

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND  
Form N-CSR  
January 06, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**  
**Investment Company Act file number: 811-10573**

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND, INC.**  
**(Exact name of registrant as specified in charter)**

**1345 Avenue of the Americas, New York, New York 10105**  
**(Address of principal executive offices) (Zip code)**

**Joseph J. Mantineo**

**AllianceBernstein L.P.**

**1345 Avenue of the Americas**

**New York, New York 10105**

**(Name and address of agent for service)**

**Registrant's telephone number, including area code: (800) 221-5672**

**Date of fiscal year end: October 31, 2013**

**Date of reporting period: October 31, 2013**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

ANNUAL REPORT

AllianceBernstein

National Municipal Income Fund

(NYSE: AFB)

October 31, 2013

Annual Report

**Investment Products Offered**

**Are Not FDIC Insured**

**May Lose Value**

**Are Not Bank Guaranteed**

You may obtain a description of the Fund's proxy voting policies and procedures, and information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's website at [www.alliancebernstein.com](http://www.alliancebernstein.com), or go to the Securities and Exchange Commission's (the Commission) website at [www.sec.gov](http://www.sec.gov), or call AllianceBernstein (800) 227-4618.

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at [www.sec.gov](http://www.sec.gov). The Fund's Forms N-Q may also be reviewed and copied at the Commission's Public Reference Room in Washington, DC; information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. AllianceBernstein publishes full portfolio holdings for the Fund monthly at [www.alliancebernstein.com](http://www.alliancebernstein.com).

**AllianceBernstein Investments, Inc. (ABI)** is the distributor of the AllianceBernstein family of mutual funds. ABI is a member of FINRA and is an affiliate of AllianceBernstein L.P., the manager of the funds.

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December 17, 2013

## Annual Report

This report provides management's discussion of fund performance for AllianceBernstein National Municipal Income Fund (the Fund) for the annual reporting period ended October 31, 2013. The Fund is a closed-end fund and its shares are listed and traded on the New York Stock Exchange.

## Investment Objectives and Policies

This closed-end fund seeks to provide high current income exempt from regular federal income tax by investing substantially all of its net assets in municipal securities that pay interest that is exempt from federal income tax. The Fund will normally invest at least 80%, and normally substantially all, of its net assets in municipal securities paying interest that is exempt from regular federal income tax. The Fund also normally will invest at least 75% of its assets in investment-grade municipal securities or unrated municipal securities considered by AllianceBernstein L.P. (the Adviser) to be of comparable quality. The Fund may invest up to 25% of its net assets in municipal bonds rated below investment-grade and unrated municipal bonds considered to be of comparable quality as determined by the Adviser. The Fund intends to invest primarily in municipal securities that pay interest that is not subject to the federal Alternative Minimum Tax (AMT), but may invest without limit in municipal securities paying interest that is subject to the federal AMT. For more information regarding the Fund's risks, please see Disclosures and Risks on pages 4-5 and Note G Risks Involved in Investing in the Fund of the Notes to Financial Statements on pages 31-33.

## Investment Results

The table on page 6 provides performance data for the Fund and its benchmark, the Barclays Municipal Bond Index, for the six- and 12-month periods ended October 31, 2013.

The Fund underperformed its benchmark for both the six- and 12-month periods. During both periods, an underweight in long-maturity bonds benefited performance. For the 12-month period, an overweight in the special tax bond sector detracted from performance, as did security selection in the state general obligation and transportation sectors. For both periods, security selection in the lease-revenue and health care sectors contributed. For the six-month period, security selection in the special tax sector contributed.

Leverage was beneficial to the Fund's income since the cost of leverage remained significantly below the average earnings on the Fund's investments for the period. However, leverage, achieved through the usage of both auction rate preferred stock and tender option bonds (TOBs), detracted from the Fund's total return for both the six- and 12-month periods, as it increased the Fund's overall interest rate sensitivity, and longer-term interest rates generally rose. The Fund did not utilize derivatives during either period.

## Market Review and Investment Strategy

Most of the volatility in the municipal market took place at the end of the second quarter and throughout the third quarter. When the U.S. Federal Reserve (the Fed) announced in mid-May that it had plans to gradually reduce its monthly purchases of \$85 billion of Treasuries and mortgage securities,

investors began to pull money from municipal bond funds, causing a sharp increase in bond yields and a drop in prices. As the third quarter began, long-maturity bond yields continued their sharp upward climb. In early September, yields reversed course and started to fall in response to weaker-than-expected economic data. Then, two closely-spaced announcements in mid-September accelerated the drop in yields; former U.S. Treasury secretary Lawrence Summers announcing he was no longer a candidate to replace Fed Chairman Ben Bernanke, which seemed to calm investor fears that Summers would abandon Bernanke's approach; and the Fed's surprising announcement that it was delaying its expected reduction in the amount of its monthly purchases. By the end of the third quarter, 10-year AAA municipal yields had fallen by about 0.50% from their peak in early September, and 5-year AAA municipal yields dropped by 0.25%. From the end of the third quarter to October 31, 2013, yields were relatively unchanged to down slightly.

Recently, one of the most discussed credit issues in the municipal market has been Puerto Rico. Puerto Rico bonds lost significant value in the third quarter, as their yields rose sharply relative to comparable maturity AAA bonds. While the Commonwealth has taken substantial steps to improve its finances over the past 12 months, there continue to be major concerns about Puerto Rico's weak economy and large debt load. Positions in bonds directly tied to Puerto Rico's economy represent less than 5% of the Fund's holdings as of October 31, 2013.

The Fund remained neutral with respect to interest rate risk as the difference between short- and long-term yields was

still near all-time highs at the end of the reporting period. Shortening the Fund's duration generally would require buying shorter-maturity bonds and this would significantly reduce the yield of the Fund. The Team believes that lengthening the Fund's duration beyond a neutral level would result in too much interest rate risk with interest rates still low by historical standards.

With respect to maturity selection, the Team has been attempting to take advantage of roll—the expected price appreciation of a bond as it moves closer to maturity each year. The return potential from roll is greater in bonds maturing in the 10-15 year maturity range than in bonds with maturities beyond 20 years. As a result, the combination of roll plus yield for bonds maturing in 10-15 years offers a similar expected return to longer bonds. In addition, bonds in the shorter range have less risk of price declines should interest rates rise. Underweighting these longer-maturity bonds benefited performance over the past six to 12 months, and remains a theme in the Fund.

The Fund may purchase municipal securities that are insured under policies issued by certain insurance companies. Historically, insured municipal securities typically received a higher credit rating, which meant that the issuer of the securities paid a lower interest rate. As a result of declines in the credit quality and associated downgrades of most municipal bond insurers, insurance has less value than it did in the past. The market now values insured municipal securities primarily based on the credit quality of the issuer of the security with little value given to the insurance feature. In purchasing such insured securities, the Adviser evaluates the risk and return of

municipal securities through its own research. The ratings of most insurance companies have been downgraded and it is possible that an insurance company may become insolvent. If an insurance company's rating is downgraded or the company becomes insolvent, the prices of municipal securities insured by the insurance company may decline. As of October 31, 2013, 15.75% of the Fund's total municipal bond investments were in insured bonds (of this amount, 1.32% represents the Fund's holdings in pre-refunded/escrowed to maturity bonds). The Team believes that downgrades of insurance company ratings or insurance company insolvencies present limited risk to the Fund.

Since February 2008, auctions of the Fund's Preferred Shares have had fewer buyers than sellers and, as a result, the auctions have failed. The failed auctions did not lower the credit quality of the Preferred Shares, but rather meant that a holder was unable to sell the Preferred Shares in the auctions, so that there was a loss of liquidity for the holders of the Preferred Shares. When an auction fails, the Preferred Shares pay interest on a formula-based maximum rate based on AA-commercial paper and short-term municipal bond rates. This interest rate has been and remains generally economical compared to the earnings of the Fund's investments. However, to the extent that the cost of this leverage increases in the future and earnings from the Fund's investments do not increase to a commensurate extent, the Fund's net investment returns may decline. The Team continues to explore other liquidity and leverage options, including TOBs, which it has used in the past; this may result in Preferred Shares being redeemed in the future. The Fund is not required to redeem any Preferred Shares, and the

Team expects to continue to rely on the Preferred Shares for a portion of the Fund's leverage exposure.

Following the financial crisis that began in 2008, major rating agencies have undertaken reviews of their methodologies for rating various types of instruments, including securities issued by closed-end funds. Moody's Investor Service, Inc. (Moody's) previously announced a revised methodology for rating closed-end fund securities and also announced that it had placed on review for possible downgrade the ratings of a large number of securities issued by closed-end funds, including the Preferred Shares issued by the Fund. On July 12, 2012, Moody's downgraded the AAA rating assigned to the Fund's Preferred Shares to AA as a result of its revised rating methodology. The preferred shares of a number of other funds were also downgraded by Moody's. Under the formula used to determine the dividend rate for the Fund's Preferred Shares, the downgrade to an AA rating had no impact on the Preferred Shares' dividend rate, although a downgrade below AA- may result in an increase in the Preferred Shares' dividend rate (assuming all factors used to determine the dividend rate being equal), resulting in higher leveraging costs for the Fund.

The Adviser is currently reviewing the potential implications of the downgrades of the Preferred Shares by any of the other major ratings agencies, including by Standard and Poor's Rating Services (S&P) which recently announced changes to their rating methodologies for closed-end fund securities, to be implemented in March 2014.



## DISCLOSURES AND RISKS

AllianceBernstein National Municipal Income Fund Shareholder Information Weekly comparative net asset value ( NAV ) and market price information about the Fund is published each Saturday in Barron's and in other newspapers in a table called Closed End Funds . Daily NAV and market price information, and additional information regarding the Fund, is available at [www.alliancebernstein.com](http://www.alliancebernstein.com) and [www.nyse.com](http://www.nyse.com). For additional shareholder information regarding this Fund, please see page 50.

### Benchmark Disclosure

**The unmanaged Barclays Municipal Bond Index does not reflect fees and expenses associated with the active management of a fund portfolio.** The Barclays Municipal Bond Index represents the performance of the long-term tax-exempt bond market consisting of investment grade bonds. An investor cannot invest directly in an index, and its results are not indicative of the performance for any specific investment, including the Fund. In addition, the Index does not reflect the use of leverage, whereas the Fund utilizes leverage.

### A Word About Risk

Among the risks of investing in the Fund are changes in the general level of interest rates or changes in bond credit quality ratings. Changes in interest rates have a greater effect on bonds with longer maturities than on those with shorter maturities. Please note, as interest rates rise, existing bond prices fall and can cause the value of your investment in the Fund to decline. While the Fund invests principally in bonds and other fixed-income securities, in order to achieve its investment objectives, the Fund may at times use certain types of investment derivatives, such as options, futures, forwards and swaps. These instruments involve risks different from, and in certain cases, greater than, the risks presented by more traditional investments. At the discretion of the Fund's Adviser, the Fund may invest up to 25% of its net assets in municipal bonds that are rated below investment grade (i.e., junk bonds ). These securities involve greater volatility and risk than higher-quality fixed-income securities.

**Leverage Risk:** The Fund uses financial leverage for investment purposes, which involves leverage risk. The Fund's outstanding Auction Rate Preferred Stock results in leverage. The Fund may also use other types of financial leverage, including TOBs, either in combination with, or in lieu of, the Auction Preferred Stock. The Fund utilizes leverage to seek to enhance the yield and NAV attributable to its Common Stock. These objectives may not be achieved in all interest rate environments. Leverage creates certain risks for holders of Common Stock, including the likelihood of greater volatility of the NAV and market price of the Common Stock. If income from the securities purchased from the funds made available by leverage is not sufficient to cover the cost of leverage, the Fund's return will be less than if leverage had not been used. As a result, the amounts available for distribution to Common Stockholders as dividends and other distributions will be reduced. During periods of rising short-term interest rates, the interest paid on the Auction Rate Preferred Stock or the floaters issued in connection with the Fund's TOB transactions would increase. In addition, the interest paid on inverse floaters held by the Fund, whether issued in connection with the Fund's TOB transactions or purchased in a secondary market transaction, would decrease. Under such circumstances, the Fund's income and distributions to Common Stockholders may decline, which would adversely affect the Fund's yield and possibly the market value of its shares.

**Tax Risk:** There is no guarantee that all of the Fund's income will remain exempt from federal or state income taxes. From time to time, the U.S. Government and the U.S. Congress consider changes in federal tax law that could limit or eliminate the federal tax exemption for municipal bond income, which would in effect reduce the net income received by shareholders from the Fund by increasing taxes on that

*(Disclosures, Risks and Note about Historical Performance continued on next page)*

## DISCLOSURES AND RISKS

*(continued from previous page)*

income. In such event, the Fund's NAV could also decline as yields on municipal bonds, which are typically lower than those on taxable bonds, would be expected to increase to approximately the yield of comparable bonds.

These risks are fully discussed in the Fund's prospectus.

### **An Important Note About Historical Performance**

**The performance on the following page represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. All fees and expenses related to the operation of the Fund have been deducted. Performance assumes reinvestment of distributions and does not account for taxes.**

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 5

**Disclosures and Risks**

## HISTORICAL PERFORMANCE

| THE FUND VS. ITS BENCHMARK<br>PERIODS ENDED OCTOBER 31, 2013 (unaudited) | Returns  |           |
|--|----------|-----------|
|  | 6 Months | 12 Months |
| AllianceBernstein  |          |           |
| National Municipal Income Fund (NAV)                                     | -6.03%   | -4.01%    |
| Barclays Municipal Bond Index  | -3.44%   | -1.72%    |

*The Fund's market price per share on October 31, 2013, was \$12.95. The Fund's NAV price per share on October 31, 2013, was \$13.73. For additional Financial Highlights, please see page 36.*

See Disclosures, Risks and Note about Historical Performance on pages 4-5.

## PORTFOLIO SUMMARY

October 31, 2013 (unaudited)

### PORTFOLIO STATISTICS

Net Assets (\$mil): \$394.8

\* All data are as of October 31, 2013. The Fund's quality rating breakdown is expressed as a percentage of the Fund's total investments in municipal securities and may vary over time. The quality ratings are determined by using the Standard & Poor's Ratings Services (S&P), Moody's Investors Services, Inc. (Moody's) and Fitch Ratings, Ltd. (Fitch). These ratings are a measure of the quality and safety of a bond or portfolio, based on the issuer's financial condition. AAA is the highest (best) and D is the lowest (worst). If applicable, the pre-refunded category includes bonds which are secured by US Government Securities and therefore are deemed high-quality investment grade by the Adviser. If applicable, Not Applicable (N/A) includes non credit worthy investments; such as, equities, currency contracts, futures and options. If applicable, the Not Rated category includes bonds that are not rated by a Nationally Recognized Statistical Rating Organization.

Portfolio Summary

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 7

**PORTFOLIO OF INVESTMENTS**

October 31, 2013

|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| <b>MUNICIPAL OBLIGATIONS 169.8%</b>     |                              |               |
| <b>Long-Term Municipal Bonds 169.8%</b> |                              |               |
| <b>Alabama 2.1%</b>                     |                              |               |
| Alabama Pub Sch & Clg Auth              |                              |               |
| Series 2009A                            |                              |               |
| 5.00%, 5/01/19 (Pre-refunded/ETM)       | \$ 3,000                     | \$ 3,591,480  |
| Jefferson Cnty AL LT Sch Wts            |                              |               |
| Series 2004A                            |                              |               |
| 5.25%, 1/01/18-1/01/23                  | 3,100                        | 3,099,953     |
| Montgomery AL BMC Spl Care              |                              |               |
| (Baptist Health Montgomery)             |                              |               |
| Series 2004C                            |                              |               |
| 5.125%, 11/15/24                        | 1,500                        | 1,515,900     |
|   |                              | 8,207,333     |
| <b>Alaska 1.1%</b>                      |                              |               |
| Alaska Intl Arpt                        |                              |               |
| NPFGC                                   |                              |               |
| Series 2003B                            |                              |               |
| 5.00%, 10/01/26                         | 2,000                        | 2,005,600     |
| Four Dam Pool AK Elec                   |                              |               |
| Series 2004A                            |                              |               |
| 5.00%, 7/01/14 (Pre-refunded/ETM)       | 1,035                        | 1,067,106     |
| 5.25%, 7/01/14 (Pre-refunded/ETM)       | 1,385                        | 1,430,234     |
|   |                              | 4,502,940     |
| <b>Arizona 1.5%</b>                     |                              |               |
| Phoenix AZ Civic Impt Corp.             |                              |               |
| (Phoenix AZ Wastewater)                 |                              |               |
| NPFGC                                   |                              |               |
| Series 04                               |                              |               |
| 5.00%, 7/01/23                          | 1,250                        | 1,286,762     |
| Salt Verde Fin Corp. Gas                |                              |               |
| (Citigroup, Inc.)                       |                              |               |
| 5.25%, 12/01/22-12/01/23                | 4,150                        | 4,542,242     |
|   |                              | 5,829,004     |
| <b>California 25.2%</b>                 |                              |               |
| Bay Area Toll Auth CA                   |                              |               |
| Series 2013S                            |                              |               |
| 5.00%, 4/01/32                          | 5,720                        | 6,072,295     |
| California Econ Recovery                |                              |               |
| (California Econ Rec Spl Tax)           |                              |               |
| Series 2009A                            |                              |               |
| 5.25%, 7/01/21                          | 4,860                        | 5,803,812     |
| California GO                           |                              |               |
| 5.00%, 11/01/30 <sup>(a)</sup>          | 5,800                        | 6,239,060     |
| 5.00%, 2/01/32-2/01/33                  | 505                          | 505,909       |
| California Poll Cntl Fin Auth           |                              |               |
| (Poseidon Resources LP)                 |                              |               |
|   | 6,000                        | 5,151,960     |

