

PARTNERRE LTD
Form DEFM14A
August 24, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

PartnerRe Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common shares, CHF 4.51 par value per share, of PARIS RE Holdings Limited (Paris Re).

(2) Aggregate number of securities to which transaction applies:
75,793,212 Paris Re common shares outstanding as of July 31, 2009 (excluding the 4,928,616 Paris Re common shares already owned by PartnerRe, Ltd.); 8,487,750 Paris Re common shares subject to outstanding Paris Re warrants as of July 31, 2009; 1,904,315 Paris Re common shares subject to outstanding Paris Re options as of July 31, 2009; and 1,185,270 Paris re common shares subject to outstanding Paris Re restricted share units as of July 31, 2009.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
\$21.49, computed pursuant to Exchange Act Rule 0-11(c)(1) and 0-11(a)(4), the average of the high and low prices per share of Paris Re s common shares on Euronext Paris as of July 31, 2009 (calculated using an exchange rate of 1.00 euro to U.S. \$1.4279 on July 31, 2009, representing the noon buying rate on such date by the Federal Reserve Bank of New York).

(4) Proposed maximum aggregate value of transaction:
\$1,710,010,342.88

The maximum aggregate value was determined based upon the sum of (A) the 75,793,212 outstanding PartnerRe common shares multiplied by \$21.49; (B) 8,487,750 Paris Re common shares subject to outstanding Paris Re warrants multiplied by \$6.37 (which is the difference between \$21.49 and \$15.12, the exercise price of such warrants); (C) 1,904,315 Paris Re common shares subject to outstanding Paris Re options multiplied by \$0.88 (which is the difference between \$21.49 and \$20.61, the weighted average exercise price of such options); and (D) 1,185,270 Paris re common shares subject to outstanding Paris Re restricted share units multiplied by \$21.49 per share.

(5) Total fee paid:
\$95,418.58, computed in accordance with Exchange Act Rule 0-11(c)(1) and Section 14(g) of the Exchange Act by multiplying the proposed maximum aggregate value of the transaction by 0.0000558.

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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Wellesley House South
90 Pitts Bay Road
Pembroke HM 08, Bermuda

August 24, 2009

To the Shareholders of PartnerRe Ltd.,

You are cordially invited to attend the special general meeting of your company, PartnerRe Ltd., to be held at 8:30 a.m. local time on Thursday, September, 24, 2009, at 5th Floor, Wellesley House South, 90 Pitts Bay Road, Pembroke HM 08, Bermuda.

On July 4, 2009, PartnerRe Ltd., which we refer to as PartnerRe, entered into agreements to effect a multi-step acquisition of all of the outstanding common shares and warrants of PARIS RE Holdings Limited, which we refer to as Paris Re, a French-listed, Swiss-domiciled diversified reinsurer.

As a first step in the acquisition, PartnerRe will cause a wholly-owned, Swiss-domiciled subsidiary of PartnerRe formed for the purpose of the acquisition, which we refer to as the acquisition subsidiary, to purchase all of the Paris Re common shares and Paris Re warrants held by six private equity firms and their related investment vehicles pursuant to the terms of a purchase agreement. We refer to this purchase as the block purchase and to the agreement governing the purchase (as amended) as the block purchase agreement. Under the block purchase agreement, PartnerRe will acquire approximately 57.5% of the outstanding Paris Re common shares. These shares, when added together with the approximately 6.1% of the outstanding Paris Re common shares that PartnerRe purchased from certain other Paris Re shareholders prior to the announcement of the Paris Re acquisition and the additional 19.5% of the outstanding Paris Re common shares that PartnerRe has subsequently committed to acquire simultaneously with the closing of the block purchase from certain other Paris Re shareholders, will give PartnerRe an aggregate ownership of approximately 83.1% of the outstanding Paris Re common shares following the closing of the block purchase.

Following the closing of the block purchase and subject to certain conditions, PartnerRe will cause the acquisition subsidiary to commence a voluntary public exchange offer, which we refer to as the exchange offer, for all remaining outstanding Paris Re common shares and Paris Re warrants. The exchange offer will be commenced pursuant to the terms of a transaction agreement dated July 4, 2009 between PartnerRe and Paris Re, which we refer to as the transaction agreement. If, after completion of the exchange offer, PartnerRe and its affiliates own at least 90% of the outstanding Paris Re common shares, PartnerRe will effect a compulsory merger, which we refer to as the merger, in accordance with Swiss law to acquire all remaining outstanding Paris Re common shares. In the merger, Paris Re will be merged into the acquisition subsidiary, with the acquisition subsidiary surviving the merger.

In each step of the acquisition, PartnerRe has exchanged or will exchange 0.300 PartnerRe common shares for each Paris Re common share and 0.167 PartnerRe common shares for each Paris Re warrant. The per share consideration and per warrant consideration are each subject to adjustment in certain circumstances, including if the parties' tangible book values per share diverge significantly relative to each other prior to the

closing of the block purchase.

Immediately prior to the closing of the block purchase, Paris Re intends, subject to obtaining the requisite regulatory approvals, to effect an extraordinary cash distribution by way of a capital reduction to all Paris Re

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shareholders in the amount of CHF 4.17 per Paris Re common share (the Swiss franc equivalent of \$3.85 as of July 7, 2009, the date on which Paris Re fixed the U.S. dollar/Swiss franc currency exchange rate to be used for the extraordinary cash distribution). We refer to this cash distribution as the share capital repayment. If the share capital repayment is not paid in full immediately prior to the closing of the block purchase, PartnerRe will fund, under certain circumstances, the payment by Paris Re of the unpaid portion of the share capital repayment.

The transactions described above are collectively referred to herein as the transactions, and the block purchase agreement, the transaction agreement and the agreements governing the purchase of an additional approximately 25.6% of Paris Re common shares described above are collectively referred to herein as the transaction documents.

The PartnerRe common shares issuable in connection with the transactions will represent approximately 31.1% of the PartnerRe common shares outstanding following the completion of the transactions based on certain assumptions more fully described in the accompanying proxy statement.

At the special general meeting, you will be asked to consider and vote on the following proposals:

the proposal to issue PartnerRe common shares and securities exercisable or exchangeable for PartnerRe common shares to the holders of Paris Re securities in connection with the transactions, which proposal we refer to as the share issuance proposal;

the proposal to increase the size of the board of directors of PartnerRe from 11 to 12, which proposal we refer to as the board size proposal; and

the proposal to amend PartnerRe's 2005 Employee Equity Plan, as amended and restated, which proposal we refer to as the 2005 employee equity plan, to increase the PartnerRe common shares available for issuance and to increase the number of PartnerRe common shares that may be awarded as restricted shares or restricted share units, which we refer to as the equity plan proposal.

The board of directors of PartnerRe has unanimously determined that the transactions and the transaction documents, including the issuance of PartnerRe common shares and securities exercisable or exchangeable for PartnerRe common shares, the increase in the size of the PartnerRe board of directors and the amendment to the 2005 employee equity plan, are advisable and in the best interests of PartnerRe and its shareholders. **Accordingly, the board of directors of PartnerRe recommends that you vote (i) FOR the share issuance proposal, (ii) FOR the board size proposal and (iii) FOR the equity plan proposal.**

The transaction documents provide that PartnerRe shareholder approval of the share issuance proposal and the board size proposal are conditions to the completion of the transactions. PartnerRe shareholder approval of the equity plan proposal is not a condition to the completion of the transactions. If the board size proposal and the equity plan proposal are approved, the increase in the size of the PartnerRe board of directors and the amendment to the 2005 employee equity plan will only be effective if the block purchase closes.

Your vote is very important. Each of the proposals requires the affirmative vote of a majority of the votes cast by all PartnerRe shareholders at the special general meeting, subject to the quorum requirements, where applicable, of the rules of the New York Stock Exchange and PartnerRe's By-Laws, which are more fully described in the accompanying proxy statement. Even if you plan to attend the special general meeting, we recommend that you submit your proxy so that your vote will be counted if you later decide not to attend the meeting. You can also authorize the voting of your shares via the internet or by telephone as provided in the instructions set forth on the enclosed proxy card. If you hold PartnerRe

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common shares in street name through an account with a bank or a broker, you may be unable to vote by telephone or over the internet. Please follow the instructions that your bank or broker provides.

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The accompanying proxy statement explains the proposals and the proposed transactions in greater detail. **We urge you to read this proxy statement, including the matters discussed under Risk Factors, carefully.**

Yours sincerely,

John A. Rollwagen

Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the transactions, passed upon the merits or fairness thereof or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated August 24, 2009

and is first being mailed to PartnerRe shareholders on or about August 25, 2009.

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PARTNERRE LTD.

Wellesley House South

90 Pitts Bay Road

Pembroke HM 08, Bermuda

NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

To Be Held on September 24, 2009

To the Shareholders of PartnerRe Ltd.:

A special general meeting of shareholders of PartnerRe Ltd., which we refer to as PartnerRe, will be held at 8:30 a.m. local time on Thursday, September 24, 2009, at 5th Floor, Wellesley House South, 90 Pitts Bay Road, Pembroke HM 08, Bermuda. The meeting will be held for the following purposes:

1. To vote on the proposal to approve the issuance of PartnerRe common shares and securities exercisable or exchangeable for PartnerRe common shares to the holders of securities of PARIS RE Holdings Limited, which we refer to as Paris Re, on the terms and conditions set out in:

the purchase agreement dated as of July 4, 2009, as amended, among PartnerRe, the selling Paris Re shareholders named therein and, with respect to selected provisions, Paris Re, pursuant to which a wholly-owned, Swiss-domiciled subsidiary of PartnerRe formed for the purpose of the acquisition, which we refer to as the acquisition subsidiary, will acquire approximately 57.5% of the outstanding Paris Re common shares, which we refer to as the block purchase;

the additional purchase agreements entered into between PartnerRe and certain other Paris Re shareholders pursuant to which the acquisition subsidiary will acquire simultaneously with the closing of the block purchase, 19.5% of the outstanding Paris Re common shares in the aggregate; and

the transaction agreement dated as of July 4, 2009 between PartnerRe and Paris Re providing for the acquisition by the acquisition subsidiary of all remaining outstanding Paris Re common shares and Paris Re warrants through a voluntary public exchange offer to be followed by a merger.

This issuance will be in addition to the PartnerRe common shares that PartnerRe has previously issued in exchange for approximately 6.1% of the Paris Re outstanding common shares.

We refer to this proposal as the share issuance proposal and the transactions contemplated by the foregoing agreements as the transactions.

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2. To vote on the proposal to increase the size of the board of directors of PartnerRe from 11 to 12, which proposal we refer to as the board size proposal.
3. To vote on the proposal to amend PartnerRe's 2005 Employee Equity Plan, as amended and restated, which we refer to as the 2005 employee equity plan, to increase the PartnerRe common shares available for issuance and to increase the number of PartnerRe common shares that may be awarded as restricted shares or restricted share units, which proposal we refer as the equity plan proposal.
4. To transact other business as may properly come before the meeting or any properly reconvened meeting following an adjournment or postponement thereof.

The board of directors of PartnerRe recommends that you vote (i) FOR the share issuance proposal, (ii) FOR the board size proposal and (iii) FOR the equity plan proposal.

Only shareholders of record at the close of business on August 20, 2009 will be entitled to vote at the special general meeting either in person or by proxy. Each of these shareholders is cordially invited to be present and vote at the special general meeting in person.

Registration for the special general meeting will begin at 7:30 a.m. local time. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. If you own shares in street name and you wish to vote at the special general meeting in person, you will need to ask your bank or broker for

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an admission card in the form of a confirmation of beneficial ownership. You will need to bring a confirmation of beneficial ownership with you to vote at the special general meeting. If you do not receive your confirmation of beneficial ownership in time, bring your most recent brokerage statement with you to the special general meeting. We can use that to verify your ownership of PartnerRe common shares and admit you to the meeting; however, you will not be able to vote your shares at the meeting without a confirmation of beneficial ownership.

Your vote is very important. The transaction documents provide that PartnerRe shareholder approval of the share issuance proposal and the board size proposal are conditions to the completion of the transactions. PartnerRe shareholder approval of the equity plan proposal is not a condition to the completion of the transactions. If the board size proposal and the equity plan proposal are approved, the increase in the size of the PartnerRe board of directors and the amendment to the 2005 employee equity plan will only be effective if the block purchase closes.

Whether you expect to attend the special general meeting or not, please complete, sign, date and promptly return the enclosed proxy card in the accompanying envelope. If you are a registered shareholder, you can also authorize the voting of your PartnerRe common shares (i) over the internet by visiting the web address www.proxyvote.com and following the instructions provided and (ii) by telephone by dialing 1-800-690-6903 and following the recorded instructions. The telephone and internet voting facilities close at 11:59 p.m. Eastern Time on September 23, 2009. If you hold PartnerRe common shares in street name through an account with a bank or a broker, you may be unable to vote by telephone or over the internet. Please follow the instructions that your bank or broker provides. Your prompt response is necessary to assure that your PartnerRe common shares are represented at the special general meeting.

The accompanying document describes the proposed transactions in more detail. We encourage you to read the entire document carefully.

By order of the Board of Directors

Christine Patton

Secretary and Corporate Counsel to the Board

Pembroke, Bermuda

August 24, 2009

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL GENERAL MEETING AND THE TRANSACTIONS

The following section provides answers to frequently asked questions about the transactions and the special general meeting. This section, however, provides only summary information. PartnerRe urges you to read carefully the remainder of this proxy statement because the information in this section does not provide all the information that might be important to you regarding the transactions and the proposals being considered at the special general meeting. References in this proxy statement to you refer to holders of PartnerRe common shares and references to we or us refer to PartnerRe. References in this proxy statement to PartnerRe refer to PartnerRe Ltd. and its subsidiaries and branches and references to Paris Re refer to PARIS RE Holdings Limited and its subsidiaries and branches, in each case, unless the context otherwise requires. We refer to the common shares, \$1.00 par value per share, of PartnerRe as PartnerRe common shares, and we refer to the common shares, CHF 4.51 par value per share, of Paris Re and warrants to purchase such common shares of Paris Re as Paris Re common shares and Paris Re warrants, respectively.

Questions Relating to the Transactions

Q: What are the transactions?

A: On July 4, 2009, PartnerRe entered into definitive agreements to effect a multi-step acquisition of all of the outstanding common shares and warrants of Paris Re, a French-listed, Swiss-domiciled diversified reinsurer.

As a first step in the acquisition, PartnerRe will cause a wholly-owned, Swiss-domiciled subsidiary of PartnerRe formed for the purpose of the acquisition, which we refer to as the acquisition subsidiary, to purchase all of the Paris Re common shares and Paris Re warrants held by six private equity firms and their related investment vehicles pursuant to the terms of a purchase agreement. We refer to this purchase as the block purchase, the purchase agreement governing the purchase (as amended) as the block purchase agreement and the shareholders selling their shares pursuant to the block purchase agreement as the block sellers. Under the block purchase agreement, PartnerRe will acquire approximately 57.5% of the outstanding Paris Re common shares. These shares, when added together with the approximately 6.1% of the outstanding Paris Re common shares that PartnerRe purchased from certain other Paris Re shareholders prior to the announcement of the Paris Re acquisition, whom we refer to as the pre-announcement sellers, and the additional 19.5% of the outstanding Paris Re common shares that PartnerRe has subsequently committed to acquire simultaneously with the closing of the block purchase from certain other Paris Re shareholders, whom we refer to as the post-announcement sellers, will give PartnerRe an aggregate ownership of approximately 83.1% of the outstanding Paris Re common shares following the closing of the block purchase. We refer to the purchases from the pre-announcement sellers and the post-announcement sellers as the pre-announcement purchases and post-announcement purchases, respectively. See The Block Purchase Agreement, The Pre-Announcement Purchase Agreements and The Post-Announcement Purchase Agreements.

Following the closing of the block purchase, and subject to certain conditions, PartnerRe will cause the acquisition subsidiary to commence a voluntary public exchange offer, which we refer to as the exchange offer, for all remaining outstanding Paris Re common shares and Paris Re warrants. The exchange offer will be commenced pursuant to the terms of a transaction agreement dated July 4, 2009 between PartnerRe and Paris Re, which we refer to as the transaction agreement. If, after completion of the exchange offer, PartnerRe and its affiliates own at least 90% of the outstanding Paris Re common shares, PartnerRe will effect a compulsory merger, which we refer to as the merger, in accordance with Swiss law to acquire all remaining outstanding Paris Re common shares. In the merger, Paris Re will be merged into the acquisition subsidiary, with the acquisition subsidiary surviving the merger. See The Transaction Agreement The Exchange Offer and The Transaction Agreement The Merger.

The transactions described above are collectively referred to herein as the transactions, and the block purchase agreement, the transaction agreement and the agreements governing the pre-announcement purchases and post-announcement purchases are collectively referred to herein as the transaction documents.

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Q: What will PartnerRe shareholders receive in the transactions?

A: PartnerRe shareholders will not receive any cash or securities pursuant to the transactions. You will continue to hold your existing PartnerRe common shares.

Q: What will holders of Paris Re common shares and holders of Paris Re warrants be entitled to receive pursuant to the transactions?

A: In each step of the transactions (including the block purchase, the pre-announcement purchases, the post-announcement purchases, the exchange offer and the merger), PartnerRe has exchanged or will exchange 0.300 PartnerRe common shares for each Paris Re common share and 0.167 PartnerRe common shares for each Paris Re warrant. We refer to this per share and per warrant consideration as the per share consideration and the per warrant consideration, respectively. The per share consideration and per warrant consideration are each subject to adjustment in certain circumstances, including, where applicable, the tangible book value per share adjustment and the post-block purchase closing dividend adjustment described below.

Immediately prior to the closing of the block purchase, Paris Re intends, subject to obtaining the requisite regulatory approvals, to effect an extraordinary cash distribution by way of a capital reduction to all holders of Paris Re common shares immediately prior to the closing of the block purchase in the amount of CHF 4.17 per Paris Re common share (the Swiss franc equivalent of \$3.85 as of July 7, 2009, the date on which Paris Re fixed the U.S. dollar/Swiss franc currency exchange rate to be used for the extraordinary cash distribution). We refer to this cash distribution as the share capital repayment. To the extent that the share capital repayment is not made in full immediately prior to the closing of the block purchase, unless the parties agree otherwise, the remaining portion will be paid (i) to the block sellers and the post-announcement sellers in the form of a promissory note issued by PartnerRe at the closing of the block purchase and (ii) to all other holders of Paris Re common shares in the form of cash by way of a capital distribution from Paris Re immediately prior to the settlement of the exchange offer. See The Transaction Agreement Certain Covenants Share Capital Repayment and The Block Purchase Agreement Purchase and Sale.

The pre-announcement sellers will receive a payment of \$3.85 for each Paris Re common share sold to PartnerRe in the pre-announcement purchases at the earlier of the closing of the block purchase and the termination of the transaction agreement (net of dividends paid or payable on the PartnerRe common shares with respect to the period after the completion of the pre-announcement purchases and prior to the earlier of the closing of the block purchase and the termination of the transaction agreement). This payment to the pre-announcement sellers will be made irrespective of whether the block purchase closes or the share capital repayment or any portion thereof is paid and is intended to compensate the pre-announcement sellers for the aggregate U.S. dollar amount that would be payable on the Paris Re common shares sold in the pre-announcement purchases had they not been sold prior to the payment of the share capital repayment. See The Pre-Announcement Purchase Agreements Purchase and Sale.

Q: What is the tangible book value per share adjustment?

