfolio	Advisor	0.55%	May 31
	Class A	0.80%	
	Class C	1.50%	

#### I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Portfolios that are not provided to non-investment company clients and sub-advised investment companies include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Portfolios’ third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Portfolios are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is reimbursed for

providing such services. Also, retail mutual funds managed by the Adviser are widely held. Servicing the Portfolios' investors is more time consuming and labor intensive compared to institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks associated with institutional accounts are greater than previously thought, although still not equal to those related to the mutual fund industry.

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Portfolios.<sup>6</sup>

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<sup>6</sup> The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must

With respect to the Portfolios, the Adviser represented that there are no categories in the Form ADV for institutional products that have a substantially similar investment styles as the Portfolios. The Adviser does manage separately managed accounts that invest principally in municipal securities, but those mandates have a substantially lower risk profile (credit and interest rate risk) than that of the Portfolios.

The Adviser manages Sanford C. Bernstein Fund, Inc. (“SCB Fund”), an open-end management investment company. Several of the SCB Fund portfolios have a somewhat similar investment style as certain of the Portfolios and their advisory fee schedules are set forth below. Also presented are what would have been the effective advisory fees of the Portfolios had the SCB Fund fee schedules been applicable to the Portfolios based on September 30, 2016 net assets.

<u>Portfolio</u>	<u>SCB Fund Portfolio</u>	<u>Fee Schedule</u>	<u>SCB Fund Effective Fee (%)</u>	<u>Portfolio Advisory_Fee (%)</u>
California Portfolio	Short Duration California Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.450%	0.450%
	Intermediate California Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% thereafter	0.500%	0.450%
National Portfolio	Short Duration Diversified Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.428%	0.450%

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be wary of inapt comparisons.” Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are “higher marketing costs.” *Jones v. Harris* at 1428.

<u>Portfolio</u>	<u>SCB Fund Portfolio</u>	<u>Fee Schedule</u>	<u>SCB Fund Effective Fee (%)</u>	<u>Portfolio Advisory_Fee (%)</u>
	Intermediate Diversified Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% on next \$2 billion 0.30% thereafter	0.487%	0.450%
New York Portfolio	Short Duration New York Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.450%	0.450%
	Intermediate New York Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% thereafter	0.500%	0.450%

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

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

Broadridge Financial Solutions, Inc. (“Broadridge”), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Portfolios with fees charged to other investment companies for similar services offered by other investment advisers.<sup>7, 8</sup> Broadridge’s analysis included the comparison of each Portfolio’s contractual management fee, estimated at the approximate current asset level of the

<sup>7</sup> The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since “these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm’s length.” *Jones v. Harris* at 1429.

<sup>8</sup> On June 5, 2015, Broadridge acquired the Fiduciary Services and Competitive Intelligence unit, *i.e.*, the group responsible for providing the Portfolios’ 15(c) reports, from Thomson Reuters’ Lipper division. The group that maintains Lipper’s expense and performance databases and investment classification/objective remains a part of Thomson Reuters’ Lipper division. Accordingly, the Portfolios’ investment classifications/objectives continued to be determined by Lipper.

subject Portfolio, to the median of each Portfolio’s Broadridge Expense Group (“EG”)<sup>9</sup> and contractual management fee ranking.<sup>10</sup>

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

<u>Portfolio</u>	<u>Contractual Management Fee (%)</u> <sup>11</sup>	<u>Broadridge EG Median(%)</u>	<u>Rank</u>
California Portfolio	0.450	0.497	1/14
National Portfolio	0.450	0.457	7/16
New York Portfolio <sup>12</sup>	0.450	0.494	2/11
High Income Municipal Portfolio <sup>12</sup>	0.496	0.496	5/11

Broadridge also compared the Portfolios’ total expense ratios to the medians of the Portfolios’ EGs and the Broadridge Expense Universes (“EU”). The EU is a broader

<sup>9</sup> Broadridge does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratios than comparable sized funds that have relatively large average account sizes. Note that there are limitations on Lipper expense category data because different funds categorize expenses differently.

<sup>10</sup> The contractual management fee is calculated by Broadridge using each Portfolio’s contractual management fee rate at the hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of each Portfolio, rounded up to the next \$25 million. Broadridge’s total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of “1” would mean that a Portfolio had the lowest effective fee rate in the Broadridge peer group.

<sup>11</sup> The contractual management fees for the Portfolios do not reflect any expense reimbursements made by the Portfolios to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fees do not reflect any advisory fee waivers or expense reimbursements made by the Adviser that effectively reduce the contractual management fee.

<sup>12</sup> One of the Portfolio’s EG peer is excluded from the contractual management fee comparison because Broadridge is unable to calculate the peer’s contractual management fee because of the gross income component in the peer’s advisory fee schedule.

group compared to the EG, consisting of all funds that have the same investment classifications/objective and load type as the subject Portfolio.<sup>13</sup> Set forth below is a comparison of the Portfolios' total expense ratios and the medians of the Portfolios' EGs and EUs. The Portfolios' total expense ratio rankings are also shown.

