

INSURED MUNICIPAL INCOME FUND INC
Form DEF 14A
November 19, 2009

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:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Under Rule 14a-12

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(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):

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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:

Insured Municipal Income Fund Inc.

(New York Stock Exchange Trading Symbol: PIF)

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD DECEMBER 10, 2009

Important Notice regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to Be Held on December 10, 2009: The Notice of Special Meeting of Shareholders and Proxy Statement are available on the Internet at www.icommaterials.com.

To the shareholders:

Notice is hereby given that a special meeting (the "Meeting") of stockholders (herein referred to as "shareholders") of Insured Municipal Income Fund Inc., a Maryland corporation (the "Fund"), will be held on December 10, 2009 at 11:00 AM, Eastern time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174, for the following purposes:

Matters to be voted upon by all shareholders:

- (1) To elect three directors to serve until the annual meeting of shareholders in 2010 and until their successors are elected and qualify or until they resign or are otherwise removed;
- (2) To approve a new investment advisory agreement between the Fund and Brooklyn Capital Management, LLC;
- (3) To approve the replacement of the Fund's fundamental investment objective with a non-fundamental investment objective of providing total return;
- (4) To eliminate the Fund's fundamental investment policy to invest at least 80% of its net assets in insured municipal obligations;
- (5) To ratify the selection of Tait, Weller & Baker LLP as the Fund's independent registered public accounting firm for the fiscal year ending December 31, 2009; and
- (6) To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The voting provisions previously applicable to the Fund's auction preferred stock ("APS"), which provide that two directors are to be elected by a vote of only the holders of the Fund's APS, are inapplicable to the proposals contained in this Proxy Statement as the Fund, prior to the Meeting, will have redeemed all outstanding APSs.

You are entitled to vote at the Meeting and any adjournment or postponement thereof if you owned shares of the Fund's common stock at the close of business on October 30, 2009. If you attend the Meeting, you may vote your shares in person. Whether or not you expect to attend the Meeting, please complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope so that a quorum will be present and a maximum number of shares may be voted. You may change your vote at any time by submitting a later-dated proxy or by voting at the Meeting.

By order of the Board of Directors,

Phillip Goldstein
Chairman of the Board

November 18, 2009

Your vote is important no matter how many shares you own

Please indicate your voting instructions on the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided. If you sign, date and return the proxy card but give no voting instructions, your shares will be voted "FOR" the nominees for director named in the attached Proxy Statement (i.e., Proposal 1), "FOR" the proposal to approve the investment advisory agreement between the Fund and Brooklyn Capital Management, LLC (i.e., Proposal 2), "FOR" the proposal to approve the replacement of the Fund's fundamental investment objective with a non-fundamental investment objective of providing total return (i.e., Proposal 3), "FOR" the proposal to eliminate the Fund's fundamental investment policy (i.e., Proposal 4), "FOR" the ratification of the selection of Tait, Weller & Baker LLP as the Fund's independent registered public accounting firm for the fiscal year ending December 31, 2009 (i.e., Proposal 5), and, in the proxies' discretion, either "FOR" or "AGAINST" any other business that may properly arise at the Meeting. In order to avoid the additional expense to the Fund of further solicitation, we ask your cooperation in mailing in your enclosed proxy card promptly.

Instructions for signing proxy cards

The following general guidelines for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund in validating your vote if you fail to sign your proxy card properly.

1. Individual accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint accounts: Either party may sign, but the name of the party signing should conform exactly to the name shown in the registration on the proxy card.
3. All other accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

Registration	Valid signature
Corporate accounts	
(1) ABC Corp.	ABC Corp. John Doe, treasurer
(2) ABC Corp.	John Doe, treasurer
(3) ABC Corp. c/o John Doe, treasurer	John Doe
(4) ABC Corp. profit sharing plan	John Doe, trustee
Partnership accounts	
(1) The XYZ partnership	Jane B. Smith, partner
(2) Smith and Jones, limited partnership	Jane B. Smith, general partner
Trust accounts	
(1) ABC trust account	Jane B. Doe, trustee
(2) Jane B. Doe, trustee u/t/d 12/18/78	Jane B. Doe
Custodial or estate accounts	
(1) John B. Smith, Cust. f/b/o John B. Smith, Jr. UGMA/UTMA	John B. Smith
(2) Estate of John B. Smith	John B. Smith, Jr., executor

Insured Municipal Income Fund Inc.
615 East Michigan Street
Milwaukee, WI 53202

PROXY STATEMENT
December 10, 2009

Introduction

Special Meeting of Shareholders to be Held on December 10, 2009

This proxy statement (the "Proxy Statement") is furnished to the stockholders (herein referred to as "shareholders") of Insured Municipal Income Fund Inc. (the "Fund") in connection with the solicitation by the Fund's Board of Directors (the "Board") of proxies to be used at the special meeting (the "Meeting") of the shareholders of the Fund to be held on December 10, 2009, at 11:00 AM, Eastern time, at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174, or any adjournment or postponement thereof. This Proxy Statement and the related proxy card will first be mailed to shareholders on or about November 19, 2009.

