

FORT DEARBORN INCOME SECURITIES INC  
Form DEF 14A  
October 31, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

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

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 under §240.14a-12

Fort Dearborn Income Securities, 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.
- 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:
  - (2) Aggregate number of securities to which transaction applies:
  - (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):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- 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:

Fort Dearborn Income Securities, Inc.

Notice of annual meeting of shareholders

December 5, 2014

To the shareholders:

The annual meeting of shareholders of Fort Dearborn Income Securities, Inc. (the "Fund") will be held on Friday, December 5, 2014 at 1:00 p.m., Central Time, at One North Wacker Drive, Chicago, Illinois 60606 for the following purposes:

- (1) To elect six (6) Directors to serve until the annual meeting of shareholders in 2015, until their successors are elected and qualified or until they resign or are otherwise removed; and
- (2) To transact such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the meeting and any adjournments thereof if you owned Fund shares at the close of business on October 10, 2014. If you attend the meeting, you may vote your shares in person. To obtain directions to attend the meeting and vote in person, call the Fund's toll-free number: 1-800-647 1568. **If you do not expect to attend the meeting, please complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope.**

By order of the Board of Directors,

Mark F. Kemper  
*Vice President and Secretary*

October 31, 2014  
One North Wacker Drive  
Chicago, Illinois 60606

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**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on December 5, 2014. The proxy statement is available at [www.ubs.com/us/en/asset\\_management/individual\\_investors/closed\\_end\\_funds.html](http://www.ubs.com/us/en/asset_management/individual_investors/closed_end_funds.html).**

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, and in the proxies' discretion, either "FOR" or "AGAINST" any other business that may properly arise at the annual meeting, including adjournment. In order to avoid the additional expense to the Fund of further solicitation, we ask for your cooperation in mailing your proxy card promptly.**

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Instructions for signing proxy cards

Following are general guidelines for signing proxy cards. By signing your proxy card properly, you can save the Fund time and money.

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:

<b>Registration</b>	<b>Valid Signature</b>
<b>Corporate Accounts</b>	
(1) ABC Corp.	ABC Corp.
(2) ABC Corp.	John Doe, Treasurer
(3) ABC Corp. c/o John Doe, Treasurer	John Doe, Treasurer
(4) ABC Corp. Profit Sharing Plan	John Doe
<b>Partnership Accounts</b>	
(1) The XYZ Partnership Smith and Jones, Limited	John Doe, Trustee
(2) Partnership	Jane B. Smith, Partner
<b>Trust Accounts</b>	
(1) ABC Trust Account Jane B. Doe, Trustee u/t/d	Jane B. Smith, General Partner
(2) 12/18/78	Jane B. Doe, Trustee
<b>Custodial or Estate Accounts</b>	
(1) John B. Smith, Cust. f/b/o John B. Smith, Jr. UGMA/UTMA	Jane B. Doe
(2) Estate of John B. Smith	John B. Smith
	John B. Smith, Jr., Executor

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Fort Dearborn Income Securities, Inc.

One North Wacker Drive  
Chicago, Illinois 60606

Proxy statement

### **Annual meeting of shareholders to be held on December 5, 2014**

This proxy statement is furnished to the shareholders of Fort Dearborn Income Securities, Inc. (the "Fund") in connection with the Board of Directors' solicitation of proxies to be used at the annual meeting of shareholders of the Fund to be held on December 5, 2014, at 1:00 p.m., Central Time, at the principal executive offices of the Fund at One North Wacker Drive, Chicago, Illinois 60606, or any adjournment or adjournments thereof. This proxy statement and the related proxy card will first be mailed to shareholders on or about October 31, 2014.

UBS Global Asset Management (Americas), Inc. ("UBS Global AM" or the "Advisor") serves as the Fund's investment advisor. UBS Global AM is an indirect wholly owned asset management subsidiary of UBS AG. UBS AG is an internationally diversified organization with headquarters in Zurich and Basel, Switzerland. UBS AG operates in many areas of the financial services industry. The principal business offices of UBS Global AM are located at One North Wacker Drive, Chicago, Illinois 60606 and 1285 Avenue of the Americas, New York, New York 10019. The principal business address of UBS AG is Bahnhofstrasse 45, Zurich, Switzerland.

**The Fund is sending to shareholders, in a separate mailing, the Fund's annual report for the fiscal year ended September 30, 2014. You may obtain, without charge, additional copies of the Fund's annual report and semi-annual report by: (1) written request to: UBS Global Asset Management (Americas), Inc., Attn: Mark F. Kemper, One North Wacker Drive, Chicago, Illinois 60606; or (2) calling the Fund's toll-free number: 1-800-647 1568. The Fund's annual and semi-annual reports are also available, without charge, at [www.ubs.com/us/en/asset\\_management/individual\\_investors/closed\\_end\\_funds.html](http://www.ubs.com/us/en/asset_management/individual_investors/closed_end_funds.html).**

#### Proposal 1. Election of directors

Proposal 1 relates to the election of Directors of the Fund. The Board of Directors (the "Board") of the Fund proposes the election of six nominees: Adela Cepeda, John J. Murphy, Frank K. Reilly, Edward M. Roob, Abbie J. Smith and J. Mikesell Thomas. Each nominee has indicated his or her willingness to serve if elected. If elected, each nominee will hold office until the next annual meeting of shareholders or until his or her successor is elected and qualified, or until he or she resigns or is otherwise removed. All of the nominees currently serve as Directors of the Fund and were last elected Director at the Fund's December 2013 annual meeting of shareholders. As described more fully below, all of the nominees have significant experience managing investment vehicles. All of the nominees are also on the boards of other funds managed by UBS Global AM. They have had experience as senior officers and directors of major business corporations and other investment advisors.

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Directors, including those who are not "interested persons" of the Fund as that term is defined by the Investment Company Act of 1940, as amended ("1940 Act") ("Independent Directors"), shall be elected by the affirmative vote of the holders of a plurality of the shares of the Fund cast in person or by proxy and entitled to vote thereon, provided a quorum is present, so that the nominees with the largest number of votes are elected as Fund Directors. There is no cumulative voting for the election of Directors. Proxies cannot be voted for a greater number of persons than the number of nominees named. Unless you give contrary instructions on the enclosed proxy card, your shares will be voted FOR the election of all six 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 Advisor may recommend.