5.00%, 7/01/37<sup>(b)</sup>

**8 ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND**

**Portfolio of Investments**

|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| Chula Vista CA IDR<br>(San Diego Gas & Elec Co.)<br>Series 1996A<br>5.30%, 7/01/21                                  | \$ 4,000                     | \$ 4,133,160  |
| Coast CA CCD GO<br>AGM<br>5.00%, 8/01/23-8/01/24 <sup>(c)</sup>   | 11,370                       | 12,776,583    |
| Grossmont-Cuyamaca CCD CA GO<br>AGC<br>5.00%, 8/01/22-8/01/23 <sup>(c)</sup>  | 4,480                        | 5,053,096     |
| La Quinta CA Fin Auth<br>(La Quinta CA Local Agy Pool)<br>AMBAC<br>Series 2004A<br>5.25%, 9/01/24                   | 2,000                        | 2,048,040     |
| Los Angeles CA CCD GO<br>Series 2008F-1<br>5.00%, 8/01/28   | 5,800                        | 6,258,026     |
| Los Angeles CA Dept Arpts<br>(Los Angeles Intl Airport)<br>Series 2009A<br>5.25%, 5/15/29                           | 5,700                        | 6,209,295     |
| Los Angeles CA Dept W&P Pwr<br>Series 2013A<br>5.00%, 7/01/30   | 6,255                        | 6,866,051     |
| Series 2013B<br>5.00%, 7/01/30  | 10,000                       | 11,021,300    |
| Los Angeles CA Dept W&P Wtr<br>Series 2013A<br>5.00%, 7/01/29   | 3,840                        | 4,284,518     |
| San Bernardino Cnty CA COP<br>Series 2009A<br>5.25%, 8/01/26  | 1,455                        | 1,539,696     |
| San Francisco CA Bay Area Rapid Transit<br>(San Francisco City/Cnty CA Sales Tax)<br>Series 2012A<br>5.00%, 7/01/28 | 1,850                        | 2,051,224     |
| Univ of California<br>Series 2012G<br>5.00%, 5/15/31  | 7,000                        | 7,548,730     |
| Series 2013A<br>5.00%, 5/15/30  | 5,355                        | 5,896,069     |
|   |                              | 99,458,824    |
| <b>Colorado 6.4%</b>  |                              |               |
| Colorado Hlth Fac Auth<br>(Evangelical Luth Good Sam Soc)<br>5.25%, 6/01/19-6/01/23                                 | 2,425                        | 2,526,282     |

|  | Principal<br>Amount<br>(000) | U.S. \$ Value |
|--|------------------------------|---------------|
| Colorado Hlth Fac Auth<br>(Parkview Medical Center)<br>Series 04<br>5.00%, 9/01/25                   | \$ 2,560                     | \$ 2,564,250  |
| Denver City/Cnty CO Arpt<br>(Denver Intl Airport)<br>Series 2013B<br>5.25%, 11/15/31                 | 6,680                        | 7,080,666     |
| Denver CO Urban Renewal Auth<br>(Stapleton)<br>Series 2010B-1<br>5.00%, 12/01/25                     | 6,865                        | 7,220,744     |
| Northwest Met Dist #3 CO<br>6.125%, 12/01/25   | 1,000                        | 916,450       |
| Park Creek Met Dist CO<br>Series 05<br>5.25%, 12/01/25   | 3,000                        | 3,136,800     |
| 5.50%, 12/01/30  | 890                          | 928,626       |
| Todd Creek Farms Met Dist #1 CO<br>6.125%, 12/01/19 <sup>(d)</sup>                                   | 1,180                        | 590,000       |
| 6.125%, 12/01/22 <sup>(d)(e)</sup>   | 1,970                        | 492,500       |
|  |                              | 25,456,318    |
| <b>Connecticut 7.9%</b>  |                              |               |
| Connecticut GO<br>Series 2013C<br>5.00%, 7/15/27   | 7,165                        | 8,104,690     |
| Series 2013E<br>5.00%, 8/15/29   | 4,800                        | 5,295,360     |
| Connecticut Spl Tax Obl<br>(Connecticut Trnsp Prog Spl Tax)<br>5.00%, 1/01/29                        | 11,250                       | 12,413,250    |
| Series 2011A<br>5.00%, 12/01/28  | 5,000                        | 5,512,250     |
|  |                              | 31,325,550    |
| <b>Florida 10.1%</b>   |                              |               |
| Florida HFC MFHR<br>(Westlake Apts)<br>AGM<br>Series 2002-D1<br>5.40%, 3/01/42                       | 8,780                        | 8,780,439     |
| Florida HFC MFHR<br>(Westminster Apts)<br>AGM<br>Series 2002E-1<br>5.40%, 4/01/42                    | 3,000                        | 3,010,080     |
| Florida Ports Fin Commn<br>(Florida St Trnsp Trust Fund)<br>Series 2011A<br>5.00%, 10/01/25-10/01/27 | 4,205                        | 4,666,952     |



|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| Jacksonville FL Cap Impt<br>5.00%, 10/01/28-10/01/30  | \$ 15,115                    | \$ 16,109,590 |
| Miami Beach FL Hlth Fac Auth<br>(Mt. Sinai Medical Center FL)<br>6.75%, 11/15/24              | 4,000                        | 4,138,680     |
| Midtown Miami CDD FL<br>Series 2004A<br>6.00%, 5/01/24  | 1,940                        | 1,943,744     |
| Univ of Central FL COP NPFGC-RE<br>Series 2004A<br>5.125%, 10/01/24                           | 1,325                        | 1,330,698     |
|   |                              | 39,980,183    |
| <b>Georgia 0.4%</b>   |                              |               |
| Atlanta GA Arpt<br>(Hartsfield Jackson Atlanta Intl Arpt)<br>Series 2012B<br>5.00%, 1/01/28   | 1,355                        | 1,469,037     |
| <b>Hawaii 1.3%</b>  |                              |               |
| Hawaii Arpts Sys<br>Series 2010A<br>5.00%, 7/01/34  | 5,000                        | 5,133,450     |
| <b>Illinois 9.3%</b>  |                              |               |
| Chicago IL GO<br>AGM Series 2004A<br>5.00%, 1/01/25   | 380                          | 380,391       |
| Chicago IL O Hare Intl Arpt<br>(O Hare Intl Arpt)<br>XLCA Series 2003B-1<br>5.25%, 1/01/34    | 4,860                        | 4,878,808     |
| Chicago IL Wtr<br>5.00%, 11/01/26   | 2,000                        | 2,083,760     |
| Cook Cnty IL HSD #29 GO<br>AGM Series 04<br>5.00%, 12/01/20                                   | 2,000                        | 2,094,340     |
| Gilberts IL SSA #1<br>Series 03<br>6.00%, 3/01/28   | 2,577                        | 2,428,050     |
| Illinois Finance Auth<br>(Illinois Institute of Technology)<br>Series 2006A<br>5.00%, 4/01/31 | 1,250                        | 1,098,850     |
| Illinois Toll Highway Auth<br>Series 2013A<br>5.00%, 1/01/31-1/01/32                          | 10,145                       | 10,513,282    |
| Manhattan SSA #2004-1 IL<br>Series 05<br>5.875%, 3/01/28                                      | 1,700                        | 1,629,229     |

|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| Univ of Illinois<br>AGM<br>5.25%, 10/01/26 <sup>(c)</sup>                                       | \$ 10,800                    | \$ 11,776,320 |
|   |                              | 36,883,030    |
| <b>Indiana 0.6%</b>   |                              |               |
| Hendricks Cnty IN GO<br>Series 04<br>5.50%, 7/15/14 (Pre-refunded/ETM)                          | 2,150                        | 2,228,884     |
| <b>Kentucky 1.4%</b>  |                              |               |
| Kentucky Turnpike Auth<br>(Kentucky Turnpike Auth Spl Tax)<br>Series 2013A<br>5.00%, 7/01/29    | 5,000                        | 5,476,700     |
| <b>Louisiana 4.4%</b>   |                              |               |
| Louisiana Agric Fin Auth<br>(Louisiana Agric Fin Auth Lease)<br>5.25%, 9/15/17                  | 4,270                        | 4,443,661     |
| Louisiana Loc Govt Envrn Fac & CDA<br>(Jefferson Parish LA)<br>Series 2009A<br>5.00%, 4/01/26   | 535                          | 569,315       |
| New Orleans LA GO<br>NPFGC<br>5.00%, 3/01/18  | 2,285                        | 2,366,643     |
| 5.25%, 12/01/20   | 1,000                        | 1,061,440     |
| NPFGC<br>Series 05<br>5.00%, 12/01/29   | 2,700                        | 2,763,909     |
| RADIAN<br>Series 2007A<br>5.00%, 12/01/22   | 5,875                        | 6,275,616     |
|   |                              | 17,480,584    |
| <b>Massachusetts 6.6%</b>   |                              |               |
| Massachusetts Dev Fin Agy<br>(Olin College)<br>Series 2013E<br>5.00%, 11/01/38                  | 5,000                        | 5,094,500     |
| Massachusetts Sch Bldg Auth<br>(Massachusetts Sch Sales Tax)<br>Series 2011B<br>5.00%, 10/15/32 | 13,000                       | 13,941,070    |
| Series 2012B<br>5.00%, 8/15/28-8/15/30  | 6,345                        | 7,029,748     |
|   |                              | 26,065,318    |

|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| <b>Michigan 8.7%</b>  |                              |               |
| Detroit MI City SD GO<br>Series 2012A<br>5.00%, 5/01/26-5/01/27                                 |                              |               |
|   | \$ 6,045                     | \$ 6,172,468  |
| Detroit MI Swr Disp<br>NPFGC<br>5.25%, 7/01/22  |                              |               |
|   | 5,000                        | 5,016,100     |
| Michigan Strategic Fund<br>(Detroit Renewable Pwr Proj)<br>8.50%, 12/01/30 <sup>(b)</sup>       |                              |               |
|   | 4,000                        | 3,796,840     |
| Plymouth MI Ed Ctr Charter Sch<br>5.125%, 11/01/23  |                              |               |
|   | 2,140                        | 1,903,102     |
| Wayne State Univ MI<br>Series 2009A<br>5.00%, 11/15/29  |                              |               |
|   | 16,500                       | 17,258,835    |
|   |                              | 34,147,345    |
| <b>Minnesota 0.3%</b>   |                              |               |
| Shakopee MN Hlthcare Fac<br>(St Francis Reg Medical Ctr)<br>Series 2004<br>5.10%, 9/01/25       |                              |               |
|   | 1,200                        | 1,207,404     |
| <b>Mississippi 1.0%</b>   |                              |               |
| Gulfport MS Hosp Fin Auth<br>(Memorial Hosp At Gulfport)<br>Series 01A<br>5.75%, 7/01/31        |                              |               |
|   | 4,000                        | 4,006,720     |
| <b>Missouri 0.6%</b>  |                              |               |
| Kansas City MO Spl Oblig<br>(Kansas City MO Lease Dntn Arena)<br>Series 2008C<br>5.00%, 4/01/28 |                              |               |
|   | 2,000                        | 2,216,120     |
| <b>New Hampshire 0.2%</b>   |                              |               |
| New Hampshire Hlth & Ed Fac Auth<br>(Covenant Health Sys)<br>Series 04<br>5.375%, 7/01/24       |                              |               |
|   | 820                          | 839,819       |
| <b>New Jersey 2.8%</b>  |                              |               |
| Morris-Union NJ Jt Comm COP<br>RADIAN<br>5.00%, 5/01/14 (Pre-refunded/ETM)                      |                              |               |
|   | 5,095                        | 5,264,562     |
| New Jersey EDA<br>Series 2005O<br>5.25%, 3/01/15 (Pre-refunded/ETM)                             |                              |               |
|   | 500                          | 532,910       |

|  | Principal<br>Amount<br>(000) | U.S. \$ Value |
|--|------------------------------|---------------|
| New Jersey Turnpike Auth<br>(New Jersey Turnpike)<br>Series 2013A<br>5.00%, 1/01/31                    | \$ 5,000                     | \$ 5,257,850  |
|  |                              | 11,055,322    |
| <b>New York 25.6%</b>  |                              |               |
| Metropolitan Trnsp Auth NY<br>Series 2012D<br>5.00%, 11/15/29  | 4,000                        | 4,266,200     |
| Series 2012F<br>5.00%, 11/15/27-11/15/30   | 6,575                        | 6,981,663     |
| Series 2013C<br>5.00%, 11/15/32  | 1,000                        | 1,041,530     |
| New York NY GO<br>Series 2004G<br>5.00%, 12/01/23  | 845                          | 882,349       |
| Series 2006J<br>5.00%, 6/01/22   | 1,160                        | 1,276,905     |
| Series 2010E<br>5.00%, 8/01/28   | 1,690                        | 1,832,467     |
| Series 2012I<br>5.00%, 8/01/28   | 8,780                        | 9,673,365     |
| Series 2013D<br>5.00%, 8/01/31   | 1,000                        | 1,082,460     |
| New York NY GO<br>(New York NY GO)<br>Series 2012B<br>5.00%, 8/01/30                                   | 5,070                        | 5,487,159     |
| New York NY Mun Wtr Fin Auth<br>5.00%, 6/15/26   | 5,000                        | 5,592,800     |
| Series 2013D<br>5.00%, 6/15/34   | 3,600                        | 3,831,516     |
| New York NY Trnsl Fin Auth<br>Series 2007B<br>5.00%, 11/01/24  | 7,395                        | 8,149,512     |
| New York St Dormitory Auth<br>(New York St Pers Income Tax)<br>5.00%, 3/15/26 <sup>(c)</sup>           | 7,000                        | 7,770,560     |
| Series 2012B<br>5.00%, 3/15/32   | 7,600                        | 8,129,644     |
| Series 2012D<br>5.00%, 2/15/29   | 8,000                        | 8,759,200     |
| New York St Envrn Fac Corp.<br>(New York NY Mun Wtr Fin Auth)<br>5.00%, 6/15/24-6/15/27 <sup>(c)</sup> | 7,000                        | 7,815,955     |
| 5.00%, 6/15/27   | 5,000                        | 5,646,750     |

|  | Principal<br>Amount<br>(000) | U.S. \$ Value |
|--|------------------------------|---------------|
| <b>New York St HFA</b>                                   |                              |               |
| (New York St Pers Income Tax)                            |                              |               |
| NPFGC-RE   |                              |               |
| Series 2005A   |                              |               |
| 5.00%, 9/15/25   | \$ 300                       | \$ 315,132    |
| Triborough Brdg & Tunl Auth NY                           |                              |               |
| Series 2011A   |                              |               |
| 5.00%, 1/01/26   | 10,000                       | 11,259,800    |
| Ulster Cnty NY IDA<br>(Kingston Regl Sr Lvg Corp.)       |                              |               |
| Series 2007A   |                              |               |
| 6.00%, 9/15/27   | 1,775                        | 1,388,920     |
|  |                              | 101,183,887   |
| <b>North Carolina 1.1%</b>                               |                              |               |
| Charlotte NC Arpt<br>(Charlotte Douglas Intl Arpt)       |                              |               |
| NPFGC  |                              |               |
| Series 2004A   |                              |               |
| 5.25%, 7/01/24   | 2,895                        | 2,967,433     |
| Iredell Cnty NC COP<br>(Iredell Cnty Sch Proj)           |                              |               |
| AGM  |                              |               |
| 5.25%, 6/01/22   | 1,080                        | 1,218,002     |
|  |                              | 4,185,435     |
| <b>Ohio 1.7%</b>   |                              |               |
| Central OH Solid Wst Auth                                |                              |               |
| 5.00%, 6/01/22 (Pre-refunded/ETM)                        | 355                          | 431,644       |
| Columbiana Cnty Port Auth OH<br>(Apex Environmental LLC) |                              |               |
| Series 2004A   |                              |               |
| 7.125%, 8/01/25 <sup>(d)</sup>                           | 1,840                        | 1,355,013     |
| Cuyahoga Cnty OH Port Auth<br>(University Square Proj)   |                              |               |
| Series 01  |                              |               |
| 7.35%, 12/01/31 <sup>(d)(f)</sup>                        | 5,000                        | 3,650,000     |
| Summit Cnty OH Port Auth                                 |                              |               |
| 5.00%, 12/01/25  | 1,000                        | 1,105,070     |
|  |                              | 6,541,727     |
| <b>Oregon 2.7%</b>                                       |                              |               |
| Forest Grove OR<br>(Pacific Univ)                        |                              |               |
| RADIAN   |                              |               |
| Series 2005A   |                              |               |
| 5.00%, 5/01/28   | 4,760                        | 4,789,798     |
| Oregon Dept of Admin Svcs<br>(Oregon Lottery)            |                              |               |
| Series 2011A   |                              |               |
| 5.25%, 4/01/25   | 5,000                        | 5,843,200     |
|  |                              | 10,632,998    |