A: The tangible book value per share adjustment provides for an adjustment, upwards or downwards, to the per share consideration and the per warrant consideration if the percentage decline in Paris Re's or PartnerRe's tangible book value per share during the period from March 31, 2009 to a date shortly before the closing of the block purchase is more than 15% greater than the percentage decline, if any, in the other party's tangible book value per share during the same period. The adjustment, if any, to the per share consideration and per warrant consideration will be calculated pursuant to a formula described under The Transactions Tangible Book Value Per Share Adjustment and Termination Right. In addition, if the percentage decline in one party's tangible book value per share during the period from March 31, 2009 to a date shortly before closing of the block purchase is more than 40% greater than the percentage decline, if any, in the other party's tangible book value per share during the same period, the other party will have the right to terminate the transaction agreement and the block purchase agreement prior to the closing of the block purchase. See The Transactions Tangible Book Value Per Share Adjustment and Termination Right.

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Q: What is the post-block purchase closing dividend adjustment?

A: The post-block purchase closing dividend adjustment provides for an upwards adjustment to the per share consideration payable in the exchange offer and the merger to reflect any dividends declared on the PartnerRe common shares having a record date on or after the closing of the block purchase and prior to the settlement of the exchange offer. Since the PartnerRe common shares issued to the block sellers, the pre-announcement sellers and the post-announcement sellers prior to or simultaneously with the closing of the block purchase will be entitled to dividends on the PartnerRe common shares with a record date on or after the closing of the block purchase to the same extent as all other outstanding PartnerRe common shares, the post-block purchase closing dividend adjustment is intended to ensure that all other holders of Paris Re common shares, representing approximately 16.9% of the outstanding Paris Re common shares, similarly participate in PartnerRe dividends on or after the closing of the block purchase and prior to the settlement of the exchange offer. The exchange offer, which is expected to be completed in the fourth quarter of 2009 or the first quarter of 2010, is the first opportunity that these other holders will have to exchange their Paris Re common shares for PartnerRe common shares and to thereafter directly participate in dividends on the PartnerRe common shares. Holders of Paris Re common shares that do not validly tender their Paris Re common shares in the exchange offer and continue to hold their shares through the merger will not participate in, and the per share consideration will not be adjusted for, dividends declared on the PartnerRe common shares having a record date after the settlement of the exchange offer and prior to the effective time of the merger. See The Transaction Agreement Post-Block Purchase Closing Dividend Adjustment.

Q: Are there any conditions to the proposed transactions?

A: Consummation of the block purchase and the other transactions is subject to a number of conditions, including (i) approval by the holders of PartnerRe common shares of the share issuance proposal and the board size proposal set forth in this proxy statement, (ii) obtaining certain regulatory approvals and certain foreign antitrust approvals, (iii) approval for listing of the PartnerRe common shares to be issued in the block purchase on the New York Stock Exchange and the listing of the PartnerRe common shares on Euronext Paris or another European Union stock exchange selected by PartnerRe and (iv) certain other customary closing conditions.

In addition, even if the block purchase closes, PartnerRe's obligation to commence the exchange offer is subject to a number of conditions, including (i) approval for listing of the PartnerRe common shares to be issued in the exchange offer and the merger on the New York Stock Exchange and on Euronext Paris or another European Union stock exchange selected by PartnerRe, (ii) the exchange offer on the terms proposed having been declared compliant by the *Autorité des Marchés Financiers* (the French market authority) without any requirement that PartnerRe provide for a cash alternative under the French tender offer rules, (iii) the absence of PartnerRe having a reasonable basis to believe that the opinion of the independent expert to be rendered under French law in connection with the exchange offer on the terms proposed would not satisfy the requirements of French law and (iv) certain other customary conditions.

Finally, PartnerRe may only effect the merger under Swiss law if PartnerRe owns at least 90% of the outstanding Paris Re common shares following the settlement of the exchange offer.

For a more detailed description of the conditions to the transactions, please see the sections captioned The Block Purchase Agreement Conditions to the Closing of the Block Purchase, The Transaction Agreement The Exchange Offer and The Transaction Agreement The Merger.

Q: Are there risks associated with the proposed transactions?

A: Yes. The combined entity may not achieve the expected benefits of the transactions because of the risks and uncertainties discussed in the section entitled Risk Factors beginning on page 33 of this proxy statement. In deciding whether to approve the proposals, we urge you to read and consider carefully the risk factors contained in the section captioned Risk Factors.

Q: When do you expect the transactions to be completed?

A: The block purchase is expected to close in the fourth quarter of 2009, the exchange offer is expected to close in the fourth quarter of 2009 or the first quarter of 2010 and the merger is expected to close in the first

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quarter of 2010. However, the exact timing of the completion of the transactions cannot be predicted because they are subject to approval by the holders of PartnerRe common shares, certain regulatory approvals and other conditions described in this proxy statement.

In addition, it is possible for the block purchase to be completed, but for the exchange offer and the merger to fail to be completed. Since the conditions of the respective transaction documents are not identical, this could occur, for example, if every condition of the block purchase agreement were satisfied, but one or more conditions of the commencement of the exchange offer were not satisfied or waived. Similarly, it is possible for the block purchase and exchange offer to be completed, but for the merger to not occur because, for example, PartnerRe does not own, directly or indirectly, at least 90% of the outstanding Paris Re common shares following the settlement of the exchange offer. If, following the exchange offer, PartnerRe does not own sufficient Paris Re common shares to effect the merger, PartnerRe may acquire additional Paris Re common shares through open market purchases, privately negotiated transactions or otherwise upon the terms and at the prices negotiated at that time, which may be more or less favorable than the per share consideration. PartnerRe has not yet determined whether it would seek to effect these additional purchases of Paris Re common shares if it did not acquire sufficient Paris Re common shares in the exchange offer to effect the merger and expects to make this determination based on the facts and circumstances existing at the appropriate time.

For a more detailed description of the conditions to the transactions, please see the sections captioned *The Block Purchase Agreement* *Conditions to the Closing of the Block Purchase*, *The Transaction Agreement* *The Exchange Offer* and *The Transaction Agreement* *The Merger*.

Q: What will happen to PartnerRe's dividend policy as a result of the transactions?

A: We do not anticipate any changes to PartnerRe's dividend policy as a result of the transactions. We pay quarterly dividends to our shareholders based on a quarterly determination of our board of directors. The payment by us of dividends in the future will continue to be determined by our board of directors and will depend upon, among other things, our earnings, capital requirements and financial condition, as well as other relevant factors.

Q: Are there any material United States federal income tax consequences to PartnerRe's shareholders from the share issuance or the proposed transactions?

A: There are no material U.S. federal income tax consequences to PartnerRe's current shareholders that will result from PartnerRe's issuance of additional PartnerRe common shares pursuant to the transactions. See *The Transactions* *Material United States Federal Income Tax Consequences of the Transactions*.

Questions Relating to the Shareholder Meeting

Q: Where and when is the special general meeting of PartnerRe shareholders?

A: The special general meeting of the PartnerRe shareholders will be held at 8:30 a.m. local time on Thursday, September 24, 2009, at 5th Floor, Wellesley House South, 90 Pitts Bay Road, Pembroke HM 08, Bermuda.

Q: What am I being asked to vote on?

A: You are being asked to vote on a proposal to issue PartnerRe common shares and securities exercisable or exchangeable for PartnerRe common shares to the holders of Paris Re securities in connection with the transactions. We refer to this proposal as the *share issuance proposal*. The transaction documents provide that PartnerRe shareholder approval of the share issuance proposal is a condition to the

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completion of the block purchase.

In addition, you are being asked to vote on a proposal to increase the size of the board of directors of PartnerRe from 11 to 12. We refer to this proposal as the board size proposal. If the board size proposal is approved, the increase in the size of the PartnerRe board of directors will only be effective if the block purchase closes. The transaction documents provide that PartnerRe shareholder approval of the board size proposal is a condition to the completion of the block purchase.

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Finally, you are being asked to vote on a proposal to amend PartnerRe's 2005 Employee Equity Plan, as amended and restated, which we refer to as the 2005 employee equity plan, to increase the shares available for issuance and to increase the number of shares that may be awarded as restricted shares or restricted share units. We refer to this proposal as the equity plan proposal. If the equity plan proposal is approved, the amendments to the 2005 employee equity plan will only be effective if the block purchase closes. Approval of the equity plan proposal is not a condition to the completion of the transactions.

Q: How does the board of directors of PartnerRe recommend that I vote?

A: The board of directors of PartnerRe recommends that you vote (i) **FOR** the share issuance proposal, (ii) **FOR** the board size proposal and (iii) **FOR** the equity plan proposal.

Q: Why is approval by PartnerRe shareholders required for the share issuance?

A: The rules of the New York Stock Exchange, the principal securities exchange on which PartnerRe common shares are listed, require the approval of holders of PartnerRe common shares of the issuance of the PartnerRe common shares and securities exercisable or exchangeable for PartnerRe common shares in the transactions because the issuance (including the PartnerRe common shares previously issued in the pre-announcement purchases) exceeds 20% of the number of PartnerRe common shares outstanding prior to the issuance. Specifically, the PartnerRe common shares issuable pursuant to the transactions (including PartnerRe common shares that will become subject to share options, restricted share units and warrants to acquire PartnerRe common shares upon the conversion of Paris Re share options, restricted share units and warrants pursuant to the merger or that may be issuable under liquidity agreements entered into with French employees, in each case, as described under "The Transaction Agreement Treatment of Paris Re Share Options, Restricted Share Units and Warrants") represent approximately 47.2% of the PartnerRe common shares outstanding prior to the issuances in connection with the pre-announcement purchases based on the base case assumptions described under "The Transactions Ownership of PartnerRe Following the Transactions." See Proposal No. 1: The Share Issuance Proposal.

Q: Why am I being asked to vote to increase the size of PartnerRe's board of directors?

A: Pursuant to the transaction agreement, PartnerRe has agreed to cause one of the existing directors on the Paris Re board of directors that is not an affiliate of any block seller to be appointed to the PartnerRe board of directors effective upon the closing of the block purchase, subject to the approval of that person by PartnerRe's Nominating and Governance Committee. To comply with this provision of the block purchase agreement, the board of directors of PartnerRe is proposing that its size be increased from 11 to 12 in order to create a vacancy that can be filled by the existing Paris Re director in accordance with the transaction agreement. Under PartnerRe's Bye-Laws, any change in the size of the PartnerRe board of directors above its current size requires approval of PartnerRe shareholders. See Proposal No. 2: The Board Size Proposal.

Q: Why am I being asked to vote to amend the 2005 employee equity plan?

A: The rules of the New York Stock Exchange, the principal securities exchange on which PartnerRe common shares are listed, require the approval of holders of PartnerRe common shares to materially increase the number of shares available under the 2005 employee equity plan. Pursuant to the terms of the 2005 employee equity plan, the number of PartnerRe common shares that may be awarded is capped at 2,875,089. The number of PartnerRe common shares that may be awarded as either restricted shares or restricted share units is capped at 1,343,325, of which 686,731 are available for issue as of August 20, 2009. Upon the consummation of the transactions contemplated in this proxy statement, which will result in all of the employees of Paris Re and its subsidiaries (currently approximately 400) joining PartnerRe, PartnerRe anticipates that share usage will increase beyond its original expectations. In order to continue to implement its long-term equity goals, PartnerRe will be required to increase the number of PartnerRe common shares that may be awarded under the 2005 employee equity plan by 430,000, and of that 430,000, increase the number of PartnerRe common shares that may be awarded as restricted shares or restricted share units by 315,000. If this amendment is not approved, PartnerRe will not be able to make further grants once the

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current cap of 2,875,089 is reached and PartnerRe will not be able to make further grants of restricted shares and restricted share units once the current cap of 1,343,325 is reached, but the 2005 employee equity plan will otherwise remain in effect. See Proposal No. 3: The Equity Plan Proposal.

Q: Why is my vote important?

A: If you do not vote by proxy or in person at the special general meeting, it will be more difficult for us to obtain the necessary quorum to conduct business at our special general meeting.

Q: What vote of PartnerRe shareholders is required to approve the proposals?

A: In order for PartnerRe's shareholders to approve the board size proposal, the holders of at least 25% of the outstanding common shares as of the record date must be present at the special general meeting, in person or by proxy. Assuming that this quorum requirement is met, the board size proposal will be decided by a simple majority of votes cast.

In order for PartnerRe's shareholders to approve the share issuance proposal and the equity plan proposal, New York Stock Exchange rules impose special requirements that must be met. The total number of votes cast at the special general meeting must represent over 50% in interest of the PartnerRe common shares entitled to vote on the proposal. We refer to this as the vote cast quorum requirement. Assuming that this vote cast quorum requirement is met, the share issuance proposal and the equity plan proposal will each pass if a majority of votes cast are in favor of that proposal.

Failure to submit a proxy or to attend the meeting and vote could result in the failure to obtain the necessary quorum for one or more of the proposals, which would prevent the proposals from being approved. Abstaining from voting may have the effect of making it less likely that a proposal will be approved. See The Special General Meeting Vote Required of PartnerRe Shareholders; Quorum Requirements.

Q: What happens if PartnerRe shareholders fail to approve the proposals?

A: The transaction documents provide that PartnerRe shareholder approval of the share issuance proposal and the board size proposal are conditions to the completion of the transactions. If the transactions are not consummated, this will result in the loss of a strategic opportunity that the PartnerRe board of directors has determined is in the best interests of PartnerRe's shareholders. It will also require us to pay a termination fee of \$75 million to Paris Re.

If the transactions are not completed, PartnerRe will continue to own approximately 6.1% of the outstanding Paris Re common shares that it acquired at a premium to the then-current market price for the Paris Re common shares in the pre-announcement purchases. While PartnerRe has not yet determined whether it would seek to sell these Paris Re common shares should the remainder of the transactions not be completed, these shares may be difficult to sell due to the limited public trading market for the Paris Re common shares. PartnerRe has also incurred costs and expenses associated with the transactions, including legal, accounting and financial advisory fees, that will not be offset by any gains or the realization of any efficiencies resulting from the completion of the transactions.

The completion of the transactions is not contingent on the approval of the equity plan proposal. If the equity plan proposal is not approved and the transactions are completed, however, the failure to approve the equity plan proposal will limit PartnerRe's ability to make grants of equity awards under the 2005 employee equity plan, adversely affecting PartnerRe's ability to implement its long-term equity goals.

UBS Global AM currently serves as investment manager, advisor or sub-advisor for a number of other investment companies. The Proxy Statement sets forth certain information regarding each SEC registered investment company portfolio managed, advised or managed by UBS Global AM with investment objective(s) similar to those of the Fund.

Information regarding the principal executive officers and directors of UBS Global AM is set forth in Exhibit E, and each officer of UBS Global AM is set forth in Exhibit F.

UBS Financial Services Inc., an affiliate of UBS Global AM, provides certain services to the Fund and certain holders of outstanding shares of the Fund pursuant to an agreement with Deutsche Bank, the Fund's auction agent for APS. For the fiscal year ended March 31, 2009, UBS Financial Services Inc. received from Deutsche Bank \$168,320 (paid indirectly by the Fund) for these services. The services would continue to be provided under the Proposed Contract if approved.

Basis for the Board's approval of the Proposed Contract

At a meeting of the Board on February 11, 2009, the Directors, including the Independent Directors, considered the Proposed Contract and other proposals in this Proxy Statement with respect to the Fund. In its consideration of the approval of the Proposed Contract, the Board considered the following factors:

Nature, extent and quality of the services to be provided under the Proposed Contract. The Board considered the nature, extent and quality of the investment management services proposed to be provided to the Fund under the Proposed Contract. The Board took note that UBS Global AM advised the Board that the investment advisory and administration services to be provided by UBS Global AM to the Fund under the Proposed Contract would be identical to those services provided under the Current Contract and that there is not expected to be any diminution in the nature or quality of services provided to the Fund and its shareholders under the Proposed Contract. The Board's evaluation of the services to be provided under the Proposed Contract took into account the Board's knowledge and familiarity gained as board members of funds in the New York fund complex, including the scope and quality of UBS Global AM's investment management and other capabilities and administrative and other services. The Board took note that it had extensively reviewed the services provided to the Fund

by UBS Global AM at the Board's July 2008 contract renewal meeting, including information with respect to compliance, personnel management, and brokerage policies and practices. The Board also recognized that it received information at regular meetings throughout the year regarding the services rendered by UBS Global AM concerning the management of the Fund's affairs and UBS Global AM's coordination of other services to the Fund. The Board also considered, based on its knowledge of UBS Global AM and its parent organization, UBS AG and that UBS Global AM is an experienced investment management firm. The Board also noted that management was proposing certain clarifications and modernizing changes in the Proposed Contract, which are discussed elsewhere in this proxy statement, but that these changes were not anticipated to affect the quality of services currently provided and to be provided under the Proposed Contract. The Board was also cognizant of, and took into account, regulatory and litigation actions and investigations occurring in the past year involving UBS AG and certain of its affiliates.

The Board concluded that, overall, it was satisfied with the nature, extent and quality of services expected to be provided to the Fund under the Proposed Contract.

Advisory fees and expenses. The Board received information from UBS Global AM showing the impact of the proposed changes to the Fund's advisory and administration fees. The data received by the Board included a Lipper, Inc. ("Lipper") expense group comparison from management for its July 2008 annual contract renewal meeting. Management noted that the Proposed Contract modifications to be paid by the Fund by: (i) reducing the contractual advisory and administration fee from an annual rate of 0.90% of the Fund's net assets (on assets attributable to common shares and APS) to an annual rate of 0.75% of the previous Friday's net assets (if the previous Friday is a holiday, the next business day thereafter) (on assets attributable only to common shares) and (ii) providing for the exclusion of assets attributable to APS from the application of the fee. In addition, management proposed waiving, on a voluntary basis, a portion of the advisory and administration fee so that the effective fee would be reduced to an annual rate of 0.50% of the Fund's net assets (on assets attributable only to common shares); this waiver arrangement reducing fees could not be modified without the approval of the Board. The Board noted management's explanation that the fees would cause the Fund's contractual advisory and administration fees to be in line with the median actual advisory and administration fee levels payable by its peer funds (based on Lipper information received at the 2008 annual contract renewal meeting). In addition, the Board discussed with management its reasons for proposing the change in the contractual structure of the advisory and administration fee, including that it could better align management's interests with those of the common shareholders. Management explained that under the Proposed Contract, the Fund's advisory and administration fees would be calculated based only on assets attributable to common shares (not on assets attributable to both common shares and APS). Management explained that this could better align the contractual compensation structure for UBS Global AM with Fund performance. The Board noted that the proposed investment advisory fees to be paid by the Fund represent reasonable compensation to UBS Global AM in light of the services provided and the fees paid by similar funds and such other matters as the Board considered relevant in the exercise of its responsibilities. The Board did not consider institutional account fees for accounts of similar investment types to those of the Fund in its review. The Board recently reviewed those at its July 2008 meeting.