None of the Directors or nominees beneficially owned 1% or more of the Fund's common stock and none of the executive officers beneficially owned any shares of the Fund's common stock as of October 10, 2014. In addition, the Directors and executive officers, as a group, beneficially owned less than 1% of the outstanding common stock of the Fund as of October 10, 2014.

The Nominating, Compensation and Governance Committee of the Board (the "Nominating Committee") believes that it is in the best interests of the Fund and its shareholders to obtain highly-qualified individuals to serve as members of the Board. In assessing Directors for the Board, the Nominating Committee may consider factors such as the person's judgment, skill, diversity and experience with investment companies and other organizations of comparable purpose, complexity and size and subject to similar legal restrictions and oversight and the interplay of a Director or candidate's experience with the experience of other Board members. The Board believes that collectively, the Directors currently serving on the Board have balanced and diverse experience, qualifications, attributes and skills that allow the Board to effectively oversee the management of the Fund and protect the interests of shareholders. The Board noted that each Independent Director had experience serving as a director on the boards of operating companies and/or other investment companies. In addition, the Board considered the following with regard to each Director:

Ms. Cepeda has served as an Independent Director of the Fund since 2000. That position has provided her with knowledge of the operations and business of the Fund. Ms. Cepeda has significant experience related to the financial services and investment industries, having founded and served as the President of A.C. Advisory, Inc. since 1995.

Mr. Murphy has served as an Independent Director of the Fund since 2013. That position has provided him with knowledge of the operations and business of the Fund. Mr. Murphy has significant experience related to the financial services and investment industries, having served as the President of Murphy Capital Management since 1983.

Mr. Reilly has served as an Independent Director of the Fund since 1993. That position has provided him with knowledge of the operations and business of the Fund. Mr. Reilly has significant experience related to the financial services and investment industries, having served as a Professor of Finance at the University of Notre Dame since 1982.

Mr. Roob has served as an Independent Director of the Fund since 1993. That position has provided him with knowledge of the operations and business of the Fund. Mr. Roob has significant experience related to the financial services and investment industries, having previously served as a Member of



the Board of Governors of the Chicago Stock Exchange and a Member of the U.S. Treasury and Federal Agency Advisory Committee.

Ms. Smith has served as an Independent Director of the Fund since 2011. That position has provided her with knowledge of the operations and business of the Fund. Ms. Smith has significant experience related to the financial services and investment industries, having served as a Boris and Irene Stern Distinguished Service Professor of Accounting in The University of Chicago Booth School of Business since 1980.

Mr. Thomas has served as an Independent Director of the Fund since 2002. That position has provided him with knowledge of the operations and business of the Fund. Mr. Thomas has significant experience related to the financial services and investment industries, having served as a principal with Castle Creek Capital since 2008 and President and sole shareholder of Mikesell Advisory Corp. since 2009. Mr. Thomas previously served as President and CEO of the Federal Home Loan Bank of Chicago and of First Chicago Bancorp.

Listed in the table below, for each nominee, is a brief description of the nominee's experience as a Director of the Fund, as applicable, and as a director or trustee of other funds, as well as other recent professional experience.

<b>Name</b>	<b>Position held of and with time served</b>	<b>Principal occupation(s) during past 5 years</b>	<b>Number of portfolios in UBS Family of Funds Complex overseen by nominee</b>	<b>Other directorships held by nominee during past 5 years</b>	<b>Shares beneficially owned directly or indirectly on October 10, 2014</b>
<b>Independent directors:</b>					
Adela Cepeda;	Director since 2011. Ms. Cepeda is founder and President of A.C. Advisory, Inc. (since 1995).	Ms. Cepeda is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.	Ms. Cepeda is director (since 2012) of BMO Financial Corp. (U.S. holding company for the BMO Harris Bank N.A.), director of the Mercer Funds (9 portfolios) (since 2005) and trustee of the Morgan Stanley Smith Barney Consulting Group Capital Markets Funds (11 portfolios) (since 2008). Ms. Cepeda was a director of Amalgamated Bank of Chicago (from 2003 to 2012) and a director of the Municipal Securities Rulemaking Board (from 2010 to 2012).	1,000	



<b>Name (with age, held of and with time address)</b>	<b>Position(s) held</b>	<b>Principal occupation(s) during past 5 years</b>	<b>Number of portfolios in UBS Family of Funds Complex overseen by nominee</b>	<b>Other directorships held by nominee during past 5 years</b>	<b>Shares beneficially owned directly or indirectly on October 10, 2014</b>
John J. Murphy; 70 268 Main Street P.O. Box 718 Gladstone, NJ 07934	Director since 2013	Mr. Murphy is the President of Murphy Capital Management (investment advisor) (since 1983).	Mr. Murphy is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.	Mr. Murphy is a director (since 2007) of the Legg Mason Equity Funds (54 portfolios); and a trustee of Morgan Stanley Smith Barney Consulting Group Capital Market Funds (11 portfolios).	0
Frank K. Reilly; 78 Mendoza College of Business University of Notre Dame Notre Dame, IN 46556-5649	Chairman and Director since 1994	Mr. Reilly is the Bernard J. Bank Professor of Finance in the Mendoza College of Business at the University of Notre Dame (since 1982) and is a Chartered Financial Analyst (CFA).	Mr. Reilly is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.	Mr. Reilly is a Director of Discover Bank, a subsidiary of Discover Financial Services (since 1994) and is Chairman of the Audit Committee for the Bank.	17,103
Edward M. Roob; 80 c/o UBS Global AM One North Wacker	Director since 1993	Mr. Roob is retired (since 1993).	Mr. Roob is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.	None	13,000

Drive  
Chicago,  
Illinois  
60606

Name, position, age, held of and with time address	Principal occupation(s) during past 5 years	Number of portfolios in UBS Family of Funds Complex overseen by nominee	Other directorships held by nominee during past 5 years	Shares beneficially owned directly or indirectly on October 10, 2014
<p>Abbie J. Smith; 61 University of Chicago Booth School of Business 5807 S. Woodlawn Avenue Chicago, IL 60637</p>	<p>Ms. Smith is a Boris and Irene Stern Distinguished Service Professor of Accounting in The University of Chicago Booth School of Business (since 1980). Formerly, Ms. Smith was a co-founding partner and Director of Research of Fundamental Investment Advisors (hedge fund) (co-founded in 2004, commenced operations in 2008) (from 2008 to 2011).</p>	<p>Ms. Smith is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.</p>	<p>Ms. Smith is a director (since 2000) of HNI Corporation (formerly known as HON Industries Inc.) (office furniture) and a director (since 2003) and chair of the audit committee of Ryder System Inc. (transportation, logistics and supply-chain management). In addition, Ms. Smith is a trustee/director (since 2000) and a member of the audit committee of the Dimensional Funds complex (107 portfolios).</p>	<p>0</p>