|  | Principal<br>Amount<br>(000) | U.S. \$ Value |
|--|------------------------------|---------------|
| <b>Pennsylvania 2.4%</b>   |                              |               |
| Allegheny Cnty PA IDA<br>(Residential Resources, Inc.)<br>5.00%, 9/01/21                             | \$ 500                       | \$ 501,150    |
| Delaware Riv Port Auth PA & NJ<br>5.00%, 1/01/26   | 1,700                        | 1,734,952     |
| Montgomery Cnty PA IDA<br>(New Regional Medical Ctr)<br>5.25%, 8/01/33                               | 3,495                        | 3,748,492     |
| Pennsylvania Hgr Ed Fac Auth<br>(Univ of Pennsylvania)<br>5.00%, 9/01/28                             | 1,500                        | 1,649,760     |
| Philadelphia PA IDA<br>(Leadership Learning Partners)<br>Series 05A<br>5.25%, 7/01/24 <sup>(d)</sup> | 1,150                        | 869,941       |
| Wilkes-Barre PA Fin Auth<br>(Wilkes Univ Proj)<br>5.00%, 3/01/22                                     | 990                          | 1,015,809     |
|  |                              | 9,520,104     |
| <b>Puerto Rico 1.8%</b>  |                              |               |
| Puerto Rico GO<br>Series 2001A<br>5.50%, 7/01/19   | 1,705                        | 1,424,067     |
| Puerto Rico GO<br>Series 2006A<br>5.25%, 7/01/23   | 2,625                        | 2,022,484     |
| Puerto Rico Govt Dev Bank<br>Series 2006B<br>5.00%, 12/01/15   | 1,000                        | 978,650       |
| Puerto Rico Pub Bldgs Auth<br>(Puerto Rico GO)<br>Series 2007N<br>5.50%, 7/01/22                     | 3,370                        | 2,639,822     |
|  |                              | 7,065,023     |
| <b>Rhode Island 1.5%</b>   |                              |               |
| Rhode Island Hlth & Ed Bldg Corp.<br>(Times 2 Academy RI)<br>Series 04<br>5.00%, 12/15/24            | 5,845                        | 5,879,836     |
| <b>South Carolina 4.0%</b>   |                              |               |
| Charleston SC Edl Excellence Fin Corp.<br>5.25%, 12/01/15 (Pre-refunded/ETM)                         | 2,000                        | 2,199,960     |
| Dorchester Cnty SC SD #2 Lease<br>AGC<br>5.00%, 12/01/29   | 1,600                        | 1,711,680     |

|  | Principal<br>Amount<br>(000) | U.S. \$ Value |
|--|------------------------------|---------------|
| Newberry Inv IN Children SC<br>(Newberry Cnty SC SD Lease)<br>AGC Series 05<br>5.00%, 12/01/27 | \$ 5,450                     | \$ 5,724,516  |
| South Carolina Pub Svc Auth<br>Series 2012A<br>5.00%, 12/01/27                                 | 5,465                        | 5,984,667     |
|  |                              | 15,620,823    |
| <b>Tennessee 0.6%</b>  |                              |               |
| Sullivan Cnty TN Hlth & Hfb<br>(Wellmont Hlth Sys Proj)<br>Series 2006C<br>5.00%, 9/01/22      | 1,760                        | 1,803,120     |
| 5.25%, 9/01/26   | 725                          | 732,134       |
|  |                              | 2,535,254     |
| <b>Texas 27.1%</b>   |                              |               |
| Alvin TX ISD GO<br>Series 2009B<br>5.00%, 2/15/28  | 960                          | 1,032,144     |
| Austin TX Wtr & Wstwr Sys<br>Series 2013A<br>5.00%, 11/15/28-11/15/29                          | 8,075                        | 8,899,116     |
| Bexar Cnty TX Hlth Fac Dev<br>(Army Retirement Residence)<br>5.00%, 7/01/27                    | 480                          | 484,272       |
| Dallas Fort Worth TX Intl Arpt NPFGC<br>Series 2003A<br>5.25%, 11/01/25                        | 2,000                        | 2,000,000     |
| Dallas TX ISD GO<br>6.00%, 2/15/28   | 2,500                        | 2,860,425     |
| Dripping Springs TX ISD GO<br>5.125%, 2/15/28  | 5,715                        | 6,191,574     |
| Fort Bend TX ISD GO<br>Series 2009<br>5.00%, 2/15/27   | 7,560                        | 8,592,469     |
| Frisco TX GO<br>NPFGC-RE<br>5.00%, 2/15/16<br>(Pre-refunded/ETM)                               | 3,220                        | 3,554,719     |
| Harris Cnty TX Met Trnsp Auth<br>Series 2011A<br>5.00%, 11/01/26                               | 4,000                        | 4,477,080     |
| Houston TX Util Sys<br>Series 2011D<br>5.00%, 11/15/25-11/15/26                                | 8,500                        | 9,675,070     |
| Lewisville TX Spl AD #2<br>ACA<br>Series 05<br>6.00%, 10/01/25                                 | 1,100                        | 1,138,907     |



|   | Principal<br>Amount<br>(000) | U.S. \$ Value |
|---|------------------------------|---------------|
| Matagorda Cnty TX Nav Dist<br>(Centerpoint Energy Houston)<br>Series 04<br>5.60%, 3/01/27                   | \$ 2,000                     | \$ 2,026,280  |
| Seguin Hgr Ed Fac Corp. TX<br>Series 04<br>5.25%, 9/01/14<br>(Pre-refunded/ETM)                             | 2,250                        | 2,343,105     |
| Texas GO<br>Series 2002A<br>5.50%, 8/01/41  | 9,470                        | 9,479,564     |
| Series 2005A<br>5.00%, 4/01/28  | 8,000                        | 8,343,360     |
| Texas Private Acvty Bond Srfc Trnsp Corp.<br>(NTE Mobility Partners LLC Proj Segment#3)<br>6.75%, 6/30/43   | 3,000                        | 3,142,170     |
| Texas Private Acvty Bond Srfc Trnsp Corp.<br>(NTE Mobility Partners LLC Project)<br>6.875%, 12/31/39        | 1,720                        | 1,856,809     |
| Texas Trnsp Comm<br>5.00%, 4/01/23 <sup>(c)</sup>   | 20,600                       | 23,116,084    |
| Univ of Texas<br>Series 2009A<br>5.25%, 8/15/22   | 6,825                        | 7,860,967     |
|   |                              | 107,074,115   |
| <b>Virginia 1.5%</b><br>Virginia Trnsp Brd<br>(Virginia Lease Trnsp Fund)<br>5.00%, 5/15/28                 | 5,340                        | 5,934,449     |
| <b>Washington 6.4%</b><br>Energy Northwest WA<br>(Bonneville Power Admin)<br>Series 2011A<br>5.00%, 7/01/23 | 5,250                        | 6,079,920     |
| FYI Properties<br>(Washington St Lease Dept Info Svc Proj) 5.125%, 6/01/28                                  | 5,200                        | 5,561,764     |
| Series 2009<br>5.00%, 6/01/27   | 3,885                        | 4,161,340     |
| Washington St COP<br>(Washington St GO)<br>Series 2012R<br>5.00%, 7/01/26                                   | 8,300                        | 9,482,086     |
|   |                              | 25,285,110    |
| <b>Wisconsin 1.5%</b><br>Wisconsin GO<br>Series 20033<br>5.00%, 11/01/26                                    | 1,970                        | 1,973,093     |

|  | Principal<br>Amount<br>(000) | U.S. \$ Value         |
|--|------------------------------|-----------------------|
| Wisconsin Hsg & Econ Dev Auth SFMR (Wisconsin Hsg & Econ Dev Auth)<br>NPGC<br>Series 2002A<br>5.60%, 5/01/33 | \$ 3,975                     | \$ 3,976,153          |
|  |                              | 5,949,246             |
| Total Long-Term Municipal Bonds<br>(cost \$659,112,562)  |                              | 670,377,892           |
|  | <b>Shares</b>                |                       |
| <b>SHORT-TERM INVESTMENTS 1.2%</b>   |                              |                       |
| <b>Investment Companies 1.2%</b>   |                              |                       |
| AllianceBernstein Fixed-Income Shares, Inc. Government STIF Portfolio, 0.08%<br>(cost \$4,862,476)           | 4,862,476                    | 4,862,476             |
| <b>Total Investments 171.0%</b><br>(cost \$663,975,038)  |                              | 675,240,368           |
| Other assets less liabilities (9.6)%   |                              | (38,240,454)          |
| Preferred Shares at liquidation value (61.4)%  |                              | (242,225,000)         |
| <b>Net Assets Applicable to Common Shareholders 100.0%</b>   |                              | <b>\$ 394,774,914</b> |

(a) When-Issued or delayed delivery security.

(b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2013, the aggregate market value of these securities amounted to \$8,948,800 or 2.3% of net assets.

(c) Security represents the underlying municipal obligation of an inverse floating rate obligation held by the Fund (see Note H).

(d) Illiquid security.

(e) Security is in default and is non-income producing.

(f) Fair valued by the Adviser.

(g) Investment in affiliated money market mutual fund. The rate shown represents the 7-day yield as of period end.

(h) Portfolio percentages are calculated based on net assets applicable to common shareholders.

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*As of October 31, 2013, the Fund held 26.7% of net assets in insured bonds (of this amount 8.4% represents the Fund's holding in pre-refunded or escrowed to maturity bonds).*

### *Glossary:*

*ACA ACA Financial Guaranty Corporation*

*AD Assessment District*

*AGC Assured Guaranty Corporation*

*AGM Assured Guaranty Municipal*

*AMBAC Ambac Assurance Corporation*

*CCD Community College District*

### **Portfolio of Investments**

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 19**

*CDA Community Development Authority*

*CDD Community Development District*

*COP Certificate of Participation*

*EDA Economic Development Agency*

*ETM Escrowed to Maturity*

*GO General Obligation*

*HFA Housing Finance Authority*

*HFC Housing Finance Corporation*

*HSD High School District*

*IDA Industrial Development Authority/Agency*

*IDR Industrial Development Revenue Bond*

*ISD Independent School District*

*MFHR Multi-Family Housing Revenue*

*NPFGC National Public Finance Guarantee Corporation*

*NPFGC-RE National Public Finance Guarantee Corporation Reinsuring Financial Guaranty Insurance Company*

*RADIAN Radian Asset Assurance Inc.*

*SD School District*

*SFMR Single Family Mortgage Revenue*

*SSA Special Services Area*

*XLCA XL Capital Assurance Inc.*

*See notes to financial statements.*

**STATEMENT OF ASSETS & LIABILITIES**

October 31, 2013

| <b>Assets</b>  |                           |
|--|---------------------------|
| Investments in securities, at value  |                           |
| Unaffiliated issuers (cost \$659,112,562)  | \$ 670,377,892            |
| Affiliated issuers (cost \$4,862,476)  | 4,862,476                 |
| Interest and dividends receivable  | 9,710,225                 |
| Receivable for investment securities sold  | 1,452,141                 |
| <br>Total assets   | <br>686,402,734           |
| <b>Liabilities</b>   |                           |
| Payable for floating rate notes issued*  | 42,770,000                |
| Payable for investment securities purchased  | 6,102,760                 |
| Advisory fee payable   | 296,272                   |
| Dividends payable - preferred shares   | 3,698                     |
| Accrued expenses   | 230,090                   |
| <br>Total liabilities  | <br>49,402,820            |
| <b>Preferred Shares, at Liquidation Value</b>  |                           |
| Preferred shares, \$.001 par value per share; 11,400 shares authorized, 9,689 shares issued and outstanding at \$25,000 per share liquidation preference | 242,225,000               |
| <br><b>Net Assets Applicable to Common Shareholders</b>  | <br><b>\$ 394,774,914</b> |
| <b>Composition of Net Assets Applicable to Common Shareholders</b>   |                           |
| Common stock, \$.001 par value per share; 1,999,988,600 shares authorized, 28,744,936 shares issued and outstanding                                      | \$ 28,745                 |
| Additional paid-in capital   | 408,223,487               |
| Undistributed net investment income  | 188,846                   |
| Accumulated net realized loss on investment transactions   | (24,931,494)              |
| Net unrealized appreciation on investments   | 11,265,330                |
| <br><b>Net Assets Applicable to Common Shareholders</b>  | <br><b>\$ 394,774,914</b> |
| <br><b>Net Asset Value Applicable to Common Shareholders</b> (based on 28,744,936 common shares outstanding)   | <br><b>\$ 13.73</b>       |

\* Represents short-term floating rate certificates issued by tender option bond trusts (see Note H).  
See notes to financial statements.

**STATEMENT OF OPERATIONS**

Year Ended October 31, 2013

**Investment Income**

|                                |    |            |               |
|--------------------------------|----|------------|---------------|
| Interest                       | \$ | 28,123,408 |               |
| Dividends - Affiliated issuers |    | 1,547      | \$ 28,124,955 |

**Expenses**

|   |           |
|---|-----------|
| Advisory fee (see Note B)                       | 3,627,895 |
| Preferred Shares-auction agent's fees           | 147,537   |
| Custodian                                       | 151,094   |
| Directors' fees and expenses                    | 64,166    |
| Audit   | 54,172    |
| Printing  | 52,778    |
| Legal   | 49,864    |
| Registration fees                               | 25,005    |
| Transfer agency                                 | 8,907     |
| Miscellaneous                                   | 82,256    |
| Total expenses before interest expense and fees | 4,263,674 |
| Interest expense and fees                       | 357,112   |

|                |           |
|----------------|-----------|
| Total expenses | 4,620,786 |
|----------------|-----------|

|                       |            |
|-----------------------|------------|
| Net investment income | 23,504,169 |
|-----------------------|------------|

**Realized and Unrealized Loss on Investment Transactions**

|   |              |
|---|--------------|
| Net realized loss on investment transactions                      | (10,905,598) |
| Net change in unrealized appreciation/depreciation of investments | (29,716,026) |

|                                     |              |
|-------------------------------------|--------------|
| Net loss on investment transactions | (40,621,624) |
|-------------------------------------|--------------|

**Dividends to Preferred Shareholders from**

|                       |           |
|-----------------------|-----------|
| Net investment income | (443,251) |
|-----------------------|-----------|

**Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Operations**

|    |              |
|----|--------------|
| \$ | (17,560,706) |
|----|--------------|

See notes to financial statements.

**STATEMENT OF CHANGES IN NET ASSETS****APPLICABLE TO COMMON SHAREHOLDERS**

|  | Year Ended<br>October 31,<br>2013 | Year Ended<br>October 31,<br>2012 |
|--|-----------------------------------|-----------------------------------|
| <b>Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>     |                                   |                                   |
| Net investment income  | \$ 23,504,169                     | \$ 27,373,876                     |
| Net realized loss on investment transactions   | (10,905,598)                      | (3,883,206)                       |
| Net change in unrealized appreciation/depreciation of investments  | (29,716,026)                      | 31,901,634                        |
| <b>Dividends to Preferred Shareholders from</b>  |                                   |                                   |
| Net investment income  | (443,251)                         | (600,098)                         |
| Net increase (decrease) in net assets applicable to common shareholders resulting from operations        | (17,560,706)                      | 54,792,206                        |
| <b>Dividends to Common Shareholders from</b>   |                                   |                                   |
| Net investment income  | (25,670,210)                      | (26,700,451)                      |
| <b>Common Stock Transactions</b>   |                                   |                                   |
| Reinvestment of dividends resulting in the issuance of common stock                                      | 256,765                           | 462,752                           |
| Total increase (decrease)  | (42,974,151)                      | 28,554,507                        |
| <b>Net Assets Applicable to Common Shareholders</b>  |                                   |                                   |
| Beginning of period  | 437,749,065                       | 409,194,558                       |
| End of period (including undistributed net investment income of \$188,846 and \$2,798,138, respectively) | \$ 394,774,914                    | \$ 437,749,065                    |

*See notes to financial statements.*

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## NOTES TO FINANCIAL STATEMENTS

October 31, 2013

### NOTE A

#### Significant Accounting Policies

AllianceBernstein National Municipal Income Fund, Inc. (the Fund) was incorporated in the State of Maryland on November 9, 2001 and is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. The financial statements have been prepared in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ) which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

#### 1. Security Valuation

Portfolio securities are valued at their current market value determined on the basis of market quotations or, if market quotations are not readily available or are deemed unreliable, at fair value as determined in accordance with procedures established by and under the general supervision of the Fund's Board of Directors (the Board).

In general, the market values of securities which are readily available and deemed reliable are determined as follows: securities listed on a national securities exchange (other than securities listed on the NASDAQ Stock Market, Inc. ( NASDAQ )) or on a foreign securities exchange are valued at the last sale price at the close of the exchange or foreign securities exchange. If there has been no sale on such day, the securities are valued at the last traded price from the previous day. Securities listed on more than one exchange are valued by reference to the principal exchange on which the securities are traded; securities listed only on NASDAQ are valued in accordance with the NASDAQ Official Closing Price; listed or over the counter ( OTC ) market put or call options are valued at the mid level between the current bid and ask prices. If either a current bid or current ask price is unavailable, AllianceBernstein L.P. (the Adviser) will have discretion to determine the best valuation (e.g. last trade price in the case of listed options); open futures are valued using the closing settlement price or, in the absence of such a price, the most recent quoted bid price. If there are no quotations available for the day of valuation, the last available closing settlement price is used; U.S. government securities and other debt instruments having 60 days or less remaining until maturity are valued at amortized cost if their original maturity was 60 days or less; or by amortizing their fair value as of the 61st day prior to maturity if their original term to maturity exceeded 60 days; fixed-income securities, including mortgage-backed and asset-backed securities, may be valued on the basis of prices provided by a pricing service or at a price obtained from one or more of the major broker-dealers. In cases where broker-dealer quotes are obtained, the Adviser may establish procedures whereby changes in market yields or spreads are used to adjust, on a daily basis, a recently obtained quoted price on a security. Swaps and other derivatives are valued daily, primarily using independent pricing services, independent pricing models using



market inputs, as well as third party broker-dealers or counterparties. Investment companies are valued at their net asset value each day.

Securities for which market quotations are not readily available (including restricted securities) or are deemed unreliable are valued at fair value. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, analysis of the issuer's financial statements or other available documents. In addition, the Fund may use fair value pricing for securities primarily traded in non-U.S. markets because most foreign markets close well before the Fund values its securities at 4:00 p.m., Eastern Time. The earlier close of these foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim and may materially affect the value of those securities.

