

ALLIANCE CAPITAL MGMT DISTRIBUTION FUND **STATEMENT TO ELIGIBLE INVESTORS**

INTRODUCTION

You have received a distribution payment from a Fair Fund established by the U.S. Securities and Exchange Commission ("SEC"). Your payment has been calculated based on information contained in the records of Alliance Capital Management, L.P. ("Alliance Capital") and of third party intermediaries. The distribution payment is intended by the SEC to compensate you for harm to your mutual fund investment(s) due to market timing.

This statement provides information to help you determine the U.S. federal income tax consequences of the distribution payment if you are a citizen or resident of the U.S. for U.S. federal income tax purposes.

YOU SHOULD NOT RELY ON THIS STATEMENT AS TAX ADVICE. CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE DISTRIBUTION PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS.

BACKGROUND

On December 18, 2003, in the proceeding *In the Matter of Alliance Capital Management, L.P.*, Admin. Proc. No. 3-11359, the SEC issued an order instituting and simultaneously settling public administrative and cease-and-desist proceedings against Alliance Capital. On January 15, 2004, the SEC issued an order that amended the December 18, 2003 order ("Amended Order"). The Amended Order authorizes and establishes a Fair Fund, the Alliance Capital Mgmt Distribution Fund (hereinafter, the "Alliance Capital Fair Fund"). According to the Amended Order, the Alliance Capital Fair Fund is to be distributed to investors injured by market timing in various Alliance Capital mutual funds ("Alliance Capital Funds") pursuant to a distribution plan ("Distribution Plan") to be prepared by an Independent Distribution Consultant (the "IDC"). Professor Marshall E. Blume, Howard Butcher III Professor of Financial Management, Director of the Rodney L. White Center for Financial Research, and past Chairman of the Finance Department at the Wharton School of the University of Pennsylvania, serves as the IDC.

In the Amended Order, the SEC ordered Alliance Capital ("Respondent") to pay disgorgement and penalties totaling \$250 million. The Distribution Plan provides that "Additional Settlement Assets" from non-Alliance Capital sources

are available for distribution from the Fair Fund.¹ Prior to any distribution, the Alliance Capital Fair Fund held a total of \$321,230,003 plus accumulated interest.

On May 15, 2008, the SEC approved the Distribution Plan, which provides for distribution to all eligible investors of their share of the disgorgement and penalties paid by Respondent, as well as the Additional Settlement Assets.

The Alliance Capital Fair Fund is a Qualified Settlement Fund (“QSF”) under the Internal Revenue Code. Damasco & Associates LLP was appointed as the Tax Administrator for the QSF. The SEC authorized Damasco & Associates LLP to seek a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”) on behalf of the Alliance Capital QSF. A PLR was obtained that provides guidance to the Alliance Capital QSF with respect to the tax reporting obligations of the Alliance Capital QSF in making a distribution to you.² The PLR does not address *your* tax compliance obligations as an investor receiving a distribution payment. Damasco & Associates LLP has participated in the preparation of this statement, but is not providing services or advice to you or any other eligible investor receiving a distribution payment.

Some eligible investors may be subject to special tax rules, including, without limitation, if you are a non-U.S. investor, if you hold your shares in a tax-qualified retirement plan or an individual retirement account (“IRA”) (except as specifically discussed below), or if you are a tax-qualified retirement plan. This statement does not address the tax consequences under any state, local or non-U.S. tax laws, or the alternative minimum tax provisions of the Internal Revenue Code.

¹ Specifically, on April 28, 2005, the SEC simultaneously instituted and settled administrative and cease-and-desist proceedings against Gerald T. Malone, John D. Carifa and Michael J. Laughlin, all former Alliance Capital officers for their role in aiding and abetting Respondent's conduct. *In the Matter of Gerald T. Malone*, Admin. Proc. No. 3-11914; *In the Matter of John D. Carifa*, Admin. Proc. No. 3-11915; *In the Matter of Michael J. Laughlin*, Admin Proc. No. 3-11916. Pursuant to these proceedings, Malone, Carifa and Laughlin paid \$150,001, \$375,001, and \$325,001, respectively, in disgorgement and civil penalties, all of which will be available to the Alliance Capital Fair Fund for distribution. Additionally, on December 23, 2003, the SEC filed a civil injunction against Daniel Calugar and the broker-dealer he controlled, wherein the SEC alleged that Calugar defrauded mutual fund investors, including Alliance Capital Funds investors. *SEC v. Calugar*, Civ. No. 03-1600 RCJ (RJJ) (D.Nev). On January 9, 2006, the SEC settled this action, pursuant to which Calugar paid disgorgement and civil money penalties, \$70.38 million of which will be available to the Alliance Capital Fair Fund for distribution.