Fund performance. The Board noted that it received information throughout the year at appropriate periodic intervals with respect to the Fund's performance, and had engaged in an extensive review of Fund performance at its July 2008 meeting. Given that the Proposed Contract provided under the Proposed Contract in comparison with the Current Contract would not be changing and that the portfolio of the Fund was not proposed to be changed specifically in connection with the approval of the Proposed Contract, the

Board did not extensively consider Fund performance in its consideration of the Proposed Contract. The Board noted that at its meeting it had found the performance of the Fund acceptable and that recent performance had improved, as the comparative performance provided by Lipper for the July 2008 meeting showed that the Fund's performance was in the fourth quintile for the one-year period, the fifth quintile for the three-, five- and ten-year periods and since inception (with the first quintile representing that fifth of the Lipper comparative group ("Performance Universe") with the highest performance and the fifth quintile representing that fifth of the Performance Universe with the lowest performance). The Board also noted at its July 2008 meeting management's explanation that historically, the Fund had been managed in a more conservative manner—focusing on higher quality credits and preservation of capital—being less aggressive in seeking relative outperformance; management noted that in response to changing markets over the past year, management had augmented the Fund's investment strategy universe to provide more flexibility and to broaden asset classes that the Fund could invest in, resulting in more recent improved performance.

Adviser profitability. In light of the considerations described immediately following, profitability of UBS Global AM and its affiliates providing services to the Fund was not a factor considered by the Board. The Board noted that it expects to receive cost, expense and profitability information prior to the end of the initial term of the Proposed Contract and, thus, be in a position to evaluate any adjustments in Fund fees would be appropriate in connection with a renewal of the Proposed Contract. The Board also noted that it had reviewed the profitability of UBS Global AM and its affiliates at its July 2008 meeting. Management noted that it did not believe the numbers would have changed appreciably since the last set of profitability numbers provided to the Board for its July 2008 meeting.

Economies of scale. The Board considered whether any changes in the economies of scale realized (or potentially realized) and any benefits the Fund may incur from such economies of scale were proposed to be changed if the Proposed Contract were approved. The Board recognized that the Fund's current and proposed advisory fee does not contain breakpoints and, therefore, it is not expected that economies of scale from which the Fund currently benefits would change in any significant manner.

Other benefits to UBS Global AM. The Board considered other benefits received by UBS Global AM and its affiliates as a result of its relationship with the Fund. The Board noted that any such benefits were not proposed to change in connection with approval of the Proposed Contract and that at its July 2008 meeting it had determined that the profits and other ancillary benefits that UBS Global AM and its affiliates received were considered reasonable.

In light of all of the foregoing, at its meeting on February 11, 2009, the Board approved the Proposed Contract for the Fund, subject to shareholder approval.

No single factor reviewed by the Board was identified by the Board as the principal factor in determining whether to approve the Proposed Contract. The Independent Directors were advised by separate independent legal counsel throughout the process. The Board met to approve the Proposed Contract in a private session with their independent legal counsel at which no representatives of UBS Global AM were present.

Except as discussed above, the Board has not taken any action with respect to the Proposed Contract since the beginning of the current fiscal year.

The Board, including the Independent Directors, unanimously recommends that shareholders vote
FOR the proposed investment advisory and administration contract.

If approved, the Proposed Contract would become effective with respect to the Fund as soon as reasonably practicable thereafter by the Fund's officers.

Proposal 4. Change in investment policy

Proposal 4 relates to a proposed change in the Fund's investment policy regarding the credit rating of insurers of municipal bonds that the Fund invests. This change is intended to increase the Fund's investment flexibility given the current market environment and recent downgrades of bond insurers.

Proposed changes to investment policy

The Fund currently has an investment policy to invest at least 80% of its net assets (including the amount of borrowing for investment purposes) in "Insured Municipal Obligations," the income from which is exempt from regular federal income tax. This policy is subject to shareholder approval, which means that it may not be changed without shareholder approval. "Insured Municipal Obligations" are defined as "municipal obligations" that are insured as to the timely payment of both principal and interest by an entity that, at the time of investment, has a claims-paying ability rated Aaa by Moody's Investor Services, Inc. ("Moody's"), AAA by Standard & Poor's ("S&P") or an equivalent rating by another recognized statistical rating organization ("NRSRO"). This policy largely reflected industry conditions present in the municipal bond market until relatively recently.

While the Fund's "fundamental" policy to invest 80% of its net assets in "Insured Municipal Obligations" will remain the same, the Board recommends a change in the definition of "Insured Municipal Obligations" to include municipal obligations that are insured as to the timely payment of both principal and interest. If approved, this policy could not be changed further without additional shareholder approval. In addition, the Board has adopted the following new non-fundamental policies (which could be changed in the future without shareholder approval): (i) the issuing entity must, at the time of investment, have a claims-paying ability rated at least investment grade by Moody's or an equivalent rating by another NRSRO; (ii) to limit the Fund's exposure to lower-rated issues, a requirement is added that the Fund invest at least 60% of its net assets in securities rated, at the time of investment, at least Aa3 by Moody's or AA- by S&P or an equivalent rating by another NRSRO; and (iii) the Fund would be able to invest up to 20% of its net assets in Municipal Obligations that are, at the time of investment, (1) backed by an escrow or trust account containing sufficient US government or US government agency securities to ensure timely payment of principal and interest, (2) rated at least investment grade by Moody's or by S&P or an equivalent rating by another NRSRO, or (3) deemed to be of investment grade quality by the investment advisor. In addition, it is proposed to limit the Fund's investment in nonrated securities to 10% of its net assets. For purposes of these policies, rating of "at least investment grade" means a rating of at least investment grade by S&P, or a rating of Baa3 and higher by Moody's.

Shareholders should note that only the first change discussed above (*i.e.*, the change to the definition of "Insured Municipal Obligations") is subject to shareholder approval. The other changes do not require a shareholder vote. However, because they are linked to the first change, they only would be implemented if the shareholders approve the first change.

The following shows the proposed changes to the Fund's current investment policies:

Under normal circumstances, the Fund invests at least 80% of its net assets in Insured Municipal Obligations, the income from which is exempt from regular federal income tax. "Insured Municipal

Obligations are Municipal Obligations that are insured as to the timely payment of both principal and interest. ~~For purposes of this policy, the Fund has adopted a non-fundamental policy that the insuring entity must be an entity that, at the time of investment, has a claims-paying ability rated Aaa at least investment grade by Moody's, AAA or by S&P or an equivalent rating by another NRSRO. In addition, the Fund invests at least 60% of its net assets in securities rated, at the time of investment, at least Aa3 by Moody's, Aa3 by S&P or an equivalent rating by another NRSRO. The Fund may invest up to 20% of its net assets in Municipal Obligations that are, at the time of investment: (1) backed by an escrow or trust account containing sufficient US government agency securities to ensure the timely payment of principal and interest; (2) rated at least investment grade by S&P or an equivalent rating by another NRSRO guaranteed as to timely payment of principal and interest by an entity with a credit rating of Baa by Moody's, BBB by S&P or an equivalent rating by another NRSRO; or (3) deemed to be of investment grade by the investment advisor not insured, guaranteed or backed by escrows but rated at least Baa by Moody's, BBB by S&P or an equivalent rating by another NRSRO. The Municipal Obligations described in (1) and (2) above may be unrated if they are determined by the investment advisor to be of comparable quality to Municipal Obligations that have received ratings of at least Baa by Moody's, Aa3 by S&P, or an equivalent rating by another NRSRO. Notwithstanding the foregoing, the Fund will not invest more than 10% of its net assets in unrated securities.~~

Reasons for these changes

The foregoing investment policy changes are proposed primarily to reflect the current market environment, in which many insurers (e.g., Ambac, MBIA, XL Capital and FGIC) have recently been downgraded below AAA by S&P or Aaa by Moody's and may not be able to maintain their current ratings in the foreseeable future. Without the investment policy changes, these downgrades would have the effect of decreasing the universe of securities in which the Fund may invest. The other changes are intended to simplify the language of the current investment policy.

While acknowledging that downgrades of insurers may correspond to a potentially higher credit risk for those insurers, UBS Global AM believes that the proposed changes should not result in a material increase of fund investment risk. In fact, UBS Global AM's current investment approach in managing the Fund already considers the credit quality of both the insurer and the issuer. As such, before purchasing municipal securities, UBS Global AM analyzes and reviews the financial strengths of both the insurer and the issuer of the municipal securities. With respect to insured securities in which the Fund invests, the issuer actually has higher credit quality than the insurers. UBS Global AM's current additional policy that would require 60% of the Fund's net assets be rated Aa3/AA- or higher reflects this dual research focus. UBS Global AM to consider the rating of both the insurer and the underlying issuer to a greater extent in security selection. UBS Global AM will not invest more than 10% of its net assets in unrated securities. UBS Global AM believes that this approach is appropriate in the current market environment and is beneficial in maximizing the Fund's potential risk-adjusted return while limiting investment risk.

The changes to the Fund's policies are intended to address the impact of market developments in connection with the downgrade of insurers and to increase the Fund's investment flexibility in pursuing its investment philosophy of investing in high quality municipal securities. UBS Global AM and the Board believe that the foregoing investment policy changes are important to the Fund's ability to invest with comparable insured municipal funds, many of which have already implemented similar changes.

If shareholders approve the requested investment policy change, it will be implemented as soon as practicable thereafter. If the proposal submitted for your approval is rejected, UBS Global AM will consider the Fund's investment program in its entirety and determine if any changes to the Fund's investment policies described above are appropriate in light of the current market environment.

The Board, including the Independent Directors, unanimously recommends that shareholders vote FOR the proposed investment policy change.

Proposal 5. Shareholder proposal recommending that the Board take action, subject to market conditions, to afford common and preferred shareholders an opportunity to realize the net asset value of their shares.

The Fund has received the following proposal and supporting statement from a shareholder of the Fund, Full Value Offshore (FVOP), a Cayman Islands hedge fund, advising the Fund that, at the time its proposal was submitted, it had beneficial ownership of approximately 10% of the common shares of the Fund, with a market value satisfying a regulatory threshold continuously for the preceding year. FVOP is located at Park 80 West Plaza Two, Suite 750, Saddle Brook, NJ 07663.

For the reasons set forth in detail in the Statement of the Board of Directors, which follows FVOP's supporting statement, the Board **unanimously supports FVOP's proposal and urges all shareholders to vote FOR it for the reasons noted below.**

The Board and the Fund accept no responsibility for the accuracy of FVOP's proposal or its supporting statement. The text of the supporting statement is as follows:

Proposal. The board is requested to take action, subject to market conditions, to afford common and preferred shareholders an opportunity to realize the net asset value of their shares.

Supporting statement of the shareholder

Since its launch in 1993 the Fund's common shares have persistently traded at a discount to their net asset value. For example, on December 5, 2008, the common shares were trading at a whopping 20% discount from NAV.

In addition, the preferred shares are now illiquid and can only be sold at a steep discount from their \$50,000 liquidation value.

We think both the common shareholders and the preferred shareholders deserve an opportunity to realize the intrinsic value of their shares. If you agree, please vote for this proposal.

Supporting statement of the Board of Directors

The Fund's Board supports the shareholder proposal. The Board therefore recommends that shareholders vote FOR the proposal.

Reasons for the Board's Recommendation

1. The Board understands FVOP's proposal as a request for actions that benefit the Fund's shareholders

The Board regards the FVOP proposal as a recommendation to the Board to take actions that are beneficial to the Fund and its shareholders. This is a goal that has been shared by the Board and UBS Global AM and pursued since the Fund's inception. The Board is committed to actions which will benefit the Fund and will permit all shareholders to increase the value of their investments. In this proxy statement, the Board and UBS Global AM regularly evaluate and, where appropriate, implement such measures.

When taking actions to benefit shareholders, the Board and UBS Global AM have been and continue to be mindful of the Fund's characteristics as a closed-end fund. The Board's actions are intended to further the Fund's investment objectives and to maintain its current income exempt from federal income tax, consistent with the preservation of capital. The Board believes that the Fund's interests are best served by its shareholders with long-term investment objectives, and that most of the Fund's common shareholders are in fact long-term shareholders. The Board and UBS Global AM believe strongly in providing the Fund with a solid investment program that produces a competitive performance record. This belief underlies the actions taken by the Board and UBS Global AM over the years, including the proposed changes to the Fund's investment policies described elsewhere in the proxy statement.

The Board and UBS Global AM are well aware that the market price of the Fund's shares often is lower than the Fund's net asset value per share (*i.e.*, the Fund's shares often trade at a discount). The Board regularly considers whether measures to reduce the discount would be in the best interests of the Fund. Radical actions to reduce the discount, such as conducting share repurchases or other measures to bring about only a temporary reduction in the discount, may involve substantial transaction costs, would result in a smaller net asset value per share, expense ratio and less investment flexibility, lower yield and likely lower total returns, and would benefit short-term shareholders at the expense of long-term shareholders. Open-ending the Fund would eliminate the discount but the Fund would have to significantly change its investment strategy. Some of its current strategies could no longer be used, and the Fund could no longer use leverage to the extent that it can as a closed-end fund. The Fund could reduce tax-exempt dividends paid to common shareholders. Each of these consequences is taken into account by the Board when considering what actions will best serve the interests of the Fund and its shareholders.

2. The Board takes the concerns of the Fund's auction preferred shareholders very seriously, and has taken steps to improve liquidity and to redeem their auction preferred shares (["APS"])

The Board notes FVOP's observation that preferred shares have become illiquid. The Board and UBS Global AM have been concerned about the loss of liquidity for APS holders resulting from the unprecedented auction failures across the closed-end municipal bond market which began in early 2008. Those failures are due to market forces and not the actions of the Fund. However, the Board and UBS Global AM have considered various options and have taken effective steps to mitigate this situation. Most notably, in July 2008, the Board and UBS Global AM approved, and the Fund implemented, a tender option bond (["TOB"]) program to provide the Fund with an alternative means of partially leveraging its debt. The TOB program has enabled the Fund to redeem a substantial portion of its APS at their \$50,000 value per share, while preserving its leveraged structure and even lowering the cost of the Fund's leverage compared with maximum dividend rates paid on APS. In August 2008, the Board approved, and the Fund redeemed, 800 of its APS in September 2008, representing a total of 19% of the Fund's outstanding APS. In 2008, the

Board approved, and the Fund redeemed, an additional 300 of its APS, representing an additional 8.8% of the Fund's then o served to ensure that in the difficult market environment the Fund would continue to meet its asset coverage requirements able to continue to declare and pay monthly dividends to common shareholders. The December redemption had the effect of Fund's use of leverage. These actions have restored partial liquidity to APS holders. In addition, the Board and UBS Global A evaluate other options that may be in the best interests of the Fund and its shareholders, such as possibly restructuring the manner that would make the APS eligible for investment by money market funds (subject to regulatory requirements). The to working to restore liquidity to APS holders at full value while preserving the long-term interests of the Fund; however, act pursuant to regulatory requirements and in the face of unprecedented credit market challenges which can impact the timing potential solutions.

3. The Board cautions that FVOP may have hidden motivations and interests that may not be consistent with shareholders

While the Board supports the view that it should continue to take actions to increase value, the Board also wants all shareholders that FVOP is not a typical investor in the Fund. FVOP is part of a group of hedge funds led by hedge fund manager Phillip Goldstein (the "Goldstein hedge funds") that frequently targets closed-end funds and tries to dissolve or significantly restructure them in ways that are beneficial to all shareholders. Just last year, the Goldstein hedge funds filed a complaint in a Maryland court seeking to invalidate the Fund on the grounds that the stockholders of the Fund were "so divided" at its 2008 annual shareholders' meeting ("2008 Meeting") that directors could not be elected. The re-election of the Fund's directors at the 2008 Meeting was not possible due to a lack of quorum at the meeting, which was the direct result of the Goldstein hedge funds' active solicitation of shareholder proxies and their failure to vote the shares for which they had solicited proxies. By not attending the meeting, the Goldstein hedge funds prevented a quorum of business at the meeting despite repeated efforts by the Fund to get more investors to vote their shares. We believe that this is a frustrating or impeding the normal functioning of shareholder meetings is inconsistent with federal regulations and a misuse of governance processes, resulting in increased costs for all shareholders.

The Fund believed that the complaint filed by the Goldstein hedge funds had no merit, and it was unilaterally withdrawn by the Goldstein hedge funds, which terminated the litigation. However, the Fund learned firsthand (both through the tactics used to prevent a successful meeting and the lawsuit) about the destructive tactics of the Goldstein hedge funds. The Board believes that in light of the past actions of affiliates, FVOP may have similar motives that are not apparent on the face of its proposal. The Board believes that FVOP may have actions which, as discussed above, may not be in the best interests of the Fund and all of its shareholders. FVOP may not be interested in seeing the current Board take actions to benefit the Fund. Nonetheless, the Board remains committed to continuing its efforts to help the Fund's shareholders realize the intrinsic value of their shares, subject to market conditions and the best interests of all of its shareholders.

The Board, including the Independent Directors, unanimously recommends that shareholders vote "FOR" F

Proposal 6. Shareholder proposal to terminate the investment advisory agreement between the Fund and UBS Global AM

The Fund has received the following proposal and supporting statement from a shareholder of the Fund, Karpus Management, which has advised the Fund that at the time its proposal was submitted, it had beneficial ownership of 2,010,384 common shares with a market value satisfying a regulatory threshold continuously for the preceding year. Karpus's address is 183 Sully Street, 14534.

For the reasons set forth in detail in the Opposing Statement, which follows Karpus's supporting statement, **the Board and Karpus's proposal and urges all shareholders to vote AGAINST it.**

The Board and the Fund accept no responsibility for the accuracy of Karpus's proposal or its supporting statement. The text of the supporting statement is as follows:

Proposal. The investment advisory agreement between the Fund and UBS Global Asset Management shall be terminated.

Supporting statement of the shareholder

As shareholders of PIF, we are concerned with the persistently wide discount to net asset value (NAV). As the prospectus of the board of directors has determined that it will from time to time consider taking action to attempt to reduce or eliminate any discount, Additionally, the Fund also specifically committed to at least annually consider: "...action either to repurchase shares of the Fund from the open market or to make a tender offer for shares of the common stock at their net asset value." Since the fund's inception, we cannot find any evidence that the Fund has repurchased any shares or considered making a tender offer for shares at NAV.

The discount on PIF has consistently been among the widest of all closed-end municipal bond funds. Indeed, the 10-year average discount on PIF through 12/31/2008 was -12.2% while the average municipal closed-end fund discount was -4.3% during this same time period (Bloomberg). **In fact, there is no other closed-end municipal bond fund that has carried a wider discount during this period.**

Perhaps the explanation for the persistently wide discount of PIF is that the market has little confidence in the management of the Fund, which has a relatively small presence in the closed-end fund world. Additionally, UBS has recently been the subject of much negative publicity due to its involvement and self interest in marketing auction rate preferred securities prior to the auction failures. Shareholders should have the opportunity to realize the true value of their shares. The discount on our Fund has been hopelessly wide, and we have no reason to believe it will narrow without terminating the investment advisory agreement.

The board of directors has a duty to monitor fund performance and should have been proactive in seeking a sub-advisor. If they have allowed the fund to consistently perform below average and the discount to remain wide. To address these issues, a change to a new investment adviser is necessary. If the board of directors cannot recognize this and continues to do nothing, we will be taking action to replace the board with directors whose interests better align with shareholders.

Opposing statement of the Board of Directors

The Fund's Board opposes the shareholder proposal and believes it is in your best interests to maintain your investment advisory and administration agreement with UBS Global Asset Management (Americas) Inc. (UBS) for the reasons discussed below, the Board therefore recommends that shareholders vote AGAINST the Karpus proposal.