## 2. Fair Value Measurements

In accordance with U.S. GAAP regarding fair value measurements, fair value is defined as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability (including those valued based on their market values as described in Note A.1 above). Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The fair value of debt instruments, such as bonds, and over-the-counter derivatives is generally based on market price quotations, recently executed market transactions (where observable) or industry recognized modeling techniques and are generally classified as Level 2. Pricing vendor inputs to Level 2 valuations may include quoted prices for similar investments in active markets, interest rate curves, coupon rates, currency rates, yield curves, option adjusted spreads, default rates, credit spreads and other unique security features in order to estimate the relevant cash flows which are then discounted to calculate fair values. If these inputs are unobservable and significant to the fair value, these investments will be classified as Level 3. In addition, non-agency rated investments are classified as Level 3.

Other fixed income investments, including non-U.S. government and corporate debt, are generally valued using quoted market prices, if available, which are typically impacted by current interest rates, maturity dates and any perceived credit risk of the issuer. Additionally, in the absence of quoted market prices, these inputs are used by pricing vendors to derive a valuation based upon industry or proprietary models which incorporate issuer specific data with relevant yield/spread comparisons with more widely quoted bonds with similar key characteristics. Those investments for which there are observable inputs are classified as Level 2. Where the inputs are not observable, the investments are classified as Level 3.

The following table summarizes the valuation of the Fund's investments by the above fair value hierarchy levels as of October 31, 2013:

| Investments in Securities:             | Level 1             | Level 2               | Level 3              | Total                 |
|--|---------------------|-----------------------|----------------------|-----------------------|
| <b>Assets:</b>                         |                     |                       |                      |                       |
| Long-Term Municipal Bonds              | \$ 0                | \$ 647,249,314        | \$ 23,128,578        | \$ 670,377,892        |
| Short-Term Investments                 | 4,862,476           | 0                     | 0                    | 4,862,476             |
| <b>Total Investments in Securities</b> | <b>4,862,476</b>    | <b>647,249,314</b>    | <b>23,128,578</b>    | <b>675,240,368</b>    |
| <b>Other Financial Instruments*</b>    | <b>0</b>            | <b>0</b>              | <b>0</b>             | <b>0</b>              |
| <b>Total^</b>                          | <b>\$ 4,862,476</b> | <b>\$ 647,249,314</b> | <b>\$ 23,128,578</b> | <b>\$ 675,240,368</b> |

\* Other financial instruments are derivative instruments, such as futures, forwards and swaps, which are valued at the unrealized appreciation/depreciation on the instrument.

^ There were no transfers between Level 1 and Level 2 during the reporting period.

The Fund recognizes all transfers between levels of the fair value hierarchy assuming the financial instruments were transferred at the beginning of the reporting period.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value.

|  | Long-Term<br>Municipal Bonds | Total                |
|--|------------------------------|----------------------|
| <b>Balance as of 10/31/12</b>  | <b>\$ 33,105,765</b>         | <b>\$ 33,105,765</b> |
| Accrued discounts/(premiums)   | (27,537)                     | (27,537)             |
| Realized gain (loss)   | (224,678)                    | (224,678)            |
| Change in unrealized appreciation/depreciation   | (2,949,454)                  | (2,949,454)          |
| Purchases  | 4,243,604                    | 4,243,604            |
| Sales  | (11,019,122)                 | (11,019,122)         |
| Transfers in to Level 3  | 0                            | 0                    |
| Transfers out of Level 3   | 0                            | 0                    |
| <b>Balance as of 10/31/13</b>  | <b>\$ 23,128,578</b>         | <b>\$ 23,128,578</b> |
| Net change in unrealized appreciation/depreciation from Investments held as of 10/31/13* | \$ (2,526,796)               | \$ (2,526,796)       |

\*

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*The unrealized appreciation/depreciation is included in net change in unrealized appreciation/depreciation of investments in the accompanying statement of operations.*

26 ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND

[Notes to Financial Statements](#)

The following presents information about significant unobservable inputs related to the Fund with material categories of Level 3 investments at October 31, 2013:

**Quantitative Information about Level 3 Fair Value Measurements**

|                              | Fair Value at<br>10/31/13 | Valuation<br>Technique                            | Unobservable<br>Input  | Range/<br>Weighted Average   |
|------------------------------|---------------------------|---|--|--|
| Long-Term Municipal<br>Bonds | \$ 19,478,578             | Third Party Vendor                                | Evaluated Quotes   | \$ 25.00 - \$121.59/<br>\$ 87.97   |
|                              | \$ 3,650,000              | Probability-Weighted<br>Expected Return<br>Method | Lease Rate*<br>Lease Expenses<br>and Taxes*<br>Occupancy Rate* | \$13.14 - \$17.00/<br>\$14.07<br>\$13.12 - 13.57/<br>\$13.35<br>90%/ N/A |

\* Significant increases (decreases) in the lease rate and occupancy rate would increase (decrease) the fair value measurement. Significant increases (decreases) in lease expenses and taxes would decrease (increase) the fair value measurement.

The Adviser has established a Valuation Committee (the Committee) which is responsible for overseeing the pricing and valuation of all securities held in the Fund. The Committee operates under pricing and valuation policies and procedures established by the Adviser and approved by the Board, including pricing policies which set forth the mechanisms and processes to be employed on a daily basis to implement these policies and procedures. In particular, the pricing policies describe how to determine market quotations for securities and other instruments. The Committee's responsibilities include: 1) fair value and liquidity determinations (and oversight of any third parties to whom any responsibility for fair value and liquidity determinations is delegated), and 2) regular monitoring of the Adviser's pricing and valuation policies and procedures and modification or enhancement of these policies and procedures (or recommendation of the modification of these policies and procedures) as the Committee believes appropriate.

The Committee is also responsible for monitoring the implementation of the pricing policies by the Adviser's Pricing Group (the Pricing Group) and a third party which performs certain pricing functions in accordance with the pricing policies. The Pricing Group is responsible for the oversight of the third party on a day-to-day basis. The Committee and the Pricing Group perform a series of activities to provide reasonable assurance of the accuracy of prices including: 1) periodic vendor due diligence meetings, review of methodologies, new developments and processes at vendors, 2) daily comparison of security valuation versus prior day for all securities that exceeded established thresholds, and 3) daily review of unpriced, stale, and variance reports with exceptions reviewed by senior management and the Committee.

In addition, several processes outside of the pricing process are used to monitor valuation issues including: 1) performance and performance attribution reports are monitored for anomalous impacts based upon benchmark performance, and 2) portfolio managers review all portfolios for performance and analytics (which are generated using the Adviser's prices).

### 3. Taxes

It is the Fund's policy to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its investment company taxable income and net realized gains, if any, to shareholders. Therefore, no provisions for federal income or excise taxes are required.

In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Fund's tax positions taken or expected to be taken on federal and state income tax returns for all open tax years (the current and the prior three tax years) and has concluded that no provision for income tax is required in the Fund's financial statements.

### 4. Investment Income and Investment Transactions

Dividend income is recorded on the ex-dividend date or as soon as the Fund is informed of the dividend. Interest income is accrued daily. Investment transactions are accounted for on the date the securities are purchased or sold. Investment gains or losses are determined on the identified cost basis. The Fund amortizes premiums and accretes original issue discounts and market discounts as adjustments to interest income.

### 5. Dividends and Distributions

Dividends and distributions to shareholders, if any, are recorded on the ex-dividend date. Income dividends and capital gains distributions are determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. GAAP. To the extent these differences are permanent, such amounts are reclassified within the capital accounts based on their federal tax basis treatment; temporary differences do not require such reclassification.

## NOTE B

### Advisory, Administrative Fees and Other Transactions with Affiliates

Under the terms of an investment advisory agreement, the Fund pays the Adviser an advisory fee at an annual rate of 0.55% of the Fund's average daily net assets applicable to common and preferred shareholders. Such fee is accrued daily and paid monthly.

Under the terms of the Shareholder Inquiry Agency Agreement with AllianceBernstein Investor Services, Inc. ( ABIS ), a wholly-owned subsidiary of the Adviser, the Fund reimburses ABIS for costs relating to servicing phone inquiries on behalf of the Fund. During the year ended October 31, 2013, there was no reimbursement paid to ABIS.

The Fund may invest in the AllianceBernstein Fixed-Income Shares, Inc. Government STIF Portfolio ( Government STIF Portfolio ), an open-end management investment company managed by the Adviser. The Government STIF Portfolio is offered as a cash management option to mutual funds and other institutional accounts of the Adviser, and is not available for direct purchase by

members of the public. The Government STIF Portfolio pays no investment management fees but does bear its own expenses. A summary of the Fund's transactions in shares of the Government STIF Portfolio for the year ended October 31, 2013 is as follows:

**Market Value**

| October 31, 2012<br>(000) | Purchases<br>at Cost<br>(000) | Sales<br>Proceeds<br>(000) | Market Value<br>October 31, 2013<br>(000) | Dividend<br>Income<br>(000) |
|---------------------------|-------------------------------|----------------------------|---|-----------------------------|
| \$ 0                      | \$ 64,655                     | \$ 59,793                  | \$ 4,862                                  | \$ 2                        |

**NOTE C**

**Investment Transactions**

Purchases and sales of investment securities (excluding short-term investments) for the year ended October 31, 2013 were as follows:

|  | Purchases      | Sales          |
|--|----------------|----------------|
| Investment securities (excluding U.S. government securities) | \$ 267,229,535 | \$ 298,100,319 |
| U.S. government securities                                   | 0              | 0              |

The cost of investments for federal income tax purposes, gross unrealized appreciation and unrealized depreciation are as follows:

|                               |                |
|-------------------------------|----------------|
| Cost                          | \$ 621,434,227 |
| Gross unrealized appreciation | \$ 24,991,274  |
| Gross unrealized depreciation | (14,085,044)   |
| Net unrealized appreciation   | \$ 10,906,230  |

**1. Derivative Financial Instruments**

The Fund may use derivatives in an effort to earn income and enhance returns, to replace more traditional direct investments, to obtain exposure to otherwise inaccessible markets (collectively, investment purposes), or to hedge or adjust the risk profile of its portfolio.

The Fund did not engage in derivatives transactions for the year ended October 31, 2013.

**NOTE D**

**Common Stock**

There are 28,744,936 shares of common stock outstanding at October 31, 2013. During the year ended October 31, 2013, the Fund issued 16,791 shares in connection with the Fund's dividend reinvestment plan. During the year ended October 31, 2012, the Fund issued 30,941 shares in connection with the Fund's dividend reinvestment plan.

**NOTE E**

**Preferred Shares**

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The Fund has 11,400 shares authorized and 9,689 shares issued and outstanding of auction preferred stock (the Preferred Shares ), consisting of 2,677 shares each of

[Notes to Financial Statements](#)

Series M, Series W and Series TH, and also 1,658 shares of Series T. The Preferred Shares have a liquidation value of \$25,000 per share plus accumulated, unpaid dividends. The dividend rate on the Preferred Shares may change every 7 days as set by the auction agent for Series M, T, W and TH. Due to the recent failed auctions, the dividend rate is the maximum rate set by the terms of the Preferred Shares, which is based on AA commercial paper rates and short-term municipal bond rates. The dividend rate on series M is 0.16% effective through November 4, 2013, series T is 0.16% effective through November 5, 2013, series W is 0.16% effective through November 6, 2013 and series TH is 0.16% effective through October 31, 2013.

At certain times, the Preferred Shares are redeemable by the Fund, in whole or in part, at \$25,000 per share plus accumulated, unpaid dividends. The Fund voluntarily may redeem the Preferred Shares in certain circumstances.

The Fund is not required to redeem any of its Preferred Shares and expects to continue to rely on the Preferred Shares for a portion of its leverage exposure. The Fund may also pursue other liquidity solutions for the Preferred Shares.

The preferred shareholders, voting as a separate class, have the right to elect at least two directors at all times and to elect a majority of the directors in the event two years dividends on the Preferred Shares are unpaid. In each case, the remaining directors will be elected by the common shareholders and preferred shareholders voting together as a single class. The preferred shareholders will vote as a separate class on certain other matters as required under the Fund's Charter, the Investment Company Act of 1940 and Maryland law.

## NOTE F

### Distributions to Common Shareholders

The tax character of distributions paid during the fiscal years ended October 31, 2013 and October 31, 2012 were as follows:

|                          | 2013          | 2012          |
|--------------------------|---------------|---------------|
| Distributions paid from: |               |               |
| Ordinary income          | \$ 7,944      | \$ 33,442     |
| Tax-exempt income        | 25,662,266    | 26,667,009    |
| Total distributions paid | \$ 25,670,210 | \$ 26,700,451 |

As of October 31, 2013, the components of accumulated earnings/(deficit) on a tax basis were as follows:

|  |                                |
|--|--------------------------------|
| Undistributed tax-exempt income        | \$ 192,544                     |
| Accumulated capital and other losses   | (24,604,124) <sup>(a)</sup>    |
| Unrealized appreciation/(depreciation) | 10,937,960 <sup>(b)</sup>      |
| Total accumulated earnings/(deficit)   | \$ (13,473,620) <sup>(c)</sup> |

(a) On October 31, 2013, the Fund had a net capital loss carryforward of \$24,604,124.



(b) The difference between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable primarily to the tax treatment of tender option bonds.

(c) The difference between book-basis and tax-basis components of accumulated earnings/(deficit) is attributable primarily to dividends payable.

For tax purposes, net capital losses may be carried over to offset future capital gains, if any. Funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an indefinite period. These post-enactment capital losses must be utilized prior to the pre-enactment capital losses, which are subject to expiration. Post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered short-term as under previous regulation.

As of October 31, 2013, the Fund had a net capital loss carryforward of \$24,604,124 which will expire as follows:

| <b>Short-Term<br/>Amount</b> | <b>Long-Term<br/>Amount</b> | <b>Expiration</b> |
|------------------------------|-----------------------------|-------------------|
| \$ 979,235                   | n/a                         | 2017              |
| 5,292,453                    | n/a                         | 2018              |
| 4,345,107                    | n/a                         | 2019              |
| 4,657,559                    | \$9,329,770                 | No expiration     |

During the current fiscal year, there were no permanent differences that resulted in adjustments to undistributed net investment income, accumulated net realized loss on investment transactions, or additional paid-in capital.

## NOTE G

### Risks Involved in Investing in the Fund

*Interest Rate Risk and Credit Risk* Interest rate risk is the risk that changes in interest rates will affect the value of the Fund's investments in fixed-income debt securities such as bonds or notes. Increases in interest rates may cause the value of the Fund's investments to decline. Credit risk is the risk that the issuer or guarantor of a debt security, or the counterparty to a derivative contract, will be unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The degree of risk for a particular security may be reflected in its credit risk rating. Credit risk is greater for medium quality and lower-rated securities. Lower-rated debt securities and similar unrated securities (commonly known as "junk bonds") have speculative elements or are predominantly speculative risks.

*Municipal Market Risk* This is the risk that special factors may adversely affect the value of municipal securities and have a significant effect on the yield or value of the Fund's investments in municipal securities. These factors include economic conditions, political or legislative changes, uncertainties related to the tax status of municipal securities, or the rights of investors in these securities. To the extent that the Fund invests more of its assets in a particular state's municipal

securities, the Fund may be vulnerable to events adversely affecting that state, including economic, political and regulatory occurrences, court decisions, terrorism and catastrophic natural disasters, such as hurricanes or earthquakes. The Fund's investments in certain municipal securities with principal and interest payments that are made from the revenues of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant effect on the project's ability to make payments of principal and interest on these securities.

*Derivatives Risk* The Fund may enter into derivative transactions such as forwards, options, futures and swaps. Derivatives may be illiquid, difficult to price, and leveraged so that small changes may produce disproportionate losses for the Fund, and subject to counterparty risk to a greater degree than more traditional investments. Derivatives may result in significant losses, including losses that are far greater than the value of the derivatives reflected in the statement of assets and liabilities.

*Financing and Related Transactions; Leverage and Other Risks* The Fund utilizes leverage to seek to enhance the yield and net asset value attributable to its common stock. These objectives may not be achieved in all interest rate environments. Leverage creates certain risks for holders of common stock, including the likelihood of greater volatility of the net asset value and market price of the common stock. If income from the securities purchased from the funds made available by leverage is not sufficient to cover the cost of leverage, the Fund's return will be less than if leverage had not been used. As a result, the amounts available for distribution to common stockholders as dividends and other distributions will be reduced. During periods of rising short-term interest rates, the interest paid on the Preferred Shares or floaters in tender option bond transactions would increase, which may adversely affect the Fund's income and distribution to common stockholders. A decline in distributions would adversely affect the Fund's yield and possibly the market value of its shares. If rising short-term rates coincide with a period of rising long-term rates, the value of the long-term municipal bonds purchased with the proceeds of leverage would decline, adversely affecting the net asset value attributable to the Fund's common stock and possibly the market value of the shares.

The Fund's outstanding Preferred Shares results in leverage. The Fund may also use other types of financial leverage, including tender option bond transactions, either in combination with, or in lieu of, the Preferred Shares. In a tender option bond transaction, the Fund may transfer a highly rated fixed-rate municipal security to a broker, which, in turn, deposits the bond into a special purpose vehicle (typically, a trust) usually sponsored by the broker. The Fund receives cash and a residual interest security (sometimes referred to as an "inverse floater") issued by the trust in return. The trust simultaneously issues securities,

which pay an interest rate that is reset each week based on an index of high-grade short-term seven-day demand notes. These securities, sometimes referred to as floaters, are bought by third parties, including tax-exempt money market funds, and can be tendered by these holders to a liquidity provider at par, unless certain events occur. The Fund continues to earn all the interest from the transferred bond less the amount of interest paid on the floaters and the expenses of the trust, which include payments to the trustee and the liquidity provider and organizational costs. The Fund also uses the cash received from the transaction for investment purposes or to retire other forms of leverage. Under certain circumstances, the trust may be terminated and collapsed, either by the Fund or upon the occurrence of certain events, such as a downgrade in the credit quality of the underlying bond, or in the event holders of the floaters tender their securities to the liquidity provider. See Note H to the financial statements for more information about tender option bond transactions.

