

INSURED MUNICIPAL INCOME FUND INC  
Form DEFA14A  
June 30, 2008

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 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

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 §240.14a-12

Insured Municipal Income Fund Inc.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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Closed-End Funds Desk

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**Media Release**

**For immediate release**

**INVESTMENT GRADE MUNICIPAL INCOME FUND INC. AND INSURED MUNICIPAL INCOME FUND INC. ANNOUNCE BOARD APPROVAL TO PROCEED WITH EXPLORING THE ISSUANCE OF A NEW FORM OF LEVERAGE AND PARTIAL REDEMPTION OF AUCTION PREFERRED SHARES**

Contact: UBS Global Asset Management Closed-End Funds Desk, 888-793 8637

**New York, June 24, 2008** The Board of Directors of each of Investment Grade Municipal Income Fund Inc. (NYSE: PPM) and Insured Municipal Income Fund Inc. (NYSE: PIF) (the Funds), each a registered closed-end investment company, is aware that the recent failures of auction preferred shares (APS) auctions have resulted in a loss of liquidity for APS holders, and has increased the cost of leverage for the Funds. The Board of Directors has discussed with the Funds' investment adviser, UBS Global Asset Management (Americas) Inc. (the Investment Adviser), possible actions that could help resolve this situation in a manner that is in the best interest of the Funds and all of the Funds' shareholders. In light of the ongoing failure of APS auctions, the Board believes that it is appropriate to explore alternative sources of leverage in addition to solutions directly related to APS for the Funds. Further to this, the Board has asked the Investment Adviser to determine whether tender option bond (TOBs) could provide an alternative source of leverage that could enable the Funds to redeem a portion of the APS.

With respect to this last point, the Board of Directors of each Fund has authorized the Investment Adviser to enter into discussions with one or more investment banks or other firms to establish the terms on which the Funds could use TOBs as a source of leverage. If successful, the use of TOBs could enable each Fund to redeem a portion of one or more series of that Fund's APS.

A TOB transaction typically would be structured as follows: a Fund would sell a high quality municipal bond in its portfolio to a broker-dealer, which would then deposit that bond into a trust or a similar special purpose vehicle. The trust would then issue two tranches of securities short-term floating rate notes, or floaters, and inverse floating rate certificates, or inverse floaters. The interest on the floaters and the inverse floaters, as well as costs incurred by the trust, would be paid by the trust from the interest it receives on the underlying municipal bond.





Floater would be issued at par and pay tax-free variable rates, reset weekly. The interest rates payable on inverse floaters would move in the opposite direction from the rates payable on the floaters. For the municipal bond sold, the Fund would receive the inverse floaters and an amount of cash that would be used to redeem a portion of one or more series of the Fund's APS and be used for investment purposes. By holding the inverse floaters, the Fund would continue to receive the interest on the underlying municipal bond in excess of the interest paid by the trust to the floaters' holders and the fees associated with the transaction.

The ability of a Fund to finalize and implement a TOB program will require that the Board ultimately approve the terms of the arrangement. The use of TOBs by the Fund for investment purposes presents certain risks, including leverage risks (which are in many ways comparable to the leverage risk presented by the current use of APS), interest rate risk (a rise in short-term rates could result in an increase of the interest payable on the floaters and a corresponding decrease in the interest payable on the inverse floaters held by the Fund) and market risk (the risk that participants may not be interested in purchasing or continuing to hold the floaters issued by the trust).

In addition to final Board approval, the implementation of this approval is subject to certain conditions, including: the availability of experienced service providers, such as liquidity providers for the TOB program; market conditions under which TOBs will result in leverage at a reasonable price; and the use of TOBs remaining appropriate in light of other sources of possible leverage. Consequently, while the Board has authorized the Investment Adviser to commence negotiation of the terms of a TOB program, the implementation of such a program, and the redemption of a portion of the APS, will take time. Any implementation of a redemption of APS would occur only after a notice containing details about the redemption would have been issued, and the redemption would be effected on a pro rata basis in accordance with each Fund's governing documents.

We recognize shareholders' concerns regarding the ongoing issues relating to the failed APS auctions and the resulting loss of liquidity for preferred shareholders. While the use of TOBs in the Funds could provide a partial solution towards restoring liquidity, the Board and the Investment Adviser are also evaluating other alternatives, including the possibility of restructuring APS in a manner that would make the APS eligible for investment by money market funds. Recent regulatory developments have made this latter option more attractive to the Funds, and the Board has asked the Investment Adviser to explore whether this might present a viable long-term solution to APS liquidity issues.

#### *FORWARD LOOKING STATEMENTS*

*Certain statements made above may be forward-looking statements. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements due to numerous factors. The Investment Adviser and the Funds, and their affiliates, undertake no responsibility to update publicly or revise any forward-looking statements. The inclusion of any statement in this release does not constitute an admission that the events or circumstances described in such statement are material.*

**END OF PRESS RELEASE**

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