² The Tax Administrator obtained the following PLRs: 200645008, 200645017, 200646010, 200701001, 200702006, 200702008, 200702009, 200702010, 200702011, 200702012, 200702048, 200703008, 200703009, 200703010, 200703034, 200712004, 200712005, 200722004 and 200722025. You may obtain copies of these PLRs from the IRS web site, www.irs.gov.

THE DISTRIBUTION PAYMENT

Pursuant to the Amended Order, the IDC “shall develop a Distribution Plan for the distribution of all of the \$250 million in disgorgement and penalty to the mutual funds and their shareholders to compensate fairly and proportionately the funds’ shareholders for losses attributable to market timing trading activity by market timers with whom Alliance Capital entered into timing arrangements between January 1, 2001 and September 30, 2003. . .” The Amended Order further provides, “The Distribution Plan shall provide for fund investors to receive, in order of priority, (i) their aliquot share of losses suffered by the fund due to market timing, and (ii) a proportionate share of advisory fees paid by such fund during the period of such market timing.”

Accordingly, your payment is comprised of a “dilution component” and an “advisory fee component.” These calculations were performed by the IDC. The dilution component represents how the Respondent’s conduct has impaired the value of your Alliance Capital Fund shares arising out of market timing. The advisory fee component represents your share of advisory fees that were improperly paid by the Alliance Capital Funds to the Respondent. Each of these components has different tax consequences (discussed below).

Distributions will be made by the Alliance Capital Fair Fund in 2009 and, possibly, subsequent years. Distribution payments are taken into account for federal tax purposes in the year in which you *receive* them, not in the year to which they relate.

A. Dilution Component

The dilution component of your payment is reported on the stub accompanying your check. The dilution component is intended to compensate you for harm to the value of your Alliance Capital Fund(s) investment caused by market timing in Alliance Capital Funds. This harm has been measured as dilution in the share price. This payment is not income to you to the extent of your basis in your shares;³ however, you must adjust your basis downward by the amount of the payment. (Generally, your basis is the amount you paid for your shares). If the amount of this payment exceeds your tax basis in your investment, then the excess is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

³ References to “shares” throughout this disclosure means shares you owned in the Alliance Capital Fund(s) to which your distribution payment relates during the years covered by this proceeding (approximately 2001 to 2003).

If you do not have reasonable access to records indicating the tax basis of your investment, then you should assume that your tax basis is zero and that the entire dilution component of your payment is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

If you do have reasonable access to records indicating the tax basis of your investment, the following examples will help you in determining how to report on your Federal tax forms the dilution component.

Example 1: You have a basis of \$100 in your shares. The dilution component of your distribution is \$10. You do not have gross income as a result of the dilution component of your distribution *BUT* your basis is reduced to \$90 for purposes of determining gain or loss in the future (\$100 basis less \$10 dilution distribution = \$90).⁴

Example 2: You have a basis of \$400 in your shares. The dilution component of your distribution is \$1,000. You apply \$400 of the dilution component to reduce your basis to zero for purposes of determining gain or loss in the future *AND* you include the remaining \$600 in income as taxable gain on your investment.

Example 3: You have sold all of your shares in the Alliance Capital Fund to which the distribution relates and the dilution component of the distribution is \$1,000. Generally, you will include the \$1,000 in income as additional taxable gain from your shares. If you have sold only a portion of your shares in the Alliance Capital Fund, you should make a reasonable allocation of the distribution between the shares you have sold and the shares you retain. The portion allocated to the sold shares is treated as described in this Example 3 and the portion allocated to the retained shares is treated as described in Examples 1 and 2.

The QSF will not issue a Form 1099 to you for the dilution component of your distribution. The IRS has ruled that the Alliance Capital Fair Fund QSF is not required to report the dilution component of the distribution. Nevertheless, you should consult with your tax advisor as to how to report any portion of the dilution component that is taxable to you as described in Example 2.⁵

⁴ If you use the specific identification method of determining basis when shares are sold (as opposed to the dollar cost averaging method), your basis must be allocated among the shares in a reasonable manner.

⁵ There may be some circumstances in which the Alliance Capital Fair Fund QSF will issue information returns and will report payments to the IRS. These circumstances are beyond the

B. Advisory Fee Component

The advisory fee component of your distribution payment is reported on the stub accompanying your check. The advisory fee component is intended to compensate you for improper advisory fees paid by the Alliance Capital Funds to the Respondent. The advisory fee component *may* constitute ordinary income to you depending on several factors including whether the Alliance Capital Fund made a dividend payment taxable as ordinary income (as opposed to taxable as capital gain) in a year covered by this proceeding in which the Alliance Capital Fund(s) paid improper advisory fees.