The Fund may also purchase inverse floaters from a tender option bond trust in a secondary market transaction without first owning the underlying bond. The income received from an inverse floater varies inversely with the short-term interest rate paid on the floaters issued by the trust. The prices of inverse floaters are subject to greater volatility than the prices of fixed-income securities that are not inverse floaters. Investments in inverse floaters may amplify the risks of leverage. If short-term interest rates rise, the interest payable on the floaters would increase and income from the inverse floaters decrease, resulting in decreased amounts of income available for distribution to common stockholders.

The use of derivative instruments by the Fund, such as forwards, futures, options and swaps, may also result in a form of leverage.

*Indemnification Risk* In the ordinary course of business, the Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote. Therefore, the Fund has not accrued any liability in connection with these indemnification provisions.

*Tax Risk* There is no guarantee that all of the Fund's income will remain exempt from federal or state income taxes. From time to time, the U.S. Government and the U.S. Congress consider changes in federal tax law that could limit or eliminate the federal tax exemption for municipal bond income, which would in effect reduce the net income received by shareholders from the Fund by increasing taxes on that income. In such event, the Fund's NAV could also decline as yields on municipal bonds, which are typically lower than those on taxable bonds, would be expected to increase to approximately the yield of comparable taxable bonds.

## NOTE H

### Floating Rate Notes Issued in Connection with Securities Held

The Fund may engage in tender option bond transactions in which the Fund may transfer a fixed rate bond ( Fixed Rate Bond ) to a broker for cash. The broker deposits the Fixed Rate Bond into a Special Purpose Vehicle (the SPV , which is generally organized as a trust), organized by the broker. The Fund buys a residual interest in the assets and cash flows of the SPV, often referred to as an inverse floating rate obligation ( Inverse Floater ). The SPV also issues floating rate notes ( Floating Rate Notes ) which are sold to third parties. The Floating Rate Notes pay interest at rates that generally reset weekly and their holders have the option to tender their notes to a liquidity provider for redemption at par. The Inverse Floater held by the Fund gives the Fund the right (1) to cause the holders of the Floating Rate Notes to tender their notes at par, and (2) to have the trustee transfer the Fixed Rate Bond held by the SPV to the Fund, thereby collapsing the SPV. The SPV may also be collapsed in certain other circumstances. In accordance with U.S. GAAP requirements regarding accounting for transfers and servicing of financial assets and extinguishments of liabilities, the Fund accounts for the transaction described above as a secured borrowing by including the Fixed Rate Bond in its portfolio of investments and the Floating Rate Notes as a liability under the caption Payable for floating rate notes issued in its statement of assets and liabilities. Interest expense related to the Fund's liability with respect to Floating Rate Notes is recorded as incurred. The interest expense is also included in the Fund's expense ratio. At October 31, 2013, the amount of the Fund's Floating Rate Notes outstanding was \$42,770,000 and the related interest rate was 0.09% to 0.20%.

The Fund may also purchase Inverse Floaters in the secondary market without first owning the underlying bond. Such an Inverse Floater is included in the Fund's portfolio of investments but is not required to be treated as a secured borrowing and reflected in the Fund's financial statements as a secured borrowing. For the year ended October 31, 2013, the Fund did not engage in such transactions.

## NOTE I

### Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ) related to disclosures about offsetting assets and liabilities in financial statements. The amendments in this update require an entity to disclose both gross and net information for derivatives and other financial instruments that are either offset in the statement of assets and liabilities or subject to an enforceable master netting arrangement or similar agreement. In January 2013, the FASB issued an ASU to clarify the scope of disclosures about offsetting assets and liabilities. The ASU limits the scope of the new balance sheet offsetting disclosures to derivatives, repurchase agreements and securities lending transactions. The ASU is effective during interim or

annual reporting periods beginning on or after January 1, 2013. At this time, management is evaluating the implication of this ASU and its impact on the financial statements has not been determined.

**NOTE J**

**Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure in the financial statements through the date the financial statements are issued. Management has determined that there are no material events that would require disclosure in the Fund's financial statements through this date.

**FINANCIAL HIGHLIGHTS****Selected Data For A Share Of Common Stock Outstanding Throughout Each Period**

|  | 2013      | Year Ended October 31, |           | 2010      | 2009                  |
|--|-----------|------------------------|-----------|-----------|-----------------------|
|  |           | 2012                   | 2011      |           |                       |
| Net asset value, beginning of period   | \$ 15.24  | \$ 14.26               | \$ 14.44  | \$ 13.68  | \$ 11.76              |
| <b>Income From Investment Operations</b>   |           |                        |           |           |                       |
| Net investment income <sup>(a)</sup>   | .82       | .95                    | 1.04      | 1.07      | 1.08 <sup>(b)</sup>   |
| Net realized and unrealized gain (loss) on investment transactions                             | (1.42)    | .98                    | (.26)     | .65       | 1.79                  |
| Dividends to preferred shareholders from net investment income (common stock equivalent basis) | (.02)     | (.02)                  | (.03)     | (.03)     | (.08)                 |
| Net increase (decrease) in net asset value from operations                                     | (.62)     | 1.91                   | .75       | 1.69      | 2.79                  |
| <b>Less: Dividends to Common Shareholders from</b>   |           |                        |           |           |                       |
| Net investment income  | (.89)     | (.93)                  | (.93)     | (.93)     | (.87)                 |
| Net asset value, end of period   | \$ 13.73  | \$ 15.24               | \$ 14.26  | \$ 14.44  | \$ 13.68              |
| Market value, end of period  | \$ 12.95  | \$ 16.16               | \$ 13.92  | \$ 14.38  | \$ 13.60              |
| Premium/(Discount), end of period  | (5.68)%   | 6.04 %                 | (2.38)%   | (.42)%    | (.58)%                |
| <b>Total Return</b>  |           |                        |           |           |                       |
| Total investment return based on: <sup>(c)</sup>   |           |                        |           |           |                       |
| Market value   | (14.62)%  | 23.57 %                | 3.82 %    | 12.99 %   | 33.78 %               |
| Net asset value  | (4.01)%   | 13.76 %                | 5.91 %    | 12.80 %   | 25.30 %               |
| <b>Ratios/Supplemental Data</b>  |           |                        |           |           |                       |
| Net assets applicable to common shareholders, end of period (000 s omitted)                    | \$394,775 | \$437,749              | \$409,195 | \$414,474 | \$392,158             |
| Preferred Shares, at liquidation value (\$25,000 per share) (000 s omitted)                    | \$242,225 | \$242,225              | \$242,225 | \$242,225 | \$242,225             |
| Ratio to average net assets applicable to common shareholders of:                              |           |                        |           |           |                       |
| Expenses, net of waivers <sup>(d)(e)</sup>   | 1.11 %    | 1.10 %                 | 1.13 %    | 1.13 %    | 1.29 %                |
| Expenses, before waivers <sup>(d)(e)</sup>   | 1.11 %    | 1.10 %                 | 1.13 %    | 1.13 %    | 1.31 %                |
| Net investment income, before Preferred Shares dividends <sup>(d)</sup>                        | 5.63 %    | 6.42 %                 | 7.63 %    | 7.65 %    | 8.74 % <sup>(b)</sup> |
| Preferred Shares dividends   | .11 %     | .14 %                  | .20 %     | .24 %     | .62 %                 |
| Net investment income, net of Preferred Shares dividends                                       | 5.52 %    | 6.28 %                 | 7.43 %    | 7.41 %    | 8.12 % <sup>(b)</sup> |
| Portfolio turnover rate  | 41 %      | 28 %                   | 10 %      | 7 %       | 7 %                   |
| Asset coverage ratio   | 263 %     | 281 %                  | 269 %     | 271 %     | 262 %                 |

See footnote summary on page 37.

(a) Based on average shares outstanding.

(b) Net of fees waived by the Adviser.

(c) 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. 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.

(d) These expense and net investment income ratios do not reflect the effect of dividend payments to preferred shareholders.

(e) The expense ratios presented below exclude interest expense:

|                | Year Ended October 31, |       |       |       |       |
|----------------|------------------------|-------|-------|-------|-------|
|                | 2013                   | 2012  | 2011  | 2010  | 2009  |
| Net of waivers | 1.02%                  | 1.00% | 1.04% | 1.03% | 1.15% |
| Before waivers | 1.02%                  | 1.00% | 1.04% | 1.03% | 1.17% |

See notes to financial statements.

**Financial Highlights**

## **REPORT OF INDEPENDENT REGISTERED**

## **PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of AllianceBernstein**

**National Municipal Income Fund, Inc.**

We have audited the accompanying statement of assets and liabilities of AllianceBernstein National Municipal Income Fund, Inc. (the Fund), including the portfolio of investments, as of October 31, 2013, and the related statement of operations for the year then ended, the statements of changes in net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2013 by correspondence with the custodian and others, or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of AllianceBernstein National Municipal Income Fund, Inc. at October 31, 2013, the results of its operations for the year then ended, the changes in its net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

New York, New York

December 27, 2013



## **2013 FEDERAL TAX INFORMATION**

(unaudited)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during the taxable year ended October 31, 2013.

The Fund designates \$26,105,380 as exempt-interest dividends for the year ended October 31, 2013.

Shareholders should not use the above information to prepare their income tax returns. The information necessary to complete your income tax returns will be included with your Form 1099-DIV which will be sent to you separately in January 2014.

**2013 Federal Tax Information**

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 39

## ADDITIONAL INFORMATION

(unaudited)

Shareholders whose shares are registered in their own names can elect to participate in the Dividend Reinvestment Plan (the Plan ), pursuant to which dividends and capital gain distributions to shareholders will be paid in or reinvested in additional shares of the Fund (the Dividend Shares ). Computershare Trust Company NA, (the Agent ) will act as agent for participants under the Plan. Shareholders whose shares are held in the name of broker or nominee should contact such broker or nominee to determine whether or how they may participate in the Plan.

If the Board declares an income distribution or determines to make a capital gain distribution payable either in shares or in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares of Common Stock of the Fund valued as follows:

- (i) If the shares of Common Stock are trading at net asset value or at a premium above net asset value at the time of valuation, the Fund will issue new shares at the greater of net asset value or 95% of the then current market price.
- (ii) If the shares of Common Stock are trading at a discount from net asset value at the time of valuation, the Agent will receive the dividend or distribution in cash and apply it to the purchase of the Fund's shares of Common Stock in the open market on the New York Stock Exchange or elsewhere, for the participants' accounts. Such purchases will be made on or shortly after the payment date for such dividend or distribution and in no event more than 30 days after such date except where temporary curtailment or suspension of purchase is necessary to comply with Federal securities laws. If, before the Agent has completed its purchases, the market price exceeds the net asset value of a share of Common Stock, the average purchase price per share paid by the Agent may exceed the net asset value of the Fund's shares of Common Stock, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund.

The Agent will maintain all shareholders' accounts in the Plan and furnish written confirmation of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Agent in non-certificate form in the name of the participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan.

There will be no charges with respect to shares issued directly by the Fund to satisfy the dividend reinvestment requirements. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Agent's open market purchases of shares.

## BOARD OF DIRECTORS

**William H. Foulk, Jr.,**<sup>(1)</sup> *Chairman*

**John H. Dobkin**<sup>(1)</sup>

**Michael J. Downey**<sup>(1)</sup>

**D. James Guzy**<sup>(1)</sup>

**Nancy P. Jacklin**<sup>(1)</sup>

## OFFICERS

**Philip L. Kirstein,**  
Senior Vice President and Independent Compliance Officer

**Robert Guy B. Davidson III,**

Senior Vice President

**Douglas J. Peebles,**  
Senior Vice President

**Robert M. Keith,** *President and Chief Executive Officer*

**Garry L. Moody**<sup>(1)</sup>

**Marshall C. Turner, Jr.**<sup>(1)</sup>

**Earl D. Weiner**<sup>(1)</sup>

**Michael G. Brooks,**<sup>(2)</sup> Vice President

**Fred S. Cohen,**<sup>(2)</sup> Vice President

**Terrance T. Hults,**<sup>(2)</sup> Vice President

**Emilie D. Wrapp,** Secretary

**Joseph J. Mantineo,** Treasurer and Chief Financial Officer

**Phyllis J. Clarke,** Controller

## Custodian and Accounting Agent

State Street Bank and Trust Company

One Lincoln Street

Boston, MA 02111

## Legal Counsel

Seward & Kissel LLP

One Battery Park Plaza

New York, NY 10004

## Preferred Shares:

**Dividend Paying Agent,**

**Transfer Agent and Registrar**

## Independent Registered Public

### Accounting Firm

Ernst & Young LLP

5 Times Square

New York, NY 10036

### Common Stock:

**Dividend Paying Agent,**

**Transfer Agent and Registrar**

Computershare Trust Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

## Edgar Filing: ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND - Form N-CSR

The Bank of New York

101 Barclay Street - 7W

New York, NY 10286

*(1) Member of the Audit Committee, the Governance and Nominating Committee and the Independent Directors Committee. Mr. Foulk is the sole member of the Fair Value Pricing Committee.*

*(2) The day-to-day management of, and investment decisions for, the Fund's portfolio are made by the Municipal Bond Investment Team. The investment professionals with the most significant responsibility for the day-to-day management of the Fund's portfolio are: Michael G. Brooks, Fred S. Cohen, Robert Guy B. Davidson III and Terrance T. Hults.*

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time-to-time shares of its Common Stock in the open market.*

*This report, including the financial statements therein, is transmitted to the shareholders of AllianceBernstein National Municipal Income Fund for their information. This is not a prospectus, circular or representation intended for use in the purchase of shares of the Fund or any securities mentioned in the report.*

*Annual Certifications As required, on May 13, 2013, the Fund submitted to the New York Stock Exchange ( NYSE ) the annual certification of the Fund's Chief Executive Officer certifying that he is not aware of any violation of the NYSE's Corporate Governance listing standards. The Fund also has included the certifications of the Fund's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Fund's Form N-CSR filed with the Securities and Exchange Commission for the period.*

**Board of Directors**

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 41**

**MANAGEMENT OF THE FUND**

**Board of Directors Information**

The business and affairs of the Fund are managed under the direction of the Board of Directors. Certain information concerning the Fund's Directors is set forth below.

| NAME,<br>ADDRESS*, AGE<br>(YEAR FIRST ELECTED**)<br>INTERESTED DIRECTOR                          | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST FIVE YEARS<br>AND OTHER RELEVANT<br>QUALIFICATIONS***   | PORTFOLIOS<br>IN FUND<br>COMPLEX<br>OVERSEEN BY<br>DIRECTOR | OTHER<br>DIRECTORSHIPS<br>HELD BY<br>DIRECTOR IN THE<br>PAST FIVE YEARS |
|--|---|---|---|
| Robert M. Keith, +<br><br>1345 Avenue of the Americas New York, NY 10105<br><br>53<br><br>(2010) | Senior Vice President of AllianceBernstein L.P. (the Adviser) and the head of AllianceBernstein Investments, Inc. (ABI) since July 2008; Director of ABI and President of the AllianceBernstein Mutual Funds. Previously, he served as Executive Managing Director of ABI from December 2006 to June 2008. Prior to joining ABI in 2006, Executive Managing Director of Bernstein Global Wealth Management, and prior thereto, Senior Managing Director and Global Head of Client Service and Sales of the Adviser's institutional investment management business since 2004. Prior thereto, he was Managing Director and Head of North American Client Service and Sales in the Adviser's institutional investment management business, with which he had been associated since prior to 2004. | 100   | None  |

**PRINCIPAL**

| <b>NAME,<br/>ADDRESS*, AGE<br/>(YEAR FIRST ELECTED**)<br/>DISINTERESTED DIRECTORS</b> | <b>OCCUPATION(S)<br/>DURING PAST FIVE YEARS<br/>AND OTHER RELEVANT<br/>QUALIFICATIONS***</b>  | <b>PORTFOLIOS<br/>IN FUND<br/>COMPLEX<br/>OVERSEEN BY<br/>DIRECTOR</b> | <b>OTHER<br/>DIRECTORSHIPS<br/>HELD BY<br/>DIRECTOR IN THE<br/>PAST FIVE YEARS</b> |
|---|---|--|--|
| <i>Chairman of the Board</i>  | Investment Adviser and an Independent Consultant since prior to 2008. Previously, he was Senior Manager of Barrett Associates, Inc., a registered investment adviser. He was formerly Deputy Comptroller and Chief Investment Officer of the State of New York and, prior thereto, Chief Investment Officer of the New York Bank for Savings. He has served as a director or trustee of various AllianceBernstein Funds since 1983 and has been Chairman of the AllianceBernstein Funds and of the Independent Directors Committee of such Funds since 2003. He is also active in a number of mutual fund related organizations and committees. | 100  | None   |
| William H. Foulk, Jr., #, ##<br><br>81<br><br>(2001)                                  | Independent Consultant since prior to 2008. Formerly, President of Save Venice, Inc. (preservation organization) from 2001-2002; Senior Advisor from June 1999-June 2000 and President of Historic Hudson Valley (historic preservation) from December 1989-May 1999. Previously, Director of the National Academy of Design. He has served as a director or trustee of various AllianceBernstein Funds since 1992, and as Chairman of the Audit Committees of a number of such Funds from 2001-2008.   | 100  | None   |