<u>Portfolio</u>	Expense Ratio (%) <sup>14</sup>	Broadridge EG Median (%)	Broadridge EG Rank	Broadridge EU Median (%)	Broadridge EU Rank
California Portfolio	0.775	0.820	4/14	0.806	12/30
National Portfolio	0.775	0.801	7/16	0.802	21/56
New York Portfolio	0.775	0.783	5/12	0.787	10/24
High Income Municipal Portfolio	0.804	0.841	4/12	0.862	9/34

Based on this analysis, except for High Income Municipal Portfolio, which has a more favorable ranking on a total expense ratio basis than a contractual management fee basis, and National Municipal Portfolio, which has equally favorable rankings, the Portfolios have a more favorable ranking on a contractual management fee basis than on a total expense ratio basis. The Portfolios have lower total expense ratios than their respective EG medians.

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

The Adviser utilizes two profitability reporting systems, which operate independently but are aligned with each other, to estimate the Adviser's profitability in

<sup>13</sup> Except for asset (size) comparability, Broadridge uses the same criteria for selecting an EG peer when selecting an EU peer. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.

<sup>14</sup> Most recently completed fiscal year Class A share total expense ratio.

connection with investment advisory services provided to the Portfolios. The Senior Officer has retained a consultant to provide independent advice regarding the alignment of the two profitability systems as well as the methodologies and allocations utilized by both profitability systems. See Section IV for additional discussion.

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

The Portfolios' profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Portfolios increased in 2015, relative to 2014, except for National Portfolio, which remained the same in 2015 compared to 2014, and New York Portfolio, which increased 2015, relative to 2014.

In addition to the Adviser's direct profits from managing the Portfolios, certain of the Adviser's affiliates have business relationships with the Portfolios and may earn a profit from providing other services to the Portfolios. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Portfolios and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship, provided the affiliates' charges and services are competitive and the relationship otherwise complies with the 40 Act restrictions. These affiliates provide transfer agent and distribution services to the Portfolios and receive transfer agent fees, Rule 12b-1 payments, front-end sales loads and contingent deferred sales charges ("CDSC").

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Portfolios' principal underwriter. ABI and the Adviser have disclosed in the Portfolios'

prospectus that they may make revenue sharing payments from their own resources, in addition to resources derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Portfolios. In 2015, ABI paid approximately 0.05% of the average monthly assets of the AB Mutual Funds or approximately \$20.0 million for distribution services and educational support (revenue sharing payments).

ABI retained the following amounts for Class A front-end load sales charges from sales of the Portfolios' Class A shares during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>Amount Received</u>
California Portfolio	\$685
National Portfolio	\$0
New York Portfolio	\$0
High Income Municipal Portfolio	\$1,101

ABI received the amounts set forth below in Rule 12b-1 fees and CDSC from the Portfolios during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>12b-1 Fee Received</u>	<u>CDSC Received</u>
California Portfolio	\$1,993,462	\$7,672
National Portfolio	\$2,908,102	\$77,816
New York Portfolio	\$1,839,798	\$26,316
High Income Municipal Portfolio	\$4,895,984	\$90,619

Fees and reimbursements for out of pocket expenses charged by AllianceBernstein Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Portfolios, are based on the level of the network account and the class of shares held by

the account. ABIS also receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. ABIS received the following net fees from the Portfolios during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>ABIS Fee</u>
California Portfolio	\$68,509
National Portfolio	\$166,607
New York Portfolio	\$81,634
High Income Municipal Portfolio	\$182,886

#### V. POSSIBLE ECONOMIES OF SCALE

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

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating

expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since late 2008 are inconsistent with the view that there are currently reductions in average costs due to economies of scale that can be shared with the AB Mutual Funds managed by the Adviser through lower fees.

Previously, in February 2008, the independent consultant provided the Board of Directors an update of the Deli<sup>15</sup> study on advisory fees and various fund characteristics.<sup>16</sup> The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.<sup>17</sup> The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AB Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

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<sup>15</sup> The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry over the last four years. Source: Deli, Daniel N. "Mutual Fund Advisory Contracts: An Empirical Investigation." *Journal of Finance*, 57(1): 109-133 (2002).

<sup>16</sup> The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

<sup>17</sup> The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

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

With assets under management of approximately \$490 billion as of September 30, 2016, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Portfolios.

The information prepared by Broadridge shows the 1, 3, 5 and 10 year performance rankings<sup>18</sup> of the Portfolios relative to their Broadridge Performance Group (“PG”) and Broadridge Performance Universe (“PU”)<sup>19</sup> for the period ended July 31, 2016.<sup>20</sup>

	<u>Portfolio Return (%)</u>	<u>PG Median (%)</u>	<u>PU Median (%)</u>	<u>PG Rank</u>	<u>PU Rank</u>
<b>California Portfolio</b>					
1 year	6.84	7.76	7.78	11/14	28/33
3 year	6.13	7.27	7.27	13/14	31/33
5 year	5.44	6.51	6.43	14/14	30/30
10 year	4.74	4.95	4.92	11/13	23/28
<b>National Portfolio<sup>21</sup></b>					
1 year	7.57	6.96	6.95	4/15	19/64
3 year	5.95	5.99	6.17	10/15	37/57
5 year	5.25	5.25	5.47	8/15	34/57
10 year	4.66	4.69	4.67	9/14	25/48
<b>New York Portfolio</b>					
1 year	7.07	7.35	7.13	9/12	14/26
3 year	5.26	6.37	6.15	11/12	23/26
5 year	4.31	5.08	4.94	12/12	23/24
10 year	4.28	4.48	4.45	11/11	19/22

<sup>18</sup> The performance returns and rankings of the Portfolios are for the Portfolios’ Class A shares. The performance returns of the Portfolios were provided by Broadridge.