<b>Name, position, age, held of and with time address</b>	<b>Principal occupation(s) during past 5 years</b>	<b>Number of portfolios in UBS Family of Funds Complex overseen by nominee</b>	<b>Other directorships held by nominee during past 5 years</b>	<b>Shares beneficially owned directly or indirectly on October 10, 2014</b>
J. Mikesell Thomas; 63 c/o UBS Global AM One North Wacker Drive Chicago, Illinois 60606 Director since 2002	Mr. Thomas is a principal with the investment firm Castle Creek Capital (since 2008) and President and sole shareholder of Mikesell Advisory Corp. (since 2009). He is the former President and CEO of Federal Home Loan Bank of Chicago (from 2004 to 2008) and of First Chicago Bancorp (from 2008 to 2011).	Mr. Thomas is a director or trustee of four investment companies (consisting of 33 portfolios) for which UBS Global AM serves as investment advisor or manager.	Mr. Thomas is a director (since 1992) and chairman of the Audit Committee for Northshore University HealthSystem, a not-for-profit healthcare organization, and a director (since 2012) and a member of the Audit and Investment Finance Committees of HCC Insurance Holdings Inc. Mr. Thomas was previously a director of First Chicago Bancorp (from 2008 to 2010) and First Chicago Bank & Trust (from 2008 to 2010).	0

Each Independent Director receives, for his or her service to the UBS Family of Funds Complex, an annual retainer of \$160,000 paid quarterly for serving as a Board member. The chairman of the Board also receives an annual retainer of \$20,000 from the UBS Family of Funds Complex for his or her service to the Board. In addition, the chairs of the Audit Committee and the Nominating Committee receive an annual retainer of \$15,000 and \$7,500, respectively, for their service to the Board. The UBS Family of Funds Complex also reimburses each Director and officer for out-of-pocket expenses in connection with travel and attendance at Board meetings. No officer, director or employee of UBS Global AM or any of its affiliates presently receives any compensation from the Fund for acting as a Board member or officer.

**Compensation table**

<b>Name of person, position</b>	<b>Aggregate compensation from the Fund*</b>	<b>Pension or retirement benefits accrued as part of Fund expenses</b>	<b>Total compensation from the Fund and the UBS Family of Funds Complex**</b>
Adela Cepeda, Director	\$ 5,659.36	N/A	\$ 167,500
John J. Murphy, Director	5,405.97	N/A	160,000
Frank K. Reilly, Director and Chairman	6,081.72	N/A	180,000
Edward M. Roob, Director	5,405.97	N/A	160,000
Abbie J. Smith, Director	5,405.97	N/A	160,000
J. Mikesell Thomas, Director	5,912.76	N/A	175,000

\* Represents fees paid for service on the Board during the fiscal year ended September 30, 2014.

\*\* Represents fees paid for services during the fiscal year ended September 30, 2014 by four investment companies for which UBS Global AM served as investment advisor or manager. The Fund does not have a bonus, pension, profit sharing or retirement plan.

**Nominee ownership of fund shares**

<b>Nominee</b>	<b>Dollar range of equity securities in Fund†</b>	<b>Aggregate dollar range of equity securities in all registered investment companies overseen by nominee for which UBS Global AM serves as investment advisor or manager†</b>
<b>Independent Directors:</b>		
Adela Cepeda	\$10,001 \$50,000	\$10,001 \$50,000
John J. Murphy	\$0	over \$100,000
Frank K. Reilly	over \$100,000	over \$100,000
Edward M. Roob	over \$100,000	over \$100,000
Abbie J. Smith	\$0	\$0
J. Mikesell Thomas	\$0	\$0

† Information regarding ownership of shares of the Fund is as of October 10, 2014; information regarding ownership of shares in all registered investment companies overseen by nominee for which UBS Global AM serves as investment advisor or manager is as of September 30, 2014.

As of October 10, 2014, the Independent Directors and their immediate family members did not own any securities issued by UBS Global AM or any company controlling, controlled by or under common control with UBS Global AM.

**THE BOARD OF THE FUND UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES TO THE BOARD.**





Additional information

### **Information concerning independent registered public accounting firm**

The Fund's financial statements for the fiscal year ended September 30, 2014 were audited by Ernst & Young LLP ("Ernst & Young"), independent 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. In the past two fiscal years, the Audit Committee did not approve any services provided by Ernst & Young pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X. The Board of Directors of the Fund has selected Ernst & Young as the independent registered public accounting firm for the Fund for the fiscal year ending September 30, 2014. Ernst & Young has been the Fund's independent registered public accounting firm since the fiscal year ended September 30, 2001. Ernst & Young has informed the Fund that it has no material direct or indirect financial interest in the Fund.

Representatives of Ernst & Young will be present at the meeting via telephone, will have the opportunity to make a statement if they desire to do so and will be available to answer appropriate questions.

### **Audit fees**

For the fiscal years ended September 30, 2014 and September 30, 2013, the aggregate Ernst & Young audit fees for professional services rendered to the Fund were approximately \$39,372 and \$38,600, respectively.

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

### **Audit-related fees**

In each of the fiscal years ended September 30, 2014 and September 30, 2013, the aggregate audit-related fees billed by Ernst & Young for services rendered to the Fund that are reasonably related to the performance of the audits of the financial statements, but not reported as audit fees, were approximately \$2,950 and \$2,950, respectively.

Fees included in the audit-related fees category are those associated with reading and providing comments on the semi-annual financial statements.

There were no audit-related 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.

### **Tax fees**

In each of the fiscal years ended September 30, 2014 and September 30, 2013, the aggregate tax fees billed by Ernst & Young for professional services rendered to the Fund were approximately \$5,300 and \$5,178, respectively.

Fees included in the tax fees category comprise all services performed by professional staff in the independent accountant's tax division except those services related to the audits. This category comprises fees for tax return preparation, review of excise tax calculations and FIN 48 review.