Reasons for the Board's Recommendation

The Fund's Board has reviewed and considered the Karpus proposal but believes that it is not in the best interests of the Fund and its shareholders. As described further below:

- Karpus fails to point out that share repurchases and tender offers often benefit short-term shareholders more than (and at the expense of) long-term shareholders, may not reduce the discount in the long term, and may drastically alter the character of the Fund;
- Karpus's discount information is misleading; an average of monthly discount information provided by Lipper, Inc. indicates that for the one-year period ended March 31, 2009, the Fund's monthly average discount was 11.3%, in line with the median discount of the Leveraged Insured Municipal Debt Funds peer group of 11.4% over the same time period;
- UBS Global AM has taken a series of measures over the years to enhance investment performance and shareholder value through investment policy modifications and reductions in its advisory and administration fee;
- The Fund has a competitive performance record relative to its Lipper peer group;
- UBS Global AM's risk-aware investment process and rigorous credit analysis have enabled the Fund to focus on higher quality investments, making it a strong investment choice during times of increased market volatility; and
- Karpus's proposal would leave the Fund orphaned with no investment advisor, and would result in the termination of the Fund's record of careful stewardship during recent unprecedented market challenges.

1. Karpus does not adequately consider the long-term interests of Fund shareholders

Despite Karpus's assertions, the Board frequently considers the difference between the Fund's market price per share and its net asset value (NAV) per share (*i.e.*, the discount or premium, as applicable) and considers whether measures to reduce the Fund's discount through share repurchases, tender offers and other measures, would be in the best interests of the Fund and its shareholders. However, share repurchases and tender offers tend to benefit short-term shareholders far more than—and sometimes to the detriment of—long-term shareholders. Shareholders should understand that, while share repurchases and tender offers may temporarily narrow a fund's trading discount, the reduction in the trading discount is often short-lived. When the share repurchase or tender offer is over, the fund's discount often persists. Share repurchases and tender offers also may involve substantial transaction costs and expenses for the Fund (and its shareholders), which are not addressed at all by Karpus. Moreover, share repurchases and tender offers would result in a smaller fund, which may result in a higher expense ratio, less investment flexibility, fewer assets and lower yields and likely lower

total returns. Finally, share repurchases and tender offers are especially difficult to implement for funds that use leverage for other purposes. The transactions may require the fund to reduce its leverage, resulting in reduced dividends, possible adverse tax consequences to shareholders, and potential drastic alterations of the fundamental characteristics of the fund.

Karpus is representative of a group of hedge funds that frequently invests in closed-end funds to take advantage of short-term opportunities. Based on Karpus's past actions with other closed-end funds, the Board believes that Karpus, unlike most of the other shareholders, may be a short-term shareholder looking for a quick profit through the implementation of measures such as share repurchases and tender offers. UBS Global AM has informed the Board that Karpus frequently targets closed-end funds and that Karpus's actions are not necessarily consistent with the interests of long-term shareholders.

The Board does not believe that terminating the investment advisory and administration agreement between the Fund and UBS Global AM and implementing the measures suggested by Karpus are in the best interests of the Fund and its shareholders, and the Board recommends that shareholders vote **AGAINST** Karpus's proposal.

2. UBS Global AM and the Board have taken a series of measures to make the Fund more competitive

Throughout the years, numerous actions have been taken by the Board and UBS Global AM to improve the Fund's investment performance and level of fees and expenses in the interests of the Fund and its shareholders. These actions have resulted in increased investment performance and shareholder value.

Expanding the Fund's investment strategies to improve performance. The Fund was designed to provide investors with a risk-aware investment program that is more competitive than many similar funds. Over time, the Board and UBS Global AM have discussed ways to improve the Fund's relative performance while retaining its initial investment philosophy and, as a result, the Board has provided more flexibility in its management of the Fund. Some examples of these investment policy modifications include:

- In 2003, the Board changed the Fund's investment strategies to allow the Fund to invest in individual securities having a maturity of less than 10 years and approved the issuance of two additional series of auction preferred shares ("APS") in order to increase leverage and seek to improve performance.
- In 2003, UBS Global AM began utilizing futures contracts to manage yield curve positioning and adjust fund duration.
- In 2005, the Board broadened the Fund's investment policy to allow investment of up to 20% of the Fund's net assets in municipal obligations to include obligations that are rated below the highest rating category but are still investment grade in order to increase the Fund's earning potential.
- In 2005, UBS Global AM began to rely on the Fund's ability to make limited investments in municipal bonds that are subject to a federal minimum tax in order to generate additional incremental income and further diversify the Fund's portfolio.

- In July 2008, the Board approved, and the Fund implemented, a tender option bond (TOB) program to provide the Fund means of partially leveraging its assets and to enable the Fund to redeem a portion of its APS. The TOB program has lowered the Fund's leverage relative to the maximum dividends paid on failed auctions. The Board subsequently approved, and the Fund redeemed, 100 shares of its APS in September 2008 representing a total of 19% of the Fund's outstanding APS.
- In December 2008, the Board approved, and the Fund redeemed, an additional 300 shares of its APS, representing an additional 3% of the Fund's then outstanding APS. This served to ensure that in the difficult market environment the Fund would continue to meet its coverage requirements so that it would be able to continue to declare and pay monthly dividends to common shareholders. This redemption had the effect of decreasing the Fund's use of leverage.
- The Board recently approved, subject to shareholder approval at the upcoming Annual Meeting, a change in the Fund's investment policy regarding the minimum credit rating of insurers of municipal securities in which the Fund invests. This change is intended to increase the Fund's investment flexibility given the current market environment and the downgrading of bond insurers. UBS Global AM believes that the underlying credit quality of the issuers of many insured municipal bonds frequently offsets the lower rating of the bond insurers. UBS Global AM has informed the Board that it sees significant opportunity for long-term investors in many areas of the municipal bond market. We believe the steps already implemented have contributed to improve the performance of the Fund relative to its peer group.

Reducing the advisory and administration fee. UBS Global AM has waived a significant portion of its investment advisory and administration fee since 2003. In 2003, the Board approved a fee waiver which reduced the effective investment advisory and administration fee to 0.70% of the Fund's average weekly net assets. In 2004, UBS Global AM increased the fee waiver, which reduced the effective investment advisory and administration fee to 0.60%. In 2006, the Board determined to calculate the investment advisory and administration fee only on net assets attributable to common shares, rather than on all assets (including those attributable to APS), further reducing the Fund's total expense ratio. In July 2008, the Board approved a voluntary fee waiver proposed by UBS Global AM which reduced the effective advisory and administration fee to 0.50% of the Fund's average weekly net assets attributable only to common shares. Finally, at the upcoming Annual Meeting, the Board and UBS Global AM have proposed, and you will be asked to approve, a new advisory and administration agreement between the Fund and UBS Global AM which would reduce the contractual advisory and administration fee to 0.40% of the Fund's average weekly net assets attributable only to common shares. This history of fee changes was intended to make the Fund more competitive with comparable closed-end funds, contribute to its performance and contribute to reducing the trading discount that has existed.

The implementation of these measures together with the Fund's risk-aware investment approach has benefited the Fund (as measured by the Fund's competitive performance compared to its peer group, particularly in the past 1-, 3- and 5-year periods as shown below). The Board therefore believes that it is in the best interests of the Fund to continue to retain UBS Global AM as the Fund's investment manager. The Board recommends that shareholders vote **AGAINST** Karpus's proposal.

3. The Fund has a competitive performance record and benefits from the continuous management of UBS Global AM.

Fund shareholders benefit from the experience and resources of UBS Global AM. As of December 31, 2008, UBS Global AM has \$144 billion in assets under management. Moreover, UBS Global AM is an indirect, wholly-owned asset management subsidiary member of the UBS Global Asset Management division, which had approximately \$539 billion in assets under management as of December 31, 2008. UBS Global AM's expertise and resources enable it to provide your Fund with first rate research, trading and portfolio management support. Kevin McIntyre, the Fund's portfolio manager, has served as the Fund's portfolio manager since 2002, as a director (since 2003) and portfolio manager (since 2005) of UBS Global AM. He is also head of municipal trading since 2002, and was previously a trader and assistant portfolio manager with UBS Global AM.

As shown in the table below, the Board believes that the Fund's investment approach and recent performance has benefited shareholders. The Fund's performance has been competitive (based on both net asset value and market price) relative to the peer group of other funds categorized as Insured Municipal Debt Funds by Lipper, Inc., an independent third party provider of comparative fund data (the "Lipper peer group").

Insured Municipal Income Fund Inc. as of March 31, 2009

Average Annual Total Return⁽¹⁾	1-Year	3-Year	5-Year	10-Year
Fund Net Asset Value Total Return ⁽³⁾	-0.39%	0.37%	1.56%	3.45%
Lipper Insured Muni Debt Funds (Leveraged) Classification Net Asset Value Total Return median ⁽⁴⁾	-4.01%	-0.37%	1.27%	3.83%
Rank in Lipper Classification Based on Net Asset Value Total Return ⁽⁴⁾	3 out of 24	8 out of 24	9 out of 24	12 out of 18
Fund Market Price Total Return ⁽²⁾	-3.32%	0.38%	0.69%	3.69%
Lipper Insured Muni Debt Funds (Leveraged) Classification Market Price Total Return median ⁽⁴⁾	-6.20%	-1.85%	0.26%	3.30%
Rank in Lipper Classification Based on Market Price Total Return ⁽⁴⁾	6 out of 24	4 out of 24	8 out of 24	6 out of 18

Performance data represents past performance, which does not guarantee future results. Investment return and market values will fluctuate, and you may have a gain or loss when you sell your shares. Current performance figures shown.

(1) Total return calculations represent the average annual changes in value of an investment over the periods indicated.

(2) The Fund's market price returns assume that all dividends and other distributions, if any, were reinvested at prices obtained under the Fund's dividend reinvestment plan.

(3) The Fund's net asset value (NAV) returns assume, for illustration only, that dividends and other distributions, if any, were reinvested at the NAV on the payable dates.

(4) Source: Lipper Inc.

UBS Global AM's extensive experience has provided the Fund with competitive investment performance, which leads the Board to believe that shareholders will vote **AGAINST** Karpus's proposal.

4. The Fund's focus on high credit quality makes it a strong investment choice during times of increased market volatility notwithstanding the Fund's discount

The competitive investment record of the Fund is the result of UBS Global AM's solid investment program for the Fund. Consistent with the Fund's investment objective, UBS Global AM seeks to maximize after-tax total return while minimizing volatility, and to deliver above-average returns. This means the Fund does not intend to pursue a higher yield at the risk of losing principal. The Fund uses a disciplined and diversified risk-aware investment process which takes advantage of UBS Global AM's research capabilities, macroeconomic analysis. Using a top-down investment process supported by extensive research, the Fund seeks to capitalize on opportunities in the municipal bond markets across different sectors, maturities, bond structures and issuers.

The Board and UBS Global AM believe that for a fixed income fund, the biggest long-term risk to principal is the creditworthiness of the investments in which the fund invests. Therefore, in choosing investments for the Fund, UBS Global AM focuses on both the credit quality and the security of the investments. UBS Global AM uses proprietary quantitative, credit, market and economic analysis to make portfolio management decisions.

UBS Global AM's risk-aware investment process and rigorous credit analysis has enabled the Fund to focus on higher quality investments which can be particularly beneficial during periods of market volatility. The Fund's performance has benefited from UBS Global AM's investment process. As of March 31, 2009, for the 1- and 3-year trailing periods the Fund outperformed 88% and 68% of its Lipper peer group based on total return and 76% and 84% of its Lipper peer group based on market price.

As with other municipal closed-end funds within the Fund's peer group, the market price of the Fund's shares often is lower than the NAV per share (*i.e.*, the Fund's shares often trade at a discount). However, in evaluating the Fund as an investment vehicle, the Board believes that UBS Global AM's performance as a manager, the Board believes that the discount must be weighed against the Fund's relative investment performance and its adherence to its investment philosophy. The Fund does not seek to place itself among the highest yielding funds through the purchase of riskier bonds. While a higher yield might reduce a closed-end fund's trading discount at times, it can be a recipe for losing principal, which is inconsistent with the Fund's long-term focus on balance and conserving principal.

Karpus's assertions about the Fund's discount levels are misleading. Karpus compares the Fund to the entire universe of closed-end municipal bond funds, some of which have investment objectives and strategies that differ substantially from those of the Fund. The Board and UBS Global AM believe the Fund's discount should be evaluated over time relative to the median discount of its Lipper peer group in which the Fund actually competes. As of March 31, 2009, the Fund traded at a 12.9% discount to its NAV, relative to a median discount of 11.4% for its Lipper peer group. However, discount levels vary continuously and considering averages can be more informative than considering individual data points in time. An average of monthly discount information provided by Lipper, Inc. indicates that over the one-year period ending March 31, 2009, the Fund's average discount was 11.3%, which was in line with a median discount of 11.4% for its Lipper peer group. (Source: Lipper).

The Board believes that the presence of a discount does not, by itself, necessitate the drastic step of terminating the Fund's advisory and administration agreement with UBS Global AM, particularly in light of the Fund's competitive performance and other indicators, as described above. The Board therefore recommends that shareholders vote **AGAINST** Karpus's proposal.

5. The Fund's investment advisor is not the primary focus of negative press

Karpus makes reference to UBS being the subject of negative press. The Board has followed these press articles closely. They do not relate to actions taken by UBS Global AM or the individuals responsible for managing your Fund. The statements made do not relate to entities that are separate from UBS Global AM, and do not relate to any actions taken by UBS Global AM or its personnel, in the management of the Fund. In addition, the Board regularly reviews the performance and compliance policies and reports of the investment advisor. The Board receives in-person reports from the Fund's chief compliance officer ("CCO") on at least a quarterly basis. At regular Board meetings, individual Board members receive updates on matters that might impact the Fund or UBS Global AM. The Board believes that UBS Global AM maintains high standards of regulatory compliance. The Board therefore recommends that shareholders vote **AGAINST** Karpus's proposal.

6. Karpus's proposal is not viable

Karpus does not propose any other advisor for the Fund — just that the current advisor be terminated. There is no guarantee the Board would be able to find and retain a qualified and reputable investment advisor that would agree to assume the management of the Fund for a reasonable cost, especially given the continuing attacks from hedge funds criticizing management and attempting to pressure responses. In that case, there is a possibility that your Fund could be orphaned without any advisor at all, making it difficult for the Fund to carry out any portfolio management, research or trading — the Fund's investment program would be completely paralyzed. Karpus's proposal also ignores the significant expenses that the Fund and its shareholders could incur in replacing UBS Global AM.

Even more to the point, the Board has the ability to terminate an investment advisory agreement at any time if it believes that is in the best interests of the Fund. The Board does not need a shareholder vote. The Board, however, is in favor of continuing to retain UBS Global AM as the investment advisor. As explained above, the Board believes that Fund shareholders benefit from the services, experience and expertise of UBS Global AM. UBS Global AM and its affiliates and predecessors have been managing the Fund since 1993 — charting a careful course through market challenges and reflecting in the strong relative performance of the Fund over the past several years. Its careful stewardship during recent unprecedented market challenges — reflected in the strong relative performance of the Fund — that its long-term, dedicated approach has merit. The Board therefore believes that the proposal is not in the best interests of the Fund and recommends that shareholders vote **AGAINST** Karpus's proposal.

The Board, including the Independent Directors, recommends that shareholders vote **AGAINST Karpus's proposal.**

Additional information about the Board

The Board met eleven times during the fiscal year ended March 31, 2009. Each director attended 75% or more of the Board meetings during the last fiscal year. The Fund's directors are not required to attend the Fund's annual meetings; Mr. Garil, a director, attended the annual meeting of shareholders in 2008.

The Board has established an Audit Committee that acts pursuant to a written charter ("Audit Committee Charter") and is responsible, among other things: (i) overseeing the scope of the Fund's audit, (ii) overseeing the Fund's accounting and financial reporting practices and internal controls; and (iii) approving, and recommending to the Board for ratification, the selection, appointment, termination of the Fund's independent registered public accounting firm, as well as determining the compensation thereof. The Audit Committee Charter is available on UBS Global AM's Web site at http://www.ubs.com/1/e/globalam/Americas/globalamus/globalam_end_funds.html, and a copy of the charter is attached as Exhibit A. In furtherance of its duties, the Audit Committee also is responsible, among other things: receiving reports from the Fund's independent registered public accounting firm regarding its independence; discussing any disclosed relationships or services that may diminish the objectivity and independence of the independent registered public accounting firm; inquiring of UBS Global AM and the Fund's independent registered public accounting firm as to the Fund's compliance with Subchapter M of the Internal Revenue Code and the amounts distributed and reported to shareholders; and reviewing with the independent registered public accounting firm any problems or difficulties the independent registered public accounting firm may have encountered in the conduct of the audit.

Although the Audit Committee has the responsibilities set forth in its Audit Committee Charter and described above, it is not responsible for planning or conducting the Fund's audit or determining whether the Fund's financial statements are complete and accurate in accordance with US generally accepted accounting principles. In fulfilling their responsibilities under the Fund's Audit Committee Charter, the Audit Committee recognized that (i) the members of the Audit Committee are not full-time employees of the Fund; (ii) it is not the duty or the responsibility of the Audit Committee or its members to conduct "field work" or any other types of auditing and accounting reviews or procedures that would require independence standards; and (iii) each member of the Audit Committee shall be entitled to rely on: (a) the integrity of those providing information outside of the Fund from whom he or she receives information; (b) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board); and (c) statements made by management and employees of the Fund, UBS Global AM or other third parties as to any information technology, internal audit and other controls. The review of the Fund's financial statements by the Audit Committee is not of the same quality as the audit performed by the independent registered public accounting firm.

None of the members of the Audit Committee has any relationship to the Fund that may interfere with the exercise of his or her duties as a member of management or the Fund, and each is independent as defined under the listing standards of the New York Stock Exchange applicable to closed-end funds. Each member of the Fund's Audit Committee is also a member of a similar committee established by the Fund or certain other investment companies for which UBS Global AM or an affiliate serves as investment advisor, sub-advisor or investment manager. The Audit Committee met six times during the fiscal year ended March 31, 2009, and each member attended 75% or more of those meetings.

The Fund's Audit Committee has: (a) reviewed and discussed the Fund's audited financial statements with management; (b) reviewed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 98, as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T; (c) received written disclosures from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, as adopted by the PCAOB in Rule 3600T, and has discussed with the independent registered public

accounting firm its independence; and (d) based upon its review of the above, recommended to the Board that the Fund's financial statements be included in the Fund's annual report to shareholders for the fiscal year ended March 31, 2009. The members of the Compensation Committee are Richard Q. Armstrong, Alan S. Bernikow, Richard R. Burt, Bernard H. Garil and Heather R. Higgins.

The Board has also established a Nominating and Corporate Governance Committee that acts pursuant to a written charter (the "Nominating and Corporate Governance Committee Charter"). The Nominating and Corporate Governance Committee is responsible for, among other things, identifying, selecting, evaluating and recommending to the Board candidates to be nominated as additional Independent Directors; making recommendations to the Board with respect to compensation of Board and committee members; overseeing an annual evaluation of the Board and its committees; reporting on such evaluation to the Board; and performing such other governance functions as the Board from time to time delegate to the Nominating and Corporate Governance Committee. A copy of the Nominating and Corporate Governance Committee Charter is not available on UBS Global AM's Web site, but a copy of the Nominating and Corporate Governance Committee Charter is attached as Exhibit B. The Nominating and Corporate Governance Committee currently consists of Messrs. Burt and Garil, none of whom is an "interested person" for purposes of the 1940 Act, and all of whom are independent as defined under listing standards of the NYSE applicable to closed-end funds. The Nominating and Corporate Governance Committee met once during the fiscal year ended March 31, 2009, and each member attended that meeting.