Management of the Fund

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 43

| <p style="text-align: center;"><b>PRINCIPAL</b></p> <p style="text-align: center;"><b>OCCUPATION(S)</b></p> <p style="text-align: center;"><b>DURING PAST FIVE YEARS</b><br/><b>AND OTHER RELEVANT</b><br/><b>QUALIFICATIONS***</b></p> |  | <p style="text-align: center;"><b>PORTFOLIOS</b><br/><b>IN FUND</b><br/><b>COMPLEX</b><br/><b>OVERSEEN BY</b><br/><b>DIRECTOR</b></p> | <p style="text-align: center;"><b>OTHER</b><br/><b>DIRECTORSHIPS</b><br/><b>HELD BY</b><br/><b>DIRECTOR IN THE</b><br/><b>PAST FIVE YEARS</b></p>   |
|---|--|---|---|
| <p style="text-align: center;"><b>NAME,</b><br/><b>ADDRESS*, AGE</b><br/><b>(YEAR FIRST ELECTED**)</b></p>  |  |   |   |
| <p><b>DISINTERESTED DIRECTORS</b></p>   |  |   |   |
| <p><b>(continued)</b></p>   |  |   |   |
| <p>Michael J. Downey, #<br/>69<br/>(2005)</p>   | <p>Private Investor since prior to 2008. Formerly, managing partner of Lexington Capital, LLC (investment advisory firm) from December 1997 until December 2003. From 1987 until 1993, Chairman and CEO of Prudential Mutual Fund Management, director of the Prudential mutual funds and member of the Executive Committee of Prudential Securities, Inc. He has served as a director or trustee of the AllianceBernstein Funds since 2005 and is a director and Chairman of one other registered investment company.</p> | <p>100</p>  | <p>Asia Pacific Fund, Inc. since prior to 2008, Prospect Acquisition Corp. (financial services) from 2007 until 2009 and The Merger Fund since prior to 2008 until 2013</p>                     |
| <p>D. James Guzy, #<br/>77<br/>(2005)</p>   | <p>Chairman of the Board of PLX Technology (semi-conductors) and of SRC Computers Inc., with which he has been associated since prior to 2008. He was a director of Intel Corporation (semi-conductors) from 1969 until 2008, and served as Chairman of the Finance Committee of such company for several years until May 2008. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1982.</p>   | <p>100</p>  | <p>PLX Technology (semi-conductors) since prior to 2008, Cirrus Logic Corporation (semi-conductors) since prior to 2008 until July 2011, and Intel Corporation (semi-conductors) until 2008</p> |

| NAME,<br>ADDRESS*, AGE<br>(YEAR FIRST ELECTED**)                                     | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST FIVE YEARS<br>AND OTHER RELEVANT<br>QUALIFICATIONS***  | PORTFOLIOS<br>IN FUND<br>COMPLEX<br>OVERSEEN BY<br>DIRECTOR | OTHER<br>DIRECTORSHIPS<br>HELD BY<br>DIRECTOR IN THE<br>PAST FIVE YEARS |
|--|--|---|---|
| <b>DISINTERESTED DIRECTORS</b><br>(continued)<br>Nancy P. Jacklin, #<br>65<br>(2006) | Professorial Lecturer at the Johns Hopkins School of Advanced International Studies since 2008. Formerly, U.S. Executive Director of the International Monetary Fund (December 2002-May 2006); Partner, Clifford Chance (1992-2002); Sector Counsel, International Banking and Finance, and Associate General Counsel, Citicorp (1985-1992); Assistant General Counsel (International), Federal Reserve Board of Governors (1982-1985); and Attorney Advisor, U.S. Department of the Treasury (1973-1982). Member of the Bar of the District of Columbia and of New York; and member of the Council on Foreign Relations. She has served as a director or trustee of the AllianceBernstein Funds since 2006. | 100   | None  |



**PRINCIPAL**

| <b>NAME,<br/>ADDRESS*, AGE<br/>(YEAR FIRST ELECTED**)<br/>DISINTERESTED DIRECTORS</b> | <b>OCCUPATION(S)<br/>DURING PAST FIVE YEARS<br/>AND OTHER RELEVANT<br/>QUALIFICATIONS***</b>  | <b>PORTFOLIOS<br/>IN FUND<br/>COMPLEX<br/>OVERSEEN BY<br/>DIRECTOR</b> | <b>OTHER<br/>DIRECTORSHIPS<br/>HELD BY<br/>DIRECTOR IN THE<br/>PAST FIVE YEARS</b>                           |
|---|---|--|--|
| (continued)<br>Garry L. Moody, #  | Independent Consultant. Formerly, Partner, Deloitte & Touche LLP, (1995-2008) where he held a number of senior positions, including Vice Chairman, and U.S. and Global Investment Management Practice Managing Partner; President, Fidelity Accounting and Custody Services Company (1993-1995); and Partner, Ernst & Young LLP (1975-1993), where he served as the National Director of Mutual Fund Tax Services and Managing Partner of its Chicago Office Tax department. He is a member of both the Governing Council of the Independent Directors Council (IDC), organization of independent directors of mutual funds, and the Trustee Advisory Board of BoardIQ, a biweekly publication focused on issues and news affecting directors of mutual funds. He has served as a director or trustee, and as Chairman of the Audit Committee, of the AllianceBernstein Funds since 2008. | 100  | Greenbacker Renewable Energy Company LLC (renewable energy and energy efficiency projects) since August 2013 |
| 61<br><br>(2008)  |   |  |  |

**PRINCIPAL**

| NAME,<br>ADDRESS*, AGE<br>(YEAR FIRST ELECTED**)   | OCCUPATION(S)<br>DURING PAST FIVE YEARS<br>AND OTHER RELEVANT<br>QUALIFICATIONS***   | PORTFOLIOS<br>IN FUND<br>COMPLEX<br>OVERSEEN BY<br>DIRECTOR | OTHER<br>DIRECTORSHIPS<br>HELD BY<br>DIRECTOR IN THE<br>PAST FIVE YEARS  |
|--|--|---|--|
| <b>DISINTERESTED DIRECTORS</b>                     |  |   |  |
| <b>(continued)</b>                                 |  |   |  |
| Marshall C. Turner, Jr., #<br><br>72<br><br>(2005) | Private Investor since prior to 2008. Interim CEO of MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) since November 2008 until March 2009. He was Chairman and CEO of Dupont Photomasks, Inc. (components of semi-conductor manufacturing), 2003-2005, and President and CEO, 2005-2006, after the company was acquired and renamed Toppan Photomasks, Inc. He has extensive experience in venture capital investing including prior service as general partner of three institutional venture capital partnerships, and serves on the boards of a number of education and science-related non-profit organizations. He has served as a director or trustee of one or more of the AllianceBernstein Funds since 1992. | 100   | Xilinx, Inc. (programmable logic semi-conductors) and MEMC Electronic Materials, Inc. (semi-conductor and solar cell substrates) since prior to 2008 |
| Earl D. Weiner, #<br><br>74<br><br>(2007)          | Of Counsel, and Partner prior to January 2007, of the law firm Sullivan & Cromwell LLP and member of ABA Federal Regulation of Securities Committee Task Force to draft editions of the Fund Director's Guidebook. He also serves as a director or trustee of various non-profit organizations and has served as Chairman or Vice Chairman of a number of them. He has served as a director or trustee of the AllianceBernstein Funds since 2007 and is Chairman of the Governance and Nominating Committees of the Funds.   | 100   | None   |

\* *The address for each of the Fund's disinterested Directors is c/o AllianceBernstein L.P., Attention: Philip L. Kirstein, 1345 Avenue of the Americas, New York, NY 10105.*

\*\* *There is no stated term of office for the Fund's Directors.*

\*\*\* *The information above includes each Director's principal occupation during the last five years and other information relating to the experience, attributes and skills relevant to each Director's qualifications to serve as a Director, which led to the conclusion that each Director should serve as a Director for the Fund.*

+ *Mr. Keith is an interested person of the Fund, as defined in the 1940 Act, due to his position as a Senior Vice President of the Adviser.*

# *Member of the Audit Committee, the Governance and Nominating Committee and the Independent Directors Committee.*

## *Member of the Fair Value Pricing Committee.*

48 **ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND**

**Management of the Fund**

**Officer Information**

Certain information concerning the Fund's Officers is listed below.

| <b>NAME, ADDRESS*<br/>AND AGE</b> | <b>POSITION(S)<br/>HELD WITH FUND</b>                    | <b>PRINCIPAL OCCUPATION<br/>DURING PAST FIVE YEARS</b>  |
|-----------------------------------|--|---|
| Robert M. Keith<br>53             | President and Chief Executive Officer                    | See biography above.  |
| Philip L. Kirstein<br>68          | Senior Vice President and Independent Compliance Officer | Senior Vice President and Independent Compliance Officer of the AllianceBernstein Funds, with which he has been associated since October 2004. Prior thereto, he was Of Counsel to Kirkpatrick & Lockhart, LLP from October 2003 to October 2004, and General Counsel of Merrill Lynch Investment Managers, L.P. since prior to March 2003. |
| Robert B. Guy Davidson III<br>52  | Senior Vice President                                    | Senior Vice President of the Adviser,** with which he has been associated since prior to 2008.  |
| Douglas J. Peebles<br>48          | Senior Vice President                                    | Senior Vice President of the Adviser,** with which he has been associated since prior to 2008.  |
| Michael G. Brooks<br>65           | Vice President   | Senior Vice President of the Adviser,** with which he has been associated since prior to 2008.  |
| Fred S. Cohen<br>55               | Vice President   | Senior Vice President of the Adviser,** with which he has been associated since prior to 2008.  |
| Terrance T. Hults<br>47           | Vice President   | Senior Vice President of the Adviser,** with which he has been associated since prior to 2008.  |
| Emilie D. Wrapp<br>57             | Secretary  | Senior Vice President, Assistant General Counsel and Assistant Secretary of ABI,** with which she has been associated since prior to 2008.  |
| Joseph J. Mantineo<br>54          | Treasurer and Chief Financial Officer                    | Senior Vice President of AllianceBernstein Investor Services, Inc. ( ABIS ),** with which he has been associated since prior to 2008.   |
| Phyllis J. Clarke<br>52           | Controller   | Vice President of ABIS,** with which she has been associated since prior to 2008.   |

\* The address for each of the Fund's Officers is 1345 Avenue of the Americas, New York, NY 10105.

\*\* The Adviser, ABI and ABIS are affiliates of the Fund.

## SUMMARY OF GENERAL INFORMATION

### Shareholder Information

The Fund's NYSE trading symbol is AFB. Weekly comparative net asset value (NAV) and market price information about the Fund is published each Monday in *The Wall Street Journal* and each Saturday in *Barron's* and other newspapers in a table called Closed-End Bond Funds. Daily net asset value and market price information, and additional information regarding the Fund, is available at [www.alliancebernstein.com](http://www.alliancebernstein.com).

### Dividend Reinvestment Plan

Pursuant to the Fund's Dividend Reinvestment Plan, shareholders whose shares are registered in their own names may elect to have all distributions reinvested automatically in additional shares of the Fund by ComputerShare Trust Company, N.A., as agent under the Plan. Shareholders whose shares are held in the name of the broker or nominee should contact the broker or nominee for details. All Distributions to investors who elect not to participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of ComputerShare Trust Company, N.A.

For questions concerning shareholder account information, or if you would like a brochure describing the Dividend Reinvestment Plan, please call Computershare Trust Company at (800) 219-4218.

**THIS PAGE IS NOT PART OF THE SHAREHOLDER REPORT OR THE FINANCIAL STATEMENTS**

## **ALLIANCEBERNSTEIN FAMILY OF FUNDS**

### **US Equity**

#### **US Core**

Core Opportunities Fund

Growth & Income Fund

Select US Equity Portfolio

#### **US Growth**

Discovery Growth Fund

Growth Fund

Large Cap Growth Fund

Small Cap Growth Portfolio

#### **US Value**

Discovery Value Fund

Equity Income Fund

Value Fund

### **International/Global Equity**

#### **International/Global Core**

Global Thematic Growth Fund

International Portfolio

Tax-Managed International Portfolio

#### **International/Global Growth**

International Discovery Equity Portfolio

International Growth Fund

#### **International/Global Value**

Global Value Fund

International Value Fund

### **Fixed Income**

**Municipal**

High Income Municipal Portfolio  
Intermediate California Portfolio  
Intermediate Diversified Portfolio  
Intermediate New York Portfolio  
Municipal Bond Inflation Strategy  
National Portfolio  
Arizona Portfolio  
California Portfolio  
Massachusetts Portfolio  
Michigan Portfolio  
Minnesota Portfolio  
New Jersey Portfolio  
New York Portfolio  
Ohio Portfolio  
Pennsylvania Portfolio  
Virginia Portfolio

**Fixed Income** (continued)

**Taxable**

Bond Inflation Strategy  
Global Bond Fund  
High Income Fund  
Intermediate Bond Portfolio  
Limited Duration High Income Portfolio  
Short Duration Portfolio

**Alternatives**

Dynamic All Market Fund  
Global Real Estate Investment Fund  
Global Risk Allocation Fund  
Market Neutral Strategy-Global

## Edgar Filing: ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND - Form N-CSR

Market Neutral Strategy-U.S.

Real Asset Strategy

Select US Long/Short Portfolio

Unconstrained Bond Fund

### **Asset Allocation/Multi-Asset**

#### **Multi-Asset**

Emerging Markets Multi-Asset Portfolio

#### **Retirement Strategies**

2000 Retirement Strategy

2005 Retirement Strategy

2010 Retirement Strategy

2015 Retirement Strategy

2020 Retirement Strategy

2025 Retirement Strategy

2030 Retirement Strategy

2035 Retirement Strategy

2040 Retirement Strategy

2045 Retirement Strategy

2050 Retirement Strategy

2055 Retirement Strategy

#### **Wealth Strategies**

Balanced Wealth Strategy

Conservative Wealth Strategy

Wealth Appreciation Strategy

Tax-Managed Balanced Wealth Strategy

Tax-Managed Conservative Wealth Strategy

Tax-Managed Wealth Appreciation Strategy

### **Closed-End Funds**

Alliance California Municipal Income Fund

Alliance New York Municipal Income Fund



## Edgar Filing: ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND - Form N-CSR

AllianceBernstein Global High Income Fund

AllianceBernstein Income Fund

AllianceBernstein National Municipal Income Fund

We also offer Exchange Reserves, which serves as the money market fund exchange vehicle for the AllianceBernstein mutual funds. An investment in Exchange Reserves is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

**Investors should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at [www.alliancebernstein.com](http://www.alliancebernstein.com) or contact your AllianceBernstein investments representative. Please read the prospectus and/or summary prospectus carefully before investing.**

AllianceBernstein Family of Funds

ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND 51

**NOTES**

52      **ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND**

**Privacy Notice (This information is not part of the Shareholder Report.)**

AllianceBernstein L.P., the AllianceBernstein Family of Funds and AllianceBernstein Investments, Inc. (collectively, AllianceBernstein or we ) understand the importance of maintaining the confidentiality of our clients' nonpublic personal information. Nonpublic personal information is personally identifiable financial information about our clients who are natural persons. To provide financial products and services to our clients, we may collect information about clients from sources, including: (1) account documentation, including applications or other forms, which may contain information such as a client's name, address, phone number, social security number, assets, income, and other household information, (2) clients' transactions with us and others, such as account balances and transactions history, and (3) information from visitors to our websites provided through online forms, site visitorship data, and online information collecting devices known as cookies.

It is our policy not to disclose nonpublic personal information about our clients (or former clients) except to our affiliates, or to others as permitted or required by law. From time to time, AllianceBernstein may disclose nonpublic personal information that we collect about our clients (or former clients), as described above, to non-affiliated third parties, including those that perform processing or servicing functions and those that provide marketing services for us or on our behalf under a joint marketing agreement that requires the third party provider to adhere to AllianceBernstein's privacy policy. We have policies and procedures to safeguard nonpublic personal information about our clients (and former clients) that include restricting access to such nonpublic personal information and maintaining physical, electronic and procedural safeguards, that comply with applicable standards, to safeguard such nonpublic personal information.

**ALLIANCEBERNSTEIN NATIONAL MUNICIPAL INCOME FUND**

1345 Avenue of the Americas

New York, NY 10105

800.221.5672

**ABNMIF-0151-1013**

**ITEM 2. CODE OF ETHICS.**

(a) The registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. A copy of the registrant's code of ethics is filed herewith as Exhibit 12(a)(1).

(b) During the period covered by this report, no material amendments were made to the provisions of the code of ethics adopted in 2(a) above.

(c) During the period covered by this report, no implicit or explicit waivers to the provisions of the code of ethics adopted in 2(a) above were granted.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

The registrant's Board of Directors has determined that independent directors Garry L. Moody and William H. Foulk, Jr. qualify as audit committee financial experts.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

(a) - (c) The following table sets forth the aggregate fees billed by the independent registered public accounting firm Ernst & Young LLP, for the Fund's last two fiscal years for professional services rendered for: (i) the audit of the Fund's annual financial statements included in the Fund's annual report to stockholders; (ii) assurance and related services that are reasonably related to the performance of the audit of the Fund's financial statements and are not reported under (i), which include advice and education related to accounting and auditing issues and quarterly press release review (for those Funds which issue press releases), and preferred stock maintenance testing (for those Funds that issue preferred stock); and (iii) tax compliance, tax advice and tax return preparation.

|                         |      | Audit Fees | Audit Related Fees | Tax Fees  |
|-------------------------|------|------------|--------------------|-----------|
| AB National Muni Income | 2012 | \$ 32,500  | \$ 8,326           | \$ 12,967 |
|                         | 2013 | \$ 32,500  | \$ 10,000          | \$ 12,967 |

(d) Not applicable.

(e) (1) Beginning with audit and non-audit service contracts entered into on or after May 6, 2003, the Fund's Audit Committee policies and procedures require the pre-approval of all audit and non-audit services provided to the Fund by the Fund's independent registered public accounting firm. The Fund's Audit Committee policies and procedures also require pre-approval of all audit and non-audit services provided to the Adviser and Service Affiliates to the extent that these services are directly related to the operations or financial reporting of the Fund.

(e) (2) All of the amounts for Audit Fees, Audit-Related Fees and Tax Fees in the table under Item 4 (a) - (c) are for services pre-approved by the Fund's Audit Committee.