There were no tax fees required to be approved pursuant to paragraph (c)(7)(ii) of Rule 201 of Regulation S-X during the fiscal years indicated above.

### **All other fees**

In each of the fiscal years ended September 30, 2014 and September 30, 2013, there were no fees billed by Ernst & Young for products and services, other than the services reported above, rendered to the Fund.

Fees included in the "all other fees" category would consist of services related to internal control reviews, strategy and other consulting, financial information systems design and implementation, consulting on other information systems, and other tax services unrelated to the Fund.

There were no "all other 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.

### **Pre-approval policies and procedures**

The Audit Committee Charter contains the Audit Committee's pre-approval policies and procedures. Reproduced below is an excerpt from the Audit Committee Charter regarding pre-approval policies and procedures:

To carry out its purposes, the Audit Committee shall have the following duties and powers:

(a) To pre-approve the engagement of, and to recommend to the Board the engagement, retention or termination of, the independent auditors to provide audit, review or attest services to the Fund, and, in connection therewith, to review and evaluate the capabilities and independence of the auditors, and receive the auditors' specific representations as to their independence. In evaluating the auditor's qualifications, performance and independence, the Committee must, among other things, obtain and review a report by the auditors, at least annually, describing the following items: (i) all relationships between the independent auditors and the Fund, as well as with the Fund's investment advisor or any control affiliate of the investment advisor that provides ongoing services to the Fund; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) the audit firm's internal quality control procedures.

(b) To pre-approve all non-audit services to be provided to the Fund by the independent auditors when, without such pre-approval, the auditors would not be independent of the Fund under applicable federal securities laws, rules or auditing standards.

(c) To pre-approve all non-audit services to be provided by the Fund's independent auditors to the Fund's investment advisor or to any entity that controls, is controlled by or is under common control with the Fund's investment advisor ("advisor affiliate") and that provides ongoing services to the Fund, when, without such pre-approval by the Committee, the auditors would not be independent of the Fund under applicable federal securities laws, rules or auditing standards.

(d) To establish, if deemed necessary or appropriate as an alternative to Committee pre-approval of services to be provided by the independent auditors as required by paragraphs (b) and (c) above, policies and procedures to permit such services to be pre-approved by other means, such as by action of a designated member or members of the Committee, subject to subsequent Committee review or oversight.

(e) To consider whether the non-audit services provided by the Fund's independent auditor to the Fund's investment advisor or any advisor affiliate that provides on-going services to the Fund, which services were not pre-approved by the Committee, are compatible with maintaining the auditors' independence.

### **Aggregate non-audit fees**

For the fiscal years ended September 30, 2014 and September 30, 2013, the aggregate non-audit fees billed by Ernst & Young of \$274,277 and \$181,253, respectively, included non-audit services rendered on behalf of the Fund of \$8,250 and \$8,128, respectively, and non-audit services rendered on behalf of the 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 Advisor that provides ongoing services to the Fund of \$266,027 and \$173,125, respectively.

The Audit Committee has considered whether the provision of non-audit services that were rendered to the 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 Advisor that provides ongoing services to the Fund that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining Ernst & Young's independence.

### **Additional information about the Board of Directors**

The Board of the Fund meets in person at least four times each year. At each in-person meeting, the Independent Directors meet in executive session to discuss matters outside the presence of the Advisor. In addition, the Board holds special telephonic meetings throughout the year and the Independent Directors also discuss other matters on a more informal basis at other times.

The Board of the Fund met seven times during the fiscal year ended September 30, 2014. Each Director attended 75% or more of the Board meetings during the last fiscal year. In addition, no Directors attended less than 75% of the aggregate of the total number of meetings held by the Board and the total number of meetings held by all committees on which such Director served during the fiscal year ended September 30, 2014.

The Fund's Directors are not required to attend the Fund's annual meetings. All five of the then current Directors attended the annual meeting of shareholders in 2013.

The Board of the Fund is responsible for establishing the Fund's policies and for overseeing the management of the Fund. The Board elects the officers of the Fund, who, along with third party service providers, are responsible for administering the day-to-day operations of the Fund. The Board of the Fund is comprised entirely of Independent Directors that are not considered to be "interested persons" by reason of their relationship with UBS Global AM or otherwise as defined under the

1940 Act. Frank K. Reilly, an Independent Director, is Chairman of the Board. As Chairman of the Board, Mr. Reilly approves agendas for Board meetings and generally facilitates communication and coordination among the Independent Directors and between the Independent Directors and the Advisor. Mr. Reilly also acts as liaison between the Fund's Chief Compliance Officer and the Independent Directors with respect to compliance matters between scheduled Board meetings.

The Board has three standing committees, an Audit Committee, a Performance Committee and the Nominating Committee. As described below, through these Committees, the Independent Directors have direct oversight of the Fund's accounting and financial reporting policies, historical and ongoing performance, the selection and nomination of candidates to the Fund's Board and the Fund's governance procedures.

The Fund's Audit Committee is responsible for, among other things: (i) selecting, overseeing and setting the compensation of the Fund's independent registered public accounting firm; (ii) overseeing the Fund's accounting and financial reporting policies and practices, its internal controls and, as appropriate, the internal controls of certain service providers; (iii) overseeing the quality and objectivity of the Fund's financial statements and the independent audits thereof; and (iv) acting as a liaison between the Fund's independent registered public accounting firm and the full Board of Directors. A copy of the Audit Committee Charter is attached as Appendix A. In fulfilling its duties, the Audit Committee has: (a) reviewed and discussed the Fund's audited financial statements with UBS Global AM; (b) discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 16; (c) received certain written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 and discussed the independent auditors' independence with them; and (d) based upon its review of the above, recommended to the Board that the Fund's audited financial statements be included in the Fund's annual report to shareholders for the fiscal year ended September 30, 2013. It is anticipated the Audit Committee will conduct similar discussions and review for the fiscal year ended September 30, 2014. The Audit Committee currently consists of Mmes. Cepeda and Smith and Messrs. Reilly, Roob, Thomas and Murphy, none of whom have any relationship to the Fund that may interfere with the exercise of their independence from the Advisor or the Fund and each of whom is independent as defined under listing standards of the NYSE applicable to closed-end funds. Each member of the Fund's Audit Committee is also a member of a similar committee established by the boards of certain other investment companies for which UBS Global AM or an affiliate serves as investment advisor, sub-advisor or manager. The Audit Committee met five times during the fiscal year ended September 30, 2014.