<sup>19</sup> A Portfolio’s PG/PU may not necessarily be identical to its respective EG/EU, as the criteria for including/excluding a fund from a PG/PU is somewhat different from that of an EG/EU.

<sup>20</sup> The current Lipper investment classification/objective dictates the PG and PU throughout the life of each Portfolio even if a Portfolio had a different investment classification/objective at a different point in time.

<sup>21</sup> Prior to the third quarter of 2012, the Portfolio was classified by Lipper as a General Municipal Debt Fund. From the third quarter of 2012 through the present, the Portfolio is classified by Lipper as a General & Insured Municipal Debt Fund.

	<u>Portfolio Return (%)</u>	<u>PG Median (%)</u>	<u>PU Median (%)</u>	<u>PG Rank</u>	<u>PU Rank</u>
High Income Municipal Portfolio					
1 year	11.03	9.87	9.75	3/12	12/39
3 year	9.44	8.18	8.24	3/12	9/35
5 year	8.30	7.58	7.33	3/12	7/30

Set forth below are the 1, 3, 5, 10 year and since inception performance returns of the Portfolios (in bold)<sup>22</sup> versus their benchmarks.<sup>23</sup> Portfolio and benchmark volatility and reward-to-variability ratio (“Sharpe Ratio”) information is also shown.<sup>24</sup>

	Period Ending July 31, 2016 Annualized Net Performance							Risk Period (Year)
	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Annualized Volatility (%)	Sharpe Ratio (%)	
<b>California Portfolio</b>	<b>6.83</b>	<b>6.13</b>	<b>5.44</b>	<b>4.74</b>	<b>6.03</b>	<b>4.83</b>	<b>0.76</b>	<b>10</b>
Bloomberg Barclays Capital Municipal Bond Index	6.94	5.91	5.13	5.01	6.15	4.31	0.91	10
<i>Inception Date: December 29, 1986</i>								
<b>National Portfolio</b>	<b>7.57</b>	<b>5.95</b>	<b>5.25</b>	<b>4.66</b>	<b>5.89</b>	<b>4.66</b>	<b>0.77</b>	<b>10</b>
Bloomberg Barclays Capital Municipal Bond Index	6.94	5.91	5.13	5.01	6.15	4.31	0.91	10
<i>Inception Date: December 29, 1986</i>								
<b>New York Portfolio</b>	<b>7.07</b>	<b>5.26</b>	<b>4.31</b>	<b>4.28</b>	<b>5.58</b>	<b>4.13</b>	<b>0.78</b>	<b>10</b>
Bloomberg Barclays Capital Municipal Bond Index	6.94	5.91	5.13	5.01	6.15	4.31	0.91	10
<i>Inception Date: December 29, 1986</i>								

<sup>22</sup> The performance returns and risk measures shown in the table are for the Class A shares of the Portfolios.

<sup>23</sup> The Adviser provided Portfolio and benchmark performance return information for periods through July 31, 2016.

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

Period Ending July 31, 2016  
Annualized Net Performance

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Annualized Volatility (%)	Annualized Sharpe (%)	Risk Period (Year)
<b>High Income Municipal Portfolio</b>	<b>11.03</b>	<b>9.44</b>	<b>8.30</b>	<b>N/A</b>	<b>7.90</b>	<b>5.57</b>	<b>1.44</b>	<b>5</b>
Bloomberg Barclays Capital Municipal Bond Index	6.94	5.91	5.13	N/A	5.06	3.27	1.51	5

*Inception Date: January 26, 2010*

CONCLUSION:

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

Dated: November 18, 2016

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THE FOLLOWING IS NOT PART OF THE SHAREHOLDER REPORT OR THE  
FINANCIAL STATEMENTS

SUMMARY OF SENIOR OFFICER'S EVALUATION OF  
INVESTMENT ADVISORY AGREEMENT<sup>1</sup>

The following is a summary of the evaluation of the Investment Advisory Agreement between AllianceBernstein L.P. (the "Adviser") and AB Municipal Income Fund (the "Fund") in respect of the following Portfolios (the "Portfolios"):<sup>2</sup>

California Portfolio  
National Portfolio  
New York Portfolio  
High Income Municipal Portfolio

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

The Senior Officer's evaluation considered the following factors:

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<sup>1</sup> The information in the fee evaluation was completed on October 22, 2015 and discussed with the Board of Directors on November 3-5, 2015.

<sup>2</sup> Future references to the Portfolios do not include "AB." References in the fee summary pertaining to performance and expense ratios refer to Class A shares of the Portfolios.