If you continue to hold your shares of a particular class, you should first allocate the advisory fee component to the years at issue in a reasonable manner according to your holdings.

If you received a dividend payment taxable as ordinary income on a particular class of shares in the same year to which you have allocated advisory fees, that allocation of advisory fees will be taxable to you as ordinary income. If that Alliance Capital Fund did not pay a dividend taxable as ordinary income on that class of shares in that year, the advisory fee allocation will be considered an adjustment to your basis to the extent of your basis in your shares of that class, as described in Examples 1 and 2 above.

If the amount of your advisory fee component that is not ordinary income exceeds your basis in your investment, then the excess is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

If you do not have reasonable access to records indicating the tax basis of your investment, then you should assume that your tax basis is zero and that the entire advisory fee component that is not ordinary income is includable in your income as capital gain. Any such capital gain is long-term capital gain, unless you disposed of your investment before holding it for longer than one year.

The information on the chart attached as Annex A will assist you and/or your tax advisor in determining whether the advisory fee component of your distribution payment is taxable to you as ordinary income.

The calculations to determine the part of the advisory fee that is taxable to you as ordinary income may require access to detailed records of holdings. If you do not have reasonable access to such records, you may conclude that it is acceptable to report the entire advisory fee as ordinary income.

scope of this Statement to Eligible Investors and are addressed in the PLR obtained on behalf of the Alliance Capital Fair Fund QSF.

Example 4: You received a distribution payment with a \$100 advisory fee component and owned the same number of shares in the Alliance Capital Fund to which the distribution relates during each of the four (4) years covered by the proceeding for that Alliance Capital Fund, as shown in the chart attached to this disclosure. It would be reasonable to allocate one-fourth (\$25) of the distribution payment to each of the four years. Then, consult the chart to determine whether a dividend was paid with respect to the Alliance Capital Fund for each of the years covered by the proceeding. If a dividend was paid in a particular year, the \$25 allocated to that year will be ordinary income in the year you receive the distribution from the Alliance Capital QSF. If no dividend was paid for a year, the \$25 will be considered an adjustment to your basis in your shares.

If you have sold all your shares of a particular Alliance Capital Fund to which the distribution relates, the law is uncertain as to how the advisory fee component should be treated. Assuming it is treated as described above (for shares of a Alliance Capital Fund you continue to own), you will first determine the amount to be treated as ordinary income and an adjustment to basis, as described in Example 4: (1) The amount treated as an adjustment to basis under the Example 4 analysis will generally be treated as an additional gain from the sale of the shares and (2) the amount treated as ordinary income under the Example 4 analysis will be included in ordinary income. If you have sold only a portion of the shares in the Alliance Capital Fund, the advisory fee component should be allocated on a reasonable basis between the sold shares and the retained shares of that Alliance Capital Fund. *You should consult your tax advisor regarding the proper treatment of the advisory fee component if you have sold your shares.*

The QSF will not issue a Form 1099 to you for the advisory fee component of your distribution. The IRS has ruled that the Alliance Capital Fair Fund QSF is not required to report the advisory fee component of the distribution. Nevertheless, you should consult with your tax advisor as to how to report any portion of the advisory fee component that is taxable to you.⁶

/

/

/

/

/

⁶ There may be some circumstances in which the QSF will issue information returns and will report payments to the IRS. These circumstances are beyond the scope of this Statement to Eligible Investors and are addressed in the PLR obtained on behalf of the QSF.

SPECIAL ISSUES FOR INVESTMENTS HELD IN IRAS OR TAX-QUALIFIED RETIREMENT PLANS

A. Distributions to IRA Accounts

Please follow the applicable instructions below if you received a check that is associated with an IRA.⁷

1. For Checks Payable to the Custodian but Mailed to the Investor

a. If you held some or all of your mutual fund shares through an IRA, in most cases the distribution check will have been made payable to your IRA custodian but mailed directly to you. You may choose to forward the check to your custodian with a letter of instruction or, to review your options, contact the Administrator of the Alliance Capital Fair Fund Distribution Plan (“Administrator of the Plan”) at (888) 222-8536. You should deposit the check in your IRA account. **Caution:** If the check is cashed or deposited in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

b. If your IRA custodian has changed, you may be able to transfer the payment to another custodian, or roll the payment over to another IRA or eligible account. Please contact the Administrator of the Plan at (888) 222-8536 to review your options. **Caution:** Please consult with your tax advisor because the rules related to transfers and rollovers are complicated and failure to comply with those rules could subject the payment to income tax and a 10% penalty.

c. If you no longer hold your IRA, please contact the Administrator of the Plan at (888) 222-8536 to review your options.