The Fund's Performance Committee has the responsibility, among other things, to: (i) review quarterly reports on the investment performance of the Fund; (ii) review the investment performance benchmarks and peer group comparisons and any proposed changes to such benchmarks or peer groups for the Fund; (iii) review and consider proposed changes to investment objectives and strategies and the use of new financial instruments for the Fund; and (iv) review the kind, scope and format of, and the time periods covered by, the investment performance data and related reports. The Performance Committee currently consists of Ms. Smith, Mr. Murphy and Mr. Reilly, none of whom have any relationship to the Fund that may interfere with the exercise of their independence from the Advisor or the Fund. Each member of the Fund's Performance Committee is also a member of a similar committee established by the boards of certain other investment companies for which UBS

Global AM or an affiliate serves as investment advisor or manager. The Performance Committee met one time during the fiscal year ended September 30, 2014.

The Board's Nominating Committee also acts pursuant to a written charter ("Nominating, Compensation and Governance Committee Charter"). The Nominating Committee is responsible for, among other things, selecting, evaluating and recommending to the Board candidates to be nominated as additional Independent Directors of the Board, periodically reviewing the composition of the Board, periodically reviewing Board governance procedures and recommending any appropriate changes thereto and periodically reviewing the compensation structure for Independent Directors. A copy of the Nominating, Compensation and Governance Committee Charter was included as an appendix to the 2013 proxy statement. The Nominating Committee currently consists of Mmes. Cepeda and Smith and Messrs. Reilly, Roob, Thomas and Murphy, 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 Committee met one time during the fiscal year ended September 30, 2014.

In nominating candidates, the Nominating Committee believes that no specific qualifications or disqualifications are controlling or paramount, or that specific qualities or skills are necessary for each candidate to possess. In identifying and evaluating nominees for Director, the Nominating Committee takes into consideration such factors as it deems appropriate. These factors may include: (i) whether or not the person is an "interested person" as defined in the 1940 Act, meets the applicable independence and experience requirements of the NYSE 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, financial or family relationships with Fund management, UBS Global AM, other Fund service providers or their affiliates; (iii) 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; (iv) the person's judgment, skill, diversity and experience with investment companies and other organizations of comparable purpose, complexity and size and subject to similar legal restrictions and oversight; (v) the interplay of the candidate's experience with the experience of other Board members; and (vi) the extent to which the candidate would be a desirable addition to the Board and any committees thereof.

While the Nominating Committee is solely responsible for the selection and recommendation to the Board of Board candidates, the Nominating Committee will consider nominees recommended by Qualifying Fund Shareholders if a vacancy occurs among those board members who are independent board members. A Qualifying Fund Shareholder is a shareholder that: (i) owns of record, or beneficially through a financial intermediary, 1/2 of 1% or more of the Fund's outstanding shares and (ii) has been a shareholder of at least 1/2 of 1% of the Fund's total outstanding shares for 12 months or more prior to submitting the recommendation to the Nominating Committee. In order to recommend a nominee, a Qualifying Fund Shareholder should send a letter to Adela Cepeda, the chairperson of the Nominating Committee, care of Mark Kemper, Secretary of the Fund, at UBS Global Asset Management (Americas), Inc., One North Wacker Drive, Chicago, Illinois 60606. The Qualifying Fund Shareholder's letter should include: (i) the name and address of the Qualifying Fund Shareholder making the recommendation; (ii) the number of shares of the Fund which are owned of record and beneficially by such Qualifying Fund Shareholder and the length of time that such shares have been so owned by the Qualifying Fund Shareholder; (iii) a description of all arrangements and understandings between such Qualifying Fund Shareholder and any other person or persons (naming

such person or persons) pursuant to which the recommendation is being made; (iv) the name and address of the nominee; and (v) the nominee's resume or curriculum vitae.

The Qualifying Fund Shareholder's letter must be accompanied by a written consent of the individual to stand for election if nominated for the Board and to serve if elected by shareholders. The Nominating 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.

The Board also at times creates other committees of Board members to assist in the evaluation of specific matters. The Independent Directors have also engaged independent legal counsel, and have from time to time engaged consultants and other advisors to assist them in performing their oversight responsibilities.

Shareholders may send other communications to the Board by sending a letter to the chairman of the Board of Directors, Mr. Frank K. Reilly, care of Mark Kemper, Secretary of the Fund, at UBS Global Asset Management (Americas), Inc., One North Wacker Drive, Chicago, Illinois 60606. The chairman of the Board of Directors will relay shareholder communications to the other Board members.

The Board believes that the existing Board structure for the Fund is appropriate because it allows the Independent Directors to exercise independent judgment in evaluating the governance of the Fund and performance of the Fund's service providers.

#### *Board oversight of risk management*

The Board, as a whole, considers risk management issues as part of its general oversight responsibilities throughout the year at regular board meetings, through regular reports that have been developed by Fund management and the Advisor. These reports address certain investment, valuation and compliance matters. The Board also may receive special written reports or presentations on a variety of risk issues, either upon the Board's request or upon the initiative of the Advisor, including discussions with the Advisor's Chief Risk Officer. In addition, the Audit Committee of the Board meets at least annually with the Advisor's internal audit group to discuss the results of the internal audit group's examinations of the functions and processes of UBS Global AM that affect the Fund and to be advised regarding the internal audit group's plans for upcoming audits.

With respect to investment risk, the Board receives regular written reports describing and analyzing the investment performance of the Fund. The Board discusses these reports and the performance of the Fund and investment risks with the Advisor at the Board's regular meetings. To the extent that the Advisor seeks to change the Fund's investment strategy that may have a material impact on the Fund's risk profile or invest in a new type of security or instrument, the Board generally is provided information on such proposed changes for the Board's approval.

With respect to valuation, the Advisor provides regular written reports to the Board that enables the Board to monitor fair valued securities in the Fund. Such reports also include information concerning illiquid securities held by the Fund. In addition, the Audit Committee reviews valuation procedures and pricing results with the Fund's independent registered public accounting firm in connection with such Committee's review of the results of the audit of the Fund's year-end financial statements.