(f) Not applicable.

(g) The following table sets forth the aggregate non-audit services provided to the Fund, the Fund's Adviser and entities that control, are controlled by or under common control with the Adviser that provide ongoing services to the Fund:

|      | All Fees for<br>Non-Audit Services<br>Provided to the<br>Portfolio, the Adviser<br>and Service Affiliates | Total Amount of<br>Foregoing Column Pre-<br>approved by the<br>Audit<br>Committee<br>(Portion<br>Comprised of<br>Audit Related<br>Fees)<br>(Portion<br>Comprised of<br>Tax Fees) |
|------|---|--|
| 2012 | \$ 720,058  | \$ 21,293  |
|      |   | \$ (8,326)   |
|      |   | \$ (12,967)  |
| 2013 | \$ 344,478  | \$ 22,967  |
|      |   | \$ (10,000)  |
|      |   | \$ (12,967)  |

(h) The Audit Committee of the Fund has considered whether the provision of any non-audit services not pre-approved by the Audit Committee provided by the Fund's independent registered public accounting firm to the Adviser and Service Affiliates is compatible with maintaining the auditor's independence.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The audit committee members are as follows:

Garry L. Moody  
John H. Dobkin

D. James Guzy  
Nancy P. Jacklin

Michael J. Downey

Marshall C. Turner, Jr.

William H. Foulk, Jr.

Earl D. Weiner

**ITEM 6. SCHEDULE OF INVESTMENTS.**

Please see Schedule of Investments contained in the Report to Shareholders included under Item 1 of this Form N-CSR.

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

## Statement of Policies and Procedures for

### Proxy Voting

#### 1. Introduction

As a registered investment adviser, AllianceBernstein L.P. ( **AllianceBernstein** , **we** or **us** ) has a fiduciary duty to act solely in the best interests of our clients. We recognize that this duty requires us to vote client securities in a timely manner and make voting decisions that are intended to maximize long-term shareholder value. Generally, our clients objective is to maximize the financial return of their portfolios within appropriate risk parameters. We have long recognized that environmental, social and governance ( **ESG** ) issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment process to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests. For additional information regarding our ESG policies and practices, please refer to our firm [s Statement of Policy Regarding Responsible Investment](#).

We consider ourselves shareholder advocates and take this responsibility very seriously. Consistent with our commitments, we will disclose our clients voting records only to them and as required by mutual fund vote disclosure regulations. In addition, our Proxy Committee may, after careful consideration, choose to respond to surveys so long as doing so does not compromise confidential voting.

This statement is intended to comply with Rule 206(4)-6 of the Investment Advisers Act of 1940. It sets forth our policies and procedures for voting proxies for our discretionary investment advisory clients, including investment companies registered under the Investment Company Act of 1940. This statement applies to AllianceBernstein s investment groups investing on behalf of clients in both U.S. and non-U.S. securities.

#### 2. Proxy Policies

Our proxy voting policies are principle-based rather than rules-based. We adhere to a core set of principles that are described in this Statement and in our Proxy Voting Manual. We assess each proxy proposal in light of those principles. Our proxy voting litmus test will always be what we view as most likely to maximize long-term shareholder value. We believe that authority and accountability for setting and executing corporate policies, goals and compensation should generally rest with the board of directors and senior management. In return, we support strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders. In addition, if we determine that ESG issues that arise with respect to an issuer s past, current or anticipated behaviors are, or are reasonably likely to become, material to its future earnings, we address these concerns in our proxy voting and engagement.



This statement is designed to be responsive to the wide range of proxy voting subjects that can have a significant effect on the investment value of the securities held in our clients' accounts. These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider. AllianceBernstein reserves the right to depart from these guidelines in order to make voting decisions that are in our clients' best interests. In reviewing proxy issues, we will apply the following general policies:

## **2.1. Corporate Governance**

We recognize the importance of good corporate governance in our proxy voting policies and engagement practices in ensuring that management and the board of directors fulfill their obligations to shareholders. We favor proposals promoting transparency and accountability within a company. We support the appointment of a majority of independent directors on boards and key committees. Because we believe that good corporate governance requires shareholders to have a meaningful voice in the affairs of the company, we generally will support shareholder proposals which request that companies amend their by-laws to provide that director nominees be elected by an affirmative vote of a majority of the votes cast. Furthermore, we have written to the SEC in support of shareholder access to corporate proxy statements under specified conditions with the goal of serving the best interests of all shareholders.

## **2.2. Elections of Directors**

Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons to oppose directors, we will vote in favor of the management proposed slate of directors. That said, we believe that directors have a duty to respond to shareholder actions that have received significant shareholder support. Therefore, we may vote against directors (or withhold votes for directors where plurality voting applies) who fail to act on key issues such as failure to implement proposals to declassify the board, failure to implement a majority vote requirement, failure to submit a rights plan to a shareholder vote or failure to act on tender offers where a majority of shareholders have tendered their shares. In addition, we will vote against directors who fail to attend at least seventy-five percent of board meetings within a given year without a reasonable excuse, and we may abstain or vote against directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement. Also, we will generally not oppose directors who meet the definition of independence promulgated by the primary exchange on which the company's shares are traded or set forth in the code we determine to be best practice in the country where the subject company is domiciled. Finally, because we believe that cumulative voting in single shareholder class structures provides a disproportionately large voice to minority shareholders in the affairs of a company, we will generally vote against such proposals and vote for management proposals seeking to eliminate cumulative voting. However, in dual class structures (such as A&B shares) where the shareholders with a majority economic interest have a minority voting interest, we will generally vote in favor of cumulative voting.

### **2.3. Appointment of Auditors**

AllianceBernstein believes that the company is in the best position to choose its auditors, so we will generally support management's recommendation. However, we recognize that there are inherent conflicts when a company's independent auditor performs substantial non-audit services for the company. The Sarbanes-Oxley Act of 2002 prohibits certain categories of services by auditors to U.S. issuers, making this issue less prevalent in the U.S. Nevertheless, in reviewing a proposed auditor, we will consider the fees paid for non-audit services relative to total fees and whether there are other reasons for us to question the independence or performance of the auditors.

### **2.4. Changes in Legal and Capital Structure**

Changes in a company's charter, articles of incorporation or by-laws are often technical and administrative in nature. Absent a compelling reason to the contrary, AllianceBernstein will cast its votes in accordance with management's recommendations on such proposals. However, we will review and analyze on a case-by-case basis any non-routine proposals that are likely to affect the structure and operation of the company or have a material economic effect on the company. For example, we will generally support proposals to increase authorized common stock when it is necessary to implement a stock split, aid in a restructuring or acquisition, or provide a sufficient number of shares for an employee savings plan, stock option plan or executive compensation plan. However, a satisfactory explanation of a company's intentions must be disclosed in the proxy statement for proposals requesting an increase of greater than 100% of the shares outstanding. We will oppose increases in authorized common stock where there is evidence that the shares will be used to implement a poison pill or another form of anti-takeover device. We will support shareholder proposals that seek to eliminate dual class voting structures.

### **2.5. Corporate Restructurings, Mergers and Acquisitions**

AllianceBernstein believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, we will analyze such proposals on a case-by-case basis, weighing heavily the views of our research analysts that cover the company and our investment professionals managing the portfolios in which the stock is held.

### **2.6. Proposals Affecting Shareholder Rights**

AllianceBernstein believes that certain fundamental rights of shareholders must be protected. We will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

## 2.7. Anti-Takeover Measures

AllianceBernstein believes that measures that impede corporate transactions (such as takeovers) or entrench management not only infringe on the rights of shareholders but may also have a detrimental effect on the value of the company. Therefore, we will generally oppose proposals, regardless of whether they are advanced by management or shareholders, when their purpose or effect is to entrench management or excessively or inappropriately dilute shareholder ownership. Conversely, we support proposals that would restrict or otherwise eliminate anti-takeover or anti-shareholder measures that have already been adopted by corporate issuers. For example, we will support shareholder proposals that seek to require the company to submit a shareholder rights plan to a shareholder vote. We will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, we will generally oppose proposals put forward by management (including the authorization of blank check preferred stock, classified boards and supermajority vote requirements) that appear to be anti-shareholder or intended as management entrenchment mechanisms.

## 2.8. Executive Compensation

AllianceBernstein believes that company management and the compensation committee of the board of directors should, within reason, be given latitude to determine the types and mix of compensation and benefits offered to company employees. Whether proposed by a shareholder or management, we will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. In general, we will analyze the proposed plan to ensure that shareholder equity will not be excessively diluted taking into account shares available for grant under the proposed plan as well as other existing plans. We generally will oppose plans that allow stock options to be granted with below market value exercise prices on the date of issuance or permit re-pricing of underwater stock options without shareholder approval. Other factors such as the company's performance and industry practice will generally be factored into our analysis. In markets where remuneration reports or advisory votes on executive compensation are not required for all companies, we will generally support shareholder proposals asking the board to adopt a policy (*i.e.*, say on pay) that the company's shareholders be given the opportunity to vote on an advisory resolution to approve the compensation practices of the company. Although say on pay votes are by nature only broad indications of shareholder views, they do lead to more compensation-related dialogue between management and shareholders and help ensure that management and shareholders meet their common objective: maximizing the value of the company. In markets where votes to approve remuneration reports or advisory votes on executive compensation are required, we review the compensation practices on a case-by-case basis. With respect to companies that have received assistance through government programs such as TARP, we will generally oppose shareholder proposals that seek to impose greater executive compensation restrictions on subject companies than are required under the applicable program because such restrictions could create a competitive disadvantage for the subject company. We believe the U.S. Securities and Exchange Commission (SEC) took appropriate steps to ensure more complete and transparent disclosure of executive

compensation when it issued modified executive compensation and corporate governance disclosure rules in 2006 and February 2010. Therefore, while we will consider them on a case-by-case basis, we generally vote against shareholder proposals seeking additional disclosure of executive and director compensation, including proposals that seek to specify the measurement of performance-based compensation, if the company is subject to SEC rules. We will support requiring a shareholder vote on management proposals to provide severance packages that exceed 2.99 times the sum of an executive officer's base salary plus bonus that are triggered by a change in control. Finally, we will support shareholder proposals requiring a company to expense compensatory employee stock options (to the extent the jurisdiction in which the company operates does not already require it) because we view this form of compensation as a significant corporate expense that should be appropriately accounted for.

## **2.9. ESG**

We are appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. Generally, our clients' objective is to maximize the financial return of their portfolios within appropriate risk parameters. We have long recognized that ESG issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment and proxy voting processes to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests. For additional information regarding our approach to incorporating ESG issues in our investment and decision-making processes, please refer to our RI Policy, which is attached to this Statement as an Exhibit.

Shareholder proposals relating to environmental, social (including political) and governance issues often raise complex and controversial issues that may have both a financial and non-financial effect on the company. And while we recognize that the effect of certain policies on a company may be difficult to quantify, we believe it is clear that they do affect the company's long-term performance. Our position in evaluating these proposals is founded on the principle that we are a fiduciary. As such, we carefully consider any factors that we believe could affect a company's long-term investment performance (including ESG issues) in the course of our extensive fundamental, company-specific research and engagement, which we rely on in making our investment and proxy voting decisions. Maximizing long-term shareholder value is our overriding concern when evaluating these matters, so we consider the impact of these proposals on the future earnings of the company. In so doing, we will balance the assumed cost to a company of implementing one or more shareholder proposals against the positive effects we believe implementing the proposal may have on long-term shareholder value.

### **3. Proxy Voting Procedures**

#### **3.1. Engagement**

In evaluating proxy issues and determining our votes, we welcome and seek out the points of view of various parties. Internally, the Proxy Committee may consult chief investment officers, directors of research, research analysts across our value and growth equity platforms, portfolio managers in whose managed accounts a stock is held and/or other Investment Policy Group members. Externally, the Proxy Committee may consult company management, company directors, interest groups, shareholder activists and research providers. If we believe an ESG issue is, or is reasonably likely to become, material, we engage a company's management to discuss the relevant issues.

#### **3.2. Conflicts of Interest**

AllianceBernstein recognizes that there may be a potential conflict of interest when we vote a proxy solicited by an issuer whose retirement plan we manage or administer, who distributes AllianceBernstein-sponsored mutual funds, or with whom we have, or one of our employees has, a business or personal relationship that may affect (or may be reasonably viewed as affecting) how we vote on the issuer's proxy. Similarly, AllianceBernstein may have a potentially material conflict of interest when deciding how to vote on a proposal sponsored or supported by a shareholder group that is a client. We believe that centralized management of proxy voting, oversight by the Proxy Committee and adherence to these policies ensures that proxies are voted based solely on our clients' best interests. Additionally, we have implemented procedures to ensure that our votes are not the product of a material conflict of interest, including: (i) on an annual basis, the Proxy Committee taking reasonable steps to evaluate (A) the nature of AllianceBernstein's and our employees' material business and personal relationships (and those of our affiliates) with any company whose equity securities are held in client accounts and (B) any client that has sponsored or has a material interest in a proposal upon which we will be eligible to vote; (ii) requiring anyone involved in the decision making process to disclose to the Chair of the Proxy Committee any potential conflict that he or she is aware of (including personal relationships) and any contact that he or she has had with any interested party regarding a proxy vote; (iii) prohibiting employees involved in the decision making process or vote administration from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties; and (iv) where a material conflict of interests exists, reviewing our proposed vote by applying a series of objective tests and, where necessary, considering the views of third party research services to ensure that our voting decision is consistent with our clients' best interests.

Because under certain circumstances AllianceBernstein considers the recommendation of third party research services, the Proxy Committee takes reasonable steps to verify that any third party research service is, in fact, independent taking into account all of the relevant facts and circumstances. This includes reviewing the third party research service's conflict management procedures and ascertaining, among other things, whether the third party research service (i) has the capacity and competency to adequately analyze proxy issues, and (ii) can make recommendations in an impartial manner and in the best interests of our clients.

### **3.3. Proxies of Certain Non-U.S. Issuers**

Proxy voting in certain countries requires share blocking. Shareholders wishing to vote their proxies must deposit their shares shortly before the date of the meeting with a designated depository. During this blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the clients' custodian banks. Absent compelling reasons to the contrary, AllianceBernstein believes that the benefit to the client of exercising the vote is outweighed by the cost of voting (*i.e.*, not being able to sell the shares during this period). Accordingly, if share blocking is required we generally choose not to vote those shares.

AllianceBernstein seeks to vote all proxies for securities held in client accounts for which we have proxy voting authority. However, in non-US markets, administrative issues beyond our control may at times prevent AllianceBernstein from voting such proxies. For example, AllianceBernstein may receive meeting notices after the cut-off date for voting or without sufficient time to fully consider the proxy. As another example, certain markets require periodic renewals of powers of attorney that local agents must have from our clients prior to implementing AllianceBernstein's voting instructions.

### **3.4. Loaned Securities**

Many clients of AllianceBernstein have entered into securities lending arrangements with agent lenders to generate additional revenue. AllianceBernstein will not be able to vote securities that are on loan under these types of arrangements. However, under rare circumstances, for voting issues that may have a significant impact on the investment, we may request that clients recall securities that are on loan if we determine that the benefit of voting outweighs the costs and lost revenue to the client or fund and the administrative burden of retrieving the securities.

### **3.5. Proxy Committee**

We have formed a Proxy Committee, which includes investment professionals from both our growth and value equities teams, which is directly involved in the decision-making process to ensure that our votes are guided by the investment professionals who are most familiar with a given company. The Proxy Committee establishes general proxy policies for AllianceBernstein and considers specific proxy voting matters as necessary. The Proxy Committee periodically reviews these policies and new types of environmental, social and governance issues, and decides how we should vote on proposals not covered by these policies. When a proxy vote cannot be clearly decided by an application of our stated policy, the Proxy Committee will evaluate the proposal. In addition, the Proxy Committee, in conjunction with the analyst that covers the company, may contact corporate management, interested shareholder groups and others as necessary to discuss proxy issues.

Different investment philosophies may occasionally result in different conclusions being drawn regarding certain proposals and, in turn, may result in the Proxy Committee making different voting decisions on the same proposal for value and growth holdings. Nevertheless, the Proxy Committee always votes proxies with the goal of maximizing the value of the securities in client portfolios.

It is the responsibility of the Proxy Committee to evaluate and maintain proxy voting procedures and guidelines, to evaluate proposals and issues not covered by these guidelines, to evaluate proxies where we face a potential conflict of interest (as discussed in section 3.2), to consider changes in policy and to review the Proxy Voting Statement and the Proxy Voting Manual no less frequently than annually. In addition, the Proxy Committee meets as necessary to address special situations.

Members of the Proxy Committee include senior investment personnel and representatives of the Legal and Compliance Department. The Proxy Committee is chaired by Linda Giuliano, Senior Vice President and Chief Administrative Officer-Equities.

#### Proxy Committee

Vincent DuPont: SVP-Equities

Linda Giuliano: SVP-Equities

David Lesser: VP-Legal

Mark Manley: SVP-Legal

Anthony Rizzi: VP-Operations

Andrew Weiner: SVP-Equities

### **3.6. Proxy Voting Records**

Clients may obtain information about how we voted proxies on their behalf by contacting their AllianceBernstein administrative representative. Alternatively, clients may make a written request for proxy voting information to: Mark R. Manley, Senior Vice President & Chief Compliance Officer, AllianceBernstein L.P., 1345 Avenue of the Americas, New York, NY 10105.

[FOR U.S. MUTUAL FUNDS]

You may obtain information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, without charge. Simply visit AllianceBernstein's web site at [www.alliancebernstein.com](http://www.alliancebernstein.com), go to the Securities and Exchange Commission's web site at [www.sec.gov](http://www.sec.gov) or call AllianceBernstein at (800) 227-4618.