1. Advisory fees charged to institutional and other clients of the Adviser for like services;
2. Advisory fees charged by other mutual fund companies for like services;
3. Costs to the Adviser and its affiliates of supplying services pursuant to the advisory agreement, excluding any intra-corporate profit;
4. Profit margins of the Adviser and its affiliates from supplying such services;
5. Possible economies of scale as the Portfolios grow larger; and
6. Nature and quality of the Adviser's services including the performance of the Portfolios.

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

circumstances be taken into account” and “uses the range of fees that might result from arm’s length bargaining as the benchmark for reviewing challenged fees.”<sup>3</sup>

#### INVESTMENT ADVISORY FEES, NET ASSETS, EXPENSE CAPS & RATIOS

The Adviser proposed that each Portfolio pays the advisory fee set forth in the table below for receiving the services to be provided pursuant to the Investment Advisory Agreement. The fee schedule below, implemented in January 2004 in consideration of the Adviser’s settlement with the NYAG in December 2003, is based on a master schedule that contemplates eight categories of funds with almost all funds in each category having the same advisory fee schedule.<sup>4</sup>

<u>Category</u>	<u>Advisory Fee Schedule</u> <sup>5</sup>	<u>Portfolio</u>
Low Risk Income	0.45% on 1 <sup>st</sup> \$2.5 billion 0.40% on next \$2.5 billion 0.35% on the balance	California Portfolio National Portfolio New York Portfolio
High Income	0.50% on 1 <sup>st</sup> \$2.5 billion 0.45% on next \$2.5 billion 0.40% on the balance	High Income Municipal Portfolio

The Portfolios’ net assets on September 30, 2015 are set forth below:

<u>Portfolio</u>	<u>September 30, 2015 Net Assets (\$MM)</u>
California Portfolio	\$600.7
National Portfolio	\$1,079.6
New York Portfolio	\$531.3
High Income Municipal Portfolio	\$2,043.6

<sup>3</sup> *Jones v. Harris* at 1427.

<sup>4</sup> Most of the AB Mutual Funds, which the Adviser manages, were affected by the Adviser’s settlement with the NYAG.

<sup>5</sup> The advisory fees for each Portfolio are based on the percentage of each Portfolio’s average daily net assets, not a combination of any of the Portfolios.

The Portfolios' Investment Advisory Agreements provide for the Adviser to be reimbursed for certain clerical, legal, accounting, administrative and other services provided to each Portfolio. Indicated below are the reimbursement amounts, which the Adviser received from the Portfolios during their most recently completed fiscal year, expressed in dollars and as a percentage of average daily net assets:

<u>Portfolio</u>	<u>Amount</u> <sup>6</sup>	<u>As a % of Average Daily Net Assets</u>
California Portfolio	\$28,887	0.005%
National Portfolio	\$29,090	0.003%
New York Portfolio	\$29,090	0.005%
High Income Municipal Portfolio	\$28,559	0.001%

The Adviser has agreed to waive that portion of its advisory fees and/or reimburse the Portfolios for that portion of the Portfolios' total operating expenses to the degree necessary to limit each Portfolio's expense ratio to the amounts set forth below for each Portfolio's current fiscal year. The waiver is terminable by the Adviser upon at least 60 days' notice prior to each Portfolio's prospectus update. In addition, set forth below are the gross expense ratios of the Portfolios for the fiscal year ended May 31, 2015 (October 1, 2014 - May 31, 2015):

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<sup>6</sup> The reimbursements are for the fiscal period from November 1, 2014 through May 31, 2015.

<u>Fund</u>	<u>Expense Cap Pursuant to Expense Limitation Undertaking</u>		<u>Gross Expense Ratio</u> <sup>7</sup>	<u>Fiscal Year End</u> <sup>8</sup>
California Portfolio <sup>9</sup> 10, 11	Advisor	0.50%	0.54%	May 31, 2015
	Class A	0.75%	0.82%	
	Class B	1.50%	1.57%	
	Class C	1.50%	1.55%	
National Portfolio <sup>9</sup> 10, 11	Advisor	0.50%	0.55%	May 31, 2015
	Class A	0.75%	0.82%	
	Class B	1.50%	1.57%	
	Class C	1.50%	1.55%	
New York Portfolio <sup>9</sup> 10, 11	Advisor	0.50%	0.56%	May 31, 2015
	Class A	0.75%	0.84%	
	Class B	1.50%	1.58%	
	Class C	1.50%	1.57%	
High Income Municipal Portfolio <sup>12, 13</sup>	Advisor	0.50%	0.56%	May 31, 2015
	Class A	0.80%	0.83%	
	Class C	1.50%	1.56%	

## I. ADVISORY FEES CHARGED TO INSTITUTIONAL AND OTHER CLIENTS

The advisory fees charged to investment companies which the Adviser manages and sponsors are normally higher than those charged to similar sized institutional accounts, including pension plans and sub-advised investment companies. The fee differential reflects, among other things, different services provided to such clients, and different liabilities assumed. Services provided by the Adviser to the Portfolios that are not provided to non-investment company clients and sub-advised investment companies

<sup>7</sup> Annualized.

<sup>8</sup> The Fund changed its fiscal year end from October 31 to May 31.

<sup>9</sup> Effective January 30, 2015, the Rule 12b-1 fee for Class A shares of the Fund was reduced from 0.30% to 0.25%. At the same time, the expense cap for the Class A shares was also reduced from 0.80% to 0.75%.