Quorum. The presence, in person or by proxy, of shareholders entitled to cast a majority of the votes entitled to be cast at the Meeting (i.e., the presence of a majority of the shares outstanding on October 30, 2009) is necessary to constitute a quorum for the transaction of business. In the event that a quorum is not present at the Meeting, or if a quorum is present at the Meeting but sufficient votes to approve any of the proposals are not received, the chairman of the Meeting may adjourn the Meeting, or the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. If submitted to shareholders, any such adjournment will require the affirmative vote of holders of a majority of those shares represented at the Meeting in person or by proxy (or a majority of votes cast if a quorum is present). A shareholder vote may be taken on one or more of the proposals in this Proxy Statement prior to any such adjournment if sufficient votes have been received and it is otherwise appropriate.

Required Vote for Adoption of Proposals. Proposal 1 (to elect three directors) requires the affirmative vote of a plurality of the votes cast at the Meeting in person or by proxy on such Proposal, provided a quorum is present. Proposal 2 (to approve the investment advisory agreement between the Fund and Brooklyn Capital Management, LLC (the "Proposed Adviser")), Proposal 3 (to approve the replacement of the Fund's fundamental investment objective with a non-fundamental investment objective of providing total return) and Proposal 4 (to eliminate the Fund's fundamental investment policy to invest at least 80% of its net assets in insured municipal obligations) each require the affirmative vote of a majority of the outstanding voting securities of the Fund. Under the Investment Company Act of 1940, as amended (the "1940 Act"), the vote of a "majority of the outstanding voting securities" means the affirmative vote of the lesser of (a) 67% or more of the shares present at the Meeting or represented by proxy if the holders of 50% of the outstanding shares are present or represented by proxy or (b) more than 50% of the outstanding voting shares. Proposal 5 (to ratify the selection of Tait, Weller & Baker LLP as the Fund's independent registered public accounting firm for the fiscal year ending December 31, 2009) requires the affirmative vote of the holders of a simple majority, defined as a majority of the votes cast by holders of shares of the Fund's common stock present in person or represented by proxy at the Meeting, provided a quorum is present.

All of the outstanding shares of the Fund's common stock will vote together as a single class. Each full share is

entitled to one vote, and each fractional share is entitled to a proportionate share of one vote.

A broker non-vote occurs when the broker returns a properly executed proxy for shares held by the broker for a customer but does not vote on a matter because the broker does not have discretionary voting authority and has not received instructions from the beneficial owner. Abstentions and broker non-votes, if any, will be counted as shares present for purposes of determining whether a quorum is present at the Meeting. They will be treated as votes present at the Meeting, but will not be treated as votes cast for or against any proposal. Therefore, abstentions and broker non-votes will have no effect on a proposal which requires a plurality of votes cast for approval (i.e., Proposal 1), but would have the same effect of a vote "AGAINST" a proposal requiring approval by a majority of votes present (i.e., Proposals 2, 3, 4 and 5).

The individuals named as proxies on the enclosed proxy card will vote in accordance with your direction as indicated thereon if your proxy card is received properly executed by you or by your duly appointed agent or attorney-in-fact. If you give no voting instructions, your shares will be voted FOR Proposals 1, 2, 3, 4 and 5, and, in the proxies' discretion, either FOR or AGAINST any other business that may properly be presented at the Meeting (e.g., adjourning the Meeting if a shareholder vote is called).

You may revoke any proxy card by giving another proxy or by submitting a written notice of revocation to the Secretary of the Fund, care of US Bancorp Fund Services, LLC, 615 East Michigan Street, Milwaukee, WI 53202. To be effective, your revocation must be received by the Fund prior to the Meeting and must indicate your name and account number. In addition, if you attend the Meeting in person you may, if you wish, vote in person at the Meeting, thereby cancelling any proxy previously given.

As of the record date, October 30, 2009, the Fund had outstanding 20,628,363 shares of common stock.

The Fund has made arrangements for assistance with the solicitation of proxies, as described in the section below entitled, "Solicitation of Proxies."

The Fund's annual report containing financial statements for the fiscal year ended March 31, 2009 has previously been mailed to shareholders. Shareholders may request, without charge, additional copies of the Fund's annual report and the most recent semi-annual report preceding such annual report by writing the Fund, c/o the Administrator, 615 East Michigan Street, Milwaukee, WI 53202. These reports are also available on the U.S. Securities and Exchange Commission's (the "SEC") website, www.sec.gov.