With respect to compliance risks, the Board receives regular compliance reports prepared by the Advisor's compliance group and meets regularly with the Fund's Chief Compliance Officer ("CCO") to discuss compliance issues, including compliance risks. As required under U.S. Securities and Exchange Commission ("SEC") rules, the Independent Directors meet at least quarterly in executive session with the CCO, and the Fund's CCO prepares and presents an annual written compliance report to the Board. The Board adopts compliance policies and procedures for the Fund and receives information about the procedures in place for the Fund's service providers. The compliance policies and procedures are specifically designed to detect and prevent violations of the federal securities laws.

At the request of the Board, the Advisor also has provided presentations to the Board with respect to the Advisor's operational risk management.



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 any compensation from the Fund. The executive officers of the Fund are:

Name, address	Position(s) held with the Fund	Term of office† and length of time served	Principal occupation(s) during past 5 years
Joseph J. Allesie Age: 49	Vice President, Assistant Secretary and Chief Compliance Officer	Since 2005 (Vice President and Assistant Secretary) and since July 2014 (Chief Compliance Officer)	Mr. Allesie is an executive director (since 2007) (prior to which he was a director (since 2005)) at UBS Global Asset Management (US) Inc. and UBS Global AM (collectively, "UBS Global AM Americas region"). Mr. Allesie is head of compliance and operational risk control for the UBS Global Asset Management Division in the Americas with oversight for traditional and alternative investment businesses in Canada, the United States and Cayman Islands. Prior to that he served as deputy general counsel (from 2005 to 2014). Mr. Allesie is a vice president, assistant secretary and chief compliance officer (prior to which he was interim chief compliance officer (from January 2014 to July 2014)) of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.

Name, address	Position(s) held with the Fund	Term of office† and length of time served	Principal occupation(s) during past 5 years
Rose Ann Bubloski Age: 46	Vice President and Assistant Treasurer	Since 2011	Ms. Bubloski is a director (since 2012) (prior to which she was an associate director (since 2008)) and senior manager of the US mutual fund treasury administration department of UBS Global AM Americas region. She is vice president and assistant treasurer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Mark E. Carver* Age: 51	President	Since 2010	Mr. Carver is a managing director and head of product development and management for UBS Global AM Americas region (since 2008). In this role, he oversees product development and management for both wholesale and institutional businesses. He is a member of the Americas Management Committee (since 2008) and the Regional Operating Committee (since 2008). Prior to 2008, Mr. Carver held a number of product-related or sales responsibilities with respect to funds, advisory programs and separately managed accounts. Mr. Carver joined the predecessor of an affiliated firm in 1985 and has been with UBS Global AM Americas region (or its affiliates) since 1996. Mr. Carver is president of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Thomas Disbrow Age: 48	Vice President, Treasurer and Principal Accounting Officer	Since 2004 and 2006, respectively	Mr. Disbrow is a managing director (since 2011) (prior to which he was an executive director (since 2007)) and head of North American fund treasury (since 2011) of UBS Global AM Americas region. Mr. Disbrow is a vice president and treasurer and/or principal accounting officer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.

Name, address	Position(s) held with the Fund	Term of office† and length of time served	Principal occupation(s) during past 5 years
Michael J. Flook* Age: 49	Vice President and Assistant Treasurer	Since 2006	Mr. Flook is a director (since 2010) (prior to which he was an associate director (since 2006)) and a senior manager of the US mutual fund treasury administration department of UBS Global AM Americas region (since 2006). Mr. Flook is a vice president and assistant treasurer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Christopher S. Ha* Age: 34	Vice President and Assistant Secretary	Since 2012	Mr. Ha is a director and associate general counsel (since 2012) at UBS Global AM Americas region. Prior to joining UBS Global AM Americas region, Mr. Ha was of counsel at Buhler, Duggal & Henry LLP (law firm) (from March 2012 to July 2012) and an associate attorney at Dechert LLP (law firm) (from 2007 to 2009). Mr. Ha is a vice president and assistant secretary of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Mark F. Kemper** Age: 56	Vice President and Secretary	Since 1999	Mr. Kemper is a managing director (since 2006) and head of the legal department of UBS Global AM Americas region (since 2004). He has been secretary of UBS Global AM Americas region (since 2004), secretary of UBS Global Asset Management Trust Company (since 1993) and secretary of UBS AM Holdings (USA) Inc. (since 2001). Mr. Kemper is vice president and secretary of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.

Name, address	Position(s) held with the Fund	Term of office† and length of time served	Principal occupation(s) during past 5 years
Joanne M. Kilkeary Age: 46	Vice President and Assistant Treasurer	Since 2006	Ms. Kilkeary is an executive director (since 2013) (prior to which she was a director (since 2008)) and a senior manager (since 2004) of the US mutual fund treasury administration department of UBS Global AM Americas region. Ms. Kilkeary is a vice president and assistant treasurer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Tammi Lee* Age: 43	Vice President and Assistant Secretary	Since 2005	Ms. Lee is an executive director (since 2010) (prior to which she was a director (since 2005)) and associate general counsel of UBS Global AM Americas region. Ms. Lee is a vice president and assistant secretary of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Nancy D. Osborn Age: 48	Vice President and Assistant Treasurer	Since 2007	Mrs. Osborn is a director (since 2010) (prior to which she was an associate director) and a senior manager of the US mutual fund treasury administration department of UBS Global AM Americas region (since 2006). Mrs. Osborn is a vice president and assistant treasurer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Eric Sanders Age: 49	Vice President and Assistant Secretary	Since 2005	Mr. Sanders is a director and associate general counsel of UBS Global AM Americas region (since 2005). Mr. Sanders is a vice president and assistant secretary of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.

Name, address	Position(s) held with the Fund	Term of office† and length of time served	Principal occupation(s) during past 5 years
Andrew Shoup* Age: 58	Vice President and Chief Operating Officer	Since 2006	Mr. Shoup is a managing director and global head of the fund treasury administration department of UBS Global AM Americas region (since 2006). Mr. Shoup is also a director of UBS (IRL) Fund p.l.c. (since 2008). Mr. Shoup is a vice president and chief operating officer of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Keith A. Weller* Age: 53	Vice President and Assistant Secretary	Since 2004	Mr. Weller is an executive director and senior associate general counsel of UBS Global AM Americas region (since 2005) and has been an attorney with affiliated entities since 1995. Mr. Weller is a vice president and assistant secretary of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.
Mandy Yu* Age: 30	Vice President	Since 2013	Ms. Yu is an authorized officer (since 2012) and tax compliance manager (since 2013) of the US mutual fund treasury administration department of UBS Global AM Americas region. She was a fund treasury manager (from 2012 to 2013) and a mutual fund administrator (from 2007 to 2012) for UBS Global AM Americas region. Ms. Yu is a vice president of 15 investment companies (consisting of 76 portfolios) for which UBS Global AM serves as investment advisor or manager.