<sup>10</sup> The net expense ratio for Class A shares of the Fund during the fiscal year ended May 31, 2015 was 0.77%.

<sup>11</sup> The Fund's expense ratios exclude interest expense of 0.01% for all share classes.

<sup>12</sup> Effective January 30, 2015, the Rule 12b-1 fee for Class A shares of the Fund was reduced from 0.30% to 0.25%. The expense cap remained at the same level (80%).

<sup>13</sup> The Fund's expense ratios exclude interest expense of 0.06% for all share classes.

include providing office space and personnel to serve as Fund Officers, who among other responsibilities make the certifications required under the Sarbanes–Oxley Act of 2002, and coordinating with and monitoring the Portfolios’ third party service providers such as Fund counsel, auditors, custodians, transfer agents and pricing services. The accounting, administrative, legal and compliance requirements for the Portfolios are more costly than those for institutional assets due to the greater complexities and time required for investment companies, although as previously noted, the Adviser is reimbursed for providing such services. Also, retail mutual funds managed by the Adviser are widely held. Servicing the Portfolios’ investors is more time consuming and labor intensive compared to institutional clients since the Adviser needs to communicate with a more extensive network of financial intermediaries and shareholders. The Adviser also believes that it incurs substantial entrepreneurial risk when offering a new mutual fund since establishing a new mutual fund requires a large upfront investment and it may take a long time for the fund to achieve profitability since the fund must be priced to scale from inception in order to be competitive and assets are acquired one account at a time. In addition, managing the cash flow of an investment company may be more difficult than managing that of a stable pool of assets, such as an institutional account with little cash movement in either direction, particularly, if a fund is in net redemption and the Adviser is frequently forced to sell securities to raise cash for redemptions. However, managing a fund with positive cash flow may be easier at times than managing a stable pool of assets. Finally, in recent years, investment advisers have been sued by institutional clients and have suffered reputational damage both by the attendant publicity and outcomes other than complete victories. Accordingly, the legal and reputational risks

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

Notwithstanding the Adviser's view that managing an investment company is not comparable to managing other institutional accounts because the services provided are different, the Supreme Court has indicated consideration should be given to the advisory fees charged to institutional accounts with a similar investment style as the Portfolios.<sup>14</sup> With respect to the Portfolios, the Adviser represented that there are no categories in the Form ADV for institutional products that have a substantially similar investment styles as the Portfolios. The Adviser does manage separately managed accounts that invest principally in municipal securities, but those mandates have a substantially lower risk profile (credit and interest rate risk) than that of the Portfolios.

The Adviser manages Sanford C. Bernstein Fund, Inc. ("SCB Fund"), an open-end management investment company. Several of the SCB Fund portfolios have a somewhat similar investment style as certain of the Portfolios and their advisory fee schedules are set forth below. Also presented are what would have been the effective advisory fees of the Portfolios had the SCB Fund fee schedules been applicable to the Portfolios based on September 30, 2015 net assets.

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<sup>14</sup> The Supreme Court stated that "courts may give such comparisons the weight that they merit in light of the similarities and differences between the services that the clients in question require, but the courts must be wary of inapt comparisons." Among the significant differences the Supreme Court noted that may exist between services provided to mutual funds and institutional accounts are "higher marketing costs." *Jones v. Harris* at 1428.

<u>Portfolio</u>	<u>SCB Fund Portfolio</u>	<u>Fee Schedule</u>	<u>SCB Fund Effective Fee (%)</u>	<u>Portfolio Advisory Fee (%)</u>
California Portfolio	Short Duration California Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.450%	0.450%
	California Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% thereafter	0.500%	0.450%
National Portfolio	Short Duration Diversified Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.435%	0.450%
	Diversified Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% on next \$2 billion 0.30% thereafter	0.496%	0.450%
New York Portfolio	Short Duration New York Municipal Portfolio	0.45% on 1 <sup>st</sup> \$750 million 0.40% thereafter	0.450%	0.450%
	New York Municipal Portfolio	0.50% on 1 <sup>st</sup> \$1 billion 0.45% on next \$2 billion 0.40% on next \$2 billion 0.35% thereafter	0.500%	0.450%

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

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

Broadridge Financial Solutions, Inc. (“Broadridge”), an analytical service that is not affiliated with the Adviser, compared the fees charged to the Portfolios with fees charged to other investment companies for similar services offered by other investment advisers.<sup>15, 16</sup> Broadridge’s analysis included the comparison of each Portfolio’s contractual management fee, estimated at the approximate current asset level of the subject Portfolio, to the median of each Portfolio’s Broadridge Expense Group (“EG”)<sup>17</sup> and contractual management fee ranking.<sup>18</sup>

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

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<sup>15</sup> The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since “these comparisons are problematic because these fees, like those challenged, may not be the product of negotiations conducted at arm’s length.” *Jones v. Harris* at 1429.

<sup>16</sup> On June 5, 2015, Broadridge acquired the Fiduciary Services and Competitive Intelligence unit, *i.e.*, the group responsible for providing the Portfolios’ 15(c) reports, from Thomson Reuters’ Lipper division. The group that maintains Lipper’s expense and performance databases and investment classification/objective remains a part of Thomson Reuters’ Lipper division. Accordingly, the Portfolios’ investment classifications/objectives continued to be determined by Lipper.