In nominating candidates, the Nominating and Corporate Governance Committee believes that no specific qualifications or characteristics are controlling or paramount, or that specific qualities or skills are necessary for each candidate to possess. In identifying and evaluating candidates for director, the Nominating and Corporate Governance Committee takes into consideration such factors as it deems appropriate. Such factors may include: (i) whether or not the person is an "interested person" as defined in the 1940 Act, meets the independence and other requirements of the NYSE applicable to closed-end funds and is otherwise qualified under applicable laws and regulations to serve as a member of the Board; (ii) whether or not the person has any relationships that might impair his or her independence, such as any business or family relationships with Fund management, the investment advisor and/or sub-advisors of the Fund, Fund service providers or other Board members; (iii) whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of his or her duties as a member; (iv) the person's judgment, skill, diversity and experience with investment companies and other organizations of similar complexity and size and subject to similar legal restrictions and oversight; (v) the interplay of the candidate's experience with other Board members; and (vi) the extent to which the candidate would be a desirable addition to the Board and any committee.

The Nominating and Corporate Governance Committee will consider nominees recommended by shareholders if a vacancy exists on the Board. To recommend a nominee, a shareholder should send a letter to the chairperson of the Nominating and Corporate Governance Committee, Richard Burt, care of the Secretary of the Fund at UBS Global Asset Management (Americas) Inc., UBS Tower, One North Water Street, Chicago, IL 60606 and indicate on the envelope "Nominating and Corporate Governance Committee." The shareholder's letter should include the nominee's name and should include the nominee's *résumé or curriculum vitae*, and must be accompanied by a written consent from the nominee to stand for election if nominated by the Board and to serve if elected by shareholders. The Board does not have a separate compensation committee. Shareholders can send other communications to the Board care of its chairman at the following address: Richard Q. Armstrong, UBS Funds, c/o Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019.

Each Independent Director receives, in the aggregate from the UBS Global AM funds of which he or she is a director, an annual fee of \$100,000 and a \$15,000 fee for each regular joint board meeting of the boards of those funds (and each in person special meeting of the boards of those funds) actually attended. Independent Directors who participate in previously scheduled in-person joint meetings of the boards of the UBS Global AM funds by telephone to accommodate other business obligations are paid \$2,000 for such meetings. Independent Directors who participate in previously scheduled in-person joint meetings of the boards of the UBS Global AM funds by telephone due to illness or other unavoidable circumstances are paid the full meeting fee. Each Independent Director receives from the relevant fund(s) a fee for each special in-person meeting (not held as a joint meeting) of the board of that fund actually attended where a fund's board meets separately from the regularly scheduled joint board meetings. Independent Directors who participate in scheduled telephonic meetings of the board(s) of one or more funds are paid \$1,000 for each such meeting actually attended.

The chairman of the boards receives annually an additional \$50,000; the chairperson of the Audit Committee receives annually an additional \$35,000; and the chairperson of the Nominating and Corporate Governance Committee receives annually an additional \$25,000. If a board member simultaneously holds more than one such position, he or she is paid only the higher of the fees otherwise applicable to such positions. Independent Directors who are also members of the Audit Committee and/or Nominating and Corporate Governance Committee are paid \$2,000 for each such meeting actually attended, provided that such meeting is not held in conjunction with a regularly scheduled board meeting. The foregoing fees are allocated among all such funds (or each relevant fund in the case of a special meeting) as follows: (i) one-half of the expense is allocated pro rata based on the funds' relative net assets at the end of the calendar quarter preceding the meeting, and (ii) one-half of the expense is allocated according to the number of such funds. No officer, director or employee of UBS Global AM or its affiliates presently receives any compensation from the funds for acting as a board member or officer. All board member expenses incurred in attending meetings. Professor Feldberg, an interested person of the Fund, but not by reason of affiliation with UBS Global AM, is compensated by UBS Global AM with respect to a fund unless the management, investment advisory and/or administrator of that fund between that fund and UBS Global AM provides that the fund may bear a portion of the compensation to a director who is not an officer, director or employee of UBS Global AM or any of UBS Global AM's affiliates.

Each director who has attained the age of seventy-five (75) years will be subject to retirement on the last day of the month in which he or she attains such age, unless the Board, including a majority of its Independent Directors, determines to grant a waiver of the retirement policy with respect to a specified individual for a set period of time. The retirement policy has been waived with respect to Mr. Armstrong, a director of the Board, until 2011. The table below includes certain information relating to the compensation of the Fund's directors. Professor Feldberg, an interested person of the Fund, is compensated by UBS Global AM with respect to those funds for which UBS Global AM serves as a sub-advisor or manager, except as discussed above.

Compensation table

Name of person, position	Aggregate compensation from the Fund*	Total compensation from the Fund and the Fund Complex**
Richard Q. Armstrong, director	\$9,265	\$251,400
Alan S. Bernikow, director	8,054	235,400
Richard R. Burt, director	6,967	225,400
Meyer Feldberg, director	0	190,750
Bernard H. Garil, director	8,616	203,400
Heather R. Higgins, director	8,616	203,400

□ Except as discussed above, only Independent Directors were compensated by the funds for which UBS Global AM serve as advisor, sub-advisor or manager.

□□ Professor Feldberg is an □interested person□ of the Fund by virtue of his position as senior advisor with Morgan Stanley. The amounts listed in the compensation table for Professor Feldberg represent only (1) those amounts paid by other funds within the Fund Complex for which UBS Global AM does not serve as investment advisor, sub-advisor or manager, and (2) funds within the Fund Complex that have management, investment advisory and/or administration contracts providing that the fund may bear a portion of the compensation, as discussed above. Professor Feldberg is compensated by UBS Global AM with respect to his service on the Fund.

* Represents fees paid to each director during the fiscal year ended March 31, 2009.

** Represents fees paid during the calendar year ended December 31, 2008 to each board member by: (a) 17 investment companies in the case of Messrs. Armstrong, Bernikow, Burt and Garil and Ms. Higgins; and (b) 30 investment companies in the case of the Fund for which UBS Global AM or one of its affiliates served as investment advisor, sub-advisor or manager. No fund within the Fund has a bonus, pension, profit sharing or retirement plan.

Information concerning independent registered public accounting

The Fund's financial statements for the fiscal year ended March 31, 2009, were audited by Ernst & Young LLP (Ernst & Young), a registered public accounting firm. In addition, Ernst & Young prepares the Fund's federal and state annual income tax returns and provides certain non-audit services. The Audit Committee has considered whether the provision of those non-audit services is compatible with maintaining Ernst & Young's independence. The Audit Committee of the Fund has selected Ernst & Young as the Fund's independent registered public accounting firm, and such selection also has been approved by the Fund's board for the fiscal year ending March 31, 2009. Ernst & Young has been the Fund's independent registered public accounting firm since its inception in June 1993. Ernst & Young has advised the Fund that it has no material direct or indirect financial interest in the Fund.

Representatives of Ernst & Young are not expected to be present at the meeting but have been given the opportunity to make their views known if they so desire and will be available should any matter arise requiring their response.

Audit fees

The aggregate audit fees billed by Ernst & Young for professional services rendered to the Fund for the fiscal years ended March 31, 2009 and March 31, 2008 were approximately \$42,000 and \$40,000, respectively.

Fees included in the audit fees category are those associated with the annual audits of financial statements and services provided in connection with statutory and regulatory filings.

Audit-related fees

The aggregate audit-related fees billed by Ernst & Young for services rendered to the Fund that are reasonably related to the audits of the financial statements, but not reported as audit fees, were approximately \$8,523 and \$8,667, respectively, for the fiscal years ended March 31, 2009 and March 31, 2008.

Fees included in the audit-related fees category are those associated with (1) the reading and providing of comments on the Fund's semiannual financial statements, (2) review of the consolidated 2007 and 2006 reports on the profitability of the UBS funds managed by UBS Management (Americas) Inc. and its affiliates to assist the board members in their annual advisory/administration contract review, and (3) auction preferred shares testing for the Fund's fiscal years ended 2009 and 2008.

With respect to Rule 2-01(c)(7)(i)(C) of Regulation S-X, there were no audit-related fees that were approved by the Audit Committee of the Fund for the fiscal years ended March 31, 2009 and March 31, 2008 on behalf of (i) the Fund's service providers, or (ii) directly to the operations and financial reporting of the Fund, or (iii) the Fund itself. There were no audit-related fees required pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal years indicated above.

Tax fees

The aggregate tax fees billed by Ernst & Young for services rendered to the Fund for each of the fiscal years ended March 31, 2009 and March 31, 2008 were approximately \$10,135 and \$13,000, respectively.

Fees included in the tax fees category comprise all services performed by professional staff in the independent accountant's office for those services related to the audits. This category comprises fees for review of tax compliance, tax return preparation and other calculations.

With respect to Rule 2-01(c)(7)(i)(C) of Regulation S-X, there were no tax fees that were approved by the Audit Committee pursuant to the *de minimis* exception for the fiscal years ended March 31, 2009 and March 31, 2008 on behalf of (i) the Fund's service providers directly to the operations and financial reporting of the Fund, or (ii) the Fund itself. There were no tax fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal years indicated above.

All other fees

For the fiscal years ended March 31, 2009 and March 31, 2008, there were no fees billed by Ernst & Young for other services provided to the Fund. Fees included in the "all other fees" category would consist of services related to internal control reviews, strategy and financial information systems design and implementation, consulting on other information systems, and other tax services provided to the Fund.

There were no fees billed by Ernst & Young for the most recent fiscal year for professional services rendered for financial information systems design and implementation services provided to the Fund, UBS Global AM and entities that control, are controlled by or are under common control with UBS Global AM that provide services to the Fund.

With respect to Rule 2-01(c)(7)(i)(C) of Regulation S-X, there were no fees within this category that were required to be approved by the Audit Committee pursuant to the *de minimis* exception for the fiscal years ended March 31, 2009 and March 31, 2008 on behalf of service providers that relate directly to the operations and financial reporting of the Fund, or (ii) the Fund itself. There were no fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X during the fiscal years indicated above.

The Audit Committee Charter contains the Audit Committee's pre-approval policies and procedures. Reproduced below is a copy of the Audit Committee Charter regarding pre-approval policies and procedures:

The Audit Committee shall:

2. Pre-approve (a) all audit and permissible non-audit services¹ to be provided to the Fund and (b) all permissible non-audit services to be provided by the Fund's independent auditors to UBS Global [Asset Management (Americas) Inc. (UBS Global AM)]

¹ The Committee will not approve non-audit services that the Committee believes may taint the independence of the auditors. Permissible non-audit services include any professional services (including tax services) that are not prohibited services listed below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment advisor or investment banking services.

Covered Service Providers, if the engagement relates directly to the operations and financial reporting of the Fund, shall assume this responsibility, the Committee shall seek periodically from UBS Global and from the independent auditors a list of all permissible non-audit services that can be expected to be rendered to the Fund, UBS Global or any Covered Service Provider, the Fund's independent auditors, and an estimate of the fees sought to be paid in connection with such services. The Committee shall delegate its responsibility to pre-approve any such audit and permissible non-audit services to a sub-committee consisting of the Chairperson of the Committee and two other members of the Committee as the Chairperson, from time to time. The subcommittee shall appoint, and such subcommittee shall report to the Committee, at its next regularly scheduled meeting after the meeting, its decision(s). From year to year, the Committee shall report to the Board whether this system of pre-approval is effective and efficient or whether this Charter should be amended to allow for pre-approval pursuant to such policy as the Committee shall approve, including the delegation of some or all of the Committee's pre-approval responsibilities to other persons (other than UBS Global or the Fund's officers).

Aggregate non-audit fees

For the fiscal years ended March 31, 2009 and March 31, 2008, the aggregate non-audit fees billed by Ernst & Young of approximately \$2,038,064 and \$1,487,603, respectively, included non-audit services rendered on behalf of the Fund of approximately \$180,000 and \$180,000, respectively, and non-audit services rendered on behalf of the Fund's investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor) and any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the Fund of approximately \$2,019,406 and \$1,307,603, respectively.

The Audit Committee was not required to consider whether the provision of non-audit services that were rendered to the Fund by the investment advisor (not including any sub-advisor whose role is primarily portfolio management and is subcontracted with or overseen by another investment advisor), and any entity controlling, controlled by, or under common control with the investment advisor that provides services to the Fund that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X was compatible with Ernst & Young's independence.

(viii) legal services and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Standards Board determines, by regulation, is impermissible. Pre-approval by the Committee of any permissible non-audit services is not required if the aggregate amount of all such permissible non-audit services provided to the Fund, UBS Global and any service provider controlling, controlled by or under common control with UBS Global that provide ongoing services to the Fund ("Covered Service Providers") constitutes not more than 5% of the total amount of revenues paid to the independent auditors (during the fiscal year in which the permissible non-audit services are provided) by (a) the Fund, (b) its investment advisor and (c) any entity controlling, controlled by, or under common control with the investment advisor that provides ongoing services to the Fund during the fiscal year in which the permissible non-audit services are provided that would have to be approved by the Committee; (ii) the permissible non-audit services were not recognized at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Board and approved by the Committee (or its delegate(s)) prior to the completion of the audit.

Executive officers

Officers of the Fund are appointed by the directors and serve at the pleasure of the board. None of the Fund's officers currently receive compensation from the Fund. The executive officers of the Fund are:

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 number of portfolios in Fund complex for which person serves as officer
Joseph Allesie*; 43	Vice President and Assistant Secretary	Since 2005	Mr. Allesie is an executive director (since general counsel (since 2005) at UBS Global (US) Inc. and UBS Global Asset Management (collectively "UBS Global AM" Americas region, having joined UBS Global AM Americas region, having been president and general counsel of Kenmar (2004 to 2005). Prior to that Mr. Allesie was president and secretary of GAM USA Inc., GAM Investments Services, GAM Funds, Inc. and the GAM Advisory (1999 to 2004). Mr. Allesie is a vice president and secretary of 21 investment companies (collectively "portfolios") for which UBS Global AM Americas region, its affiliates serves as investment advisor, or manager.
Thomas Disbrow*; 43	Vice President and Treasurer	Since 2000 (Vice President); since 2004 (Treasurer)	Mr. Disbrow is an executive director (since general counsel (since the US mutual fund treasury administration (September 2006) of UBS Global AM Americas region, having been with UBS Global AM Americas region, having been Mr. Disbrow is a vice president and treasurer and accounting officer of 21 investment companies (collectively "portfolios") for which UBS Global AM Americas region, one of its affiliates serves as investment advisor, or manager.

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 number of portfolios in Fund complex for which person serves as officer
Michael J. Flook*; 44	Vice President and Assistant Treasurer	Since 2006	Mr. Flook is an associate director and a senior US mutual fund treasury administration director of UBS Global AM Americas region (since 2006). In UBS Global AM Americas region, he was a senior manager of The Reserve (asset management firm) from 2006. Prior to that he was a senior manager of UBS Worldwide since October 2000. Mr. Flook is the vice president and assistant treasurer of 21 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or one of its affiliates serves as investment advisor, sub-advisor or manager.
Elbridge T. Gerry III*; 52	Vice President	Since 1996	Mr. Gerry is a managing director of UBS Global AM Americas region (since 2004) and vice president of 6 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or one of its affiliates serves as investment advisor, sub-advisor or manager.
Mark F. Kemper**; 51	Vice President and Secretary	Since 2004	Mr. Kemper is general counsel of UBS Global AM Americas region (since 2004). Mr. Kemper also is a general counsel of UBS Global Asset Management Inc. (UBS Global AM Americas) from July 2004. He has been secretary of UBS Global AM Americas and assistant secretary of UBS Global Asset Management Trust Company since 1993. Mr. Kemper is the vice president of UBS Global AM Americas region (since 2004). He is the president and secretary of 21 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or one of its affiliates serves as investment advisor, sub-advisor or manager.

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 number of portfolios in Fund complex for which person serves as officer
Joanne M. Kilkeary*; 41	Vice President and Assistant Treasurer	Since 2004	Ms. Kilkeary is a director (since 2008) prior to an associate director (since 2000) and a senior advisor (since 2004) of the US mutual fund treasury department of UBS Global AM Americas region as a vice president and assistant treasurer of several investment companies (consisting of 104 portfolios) for UBS Global AM Americas region or one of its affiliates as investment advisor, sub-advisor or manager.
Tammie Lee*; 38	Vice President and Assistant Secretary	Since 2005	Ms. Lee is a director and associate general manager of UBS Global AM Americas region (since 2005). Prior to UBS Global AM Americas region, she was vice president and counsel at Deutsche Asset Management/Scudder Investments from 2003 to 2005. Prior to that she was a vice president and counsel at Deutsche Asset Management/Scudder Investments from 2000 to 2003. Ms. Lee is a vice president and assistant secretary of several investment companies (consisting of 104 portfolios) for UBS Global AM Americas region or one of its affiliates as investment advisor, sub-advisor or manager.
Steven J. LeMire*; 39	Vice President and Assistant Treasurer	Since 2007	Mr. LeMire is a director and senior manager of UBS Global AM Americas region (since 2007). Prior to UBS Global AM Americas region, he was an independent consultant at Third River Capital, LLC (formerly Two River Capital) (from 2005 to 2007). Prior to that, he was a vice president of operations and fund administration with CIBC World Financial Management, Inc. (from 1997 to 2005). Mr. LeMire was a vice president and assistant treasurer of 21 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or one of its affiliates acted as investment advisor, sub-advisor or manager.

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 number of portfolios in Fund complex for which person serves as officer
Joseph McGill*; 47	Vice President and Chief Compliance Officer	Since 2004	Mr. McGill is a managing director (since 2003) and chief compliance officer (since 2003) of UBS Global AM Americas region. Prior to joining UBS Global AM Americas region, he was assistant general counsel at J.P. Morgan & Co. Management (from 1999 to 2003). Mr. McGill is currently president and chief compliance officer of 2 investment companies (consisting of 104 portfolios) for UBS Global AM Americas region or one of its affiliates as investment advisor, sub-advisor or manager.
Kevin McIntyre*; 42	Vice President	Since 2005	Mr. McIntyre is a director (since 2003) and head of municipal trading (since 2005) of UBS Global AM Americas region. Prior to joining UBS Global AM Americas region, he was head of municipal trading since 2002. Prior to that, he was a trader and assistant portfolio manager with UBS Global AM Americas region. Mr. McIntyre is a vice president of 2 investment companies (consisting of 2 portfolios) for UBS Global AM Americas region or one of its affiliates as investment advisor, sub-advisor or manager.
Nancy D. Osborn*; 43	Vice President and Assistant Treasurer	Since 2007	Mrs. Osborn is an associate director and head of the US mutual fund treasury administration for UBS Global AM Americas region (since 2007). Prior to joining UBS Global AM Americas region, she was a vice president with Brown Brothers Harriman & Co. Mrs. Osborn is a vice president and assistant treasurer of 2 investment companies (consisting of 104 portfolios) for UBS Global AM Americas region or one of its affiliates as investment advisor, sub-advisor or manager.