## **Statement of Policy Regarding**

### **Responsible Investment**

#### **Principles for Responsible Investment,**

#### **ESG, and Socially Responsible Investment**

### **1. Introduction**

AllianceBernstein L.P. ( **AllianceBernstein** or **we** ) is appointed by our clients as an investment manager with a fiduciary responsibility to help them achieve their investment objectives over the long term. Generally, our clients objective is to maximize the financial return of their portfolios within appropriate risk parameters. AllianceBernstein has long recognized that environmental, social and governance ( **ESG** ) issues can impact the performance of investment portfolios. Accordingly, we have sought to integrate ESG factors into our investment process to the extent that the integration of such factors is consistent with our fiduciary duty to help our clients achieve their investment objectives and protect their economic interests.

Our policy draws a distinction between how the Principles for Responsible Investment ( **PRI** or **Principles** ), and Socially Responsible Investing ( **SRI** ) incorporate ESG factors. PRI is based on the premise that, because ESG issues can affect investment performance, appropriate consideration of ESG issues and engagement regarding them is firmly within the bounds of a mainstream investment manager's fiduciary duties to its clients. Furthermore, PRI is intended to be applied only in ways that are consistent with those mainstream fiduciary duties.

SRI, which refers to a spectrum of investment strategies that seek to integrate ethical, moral, sustainability and other non-financial factors into the investment process, generally involves exclusion and/or divestment, as well as investment guidelines that restrict investments. AllianceBernstein may accept such guideline restrictions upon client request.

### **2. Approach to ESG**

Our long-standing policy has been to include ESG factors in our extensive fundamental research and consider them carefully when we believe they are material to our forecasts and investment decisions. If we determine that these aspects of an issuer's past, current or anticipated behavior are material to its future expected returns, we address these concerns in our forecasts, research reviews, investment decisions and engagement. In addition, we have well-developed proxy voting policies that incorporate ESG issues and engagement.

### **3. Commitment to the PRI**

In recent years, we have gained greater clarity on how the PRI initiative, based on information from PRI Advisory Council members and from other signatories, provides a framework for incorporating ESG factors into investment research and decision-making. Furthermore, our industry has become, over time, more aware of the importance of ESG factors. We acknowledge these developments and seek to refine what has been our process in this area.



After careful consideration, we determined that becoming a PRI signatory would enhance our current ESG practices and align with our fiduciary duties to our clients as a mainstream investment manager. Accordingly, we became a signatory, effective November 1, 2011.

In signing the PRI, AllianceBernstein as an investment manager publicly commits to adopt and implement all six Principles, where consistent with our fiduciary responsibilities, and to make progress over time on implementation of the Principles.

The six Principles are:

1. We will incorporate ESG issues into investment research and decision-making processes.

**AllianceBernstein Examples:** ESG issues are included in the research analysis process. In some cases, external service providers of ESG-related tools are utilized; we have conducted proxy voting training and will have continued and expanded training for investment professionals to incorporate ESG issues into investment analysis and decision-making processes across our firm.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

**AllianceBernstein Examples:** We are active owners through our proxy voting process (for additional information, please refer to our *Statement of Policies and Procedures for Proxy Voting Manual*); we engage issuers on ESG matters in our investment research process (we define engagement as discussions with management about ESG issues when they are, or we believe they are reasonably likely to become, material).

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**AllianceBernstein Examples:** Generally, we support transparency regarding ESG issues when we conclude the disclosure is reasonable. Similarly, in proxy voting, we will support shareholder initiatives and resolutions promoting ESG disclosure when we conclude the disclosure is reasonable.

4. We will promote acceptance and implementation of the Principles within the investment industry.

**AllianceBernstein Examples:** By signing the PRI, we have taken an important first step in promoting acceptance and implementation of the six Principles within our industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

**AllianceBernstein Examples:** We will engage with clients and participate in forums with other PRI signatories to better understand how the PRI are applied in our respective businesses. As a PRI signatory, we have access to information, tools and other signatories to help ensure that we are effective in our endeavors to implement the PRI.

6. We will report on our activities and progress towards implementing the Principles.

**AllianceBernstein Examples:** We will respond to the 2012 PRI questionnaire and disclose PRI scores from the questionnaire in response to inquiries from clients and in requests for proposals; we will provide examples as requested concerning active ownership activities (voting, engagement or policy dialogue).

#### 4. RI Committee

Our firm's RI Committee provides AllianceBernstein stakeholders, including employees, clients, prospects, consultants and service providers alike, with a resource within our firm on which they can rely for information regarding our approach to ESG issues and how those issues are incorporated in different ways by the PRI and SRI. Additionally, the RI Committee is responsible for assisting AllianceBernstein personnel to further implement our firm's RI policies and practices, and, over time, to make progress on implementing all six Principles.

The RI Committee has a diverse membership, including senior representatives from investments, distribution/sales and legal. The Committee is chaired by Linda Giuliano, Senior Vice President and Chief Administrative Officer-Equities.

If you have questions or desire additional information about this Policy, we encourage you to contact the RI Committee at [RIinquiries@alliancebernstein.com](mailto:RIinquiries@alliancebernstein.com) or reach out to a Committee member:

Travis Allen: VP-Private Client, Washington, DC  
Nicholas Davidson: SVP-Value, London  
Linda Giuliano: SVP-Equities, New York  
David Lesser: VP-Legal, New York  
Takuji Oya: SVP-Growth, Japan  
Nitish Sharma: VP- Institutional Investments, Australia  
Willem Van Gijzen: VP-Institutional Investments,  
Netherlands

Erin Bigley: SVP-Fixed Income, New York  
Henry D. Auria: SVP-Equities, New York  
Christopher Kotowicz: SVP-Growth, Chicago  
Mark Manley: SVP-Legal, New York  
Guy Prochilo: SVP-Institutional Investments, New York  
Liz Smith: SVP-Institutional Investments, New York  
James Wallin: SVP-Fixed Income, New York

#### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The day-to-day management of, and investment decisions for, the Fund's portfolio are made by the Municipal Bond Investment Team. While all members of the teams work jointly to determine the majority of the investment strategy including security selection for the Fund, Messrs. Michael G. Brooks, Fred S. Cohen, Robert B. Davidson III and Terrance T. Hulst are primarily responsible for the day-to-day management of the Fund's portfolio.

(a)(1) The following table sets forth when each person became involved in the management of the Fund, and each person's principal occupation during the past five years:

| <b>Employee; Year; Title</b>   | <b>Principal Occupation During the Past Five (5) Years</b>  |
|--|---|
| Michael G. Brooks; since October 2005 Senior Vice President of AllianceBernstein L.P. ( AB ) | Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.  |
| Fred S. Cohen; since October 2005 Senior Vice President of AB                                | Senior Vice President of AB, with which he has been associated in a substantially similar capacity to his current position since prior to 2005. |
| Robert B. Davidson III; since April 2002 Senior Vice President of AB                         | Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.  |
| Terrance T. Hults; since December 2001 Senior Vice President of AB                           | Senior Vice President of AB with which he has been associated in a substantially similar capacity to his current position since prior to 2005.  |

(a)(2) The following tables provide information regarding registered investment companies other than the Fund, other pooled investment vehicles and other accounts over which the Fund's portfolio managers also have day-to-day management responsibilities. The tables provide the numbers of such accounts, the total assets in such accounts and the number of accounts and total assets whose fees are based on performance. The information is provided as of the Fund's fiscal year ended October 31, 2013.

## REGISTERED INVESTMENT COMPANIES

(excluding the Fund)

| Portfolio              | Total Number of Registered Investment Companies Managed | Total Assets of Registered Investment Companies Managed | Number of Registered Investment Companies Managed with Performance-based Fees | Total Assets of Registered Investment Companies Managed with Performance-based Fees |
|------------------------|---|---|---|---|
| Manager                |   |   |   |   |
| Michael G. Brooks      | 32  | \$ 16,738,000,000                                       | None  | None  |
| Fred S. Cohen          | 32  | \$ 16,738,000,000                                       | None  | None  |
| Robert B. Davidson III | 32  | \$ 16,738,000,000                                       | None  | None  |
| Terrance T. Hults      | 32  | \$ 16,738,000,000                                       | None  | None  |
| Wayne Godlin           | 32  | \$ 16,738,000,000                                       | None  | None  |

## POOLED INVESTMENT VEHICLES

| Portfolio              | Total Number of Pooled Investment Vehicles Managed | Total Assets of Pooled Investment Vehicles Managed | Number of Pooled Investment Vehicles Managed with Performance-based Fees | Total Assets of Pooled Investment Vehicles Managed with Performance-based Fees |
|------------------------|--|--|--|--|
| Manager                |  |  |  |  |
| Michael G. Brooks      | 5  | 345,000,000  | None   | None   |
| Fred S. Cohen          | 5  | 345,000,000  | None   | None   |
| Robert B. Davidson III | 5  | 345,000,000  | None   | None   |
| Terrance T. Hults      | 5  | 345,000,000  | None   | None   |
| Wayne Godlin           | 5  | 345,000,000  | None   | None   |

## OTHER ACCOUNTS

| Portfolio<br>Manager   | Total Number<br>of Other<br>Accounts<br>Managed | Total Assets of<br>Other Accounts<br>Managed | Number of Other<br>Accounts Managed<br>with<br>Performance-<br>based Fees | Total Assets of<br>Other Accounts<br>with Performance-<br>based Fees |
|------------------------|---|--|---|--|
| Michael G. Brooks      | 1,624   | \$ 11,645,000,000                            | 2   | \$ 338,000,000   |
| Fred S. Cohen          | 1,624   | \$ 11,645,000,000                            | 2   | \$ 338,000,000   |
| Robert B. Davidson III | 1,624   | \$ 11,645,000,000                            | 2   | \$ 338,000,000   |
| Terrance T. Hults      | 1,624   | \$ 11,645,000,000                            | 2   | \$ 338,000,000   |
| Wayne Godlin           | 1,624   | \$ 11,645,000,000                            | 2   | \$ 338,000,000   |

Investment Professional Conflict of Interest Disclosure

As an investment adviser and fiduciary, the Adviser owes its clients and shareholders an undivided duty of loyalty. We recognize that conflicts of interest are inherent in our business and accordingly have developed policies and procedures (including oversight monitoring) reasonably designed to detect, manage and mitigate the effects of actual or potential conflicts of interest in the area of employee personal trading, managing multiple accounts for multiple clients, including AllianceBernstein Mutual Funds, and allocating investment opportunities. Investment professionals, including portfolio managers and research analysts, are subject to the above-mentioned policies and oversight monitoring to ensure that all clients are treated equitably. We place the interests of our clients first and expect all of our employees to meet their fiduciary duties.

Employee Personal Trading. The Adviser has adopted a Code of Business Conduct and Ethics that is designed to detect and prevent conflicts of interest when investment professionals and other personnel of the Adviser own, buy or sell securities which may be owned by, or bought or sold for, clients. Personal securities transactions by an employee may raise a potential conflict of interest when an employee owns or trades in a security that is owned or considered for purchase or sale by a client, or recommended for purchase or sale by an employee to a client. Subject to the reporting requirements and other limitations of its Code of Business Conduct and Ethics, the Adviser permits its employees to engage in personal securities transactions, and also allows them to acquire investments in certain Funds managed by the Adviser. The Adviser's Code of Business Conduct and Ethics requires disclosure of all personal accounts and maintenance of

brokerage accounts with designated broker-dealers approved by the Adviser. The Code of Business Conduct and Ethics also requires preclearance of all securities transactions (except transactions in U.S. Treasuries and open-end mutual funds) and imposes a 90-day holding period for securities purchased by employees to discourage short-term trading.

Managing Multiple Accounts for Multiple Clients. The Adviser has compliance policies and oversight monitoring in place to address conflicts of interest relating to the management of multiple accounts for multiple clients. Conflicts of interest may arise when an investment professional has responsibilities for the investments of more than one account because the investment professional may be unable to devote equal time and attention to each account. The investment professional or investment professional teams for each client may have responsibilities for managing all or a portion of the investments of multiple accounts with a common investment strategy, including other registered investment companies, unregistered investment vehicles, such as hedge funds, pension plans, separate accounts, collective trusts and charitable foundations. Among other things, the Adviser's policies and procedures provide for the prompt dissemination to investment professionals of initial or changed investment recommendations by analysts so that investment professionals are better able to develop investment strategies for all accounts they manage. In addition, investment decisions by investment professionals are reviewed for the purpose of maintaining uniformity among similar accounts and ensuring that accounts are treated equitably. Investment professional compensation reflects a broad contribution in multiple dimensions to long-term investment success for our clients and is generally not tied specifically to the performance of any particular client's account, nor is it generally tied directly to the level or change in level of assets under management.

Allocating Investment Opportunities. The investment professionals at the Adviser routinely are required to select and allocate investment opportunities among accounts. The Adviser has adopted policies and procedures intended to address conflicts of interest relating to the allocation of investment opportunities. These policies and procedures are designed to ensure that information relevant to investment decisions is disseminated promptly within its portfolio management teams and investment opportunities are allocated equitably among different clients. The policies and procedures require, among other things, objective allocation for limited investment opportunities (e.g., on a rotational basis), and documentation and review of justifications for any decisions to make investments only for select accounts or in a manner disproportionate to the size of the account. Portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar accounts, which minimize the potential for conflicts of interest relating to the allocation of investment opportunities. Nevertheless, access to portfolios funds or other investment opportunities may be allocated differently among accounts due to the particular characteristics of an account, such as size of the account, cash position, tax status, risk tolerance and investment restrictions or for other reasons.

The Adviser's procedures are also designed to address potential conflicts of interest that may arise when the Adviser has a particular financial incentive, such as a performance-based management fee, relating to an account. An investment professional may perceive that he or she has an incentive to devote more time to developing and analyzing investment strategies and opportunities or allocating securities preferentially to accounts for which the Adviser could share in investment gains.

### Portfolio Manager Compensation

The Adviser's compensation program for investment professionals is designed to align with clients' interests, emphasizing each portfolio manager's ability to generate long-term investment success for the Adviser's clients, including the Funds. The Adviser also strives to ensure that compensation is competitive and effective in attracting and retaining the highest caliber employees.

Portfolio managers receive a base salary, incentive compensation and contributions to AllianceBernstein's 401(k) plan. Part of the annual incentive compensation is generally paid in the form of a cash bonus, and part through an award under the firm's Incentive Compensation Award Plan (ICAP). The ICAP awards vest over a four-year period. Deferred awards are paid in the form of restricted grants on the firm's Master Limited Partnership Units, and award recipients have the ability to receive a portion of their awards in deferred cash. The amount of contributions to the 401(k) plan is determined at the sole discretion of the Adviser. On an annual basis, the Adviser endeavors to combine all of the foregoing elements into a total compensation package that considers industry compensation trends and is designed to retain its best talent.

The incentive portion of total compensation is determined by quantitative and qualitative factors. Quantitative factors, which are weighted more heavily, are driven by investment performance. Qualitative factors are driven by contributions to the investment process and client success.

The quantitative component includes measures of absolute, relative and risk-adjusted investment performance. Relative and risk-adjusted returns are determined based on the benchmark in the Fund's prospectus and versus peers over one-, three- and five-year calendar periods, with more weight given to longer-time periods. Peer groups are chosen by Chief Investment Officers, who consult with the product management team to identify products most similar to our investment style and most relevant within the asset class. Portfolio managers of the Funds do not receive any direct compensation based upon the investment returns of any individual client account, and compensation is not tied directly to the level or change in level of assets under management.

Among the qualitative components considered, the most important include thought leadership, collaboration with other investment colleagues, contributions to risk-adjusted returns of other portfolios in the firm, efforts in mentoring and building a strong talent pool and being a good corporate citizen. Other factors that can play a part in determining portfolio managers' compensation, such as the complexity of investment strategies managed, volume of assets managed and experience.

The Adviser emphasizes four behavioral competencies – relentlessness, ingenuity, team orientation and accountability – that support its mission to be the most trusted advisor to its clients. Assessments of investment professionals are formalized in a year-end review process that includes 360-degree feedback from other professionals from across the investment teams and the Adviser.

(a) (4) The dollar range of the Fund’s equity securities owned directly or beneficially by the Fund’s portfolio managers as of the Fund’s fiscal year ended October 31, 2013 is set forth below:

|                        | DOLLAR RANGE OF EQUITY<br>SECURITIES IN THE FUND |
|------------------------|--|
| Michael G. Brooks      | None   |
| Fred S. Cohen          | None   |
| Robert B. Davidson III | None   |
| Terrance T. Hults      | None   |

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

There have been no purchases of equity securities by the Fund or by affiliated parties for the reporting period.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund’s Board of Directors since the Fund last provided disclosure in response to this item.

**ITEM 11. CONTROLS AND PROCEDURES.**

(a) The registrant’s principal executive officer and principal financial officer have concluded that the registrant’s disclosure controls and procedures (as defined in Rule 30a-3 (c) under the Investment Company Act of 1940, as amended) are effective at the reasonable assurance level based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.



(b) There were no changes in the registrant's internal controls over financial reporting that occurred during the second fiscal quarter of the period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 12. EXHIBITS.**

The following exhibits are attached to this Form N-CSR:

| EXHIBIT NO. | DESCRIPTION OF EXHIBIT   |
|-------------|--|
| 12 (a) (1)  | Code of Ethics that is subject to the disclosure of Item 2 hereof  |
| 12 (b) (1)  | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                 |
| 12 (b) (2)  | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                 |
| 12 (c)      | Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): AllianceBernstein National Municipal Income Fund, Inc.

By: /s/ Robert M. Keith  
Robert M. Keith  
President  
Date: December 23, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert M. Keith  
Robert M. Keith  
President  
Date: December 23, 2013

By: /s/ Joseph J. Mantineo  
Joseph J. Mantineo  
Treasurer and Chief Financial Officer  
Date: December 23, 2013