<sup>17</sup> Broadridge does not consider average account size when constructing EGs. Funds with relatively small average account sizes tend to have higher transfer agent expense ratios than comparable sized funds that have relatively large average account sizes. Note that there are limitations on Lipper expense category data because different funds categorize expenses differently.

<sup>18</sup> The contractual management fee is calculated by Broadridge using each Portfolio’s contractual management fee rate at the hypothetical asset level. The hypothetical asset level is based on the combined net assets of all classes of each Portfolio, rounded up to the next \$25 million. Broadridge’s total expense ratio information is based on the most recent annual report except as otherwise noted. A ranking of “1” would mean that a Portfolio had the lowest effective fee rate in the Broadridge peer group.

<u>Portfolio</u>	<u>Contractual Management Fee (%)</u> <sup>19</sup>	<u>Broadridge EG Median(%)</u>	<u>Rank</u>
California Portfolio	0.450	0.499	1/14
National Portfolio	0.450	0.474	6/16
New York Portfolio <sup>20</sup>	0.450	0.500	2/12
High Income Municipal Portfolio <sup>20</sup>	0.500	0.507	5/10

Broadridge also compared the Portfolios’ total expense ratios to the medians of the Portfolios’ EGs and the Broadridge Expense Universes (“EU”). The EU is a broader group compared to the EG, consisting of all funds that have the same investment classifications/objective and load type as the subject Portfolio.<sup>21</sup> Set forth below is a comparison of the Portfolios’ total expense ratios and the medians of the Portfolios’ EGs and EUs. The Portfolios’ total expense ratio rankings are also shown. Pro-forma total expense ratio (italicized) is shown to reflect the Portfolios’ 12b-1 fee reductions.

<u>Portfolio</u>	<u>Expense Ratio (%)</u> <sup>22</sup>	<u>Broadridge EG Median (%)</u>	<u>Broadridge EG Rank</u>	<u>Broadridge EU Median (%)</u>	<u>Broadridge EU Rank</u>
California Portfolio	0.800	0.815	7/14	0.787	16/30
<i>Pro-forma</i>	<i>0.750</i>	<i>0.815</i>	<i>3/14</i>	<i>0.787</i>	<i>9/30</i>

<sup>19</sup> The contractual management fees for the Portfolios do not reflect any expense reimbursements made by the Portfolios to the Adviser for certain clerical, legal, accounting, administrative, and other services. In addition, the contractual management fees do not reflect any advisory fee waivers or expense reimbursements made by the Adviser that effectively reduce the contractual management fee.

<sup>20</sup> One of the Portfolio’s EG peer is excluded from the contractual management fee comparison because Broadridge is unable to calculate the peer’s contractual management fee because of the gross income component in the peer’s advisory fee schedule.

<sup>21</sup> Except for asset (size) comparability, Broadridge uses the same criteria for selecting an EG peer when selecting an EU peer. Unlike the EG, the EU allows for the same adviser to be represented by more than just one fund.

<sup>22</sup> Most recently completed fiscal year Class A share total expense ratio.

<u>Portfolio</u>	Expense Ratio (%) <sup>22</sup>	Broadridge	Broadridge	Broadridge	Broadridge
		EG Median (%)	Broadridge EG Rank	EU Median (%)	Broadridge EU Rank
National Portfolio	0.800	0.803	8/16	0.800	26/54
<i>Pro-forma</i>	<i>0.750</i>	<i>0.803</i>	<i>5/16</i>	<i>0.800</i>	<i>16/54</i>
New York Portfolio	0.800	0.797	8/13	0.782	14/24
<i>Pro-forma</i>	<i>0.750</i>	<i>0.797</i>	<i>4/13</i>	<i>0.782</i>	<i>8/24</i>
High Income Municipal Portfolio	0.800	0.855	3/11	0.864	8/30
<i>Pro-forma</i>	<i>0.800</i>	<i>0.855</i>	<i>3/11</i>	<i>0.864</i>	<i>8/30</i>

Based on this analysis, except for National Portfolio and High Income Municipal Portfolio, which have a more favorable ranking on a total expense ratio basis than a contractual management fee basis, the Portfolios have a more favorable ranking on a contractual management fee basis than on a total expense ratio basis. The Portfolios have lower total expense ratios than their respective EG medians.

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

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

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

The Portfolios' profitability information, prepared by the Adviser for the Board of Directors, was reviewed by the Senior Officer and the consultant. The Adviser's profitability from providing investment advisory services to the Portfolios increased, with the exception of New York Portfolio, which decreased, during calendar year 2014, relative to 2013.

In addition to the Adviser's direct profits from managing the Portfolios, certain of the Adviser's affiliates have business relationships with the Portfolios and may earn a profit from providing other services to the Portfolios. The courts have referred to this type of business opportunity as "fall-out benefits" to the Adviser and indicated that such benefits should be factored into the evaluation of the total relationship between the Portfolios and the Adviser. Neither case law nor common business practice precludes the Adviser's affiliates from earning a reasonable profit on this type of relationship, provided the affiliates' charges and services are competitive and the relationship otherwise complies with the 40 Act restrictions. These affiliates provide transfer agent and distribution services to the Portfolios and receive transfer agent fees, Rule 12b-1 payments, front-end sales loads and contingent deferred sales charges ("CDSC").