† Officers of the Fund are appointed by the Directors and serve at the pleasure of the Board.

\* This person's business address is 1285 Avenue of the Americas, New York, NY 10019-6028.

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

## Ownership of shares

From time to time, the number of shares held in "street name" accounts of various securities dealers for the benefit of their clients may exceed 5% of the total shares outstanding. According to disclosure publicly filed with the SEC, as of October 10, 2014, the following accounts beneficially held 5% or more of the outstanding shares of the Fund as shown below.

<b>Name and address of beneficial owner</b>	<b>Amount and nature of ownership</b>	<b>Percent of Fund</b>
Karpus Management, Inc. 183 Sully's Trail Pittsford, New York 14534	966,761 shares of common stock of the Fund	11.02%
First Trust Portfolios L.P. 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187	695,096 shares of common stock of the Fund	7.92%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104	586,145 shares of common stock of the Fund	6.68%
1607 Capital Partners, LLC 4991 Lake Brook Drive, Suite 125 Glen Allen, VA 23060	474,359 shares of common stock of the Fund	5.41%

Other than as set forth above, as of October 10, 2014, UBS Global AM does not know of any other person who owned beneficially 5% or more of the common stock of the Fund.

## 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 Board member or officer.

## Voting requirements

A majority of the shares outstanding and entitled to vote on October 10, 2014 represented in person or by proxy, must be present to establish a quorum for the transaction of business at the meeting. Abstentions and broker non-votes will be counted as shares present for purposes of determining whether a quorum is present. Broker non-votes are shares registered in the name of a shareholder's broker in the Fund's books (as opposed to in a shareholder's own name) for which the broker indicates that instructions have not been received from the shareholders or other persons entitled to

vote and for which the broker does not have discretionary voting authority. It is expected that abstentions and broker non-votes will have no effect on Proposal 1. In the event that a quorum is not present at the annual meeting, shareholders present in person or the persons named as proxies may propose one or more adjournments of the annual meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of those shares represented at the annual meeting in person or by proxy. If the meeting is adjourned, notice need not be given of the adjourned meeting at which the adjournment is taken. Upon the adjournment of the meeting, the Fund may transact any business at later meetings which might have been transacted at the original meeting.

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 on your executed proxy card, your shares will be voted FOR the six nominees for Director named herein, and, in the proxies' discretion, either FOR or AGAINST any other business that may properly arise at the annual meeting, including questions of adjournment. You may revoke any proxy card by attending the annual meeting in person, giving another proxy or submitting a written notice of revocation to Mark Kemper, the Fund's Secretary, at UBS Global Asset Management (Americas), Inc., One North Wacker Drive, Chicago, Illinois 60606. Unless you are attending the annual meeting in person, to be effective, your revocation must be received by the Fund prior to the meeting and must indicate your name and account number. If you attend the annual meeting in person you may, if you wish, vote by ballot at the meeting, thereby canceling any proxy previously given. If your shares are held by your bank or broker, then in order to vote in person at the annual meeting, you will need to obtain a "Legal Proxy" from your bank or broker and present it to the Inspector of Election at the meeting.

As of the record date, October 10, 2014, the Fund had 8,775,665 shares of common stock outstanding. Your vote is being solicited by the Directors of the Fund. The solicitation of proxies, the cost of which will be borne by the Fund, will be made by mail primarily but also may include telephone and oral communications by regular employees of UBS Global AM, who will not receive any compensation therefor from the Fund. Each full share of the Fund outstanding is entitled to one vote, and each fractional share of the Fund outstanding is entitled to a proportionate share of one vote.

#### Shareholder proposals

The Fund anticipates mailing this proxy statement on or about October 31, 2014. In addition, the Fund anticipates that its next annual meeting of shareholders will be held on or around the same date next year. Any shareholder who wishes to submit proposals for inclusion in the Fund's proxy statement and proxy card to be considered at the Fund's 2015 annual meeting of shareholders should send such proposals to Mark Kemper, the Secretary of the Fund, at UBS Global Asset Management (Americas), Inc., One North Wacker Drive, Chicago, Illinois 60606. In order for such proposals to be included in the Fund's proxy statement and proxy card relating to the 2015 annual meeting of

shareholders, shareholder proposals must be received by the Fund no later than July 3, 2015 and must satisfy other requirements of the federal securities laws. Submission of a proposal by a shareholder does not guarantee that the proposal will be included in the proxy statement. A shareholder who wishes to make a proposal at the Fund's 2015 annual shareholders' meeting without including the proposal in the Fund's proxy statement and proxy card must notify the Fund of such proposal by directing such notice to the Secretary of the Fund at the address set forth above by no later than September 16, 2015. If a shareholder fails to give notice to the Fund by this date, then the persons named as proxies in the proxies solicited by the Board for the 2015 annual meeting of shareholders may exercise discretionary voting power with respect to any such proposal.

Other business

UBS Global AM knows of no business to be presented at the meeting other than the matters set forth in this proxy statement, but should any other matter requiring a vote of shareholders arise, the proxies will vote thereon according to their best judgment in the interest of the Fund.

By order of the Board of Directors,

Mark F. Kemper  
*Vice President and Secretary*

October 31, 2014

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



Appendix A

**AUDIT COMMITTEE CHARTER**

This Audit Committee Charter (the "Charter") is adopted by the Board of Trustees or the Board of Directors, as applicable (the "Board"), of each of the Trusts or Corporations listed on Schedule A hereto (each a "Fund").

1. The Audit Committee of the Board (the "Committee") shall be composed entirely of trustees/directors of the Fund, who are not "interested persons," as defined in Section 2(a)(19) of the Investment Company Act of 1940 (the "1940 Act"), and shall consist of at least three members.

2. Each member of the Committee must be financially literate, as that qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable time after appointment to the Committee. At least one member of the Committee must have accounting or related financial management expertise as the Board interprets such qualification in its business judgment. The Board may presume that any member of the Committee that qualifies as an "audit committee financial expert" under paragraph 4(m) below has the requisite accounting or related financial management expertise.