Proposal 1. Election of Directors

Proposal 1 relates to the election of directors of the Fund. By letters dated August 19, 2009, Richard R. Burt and Meyer Feldberg each resigned as a director of the Fund. Messrs. Burt and Feldberg were each elected solely by holders of the Fund's auction preferred stock ("APS") at the 2007 annual meeting of shareholders and, due to the absence of a quorum of the APS holders at the 2008 and 2009 annual meetings of shareholders, continued to serve as directors until their resignations. On September 1, 2009, to fill the vacancies on the Board created by the resignations of Messrs. Burt and Feldberg, James Chadwick and Ben Hormel Harris were elected by the Board. Messrs. Chadwick and Harris are now being proposed for election by the shareholders.

On October 16, 2009, Rajeev Das, who was elected by shareholders at the annual meeting held on August 12, 2009, resigned as a director, effective immediately, and was subsequently appointed Vice President and Treasurer, effective October 18, 2009. The Fund's Nominating and Corporate Governance Committee met on October 16, 2009 and nominated Charles C. Walden as a director, which nomination was approved by the entire Board at a meeting held on the same date. The Board also appointed Mr. Walden to serve through the date of the Meeting as an observer on the Board. Assuming that Mr. Walden is elected as a director by shareholders prior to the end of the current calendar quarter, according to the policy adopted by the Board on October 16, 2009, he will be eligible to receive compensation for the full quarter.

Section 16 of the 1940 Act requires that directors be elected by shareholders; however, vacancies occurring between shareholder meetings may be filled by the Board, provided that after the filling of such vacancy at least two-thirds of the directors then in office will have been elected by shareholders. Messrs. Dakos, Goldstein and Hellerman, as well as Mr. Das, who resigned on October 16, 2009, were elected by shareholders on August 12, 2009. As of the date of the Meeting, the Fund will have redeemed all of the APSs outstanding. Therefore, the holders of common stock are being asked to elect Messrs. Chadwick, Harris and Walden, to ensure that the entire Board will have been elected by the shareholders.

If you properly execute and return the enclosed proxy card, unless you give contrary instructions on the enclosed proxy card, then your shares will be voted FOR the election of all nominees. If any of the nominees should withdraw or otherwise become unavailable for election, your shares will be voted FOR such other nominee or nominees as the present Board may recommend. Each nominee has indicated his willingness to serve if elected. If elected, each nominee will hold office until the annual meeting of shareholders in 2010 and until his successor is elected and qualifies.

The following table sets forth each nominee, as well as current directors and officers of the Fund, his name, address, age, position with the Fund, term of office and length of service with the Fund, principal occupation or employment during the past five years and other directorships held at September 30, 2009. Messrs. Chadwick, Harris and Hellerman are each not considered an "interested person" of the Fund within the meaning of the 1940 Act (each an "Independent Director"). In addition, if elected, Mr. Walden will be an Independent Director. Messrs. Dakos and Goldstein will each be considered an "interested person" of the Fund within the meaning of the 1940 Act, assuming approval of the investment advisory agreement between the Fund and the Proposed Adviser, because of their affiliation with the Proposed Adviser.

Name, Address and Age	Position	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships held by Director
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INTERESTED DIRECTORS

Andrew Dakos* (43) Park 80 West / Plaza Two, Suite 750 Saddle Brook, NJ 07663	Interested Director	Since 2009	Principal, Bulldog Investors, the general partner of the six private investment partnerships in the Bulldog Investors group of funds.	1	Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation.
Phillip Goldstein* (64) Park 80 West / Plaza Two, Suite 750 Saddle Brook, NJ 07663	Interested Director	Since 2009	Principal, Bulldog Investors, the general partner of the six private investment partnerships in the Bulldog Investors group of funds.	1	Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation; ASA Ltd.

INDEPENDENT DIRECTORS

Name, Address and Age	Position	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships held by Director
Gerald Hellerman (72) 5431 NW 21st Ave. Boca Raton, FL 33496	Independent Director	Since 2009	Managing Director, Hellerman Associates (a financial and corporate consulting firm).	1	Director, Mexico Equity and Income Fund, Inc.; Director, Brantley Capital Corporation; Director, MVC

Corporation;
Director, MVC
Acquisition
Corp.; Director,
MVC Captial,
Inc.; Director,
Old Mutual
Absolute Return
and Emerging
Managers Fund
Complex
(consisting of six
funds).

Name, Address and Age	Position	Term of Office and Length of Time Served	Principal Occupation During the Past Five Years	Number of Portfolios in Fund Complex** Overseen by Director	Other Directorships held by Director
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INDEPENDENT DIRECTOR NOMINEES

James Chadwick (36) 1203 Agate St. San Diego, CA 92109	Independent Director Nominee		Managing Member, Monarch Activist Partnership LP; Founder/Managing Member, Pacific Cost Investment Partners LLC; Managing Director, Harlingwood Equity Partners LP.	1	None
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