AllianceBernstein Investments, Inc. ("ABI"), an affiliate of the Adviser, is the Portfolios' principal underwriter. ABI and the Adviser have disclosed in the Portfolios' prospectus that they may make revenue sharing payments from their own resources, in addition to resources derived from sales loads and Rule 12b-1 fees, to firms that sell shares of the Portfolios. In 2014, ABI paid approximately 0.05% of the average monthly

assets of the AB Mutual Funds or approximately \$20.4 million for distribution services and educational support (revenue sharing payments).

ABI retained the following amounts for Class A front-end load sales charges from sales of the Portfolios' Class A shares during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>Amount Received</u>
California Portfolio	\$291
National Portfolio	\$0
New York Portfolio	\$0
High Income Municipal Portfolio	\$0

ABI received the amounts set forth below in Rule 12b-1 fees and CDSC from the Portfolios during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>12b-1 Fee Received</u>	<u>CDSC Received</u>
California Portfolio	\$1,187,200	\$825
National Portfolio	\$1,715,218	\$11,724
New York Portfolio	\$1,108,141	\$5,326
High Income Municipal Portfolio	\$2,673,604	\$72,123

Fees and reimbursements for out of pocket expenses charged by AllianceBernstein Investor Services, Inc. ("ABIS"), the affiliated transfer agent for the Portfolios, are based on the level of the network account and the class of shares held by the account. ABIS also receives a fee per shareholder sub-account for each account maintained by an intermediary on an omnibus basis. ABIS received the following net fees from the Portfolios during the Portfolios' most recently completed fiscal year:

<u>Portfolio</u>	<u>ABIS Fee</u>
California Portfolio	\$40,198
National Portfolio	\$91,743
New York Portfolio	\$46,768
High Income Municipal Portfolio	\$86,987

## V. POSSIBLE ECONOMIES OF SCALE

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

In May 2012, an independent consultant, retained by the Senior Officer, provided the Board of Directors information on the Adviser's firm-wide average costs from 2005 through 2011 and the potential economies of scale. The independent consultant noted that from 2005 through 2007 the Adviser experienced significant growth in assets under management ("AUM"). During this period, operating expenses increased, in part to keep up with growth, and in part reflecting market returns. However, from 2008 through the first quarter of 2009, AUM rapidly and significantly decreased due to declines in market value and client withdrawals. When AUM rapidly decreased, some operating expenses categories, including base compensation and office space, adjusted more slowly during this period, resulting in an increase in average costs. Since 2009, AUM has experienced less significant changes. The independent consultant noted that changes in operating expenses reflect changes in business composition and business practices in response to changes in financial markets. Finally, the independent consultant concluded that the increase in average cost and the decline in net operating margin across the Adviser since

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

Previously, in February 2008, the independent consultant provided the Board of Directors an update of the Deli<sup>23</sup> study on advisory fees and various fund characteristics.<sup>24</sup> The independent consultant first reiterated the results of his previous two dimensional comparison analysis (fund size and family size) with the Board of Directors.<sup>25</sup> The independent consultant then discussed the results of the regression model that was utilized to study the effects of various factors on advisory fees. The regression model output indicated that the bulk of the variation in fees predicted were explained by various factors, but substantially by fund AUM, family AUM, index fund indicator and investment style. The independent consultant also compared the advisory fees of the AB Mutual Funds to similar funds managed by 19 other large asset managers, regardless of the fund size and each Adviser's proportion of mutual fund assets to non-mutual fund assets.

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<sup>23</sup> The Deli study, originally published in 2002 based on 1997 data and updated for the February 2008 Presentation, may be of diminished value due to the age of the data used in the presentation and the changes experienced in the industry since 2008.

<sup>24</sup> The Supreme Court cautioned against accepting mutual fund fee comparisons without careful scrutiny since the fees may not be the product of negotiations conducted at arm's length. See *Jones V. Harris* at 1429.

<sup>25</sup> The two dimensional analysis showed patterns of lower advisory fees for funds with larger asset sizes and funds from larger family sizes compared to funds with smaller asset sizes and funds from smaller family sizes, which according to the independent consultant is indicative of a sharing of economies of scale and scope. However, in less liquid and active markets, such is not the case, as the empirical analysis showed potential for diseconomies of scale in those markets. The empirical analysis also showed diminishing economies of scale and scope as funds surpassed a certain high level of assets.

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

With assets under management of approximately \$463 billion as of September 30, 2015, the Adviser has the investment experience to manage and provide non-investment services (described in Section I) to the Portfolios.