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 years and number of portfolios in Fund complex for which person serves as officer
Eric Sanders*; 43	Vice President and Assistant Secretary	Since 2005	Mr. Sanders is a director and associate general manager of UBS Global AM Americas region (since 2005). Prior to 2005, he held various positions at Fred Alger Group, Inc. Incorporated, the most recent being assistant general manager and associate general counsel. Mr. Sanders is also a director and assistant secretary of 21 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or one of its affiliates serves as investment advisor, sub-advisor or manager.
Andrew Shoup*; 52	Vice President and Chief Operating Officer	Since 2006	Mr. Shoup is a managing director and global head of the treasury administration department of UBS Global AM Americas region (since July 2006). Mr. Shoup is also a director of UBS (IRL) Fund p.l.c. Prior to joining UBS Global AM Americas region, he was chief administrator of the Legg Mason Partners Funds (formerly Legg Mason, Salomon Brothers, and CitiFunds mutual funds) from November 2003 to July 2006. Prior to that time, he held various positions with Citigroup Asset Management and other companies with their domestic and offshore operations since 1993. Additionally, he has worked for UBS Global AM Americas region as well as spending eleven years in public accounting. Mr. Shoup is a vice president and director of 21 investment companies (consisting of 104 portfolios) for which UBS Global AM Americas region or its affiliates serves as investment advisor, sub-advisor or manager.

Name, address, and age	Position(s) held with the Fund	Term of office and length of time served	Principal occupation(s) during past 5 years and number of portfolios in Fund complex for which person serves as officer
Kai R. Sotorp**; 50	President	Since 2006	Mr. Sotorp is the Head of Americas for UBS Global Asset Management (since 2004); a member of the Managing Board (since 2003), and a member of the Global Asset Management Executive Committee. Mr. Sotorp is a board director and president of UBS Global Holdings (USA) Inc. (since 2004). Prior to 2004, Mr. Sotorp was head of UBS Global Asset Management, Pacific (2002-2004), covering Australia, Japan, Singapore and Taiwan; head of UBS Global Asset Management (Japan) Ltd. (2001-2004); representative of UBS Global Asset Management (Japan) Ltd. member of the board of Mitsubishi Corp. (2000-2004). Mr. Sotorp is president of 21 investment companies (consisting of 104 portfolios) for UBS Global Asset Management Americas region or serves as investment advisor, sub-advisor.
Keith A. Weller*; 47	Vice President and Assistant Secretary	Since 1995	Mr. Weller is an executive director and senior general counsel of UBS Global AM Americas (since 2005) and has been an attorney with affiliation since 1995. Mr. Weller is a vice president and advisor to 21 investment companies (consisting of 104 portfolios) for UBS Global AM Americas region or serves as investment advisor, sub-advisor.

* This person's business address is 51 West 52nd Street, New York, New York 10019-6114.

** This person's business address is One North Wacker Drive, Chicago, Illinois 60606.

□ Officers of the Fund are appointed by the directors and serve at the pleasure of the board.

Other information

Beneficial ownership of shares

The following is based upon a review of public filings. As of April 30, 2009, management knew of the following persons who own 5% or more of the common stock or auction preferred stock of the Fund:

<u>Title of class</u>	<u>Name and address of beneficial owner</u>	<u>Amount and nature of beneficial ownership</u>	<u>Percentage of class</u>
Common Stock	Bulldog Investors General Partnership and Phillip Goldstein, 60 Heritage Drive, Pleasantville, NY 10570	2,078,913**	10.0%
Common Stock	Karpus Management Inc., d/b/a Karpus Investment Management, 183 Sully's Trail, Pittsford, NY 14534	2,010,384***	9.9%
Auction Preferred Stock	UBS AG, for benefit of and on behalf of UBS Securities LLC and UBS Financial Services Inc., Bahnhofstrasse 45, PO Box CH-8021 Zurich, Switzerland	1,173****	37.5%
Auction Preferred Stock	Morgan Stanley & Co. Incorporated 1585 Broadway, New York, NY 10036	183*****	5.6%

* Percent of class is based on the number of shares outstanding as of April 30, 2009.

** Based on a Schedule 13D/A filed with the SEC with respect to the Fund on April 29, 2009 by Bulldog Investors General Partnership and Phillip Goldstein.

*** Based on a Schedule 13D/A filed with the SEC with respect to the Fund on January 30, 2009 by Karpus Investment Management Inc.

**** Based on a Schedule 13G filed with the SEC with respect to the Fund on February 10, 2009 by UBS AG, for benefit of UBS Securities LLC and UBS Financial Services Inc.

***** Based on a Schedule 13G filed with the SEC with respect to the Fund on February 17, 2009 by Morgan Stanley & Co.

Section 16(a) beneficial ownership reporting compliance

The Fund is not aware of any outstanding report required to be filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 by any director, officer, or board member or officer.

Shareholder proposals

Any shareholder who wishes to submit proposals to be considered at the Fund's 2010 annual meeting of shareholders should submit proposals to the Secretary of the Fund at UBS Global Asset Management, UBS Tower, One North Wacker Drive, Chicago IL, 60606. Proposals to be considered at that meeting, shareholder proposals must be received by the Fund no later than February 5, 2010. Shareholder proposals submitted in a timely manner will not necessarily be included in the Fund's proxy materials. Inclusion of such proposals is subject to the federal securities laws and informational requirements of the Fund's Bylaws, as in effect from time to time.

Currency of information

Shareholders should note that information and data provided in this Proxy Statement is current only as of the dates indicated. The Fund complies with certain regulatory requirements relating to the timing for the preparation of opposition statements to shareholder proposals. The performance and discount information provided in the opposition statement to Proposal 6 is as of March 31, 2009. Shareholders should note that the Fund's performance and discount may vary from month to month and thus may differ from the figures shown. Past performance does not guarantee future results. In addition, information regarding the assets under management of UBS Global AM and the UBS Global Asset Management division of UBS AG provided in the opposition statement to Proposal 6 is as of December 31, 2008. As of March 31, 2009, UBS Global AM had approximately \$142 billion in assets under management, and the UBS Global Asset Management division had approximately \$507 billion in assets under management.

Solicitation of proxies

Your vote is being solicited by the directors of the Fund. The cost of soliciting these proxies will be borne by the Fund. The Fund has retained brokerage firms and others for their expenses in forwarding proxy material to the beneficial owners and soliciting them to vote.

In addition, the Fund has made arrangements with a professional proxy solicitation firm, Georgeson Inc., to assist with soliciting proxies. The Fund anticipates that the cost of retaining Georgeson Inc. will be approximately \$10,000 to \$50,000 plus expenses. The Fund will indemnify Georgeson Inc. against certain liabilities, including liabilities arising under the federal securities laws. Georgeson Inc. is a subsidiary of the Fund that it intends to employ approximately 40 persons to solicit proxies.

The Fund expects that the solicitation will be primarily by mail, but also may include telephone, telecopy, electronic, oral or other forms of communication. If the Fund does not receive your proxy by a certain time, you may receive a telephone call from a proxy solicitor to urge you to vote.

It is currently estimated that the total amount to be spent on the solicitation (in excess of the amount normally spent for an uncontested election where only the reelection of the existing board members is proposed, and excluding salaries and wages of Fund officers and directors of UBS Global AM) will be approximately \$550,000. To date, approximately \$0 has been spent on the solicitation. These amounts are in excess of the amount normally expended for the election of directors in the absence of a contest. The directors and officers of

the Fund, or regular employees and agents of UBS Global AM and UBS Financial Services Inc., may be involved in the solicitation of proxies. The Fund does not reimburse such persons for the solicitation of proxies. The Fund intends to pay all costs associated with the solicitation of proxies for the meeting.

Important notice regarding the availability of proxy materials for the annual meeting of shareholders to be held on August 12, 2009

This proxy statement, along with the Fund's annual report for the fiscal year ended March 31, 2009, are available free of charge on the Fund's website at http://www.ubs.com/1/e/globalam/Americas/globalamus/globalamusii/ii_closed_end_funds.html.

Other business

Management knows of no business to be presented to the meeting other than the matters set forth in this proxy statement. If any other matter requiring a vote of shareholders arise, the proxies will vote thereon according to their discretion.

By order of the board of directors,

Mark F. Kemper
Vice President and Secretary

June 5, 2009

It is important that you execute and return your proxy promptly.

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Audit Committee Charter, amended and restated as of May 12, 2008 (with revisions through July 2008)

Establishment and purpose

This document serves as the Charter for the Audit Committee (the "Committee") of the Board of each fund (the "Fund") and Asset Management (Americas) Inc. ("UBS Global") listed on Appendix A hereto (each such Charter being a separate Charter). The purposes of the Committee are to assist Board oversight of (1) the integrity of the Fund's financial statements, (2) the Fund's legal and regulatory requirements, (3) the independent auditors' qualifications and independence and (4) the performance of the independent auditors.

In performing its Board oversight assistance function, the Committee will, among other things (a) oversee the scope of the Fund's financial statements, the quality and objectivity of the Fund's financial statements, the Fund's accounting and financial reporting policies and practices, internal controls and, as appropriate, the internal controls of certain service providers; (b) approve, and recommend to the Board, for the selection, appointment, retention or termination of the Fund's independent auditors, as well as determining the compensation of the independent auditors; and (c) pre-approve all audit and non-audit services provided to the Fund and certain other persons by such independent auditors.

Duties and responsibilities

Audit oversight. The Fund's independent auditors are accountable to the Committee.

The Committee shall:

1. Approve, and recommend to the Board for the Board's ratification, the selection, appointment, retention or termination of the Fund's independent auditors, or of any other public accounting firm engaged for the purpose of performing other audit, review or consulting services for the Fund.
2. Pre-approve (a) all audit and permissible non-audit services¹ to be provided to the Fund and (b) all permissible non-audit services provided by the Fund's independent auditors to UBS Global and

¹ The Committee will not approve non-audit services that the Committee believes may taint the independence of the auditors. Permissible non-audit services include any professional services (including tax services) that are not prohibited services listed below, provided to the Fund by the independent auditors, other than those provided to the Fund in connection with an audit of the financial statements of the Fund. Permissible non-audit services may not include: (i) bookkeeping or other services related to the accounting records or financial statements of the Fund; (ii) financial information systems design and implementation; (iii) valuation services, fairness opinions or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal and expert services unrelated to the audit; and (ix) any other service the Public Company Accounting Oversight Board, by regulation, is impermissible. Pre-approval by the

any Covered Service Providers, if the engagement relates directly to the operations and financial reporting of the Fund, the responsibility, the Committee shall seek periodically from UBS Global and from the independent auditors a list of such permissible non-audit services that can be expected to be rendered to the Fund, UBS Global or any Covered Service Provider, the Fund's independent auditors, and an estimate of the fees sought to be paid in connection with such services. The Committee shall delegate its responsibility to pre-approve any such audit and permissible non-audit services to a sub-committee consisting of the Chairperson of the Committee and two other members of the Committee as the Chairperson, from time to time, may be appointed, and such sub-committee shall report to the Committee, at its next regularly scheduled meeting after the sub-committee meeting, its decision(s). From year to year, the Committee shall report to the Board whether this system of pre-approval is effective and efficient or whether this Charter should be amended to allow for pre-approval pursuant to such policies as the Committee shall approve, including the delegation of some or all of the Committee's pre-approval responsibilities (other than UBS Global or the Fund's officers).

3. Discuss with the independent auditors any disclosed relationships or services that may diminish the objectivity and independence of the independent auditors; receive periodic reports from the independent auditors regarding the independent auditors' independence (including receiving the independent auditors' specific representations as to independence consistent with current standards of the Independence Standards Board); and discuss such reports with the independent auditors, and, if so determined by the Committee, recommend that the Board take appropriate action to ensure the independence of the independent auditors.
4. Review, in consultation with the independent auditors, the scope of the Fund's proposed audit each year, including the procedures to be utilized, and certain other matters in connection with the Fund's financial statements.
5. Inquire of UBS Global and the independent auditors as to the Fund's qualification under Subchapter M of the Internal Revenue Code as to amounts distributed and reported to shareholders for Federal tax purposes.
6. [Closed-end Funds only] Review and discuss the Fund's audited annual financial statements and unaudited semiannual financial statements with UBS Global and, in the case of the audited financials, the independent auditors, including the Fund's disclosure of management's assessment of Fund performance.

Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the Fund, UBS Global and any service providers controlling, controlled by or under common control with the Fund that provide ongoing services to the Fund ("Covered Service Providers") constitutes not more than 5% of the total amount paid to the independent auditors (during the fiscal year in which the permissible non-audit services are provided) by (a) UBS Global, investment adviser and (c) any entity controlling, controlled by, or under common control with the investment adviser; and (ii) the permissible non-audit services were not recognized by the Fund at the time of the engagement to be non-audit services. If such services are promptly brought to the attention of the Committee and approved by the Committee (or its delegate) prior to completion of the audit.

7. Review with the independent auditors any problems or difficulties the auditors may have encountered during the con relating to the conduct of the audit, including any matters required to be discussed pursuant to Statement of Auditing or any subsequent Statement, and management's response.
8. Ensure that the independent auditors submit on a periodic basis to the Committee a formal written statement deline of the auditors consistent with Independence Standards Board Standard No. 1, or any subsequent Statement.
9. Review, in consultation, as appropriate, with the independent auditors and Fund service providers, matters relating to and disclosure controls and procedures at the Fund and at the Fund's service providers.
10. Request, receive and/or review from the independent auditors such other materials as deemed necessary or advisable in the exercise of its duties under this charter; such materials may include, without limitation, any other material writ bearing on the Fund's financial statements, or internal or disclosure controls, between the independent auditors and Global, the Fund's sub-adviser(s), if any, or other Fund service providers, such as any management letter or schedule differences, and any comment or "deficiency" letter received from a regulatory or self-regulatory organization address UBS Global or the Fund's sub-adviser(s), if any, that relates to services rendered to the Fund.
11. Establish procedures for the receipt, retention and treatment of complaints that the Fund may receive regarding Fund internal accounting controls or auditing matters, including procedures (set forth on Appendix C hereto) for the confide submission by Fund officers or employees and the Fund's investment adviser (including sub-advisers, if any), adminis underwriter or any other provider of accounting-related services for the Fund of concerns regarding questionable acco matters related to the Fund.
12. Request that the independent auditors report to the Committee on any unusual items or matters discovered during th semi-annual or other reviews.
13. [Closed-end Funds only] Consider and, if appropriate, recommend the publication of the Fund's annual audited finan Fund's annual report in advance of the printing and publication of the annual report, based on its review and discuss report with the independent auditors, the Fund's officers and UBS Global; and prepare the audit committee report rec in the Fund's proxy statement for its annual meeting of shareholders.
14. [Closed-end Funds only] At least annually, obtain and review a report by the Fund's independent auditors describing auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, w five years, respecting one or more independent audits carried out by the independent auditors, and any steps taken t issues; and (iii) (to assess the independent auditors' independence) all relationships between the independent audito

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15. [Closed-end Funds only] Discuss in general the Fund's periodic earnings releases, as well as any financial information guidance provided to analysts and rating agencies.
16. [Closed-end Funds only] Discuss policies with respect to risk assessment and risk management.
17. [Closed-end Funds only] Review hiring policies of UBS Global and the Fund, if any, for employees and former employees and independent auditors.
18. [Closed-end Funds only] Prepare an annual performance evaluation of the Committee for the Board's review.
19. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for a In performing its duties, the Committee shall be provided by UBS Global, the Fund's sub-advisor(s), if any, or the Fund, as a information, data and services as the Committee shall request to discharge its duties and responsibilities, shall consult as it with the members of the Board, officers and employees of the Fund, UBS Global, the Fund's sub-advisor(s), if any, the Fund Fund's other service providers and, as it determines necessary to carry out its duties and at the Fund's expense, may enga and consultants. In carrying out its functions, the Committee shall meet separately, periodically, with management and with independent auditors. The Fund shall provide appropriate funding for the Committee to carry out its duties and responsibilities.

Composition

The Committee shall have a minimum of three members and shall be composed of a number of Board members, each of which determined not to be an "interested person," as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940 ("1940 Act"), of the Fund (the "Independent Board Members"), as the Board shall determine from time to time. Each member must also meet the independence and experience requirements as set forth in Sections 303A.07(a) and 303.01(b)(2)(a) of the Exchange's Listed Company Manual, in each case as applicable to closed-end Funds. The Committee shall elect a chairperson to preside over Committee meetings (the "Chairperson"). The Chairperson shall serve for a term of three years, which term may be renewed from time to time.²

In addition, the Board shall use its best efforts to ensure that at least one member of the Committee is an "audit committee financial expert" as determined under the rules of the Securities and Exchange Commission. Appendix B sets forth the audit committee financial expert requirements as of the date of this amended and restated Charter. In the event that the Committee does not have at least one audit committee financial expert, the nominating committee of the Board shall endeavor to identify and recommend to the Board a candidate that meets such requirements or, in the event the Board does not, at such time, have a nominating committee, the Board shall constitute a committee of Independent Board Members as a committee to identify and recommend to the Board a candidate that meets such requirements.

² In the case of a newly-organized UBS fund, the Chairperson's term will be coterminous with those of the other UBS funds listed on Schedule A, even if such term is shorter than three years.

For those Funds listed on the NYSE, no member of the Committee may serve on the audit committees of more than three public companies, including all Funds managed by UBS Global (deemed for these purposes to be a single public company), unless the Board determines that simultaneous service would not impair the ability of such member to serve on the Committee effectively.

Meetings

The Committee shall meet on a regular basis, but not less frequently than twice a year. Special meetings may also be held upon notice to the members of the Committee. An agenda shall be established for each meeting. Additional meetings shall be called in circumstances require. The Committee may request any officer or employee of the Fund, the Fund's counsel, UBS Global, the sub-adviser(s), if any, the Fund's independent auditors or other interested persons to attend a meeting of the Committee or members of, or consultants to, the Committee. The Committee will meet with the Fund's independent auditors at least once in the presence of the Fund's officers and other parties. The Committee may, in its discretion, also meet outside the presence of the Fund and other parties at other times. Meetings of the Committee may be held in person, by telephone or by other appropriate means.

One-third of the Committee's members shall constitute a quorum. At any meeting of the Committee, the decision of a majority of those present and voting shall be determinative as to any matter submitted to a vote.

Reporting

The Chairperson shall report to the Board on the result of its deliberations and make such recommendations as deemed appropriate.

Limits on role of committee

While the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for planning or conducting the Fund's audit or for determining whether the Fund's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. In fulfilling their responsibilities hereunder, it is recognized that the members of the Committee are not employees of the Fund, it is not the duty or the responsibility of the Committee or its members to conduct "field work" or to perform auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Committee shall rely on (a) the integrity of those persons within and outside the Fund from which it receives information; (b) the accuracy of the financial statements made by the officers and employees of the Fund, UBS Global or other third parties as to any information technology and other non-audit services provided by the independent auditors to the Fund. The review of the Fund's financial statements by the Committee is not of the same quality as the audit performed by the independent auditors.

In carrying out its responsibilities, the Committee's policies and procedures shall be adapted, as appropriate, in order to be consistent with the changing environment.

Amendments

This Charter may be amended by a vote of a majority of the Board members.

UBS Managed Municipal Trust
UBS Series Trust
UBS Investment Trust
UBS Index Trust
UBS Municipal Money Market Series
UBS Money Series
UBS PACE Select Advisors Trust
UBS Cashfund Inc.
UBS RMA Money Fund Inc.
UBS RMA Tax-Free Fund Inc.
UBS Master Series, Inc.
Master Trust
*Strategic Global Income Fund, Inc.
*Global High Income Fund Inc.
*Investment Grade Municipal Income Fund Inc.
*Insured Municipal Income Fund Inc.
*Managed High Yield Plus Fund Inc.

* Closed-end Funds. The duties and responsibilities of any provision applicable exclusively to closed-end funds apply to the
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Audit committee financial expert requirements

An "audit committee financial expert" is a person who has the following attributes:

an understanding of generally accepted accounting principles and financial statements;

the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and

experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements, or experience actively supervising one or more persons engaged in such activities;

an understanding of internal controls and procedures for financial reporting; and an understanding of audit committee functions.