2. For Checks Payable to the Investor and Mailed to the Investor

If the distribution check was made payable to you (as opposed to the custodian of your IRA) because of the way your account was registered in the records obtained for the distribution, please contact the Administrator of the Plan immediately at (888) 222-8536 to receive instructions to get a replacement distribution check made payable to the custodian of your IRA. **Caution:** If you cash the check, or deposit it in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

⁷ As a general rule, distribution payments from the Alliance Capital Fair Fund received as a result of the investment held by your IRA do not constitute a “contribution” to your IRA for purposes of determining your maximum yearly contribution to your IRA.

Additional information on this topic is available on the IRS Web Site www.irs.gov, Tax Topic 451 and Publication Number 590.

B. Distributions to Tax-Qualified Retirement Plans

1. Checks Mailed to Your Retirement Plan

If you held some or all of your Alliance Capital Fund shares through a tax-qualified retirement plan, in most cases the distribution check was made payable and mailed to your tax-qualified retirement plan.⁸ Plan fiduciaries are responsible for allocating these funds. Please contact your plan fiduciary if you have questions.

2. Checks Mailed to You

In limited instances, the distribution check was mailed to you and made payable to either (i) your retirement plan or (ii) you because of the way your account was registered in the records obtained for the distribution. **Please follow the applicable instructions below if you received a check that is associated with a tax-qualified retirement plan.**⁹

a. For A Check Payable to Your Retirement Plan but Mailed to You

In some instances the check payable to your tax-qualified retirement plan was mailed to you because your address was the address of record. If *you* received a check made payable to your tax-qualified retirement plan, please follow the directions in i. or ii., below.

i. If you are still a participant in the tax-qualified retirement plan, contact your retirement plan trustee/administrator to coordinate the deposit of the check to your retirement plan.

ii. If you are no longer a participant in the tax-qualified retirement plan to which the distribution is directed, please contact the trustee/administrator of your former tax-qualified retirement plan to determine the appropriate course of

⁸ As a general rule, distribution payments from the Alliance Capital Fair Fund received as a result of the investment held by your tax-qualified retirement plan do not constitute a "contribution" to your plan for purposes of determining your maximum yearly contribution to your plan or for purposes of determining your employer's contributions to your plan.

⁹ Many types of plans are eligible to accept rollover contributions (and the recently enacted Pension Protection Act of 2006 expanded the list of permissible recipient plans). More information on the Pension Protection Act of 2006 can be found at the IRS web site www.irs.gov. Contact your tax advisor to determine the types of plans to which you may make a rollover contribution.

action. If you have difficulty making contact with your former plan trustee/administrator, consult your tax advisor or contact the Administrator of the Plan at (888) 222-8536.

b. For a Check Payable to You and Mailed to You

Distributions with respect to investments held by a tax qualified plan should not be payable to individual investors. If you received such a check, this is an error likely due to the data available for the distribution. If you received a distribution check made payable to you in connection with an investment held by your tax-qualified retirement plan, please contact the Administrator of the Plan immediately at (888) 222-8536.

Additional information on this topic is available on the IRS Web Site www.irs.gov, Tax Topic 558.

ANNEX A

The chart below shows whether a particular Alliance Capital Fund made a dividend payment taxable as ordinary income in a particular year.

Fund	Class	2001	2002	2003
High Yield Fund	ALL	YES	YES	YES

Fund	Class	2001	2002	2003
Small Cap Value	A, AD (Advisor)	YES	YES	NO
	B, C	YES	NO	NO

Fund	Class	2001	2002	2003
American Government Income Trust	ALL	YES	NO	NO

Fund	Class	2001	2002	2003
Discipline Value	ALL	YES	NO	NO

Fund	Class	2001	2002	2003
Technology Fund	ALL	YES	NO	NO

Fund	Class	2001	2002	2003
Growth and Income Fund	ALL	YES	YES	YES

Fund	Class	2001	2002	2003
Growth Fund	ALL	NO	NO	NO

Fund	Class	2001	2002	2003
Premier Growth Fund	ALL	NO	NO	NO

Fund	Class	2001	2002	2003
Mid-Cap Growth Fund	ALL	NO	NO	NO

Fund	Class	2001	2002	2003
Small-Cap Growth Fund	ALL	NO	NO	NO