The information prepared by Broadridge shows the 1, 3, 5 and 10 year performance rankings<sup>26</sup> of the Portfolios relative to their Broadridge Performance Group ("PG") and Broadridge Performance Universe ("PU")<sup>27</sup> for the period ended July 31, 2015.<sup>28</sup>

	<u>Portfolio Return (%)</u>	<u>PG Median (%)</u>	<u>PU Median (%)</u>	<u>PG Rank</u>	<u>PU Rank</u>
<b>California Portfolio</b>					
1 year	4.08	4.25	4.25	10/14	20/34
3 year	3.02	3.46	3.44	11/14	26/32
5 year	4.65	5.41	5.42	13/14	30/31
10 year	4.35	4.44	4.44	9/13	18/28
<b>National Portfolio<sup>29</sup></b>					
1 year	3.47	4.03	3.81	13/16	41/62
3 year	2.34	2.90	2.91	15/16	46/59
5 year	4.48	4.69	4.63	12/16	33/56
10 year	4.21	4.25	4.21	9/16	24/48
<b>New York Portfolio</b>					
1 year	3.45	3.91	3.87	11/13	22/26
3 year	1.66	2.11	2.47	13/13	25/26
5 year	3.51	3.96	3.94	13/13	22/23
10 year	3.85	3.98	3.98	11/12	17/22

<sup>26</sup> The performance returns and rankings of the Portfolios are for the Portfolios' Class A shares. The performance returns of the Portfolios were provided by Broadridge.

<sup>27</sup> A Portfolio's PG/PU may not necessarily be identical to its respective EG/EU, as the criteria for including/excluding a fund from a PG/PU is somewhat different from that of an EG/EU.

<sup>28</sup> The current Lipper investment classification/objective dictates the PG and PU throughout the life of each Portfolio even if a Portfolio had a different investment classification/objective at a different point in time.

<sup>29</sup> Prior to the third quarter of 2012, the Portfolio was classified by Lipper as a General Municipal Debt Fund. From the third quarter of 2012 through the present, the Portfolio is classified by Lipper as a General & Insured Municipal Debt Fund.

	<u>Portfolio Return (%)</u>	<u>PG Median (%)</u>	<u>PU Median (%)</u>	<u>PG Rank</u>	<u>PU Rank</u>
High Income Municipal Portfolio					
1 year	6.20	5.65	5.74	3/11	11/36
3 year	4.36	4.30	4.04	5/11	10/31
5 year	6.87	5.96	6.08	3/11	5/30

Set forth below are the 1, 3, 5, 10 year and since inception performance returns of the Portfolios (in bold)<sup>30</sup> versus their benchmarks.<sup>31</sup> Portfolio and benchmark volatility and reward-to-variability ratio (“Sharpe Ratio”) information is also shown.<sup>32</sup>

	Period Ending July 31, 2015 Annualized Net Performance							Risk Period (Year)
	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Annualized Volatility (%)	Sharpe Ratio (%)	
<b>California Portfolio</b>	<b>4.08</b>	<b>3.02</b>	<b>4.65</b>	<b>4.35</b>	<b>6.01</b>	<b>4.87</b>	<b>0.60</b>	<b>10</b>
Barclays Capital Municipal Bond Index	3.56	2.81	4.39	4.57	6.13	4.34	0.72	10
<i>Inception Date: December 29, 1986</i>								
<b>National Portfolio</b>	<b>3.48</b>	<b>2.34</b>	<b>4.48</b>	<b>4.21</b>	<b>5.83</b>	<b>4.68</b>	<b>0.59</b>	<b>10</b>
Barclays Capital Municipal Bond Index	3.56	2.81	4.39	4.57	6.13	4.34	0.72	10
<i>Inception Date: December 29, 1986</i>								
<b>New York Portfolio</b>	<b>3.46</b>	<b>1.66</b>	<b>3.51</b>	<b>3.85</b>	<b>5.53</b>	<b>4.17</b>	<b>0.58</b>	<b>10</b>
Barclays Capital Municipal Bond Index	3.56	2.81	4.39	4.57	6.13	4.34	0.72	10
<i>Inception Date: December 29, 1986</i>								

<sup>30</sup> The performance returns and risk measures shown in the table are for the Class A shares of the Portfolios.

<sup>31</sup> The Adviser provided Portfolio and benchmark performance return information for periods through July 31, 2015.

<sup>32</sup> Portfolio and benchmark volatility and Sharpe Ratio information was obtained through Lipper LANA, a database maintained by Lipper. Volatility is a statistical measure of the tendency of a market price or yield to vary over time. A Sharpe Ratio is a risk adjusted measure of return that divides a fund’s return in excess of the riskless return by the fund’s standard deviation. A fund with a greater volatility would be seen as more risky than a fund with equivalent performance but lower volatility; for that reason, a greater return would be demanded for the more risky fund. A fund with a higher Sharpe Ratio would be viewed as better performing than a fund with a lower Sharpe Ratio.

Period Ending July 31, 2015  
Annualized Net Performance

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Annualized Volatility (%)	Annualized Sharpe (%)	Risk Period (Year)
<b>High Income Municipal Portfolio</b>	<b>6.22</b>	<b>4.36</b>	<b>6.87</b>	N/A	<b>7.34</b>	<b>6.68</b>	<b>1.01</b>	<b>5</b>
Barclays Capital Municipal Bond Index	3.56	2.81	4.39	N/A	4.72	3.84	1.11	5

*Inception Date: January 26, 2010*

CONCLUSION:

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

Dated: November 25, 2015