A person must have acquired such attributes through one or more of the following:

education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor in one or more positions that involve the performance of similar functions;

experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or performing similar functions;

experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, audit or review of financial statements; or

other relevant experience.

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Policies of the audit committee regarding concerns or complaints to accounting, internal accounting controls or auditing matters or matters relating to the operations of the Fund

Introduction

The following policies are adopted by the Board of each fund (["Fund"]) advised by UBS Global Asset Management (Americas AM) listed on Appendix A to the Fund's Audit Committee Charter (["Charter"]).

These policies shall constitute an amendment to, and a part of, the Charter and shall be designated as Appendix C to the Charter. These policies shall constitute the procedures to be established pursuant to Item 11 of ["Duties and Responsibilities-Audit Oversight"] in the Charter. The Board has decided to extend the benefit of these policies to all Funds, not just those exchange-listed Funds that are required to establish such procedures pursuant to Section 301 of the Sarbanes-Oxley Act and Rule 303A of the New York Stock Exchange Inc. Listed Companies.

These policies establish (1) procedures for the receipt, retention and treatment of complaints received by the Fund (including complaints regarding accounting, internal accounting controls or auditing matters or other matters relating to the operations of the Fund) that are confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the Fund, its adviser (and sub-advisor, if applicable), administrator (and sub-administrator, if applicable), principal underwriter (if any), or other persons providing accounting related services for the Fund (each a ["Service Provider"]) and (3) protections for such persons bringing complaints to the attention of the Board's Audit Committee (the ["Committee"]).

Reporting

It is expected that all board members and officers, as well as employees of each Service Provider, will report promptly any complaints regarding accounting, internal accounting controls or auditing matters or other matters relating to the operations of the Fund. Employees of Service Providers (including Fund officers) should first consider exhausting any internal reporting mechanisms of the Service Provider before directly contacting the Chairperson of the Committee (or in the event of a potential conflict involving such person, any other member of the Committee). If such a person does not receive a satisfactory response within a reasonable period of time, or if he or she believes that internal reporting mechanisms would be futile or otherwise undesirable, he or she should (1) in the case of Service Provider employees under the supervision of UBS Global AM (e.g., State Street Bank and Trust or PNC Global Investment Servicing, Inc.), contact UBS Global Asset Management's ["ethics hotline"] and/or mailbox referenced below (unless such person believes that using such ["ethics hotline"] and/or mailbox would be otherwise undesirable, in which case he or she should report concerns as directed in the remainder of this sentence); or (2) in the case of other persons, contact the Chairperson of the Committee directly (or in the event of a potential conflict involving such person, any other member of the Committee).

The Committee requests that each Service Provider promptly inform it of complaints or concerns received from its employees or any similar policies it may have if such complaints or concerns are reasonably believed to relate to accounting, internal or auditing matters or other matters relating to the operations of the Fund.

The Committee directs UBS Global AM to communicate these policies to its primary contact(s) at each other Service Provider, including UBS Global AM, shall be directed to make these methods by which complaints or concerns can be communicated to its employees who are primarily involved in accounting, internal accounting controls or auditing matters or other matters relating to the operations of the Fund that could reasonably be expected to impact the Fund. If any Service Provider refuses such request, notify the Committee of the Service Provider's reasons for non-cooperation, and the Committee shall recommend to the Board what it believes appropriate.

Non retaliation

The Fund prohibits any form of retaliation being taken against any board member or officer, and shall request that each Service Provider take any form of retaliation against its employees, as a result of such person lawfully engaging in any of the following Covered Activities:

1. reporting concerns or complaints regarding accounting, internal accounting controls or auditing matters or other matters relating to the operations of the Fund; or
 2. assisting in an internal or external investigation conducted by the Fund or a Service Provider regarding such concerns or complaints;
 3. filing, testifying, participating or otherwise assisting in a criminal or regulatory proceeding relating to the Fund or a Service Provider.
- To the extent possible, the Board shall seek assurances from Service Providers that they shall not discharge, demote, suspend or in any other manner discriminate against an employee in the terms and conditions of his or her employment because such employee made a report of a concern or complaint or engaged in any other Covered Activities under these policies. In addition, the Board shall seek assurances from Service Providers that they shall not knowingly, with the intent to retaliate, take any action harmful to any employee or interference with the lawful employment or livelihood of any person, for providing to a law enforcement officer any truthful information or to the commission or possible commission of any crime.

Confidentiality

Reasonable efforts will be made to keep a reporting person's identity confidential. In certain circumstances, however, it may be necessary in the course of the investigation, facts must be disclosed that would require the identity of the reporting person to be disclosed. In such circumstances, it is not possible to give a blanket guarantee of confidentiality. However, the Committee shall take all reasonable steps (and ask its Service Providers to make reasonable efforts) to attempt to safeguard the submission of information on a confidential basis.

A Fund Person or Service Provider employee may submit information anonymously to the Committee through a letter addressed to the Chairman of the Committee (or in the event of a potential conflict involving such person, to any other member of the Committee) or to the Chairman's (or other Committee

member(s) address as specified in the Fund's Annual Report to Shareholders. The Committee recognizes that certain Service Providers have established their own procedures for the confidential, anonymous receipt of concerns or complaints and requests that Service Providers promptly report to the Committee any concerns or complaints relating to the matters discussed herein.

Ethics hotline & mailbox

Where circumstances preclude the use of conventional channels, UBS Global AM has established an ethics hotline and a mailbox to facilitate the confidential, anonymous submission of concerns regarding potential legal/regulatory violations and questionable auditing matters or other matters relating to the operations of a Fund or other ethical dilemmas. The hotline is available for message 24-hours a day, seven days a week. In order to protect confidentiality, only the UBS Global AM General Counsel and the Compliance Officer will be authorized to retrieve messages. Please utilize the hotline and the mailbox only for this stated purpose. The phone number is 877-882 9373. Written submissions should be addressed to: UBS Global Asset Management (Americas) Inc., Attn: Chief Compliance Officer, West 52nd Street, New York, NY 10019-6114.

Breach of this policy

Retaliatory conduct which amounts to a breach of this policy could result in criminal or regulatory sanctions or civil liability or other adverse effect on the Fund's or a Service Provider's reputation. As a result, a breach of this policy may constitute gross misconduct and may result in disciplinary action up to and including dismissal from service as a board member or officer, or with respect to a Service Provider, a decision to terminate any Fund contracts or other relationships with the Service Provider.

Retention and treatment of information regarding concerns and complaints

The Committee minutes shall reflect the receipt, retention and treatment of information received pursuant to this policy. The Committee has the power to obtain the resources it deems necessary and appropriate to investigate any information regarding such concerns or complaints, including obtaining the assistance of special counsel, auditors or other advisors or consultants to assist it in carrying out its responsibilities.

(May 2004, with revisions through July 2008)

Nominating and corporate governance committee charter, amended and restated as of July 16, 2008

Establishment and purpose

This document serves as the Charter for the Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of the Fund (the "Fund") advised by UBS Global Asset Management (Americas) Inc. listed on Appendix A hereto (each such Charter being referred to as a "Charter"). The primary purposes of the Committee are to (a) identify individuals qualified to serve as members of the Board of Directors (the "Board") of each Fund; (b) make recommendations to the Board on the composition of the Board; (c) recommend compensation and responsibilities to the Board; (d) make recommendations to the Board regarding corporate governance matters and responsibilities; and (e) periodically assess the functioning of the Board and its committees (including the Committee).

Composition

1. The Committee shall consist of three or more Board members who are not "interested persons" of the Fund, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended ("1940 Act"), of the Fund (the "Independent Board Members"). Each member of the Committee must also meet the independence and experience requirements applicable to closed-end funds adopted and modified from time to time by the New York Stock Exchange (the "NYSE"). Each Committee member shall serve until his or her successor to such member is duly elected or qualified or until such member's resignation or removal from the Board or the Fund.
2. The Committee shall elect a chairperson (the "Chairperson") of the Committee, who shall preside over Committee meetings.
3. The compensation of the Chairperson and the Committee members shall be as determined by the Board.

Nomination and appointment policy

1. The Committee believes that it is in the best interests of the Fund and its shareholders to obtain highly-qualified candidates to serve as members of the Board.
2. In nominating candidates, the Committee believes that no specific qualifications or disqualifications are controlling or preclusive. Specific qualities or skills are necessary for each candidate to possess. The Committee shall take into consideration such factors as are appropriate. These factors may include:
 - whether or not the person is an "interested person" as defined in the 1940 Act, meets the independence and experience requirements of the NYSE cited above and is otherwise qualified under applicable laws and regulations to serve as a member of the Board;
 - whether or not the person has any relationships that might impair his or her independence, such as any business, financial, or other relationships with Fund management, the investment advisor and/or sub-advisors of the Fund, Fund service providers, or other persons or entities.

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- whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Board member;
 - the person's judgment, skill, diversity and experience with investment companies and other organizations of comparable complexity and size and subject to similar legal restrictions and oversight,
 - the interplay of the candidate's experience with the experience of other Board members; and
 - the extent to which the candidate would be a desirable addition to the Board and any committees thereof.
3. While the Committee is solely responsible for the selection and recommendation to the Board of Board candidates, the Committee shall also consider nominees recommended by Fund shareholders if a vacancy occurs among those Board members who are Independent Board Members. Such recommendations shall be directed to the Secretary of the Fund at such address as is set forth in the Fund's governing documents. The shareholder's letter should state the nominee's name and should include the nominee's resume or curriculum vitae. The letter must be accompanied by a written consent of the individual to stand for election if nominated for the Board and to serve on the Board if elected by the shareholders. The Committee may also seek such additional information about the nominee as it considers appropriate, including information relating to such nominee that is required to be disclosed in solicitations or proxies for the election of Board members.
 4. The Committee may from time to time establish specific requirements and/or additional factors to be considered for Board members that it deems necessary or appropriate.

Duties and responsibilities

1. The Committee shall identify individuals believed to be qualified to become Board members and recommend to the Board those individuals who either (i) be elected by the Board or (ii) stand for election as Board members at the annual or special meeting of shareholders, as applicable.
2. The Committee shall be responsible for reviewing with the Board the requisite skills and criteria for new Board members and the composition of the Board as a whole.
3. The Committee shall review, as it deems necessary, and make recommendations with regard to the tenure of the Board members, including, as it deems necessary, any term limits and mandatory retirement age.
4. The Committee shall review, as it deems necessary, and make recommendations to the Board with regard to the composition of the Board and committee chairpersons.
5. The Committee shall have the authority to retain and terminate any search firm to be used to identify Board nominees, and the Board's sole authority to approve the search firm's fees and other retention terms.
6. The Committee shall be responsible for overseeing an annual evaluation of the Board and its committees to determine whether the Board and its committees are functioning effectively. The Committee shall

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determine the nature of the evaluation, supervise the conduct of the evaluation and prepare a summary of the performance and its committees, to be discussed with the Board.

7. The Committee shall have any other duties or responsibilities expressly delegated to the Committee by the Board from to (a) the nomination of the Board or any committee members, (b) corporate governance matters and (c) Board and committee matters.

Subcommittees

1. The Committee shall have the authority to delegate all or a portion of its duties and responsibilities to a subcommittee

Meetings

1. The Committee shall meet at such times as it deems necessary or appropriate to carry out its duties. Meetings of the Committee shall be held in person, by telephone or by other appropriate means. The Committee may also take action by unanimous written consent.
2. One-half of the Committee's members shall constitute a quorum, if at least two members are present. At any meeting the decision of a majority of the members present and voting shall be determinative as to any matter submitted to a vote.
3. The Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of this Charter and proposed changes to the Board for approval.
4. The Committee shall have the resources and authority to make reasonable expenditures, including expenditures to retain legal counsel related to the aforementioned duties and tasks that will be reimbursed by the Fund.
5. The Committee shall keep written minutes of its meetings, which minutes shall be maintained within the books and records of the Fund. The Committee shall report to the Board on its meetings.

Reporting

1. The Chairperson shall report to the Board on the result of the Committee's deliberations and make such recommendations as are appropriate.

Amendments

1. This Charter may be amended by a vote of a majority of the Board members.

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UBS Managed Municipal Trust
UBS Series Trust
UBS Investment Trust
UBS Index Trust
UBS Municipal Money Market Series
UBS Money Series
UBS PACE Select Advisors Trust
UBS Cashfund Inc.
UBS RMA Money Fund Inc.
UBS RMA Tax-Free Fund Inc.
UBS Master Series, Inc.
Master Trust
Strategic Global Income Fund, Inc.
Global High Income Fund Inc.
Investment Grade Municipal Income Fund Inc.
Insured Municipal Income Fund Inc.
Managed High Yield Plus Fund Inc.

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Form of Proposed Contract

Investment advisory and administration contract

Contract made as of ~~April 1, 2006~~, [1, 2009], between **INSURED MUNICIPAL INCOME FUND INC.**, a Maryland corporation and **GLOBAL ASSET MANAGEMENT (AMERICAS) INC.** (["UBS Global AmericasAM"]), a Delaware corporation registered as an investment adviser under the Investment Advisers Act of 1940, as amended.

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (["1940 Act"]), as a closed-end, management investment company, and ~~intends to register~~ has registered shares of its common stock (["Shares"]) for sale to the public under the Securities Act of 1933, as amended (["1933 Act"]); and

WHEREAS, the Fund desires to retain UBS Global AmericasAM as investment adviser and administrator to furnish certain investment advisory and portfolio management services to the Fund and UBS Global AmericasAM is willing to furnish such services;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties as follows:

1. Appointment. The Fund hereby appoints UBS Global AmericasAM as investment adviser and administrator of the Fund for the term and on the terms set forth in this Contract. UBS Global AmericasAM accepts such appointment and agrees to render the services herein provided for the compensation provided herein.
2. Duties as Investment Adviser.
 - (a) Subject to the supervision of the Fund's Board of Directors (["Board"]), UBS Global AmericasAM will provide a continuous investment advisory program for the Fund, including investment research and management with respect to all securities and investment equivalents in the Fund.
 - (b) UBS Global AmericasAM agrees that in placing orders with brokers and dealers, it will attempt to obtain the best price and execution on behalf of the Fund; provided that UBS Global AmericasAM may, in its discretion, purchase securities to and from brokers who provide the Fund with research, analysis, advice and similar services, and UBS Global AmericasAM may pay to those brokers, in return for such services, a higher commission than may be charged by other brokers. UBS Global AmericasAM determines in good faith that such commission is reasonable in terms either of the particular transaction or the overall responsibility of UBS Global AmericasAM to the Fund and its other clients and that the total commission will be reasonable in relation to the benefits to the Fund over the long term. In no instance will portfolio securities be purchased or sold to UBS Global AmericasAM, or any affiliated person thereof, except in accordance with the federal securities laws and regulations thereunder. ~~Whenever UBS Global AmericasAM, or the terms of~~

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any exemptive order. To the extent permitted by laws and regulations, and subject to applicable procedures adopted by UBS Global AM, UBS Global AM may aggregate sales and purchase orders of the assets of the Fund with similar orders being made on behalf of other accounts advised by UBS Global AM or its affiliates. Whenever UBS Global AM simultaneously places orders for the same security on behalf of the Fund and one or more other accounts advised by UBS Global AM, such orders shall be allocated as to price and amount among all such accounts in a manner believed to be equitable to each account. UBS Global AM's fiduciary obligations to the Fund. The Fund recognizes that in some cases this procedure may yield different results obtained for the Fund.

- (c) UBS Global AM will maintain or oversee the maintenance of all books and records with respect to the securities of the Fund and will furnish the Board with such periodic and special reports as the Board reasonably may request. In addition to the requirements of Rule 31a-3 under the 1940 Act, UBS Global AM hereby agrees that all records which are maintained for the Fund are the property of the Fund, agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act and to make it maintains for the Fund and which are required to be maintained and preserved by Rule 31a-1 and Rule 31a-2 under the 1940 Act and further agrees to surrender promptly to the Fund any records which it maintains for the Fund upon request by the Board.
 - (d) UBS Global AM will oversee the computation of the net asset value and the net income of the Fund as determined in the currently effective registration statement of the Fund under the 1933 Act and 1940 Act and any amendments or supplements thereto (["Registration Statement"]), or a subsequent disclosure document in lieu of an amendment or supplement thereto as required by disclosure included in a shareholder report in response to specific provisions in Rule 8b-16 under the 1940 Act (["8b-16 Disclosure"]) or as more frequently requested by the Board.
 - (e) The Fund hereby authorizes UBS Global AM and any entity or person associated with UBS Global AM to act as a member of a national securities exchange to effect any transaction on such exchange for the account of the Fund if such action is permitted by Section 11(a) of the Securities Exchange Act of 1934, as amended, and Rule 11a2-2(T) thereunder. UBS Global AM hereby consents to the retention of compensation by UBS Global AM or any person or entity associated with UBS Global AM for such transactions in accordance with Rule 11a2-2(T)(a)(2) ~~(iv)~~.
3. Duties As Administrator. UBS Global AM will administer the affairs of the Fund subject to the supervision of the Board and the following understandings:
- (a) UBS Global AM will supervise all aspects of the operations of the Fund, including the oversight of transfer agent and accounting services, except as hereinafter set forth; provided, however, that nothing herein contained shall be construed to deprive the Board of its responsibility for and control of the conduct of the affairs of the Fund.
 - (b) UBS Global AM will provide the Fund with such corporate, administrative and clerical personnel (including the Fund) and services as are reasonably deemed necessary or advisable by the Board, including the maintenance of the records of the Fund.

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- (c) UBS Global ~~AmericasAM~~ will arrange, but not pay, for the periodic preparation, updating, filing and dissemination of the Fund's Registration Statement, proxy material, tax returns and required reports to the Fund's shareholders and the Exchange Commission (SEC) and other appropriate federal or state regulatory authorities.
 - (d) UBS Global ~~AmericasAM~~ will provide the Fund with, or obtain for it, adequate office space and all necessary office services, including telephone service, heat, utilities, stationery supplies and similar items.
 - (e) UBS Global ~~AmericasAM~~ will provide the Board, on a regular basis, with economic and investment analyses and reports available to the Board upon request any economic, statistical and investment services normally available to institutional or other customers of UBS Global ~~AmericasAM~~.
 - (f) UBS Global AM has adopted compliance policies and procedures reasonably designed to prevent violations of the Investment Company Act of 1940, as amended, and the rules thereunder, has provided the Fund with a copy of such compliance policies (and will provide the Fund with any material amendments thereto) and agrees to assist the Fund in complying with the compliance program adopted pursuant to Rule 38a-1 under the 1940 Act, to the extent applicable.
4. Further Duties. In all matters relating to the performance of this Contract, UBS Global ~~AmericasAM~~ will act in conformity with the Fund's Incorporation, By-Laws and Registration Statement and Rule 8b-16 Disclosure of the Fund and with the instructions and resolutions of the Board and will comply with the requirements of the 1940 Act, the rules thereunder, and all other applicable federal and state regulations.
5. Delegation of UBS Global ~~AmericasAM~~'s Duties as Investment Adviser and Administrator. UBS Global ~~AmericasAM~~ may enter into more contracts with another party in which UBS Global ~~AmericasAM~~ delegates to such other party any or all of its duties under Paragraphs 2 and 3 of this Contract, provided that each such contract imposes on the other party bound thereby all the terms and conditions to which UBS Global ~~AmericasAM~~ is subject by Paragraphs 2, 3 and 4 of this Contract, and further provided that each such contract meets all requirements of the 1940 Act and rules thereunder.
6. Services Not Exclusive. The services furnished by UBS Global ~~AmericasAM~~ hereunder are not to be deemed exclusive of the services ~~AmericasAM~~ shall be free to furnish similar services to others so long as its services under this Contract are not impaired. Nothing in this Contract shall limit or restrict the right of any director, officer or employee of UBS Global ~~AmericasAM~~, who may be an officer or employee of the Fund, to engage in any other business or to devote his or her time and attention in part to the conduct of other aspects of any other business, whether of a similar nature or a dissimilar nature.
7. Expenses.
- (a) During the term of this Contract, the Fund will bear all expenses not specifically assumed by UBS Global ~~AmericasAM~~ in its operations and the offering of its Shares or any preferred stock.

