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Implications of Recent Failed Auctions in the Municipal Bond Market on AllianceBernstein National Municipal Income Fund, Alliance New York Municipal Income Fund and Alliance California Municipal Income Fund

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NEW YORK, Feb. 15 /PRNewswire-FirstCall/ -- AllianceBernstein National Municipal Income Fund, Inc. (NYSE: AFB), Alliance New York Municipal Income Fund, Inc. (NYSE: AYN), and Alliance California Municipal Income Fund, Inc. (NYSE: AKP) today released the following information:

Implications of recent failed auctions in the municipal bond market on AllianceBernstein closed-end municipal funds.

As has been widely reported in the press this week, there have been increased dislocations in the auction-rate markets for municipal issuers.

Municipal issuers have issued over \$200 billion of long-maturity, auction-rate, securities over the past several years. These securities pay a short-term rate that is reset at periodic auctions held on a weekly or monthly basis.

Certain closed-end municipal bond funds issue preferred stock which is similar to municipal auction-rate bonds in that a floating rate is determined by an auction. Closed-end municipal funds have issued these types of securities to leverage their funds. The holders of the preferred auction rate securities receive the rate set at each auction.

Recently, demand for these securities has declined due, in part, to investors' concerns about bond insurers and about non-traditional securities in general. Until this week, major dealers who conduct the auctions submitted buy orders into the auctions, causing the auctions to clear at lower yields than they might otherwise.

However, reportedly due to increased balance-sheet pressures, most of the major dealers stopped supporting the auctions. As a result, many of the auctions have had fewer buyers than sellers and the auctions have as a result "failed."

What is a failed auction?

When there are not enough buy orders to meet the quantity of sell orders, the auction fails. A failed auction doesn't necessarily mean a loss of capital will occur. A failed auction simply means that a seller cannot sell in the auction.

When an auction fails, the Issuer is typically required to pay a maximum (or penalty) rate. The maximum rate typically can be either a relatively high fixed rate such as 10% or a formula-based rate. Typically, preferred auction rate securities issued by closed-end municipal funds have a formula-based maximum rate.

How has this impacted AllianceBernstein's municipal closed-end funds?

The preferred auction rate securities associated with many closed-end municipal funds, including our own, have been affected by this market development.

Specifically, for our funds, the auctions for each of our municipal closed-end funds (National, New York and California) failed on Tuesday, Wednesday and Thursday. The total amount of preferred stock involved is \$411 million.

What does this mean to our closed-end funds' shareholders?

As a result of these failed auctions, the cost of leverage for common stock closed-end shareholders has increased to the maximum rate until there is a successful auction. Currently, there continues to be a positive spread between the earnings on our bond holdings and the short-term cost of leverage. However, to the extent that the cost of leverage rises in the future and the earnings do not increase, this could contribute to a reduction in net investment income available to fund shareholders and lead to fund dividend cuts.

The maximum rate formula for our closed-end funds is based on AA-rated commercial paper and short-term tax-exempt rates. This resulted in 3.319% this week. This is slightly higher than last week's clearing rates. However, because of recent interest rate cuts, this rate is approximately 60-70 basis points lower than the average rate for the fourth quarter of 2007.

The failed auctions do not directly affect the securities held in our closed-end funds or the ability of the common stock shareholders to sell their stock. As a result, the cost of leverage is higher than the previous week's successful auction and liquidity has been impacted for our preferred stock shareholders.

SOURCE AllianceBernstein National Municipal Income Fund, Inc.

CONTACT: Shareholder Contact, 1-800-221-5672

Web site: <http://www.alliancebernstein.com>

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