- (b) Expenses borne by the Fund will include but not be limited to the following (which shall be in addition to the fees and expenses incurred on behalf of the Fund by UBS Global ~~Americas~~AM under this Contract): (1) the costs (including ~~Commissions~~commissions) of securities purchased or sold by the Fund and any losses incurred in connection therewith; (2) the costs incurred on behalf of the Fund by UBS Global ~~Americas~~AM; (3) organizational and offering expenses of the Fund, not to be advanced by UBS Global ~~Americas~~AM; (4) filing fees and expenses relating to the registration and qualification of the Fund under federal and state securities laws; (5) fees and salaries payable to directors who are not interested persons of the Fund by reason of affiliation with UBS Global AM or any of UBS Global AM's affiliates; (6) all expenses incurred in connection with directors' services, including travel expenses; (7) taxes (including any income or franchise taxes) and government charges, including any liability, uncollectible items of deposit and any other insurance or fidelity bonds; (8) any costs, expenses or losses incurred by or claim for damages or other relief asserted against the Fund for violation of any law; (9) legal, accounting and other ~~expense~~expenses, including legal fees of special counsel for the ~~independent~~ directors who are not interested persons of the Fund by reason of affiliation with UBS Global AM or any of UBS Global AM's affiliates; (10) charges of custodians, transfer agents; (11) costs of preparing any share certificates; (12) expenses of printing and distributing reports to shareholders; (13) extraordinary expenses (including fees and disbursements of counsel) incurred by the Fund; (14) fees, voluntary contributions and other expenses incurred in connection with membership in investment company organizations; (15) costs of mailing proxies and costs of meetings of shareholders, the board and any committees thereof; (16) the cost of investment research and other publications provided to directors and officers; (17) costs of mailing, stationery and communications equipment; (18) interest charges on borrowings; (19) fees and expenses of listing and maintaining any listing of the Fund's Shares on a securities exchange; and (20) costs and expenses (including rating agency fees) associated with the issuance of a securities exchange listing.
- (c) The Fund may pay directly any expense incurred by it in its normal operations and, if any such payment is consented to by UBS Global ~~Americas~~AM and acknowledged as otherwise payable by UBS Global ~~Americas~~AM pursuant to this Contract, the Fund shall not be entitled to a fee payable to UBS Global ~~Americas~~AM pursuant to Paragraph 8 hereof by such amount. To the extent that such direct payment exceeds the fee payable to UBS Global ~~Americas~~AM on any monthly payment date, such excess shall be carried forward and paid in the same manner from the fee payable on succeeding monthly payment dates.
- (d) UBS Global ~~Americas~~AM will assume the cost of any compensation for services provided to the Fund received by the Fund and by those directors who are interested persons of the Fund by reason of affiliation with UBS Global AM.
- (e) The payment or assumption by UBS Global ~~Americas~~AM of any expense of the Fund that UBS Global ~~Americas~~AM is obligated by this Contract to pay or assume shall not obligate UBS Global ~~Americas~~AM to pay or assume the same or any similar expense of the Fund on any subsequent occasion.
- (f) UBS Global ~~Americas~~AM will reimburse the Fund if and to the extent that the aggregate operating expenses of the Fund in any year exceed the limits applicable to the Fund under the applicable securities laws and regulations of any state.

8. Compensation.

- (a) For the services provided and the expenses assumed pursuant to this Contract, the Fund will pay to UBS Global AmericasAM computed weekly and paid monthly, at an annual rate of ~~0.900.75%~~ of the ~~Fund's average weekly previous Friday~~ Fund, or, if the previous Friday is a holiday, the next business day thereafter, calculated only on the net assets attributable to the Fund's common shares.
- (b) The fee shall be accrued weekly and payable monthly to UBS Global AmericasAM on or before the last business day of the succeeding calendar month.
- (c) If this Contract becomes effective or terminates before the end of any month, the fee for the period from the effectiveness of the month or from the beginning of such month to the date of termination, as the case may be, shall be prorated to the proportion which such period bears to the full month in which such effectiveness or termination occurs.

9. Limitation of Liability of UBS Global AmericasAM. UBS Global AmericasAM shall not be liable for any error of judgment or for any loss suffered by the Fund or its shareholders in connection with the matters to which this Contract relates, except insofar as such loss or damage results from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard of its obligations and duties under this Contract. Any person, even though also an officer, partner, employee, or agent of UBS Global AmericasAM who may be or become an officer, director, employee or agent of the Fund shall be deemed, when rendering services to the Fund with respect to any business of the Fund, to be rendering such service to or acting solely for the Fund and not as an officer, partner, employee or agent or one under the control or direction of UBS Global AmericasAM even though paid by it.

10. Duration and Termination.

- (a) This Contract shall become effective upon the date first above written, provided that this Contract shall not take effect until it has first been approved (i) by a vote of a majority of those directors of the Fund who are not parties to this Contract or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (ii) by vote of a majority of the Fund's outstanding voting securities.
- (b) Unless sooner terminated as provided herein, this Contract shall continue automatically for successive periods of one year, provided that such continuance is specifically approved at least annually (i) by a vote of a majority of those directors of the Fund who are not parties to this Contract or interested persons of any such party, cast in person at a meeting called for the purpose of such approval, and (ii) by the Board or by vote of a majority of the outstanding voting securities of the Fund.
- (c) Notwithstanding the foregoing, this Contract may be terminated at any time, without the payment of penalty, by a vote of a majority of the outstanding voting securities of the Fund on sixty days' written notice to UBS Global AmericasAM. UBS Global AmericasAM at any time, without the payment of any penalty, on sixty days' written notice to the Fund, shall automatically terminate in the event of its assignment.

C-5

- 11. Amendment of This Contract. ~~No provision~~ Provisions of this Contract may be changed, waived, discharged or terminated orally, but only by an instrument signed by the party against which enforcement of the change, waiver, discharge or termination is sought, and no amendment of this Contract shall be effective until approved by vote of a majority of the Fund's outstanding voting securities. amended subject to the provisions of the 1940 Act, as modified or interpreted by an applicable order of the SEC or any regulation adopted by the SEC, or interpretative release or no-action letter of the SEC or its staff. Accordingly, approval of an amendment by shareholders would be necessary only to the extent required by the 1940 Act as so modified or interpreted.
- 12. Governing Law. This Contract shall be construed in accordance with the laws of the State of Delaware and the 1940 Act. To the extent that the applicable laws of the State of Delaware conflict with the applicable provisions of the 1940 Act, the latter shall control.
- 13. Miscellaneous. The captions in this Contract are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any provision of this Contract shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Contract shall not be affected thereby. This Contract shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors. As used in this Contract, the terms "majority of the outstanding voting securities," "affiliated person," "interested person," "assignment," "broker," "investment adviser," "national securities exchange," "net assets," "sale," "sell" and "security" shall have the same meanings as such terms have in the 1940 Act, subject to such exemption as may be granted by the ~~Securities and Exchange Commission~~ SEC by any rule, regulation or order. Where the effect of a requirement of the federal securities laws reflected in any provision of this Contract is relaxed by a rule, regulation or order of the ~~Securities and Exchange Commission~~ SEC, whether of special or general application, such provision shall be deemed to incorporate the effect of such rule, regulation or order.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their officers designated below as first above written.

Attest: _____
Name:
Title:

INSURED MUNICIPAL INCOME FUND INC.
By: _____
Name:
Title:

Attest: _____
Name:
Title:

UBS GLOBAL ASSET MANAGEMENT (AMERICAS)
By: _____
Name:
Title:

Investment management, advisory and administrative services to funds

The following table provides information regarding an investment company for which UBS Global AM provides investment management, advisory or sub-advisory services and that has investment objectives and strategies that are similar to those of the Fund. All information below is provided as of March 31, 2009.

Fund	Advisory fee	Net assets as of March 31, 2009	Waiver/expense
Investment Grade Municipal Income Fund Inc.	Annual rate of 0.90% of the fund's average weekly net assets attributable to common and auction preferred shares	\$213,374,965 (net assets applicable to common and preferred shareholders); \$133,374,965 (net assets applicable to common shareholders on which fee, after waiver, is assessed)	Since August 1, 2008, pursuant to a voluntary arrangement to 0.6% average weekly net assets only to common shareholders, the fee reduction cannot be modified without the approval of the fund's directors.

D-1

Principal executive officers and directors of UBS Global AM

Set forth below in alphabetical order is a list of the names, addresses and principal occupation of each principal executive officer of UBS Global AM with respect to the Fund. While each board director is named below, the list of executive officers has been so limited because the list would be very long and contain names of persons whose functions are unrelated to the Fund.

Name and address	Principal occupation***
Mark F. Kemper**	Managing Director, Secretary and Head of Legal ☐ Americas
Barry M. Mandinach*	Board Director, Managing Director and Chief Marketing Officer ☐ Americas
Joseph McGill*	Managing Director and Chief Compliance Officer ☐ Americas
John Moore**	Board Director, Managing Director, Treasurer and Head of Financial Control ☐ Americas
Kai R. Sotorp**	Board Director, President and Head of the Americas and Member of the UBS Group Man

* This person's business address is 51 West 52nd Street, New York, New York 10019-6114.

** This person's business address is One North Wacker Drive, Chicago, Illinois 60606.

*** None of the principal executive officers and directors of UBS Global AM listed above have principal employment other than in the position(s) with UBS Global AM.

E-1

Officers of the Fund who are officers of UBS Global AM

Set forth below in alphabetical order are the officers of the Fund who also serve as officers of UBS Global AM:

Name	Position(s) Held with the Fund
Joseph J. Allesie	Vice President and Assistant Secretary
Thomas Disbrow	Vice President and Treasurer
Michael J. Flook	Vice President and Assistant Treasurer
Elbridge T. Gerry III	Vice President
Mark F. Kemper	Vice President and Secretary
Joanne M. Kilkeary	Vice President and Assistant Treasurer
Tammie Lee	Vice President and Assistant Secretary
Steven J. LeMire	Vice President and Assistant Treasurer
Joseph McGill	Vice President and Chief Compliance Officer
Kevin McIntyre	Vice President
Nancy D. Osborn	Vice President and Assistant Treasurer
Eric Sanders	Vice President and Assistant Secretary
Andrew Shoup	Vice President and Chief Operating Officer
Kai R. Sotorp	President
Keith A. Weller	Vice President and Assistant Secretary

F-1

Insured
Municipal
Income Fund Inc.

Insured
Municipal
Income Fund Inc.

Notice of
annual meeting
to be held on
August 12, 2009
and
proxy statement

Notice of Internet Availability of Proxy Material

The Notice of Annual Meeting of Shareholders, Proxy Statement and proxy card are available at http://www.ubs.com/1/e/globalam/Americas/globalamus/globalamusii/ii_closed_end_funds.html

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE LOWER PORTION IN THE ENCLOSED ENVELOPE

Insured Municipal Income Fund Inc. Common Stock Proxy

P
R
O
X
Y

Annual Meeting of Shareholders □ August 12, 2009

PROXY SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigned shareholder of Insured Municipal Income Fund Inc., a Maryland corporation (the "Company"), hereby appoints Keith A. Weller and Cathleen Crandall, or either of them, as proxies for the undersigned, with full power of substitution in each of them, to attend the Annual Meeting of Shareholders of the Company (the "Meeting") to be held on August 12, 2009 at 10:00 a.m., Eastern time, on the 16th Floor of the CBS Building located at 51 West 52nd Street, New York, New York 10019-6114, and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such Meeting and otherwise to represent the undersigned at the Meeting with all powers possessed by the undersigned if personally present at the Meeting. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and of the accompanying Proxy Statement (the terms of each of which are incorporated by reference herein) and revokes any proxy heretofore given with respect to such Meeting.

The votes entitled to be cast by the undersigned will be cast as instructed on the reverse hereof. If this proxy is executed but no instruction is given, the votes entitled to be cast by the undersigned will be cast □FOR□ each of the listed nominees for director, □FOR□ Proposals 3, 4 and 5 and □AGAINST□ Proposal 6. Additionally, the votes entitled to be cast by the undersigned will be cast in the discretion of the Proxy holder

on any other matter that may properly come before the Meeting or any adjournment or postponement thereof.

YOUR VOTE IS IMPORTANT. Please date and sign this proxy on the reverse side and return it in the enclosed envelope to: Georgeson Inc., Wall Street Station, PO Box 1100, New York, NY 10269-0646.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE
SEE REVERSE SIDE **SEE REVERSE SIDE**

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE LOWER PORTION IN THE ENCLOSED ENV

X Please mark votes as in this example.

The Board of Directors recommends a vote **FOR** the listed nominees, **FOR** proposals 3, 4 and 5 and **AGAINST** proposal 6.

		FOR	AGAINST								
1. <u>Not Applicable</u> : Proposal 1 is to be voted upon only by holders of auction preferred shares, as described in the Notice of Annual Meeting of Shareholders and accompanying Proxy Statement.		0	0								
2. To elect as directors: 01 <input type="checkbox"/> Richard Q. Armstrong 03 <input type="checkbox"/> Bernard H. Garil 02 <input type="checkbox"/> Alan S. Bernikow 04 <input type="checkbox"/> Heather R. Higgins		0	0								
<input type="radio"/> Mark here to vote FOR all nominees											
<input type="radio"/> Mark here to WITHHOLD from all nominees											
<input type="radio"/> For all EXCEPT <input type="checkbox"/> To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) below.											
<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 0 10px;">01</td> <td style="padding: 0 10px;">02</td> <td style="padding: 0 10px;">03</td> <td style="padding: 0 10px;">04</td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </table>	01	02	03	04	0	0	0	0			
01	02	03	04								
0	0	0	0								
3. To approve a new investment advisory and administration contract with lower contractual fees between the Fund and UBS Global Asset Management (Americas) Inc. (UBS Global AM)		0	0								
4. To approve a change in the Fund's investment policies to address recent market developments and make the Fund more competitive		0	0								
5. To approve a shareholder proposal recommending that the board of directors take action, subject to market conditions, to afford common and preferred shareholders an opportunity to realize the net asset value of their shares		0	0								
6. To approve a shareholder proposal to terminate advisory agreement between the Fund and											

7. To vote and otherwise represent the under matter that may properly come before adjournment or postponement thereof in proxy holder.

Authorized Signatures **This section is to be completed for your vote to be counted.** **Date and Signature**

Date _____, 2009

Signature _____

Signature, if held jointly _____

Title or Authority _____

Please sign exactly as name(s) if shares are held by an individual. If shares are held jointly, either party may sign, but if both parties sign, the joint party signing should conform to the name shown on this proxy card. If signatory is a corporation, partnership or similar entity, the name and capacity of the individual signing should be indicated unless it is the signatory of registration. For example: **Authorized Signatory**
 Treasurer

Notice of Internet Availability of Proxy Material

The Notice of Annual Meeting of Shareholders, Proxy Statement and proxy card are available at http://www.ubs.com/1/e/globalam/Americas/globalamus/globalamusii/ii_closed_end_funds.html

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE LOWER PORTION IN THE ENCLOSED ENVELOPE

Insured Municipal Income Fund Inc. Preferred Stock Proxy

P
R
O
X
Y

Annual Meeting of Shareholders □ August 12, 2009

PROXY SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigned shareholder of Insured Municipal Income Fund Inc., a Maryland corporation (the "Company"), hereby appoints Keith A. Weller and Cathleen Crandall, or either of them, as proxies for the undersigned, with full power of substitution in each of them, to attend the Annual Meeting of Shareholders of the Company (the "Meeting") to be held on August 12, 2009 at 10:00 a.m., Eastern time, on the 16th Floor of the CBS Building located at 51 West 52nd Street, New York, New York 10019-6114, and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such Meeting and otherwise to represent the undersigned at the Meeting with all powers possessed by the undersigned if personally present at the Meeting. The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and of the accompanying Proxy Statement (the terms of each of which are incorporated by reference herein) and revokes any proxy heretofore given with respect to such Meeting.

The votes entitled to be cast by the undersigned will be cast as instructed on the reverse hereof. If this proxy is executed but no instruction is given, the votes entitled to be cast by the undersigned will be cast □FOR□ each of the listed nominees for director, □FOR□ Proposals 3, 4 and 5 and □AGAINST□ Proposal 6. Additionally, the votes entitled to be cast by the undersigned will be cast in the discretion of the Proxy holder

on any other matter that may properly come before the Meeting or any adjournment or postponement thereof.

YOUR VOTE IS IMPORTANT. Please date and sign this proxy on the reverse side and return it in the enclosed envelope to: Georgeson Inc., Wall Street Station, PO Box 1100, New York, NY 10269-0646.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE
SEE REVERSE SIDE **SEE REVERSE SIDE**

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE LOWER PORTION IN THE ENCLOSED ENV

X Please mark votes as in this example.

The Board of Directors recommends a vote **FOR** the listed nominees, **FOR** proposal 3, 4 and 5 and **AGAINST**

1. To elect as directors:

01 Richard R. Burt

02 Meyer Feldberg

Mark here to vote

Mark here to **WITHHOLD**

FOR all nominees

from all nominees

For all **EXCEPT** To withhold a vote for one or more **01 02**

nominees, mark the box to the left **and** the

corresponding numbered box(es) to the right.

2. To elect as directors:

3. To **FOR** **AGAINST**

approve a new investment advisory and administration contract with lower contractual fees between the Fund and UBS Global Asset Management (Americas) Inc. (UBS Global AM)

4. To approve a change in the Fund's investment policies to address recent market developments and make the Fund more competitive

5. To approve a shareholder proposal

03 Richard Q. Armstrong

05 Bernard H. Garil

04 Alan S. Bernikow

06 Heather R. Higgins

recommending that the board of directors take action, subject to market conditions, to afford common and preferred shareholders an opportunity to realize the net asset value of their shares

Mark here to vote **FOR** all nominees

Mark here to **WITHHOLD** from all nominees

6. To approve a shareholder proposal to terminate the investment advisory agreement between the Fund and

For all **EXCEPT** To withhold a vote for one or more nominees, mark the box to the left **and** the corresponding numbered box(es) to the right.

03	04	05	06
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. To vote and otherwise represent the undersigned matter that may properly come before the Meeting or any adjournment thereof in the discretion of the proxy holder.

Authorized Signatures **This completed for your vote to be counted.** **Date and Signature**

Date _____
_____, 2009

Signature _____

Signature, if held jointly _____

Title or Authority _____

Please sign exactly as name(s) appear on this card. If shares are held by an individual, sign your name as it appears on this card. If shares are held by a partnership, you may sign, but the name of the partnership must conform exactly to the name shown on the certificate. If shares are held by a corporation, partnership, or other account, the name and capacity of the signatory on the proxy card should be indicated under the form of registration. For example: John Doe, Treasurer