3. The purposes of the Committee are:

(a) to select, oversee and set the compensation of the Fund's independent auditors;

(b) to oversee the accounting and financial reporting policies and practices of the Fund, and each of its series, its internal control over financial reporting and, as the Committee deems appropriate, the internal control over financial reporting of certain third-party service providers;

(c) to oversee or, as appropriate, assist Board oversight of, the quality and integrity of the Fund's financial statements and the independent audit(s) thereof;

(d) to oversee, or, as appropriate, assist Board oversight of the Fund's compliance with legal and regulatory requirements that relate to the Fund's accounting and financial reporting, internal control over financial reporting and independent audits;

(e) to approve, prior to appointment, the engagement of the Fund's independent auditors and, in connection therewith, to review and evaluate the qualifications, independence and performance of the Fund's independent auditors;

(f) to act as a liaison between the Fund's independent auditors and the full Board;

(g) to prepare an audit committee report to be included in proxy statements relating to the election of trustees/directors, to the extent required by Item 306 of Regulation S-K for the Fund; and

(h) to assist in Board oversight of the Fund's internal audit function (if any).

The function of the Committee is oversight; it is management's responsibility to maintain appropriate systems for accounting and internal control over financial reporting, and the auditors' responsibility to plan and carry out a proper audit. The independent auditors for the Fund shall report directly to the Committee.

4. To carry out its purposes, the Committee shall have the following duties and powers:

(a) To pre-approve the engagement of, and to recommend to the Board the engagement, retention or termination of, the independent auditors to provide audit, review or attest services to the Fund, and, in connection therewith, to review and evaluate the capabilities and independence of the auditors, and receive the auditors' specific representations as to their independence. In evaluating the auditor's qualifications, performance and independence, the Committee must, among other things, obtain and review a report by the auditors, at least annually, describing the following items:

(i) all relationships between the independent auditors and the Fund, as well as with the Fund's investment adviser or any control affiliate of the investment adviser that provides ongoing services to the Fund;

(ii) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and

(iii) the audit firm's internal quality control procedures.

(b) To pre-approve all non-audit services to be provided to the Fund by the independent auditors when, without such pre-approval, the auditors would not be independent of the Fund under applicable federal securities laws, rules or auditing standards.

(c) To pre-approve all non-audit services to be provided by the Fund's independent auditors to the Fund's investment adviser or to any entity that controls, is controlled by or is under common control with the Fund's investment adviser ("adviser affiliate") and that provides ongoing services to the Fund, when, without such pre-approval by the Committee, the auditors would not be independent of the Fund under applicable federal securities laws, rules or auditing standards.

(d) To establish, if deemed necessary or appropriate as an alternative to Committee pre-approval of services to be provided by the independent auditors as required by paragraphs (b) and (c) above, policies and procedures to permit such services to be pre-approved by other means, such as by action of a designated member or members of the Committee, subject to subsequent Committee review or oversight.

(e) To consider whether the non-audit services provided by the Fund's independent auditor to the Fund's investment adviser or any adviser affiliate that provides on-going services to the Fund,

which services were not pre-approved by the Committee, are compatible with maintaining the auditors' independence.

(f) To meet with the Fund's independent auditors, including private meetings, as necessary: (i) to review the arrangements for and scope of the Fund's annual audit and any special audits; (ii) to discuss any matters of concern relating to the Fund's financial statements, including any adjustments to such statements recommended by the auditors, or other results of said audit(s); (iii) to receive and consider the auditors' comments with respect to the Fund's accounting and financial reporting policies, procedures and internal control over financial reporting and management's responses thereto; and (iv) to review the auditor's opinion on the Fund's financial statements.

(g) To discuss with management and the independent auditors, the Fund's annual audited financial statements and other periodic financial statements, including the Fund's disclosures under "Management's Discussion of Fund Performance" and, in the case of an exchange-listed closed-end Fund only, to make a recommendation to the Board on including such annual audited financial statements in the Fund's annual report to shareholders.

(h) To receive and consider reports from the Fund's independent auditors regarding: (i) all critical accounting policies and practices of the Fund to be used; (ii) all alternative accounting treatments for policies and practices related to material items that have been discussed with management, including the potential ramifications of use of those treatments and the treatment preferred by the auditors; (iii) any material written communications between the auditors and management; and (iv) all non-audit services provided to any entity in the Fund's investment company complex that were not pre-approved by the Committee or pursuant to pre-approval policies and procedures established by the Committee and associated fees.

(i) To resolve disagreements between management and the independent auditors regarding financial reporting.

(j) To consider any reports of difficulties that may have arisen in the course of the audit, including any limitations on the scope of the audit, and management's response thereto.

(k) To consider the effect upon the Fund of any changes in accounting principles or practices proposed by management or the auditors.

(l) To review and approve the fees proposed to be charged to the Fund by the auditors for audit and non-audit services.

(m) To consult with the Board in connection with the Board's determination whether one or more members of the Committee qualify as an "audit committee financial expert."

(n) To receive reports from Fund management in connection with the required certifications on Form N-CSR under the 1940 Act of any significant deficiencies in the design or operation of the Fund's internal control over financial reporting or any material weaknesses therein and any reported evidence of fraud, whether or not material, that involves management or other

employees of the Fund who have a significant role in the Fund's internal control over financial reporting, and to evaluate any corrective actions taken by Fund management.

(o) To investigate improprieties or suspected improprieties in Fund operations in connection with the Fund's accounting or financial reporting brought to the attention of the Committee.

(p) To discuss generally the Fund's dividend-related press releases, and other press releases containing financial information, and financial information provided to analysts and rating agencies (if any) (e.g., the types of information to be disclosed and the type of presentation to be made).

(q) To review in a general manner, but not as a Committee to assume responsibility for, the Fund's processes with respect to risk assessment and risk management.

(r) To set policies relating to the hiring by entities within the Fund's investment company complex of employees or former employees of the independent auditors.

(s) To report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate.

5. The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Fund, the Fund's investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the Fund of concerns regarding questionable accounting or auditing matters, and to address reports from attorneys or auditors of possible violations of federal or state law or fiduciary duties.

6. The Committee shall meet on a regular basis, and is empowered to hold special meetings as circumstances require. The Committee may meet in person or by telephone, and a majority of Committee members then in office shall constitute a meeting quorum. The Committee may act by a vote of a majority of those members present at a meeting and constituting a quorum, or by written consent of a majority of Committee members.

7. The Committee shall meet regularly, in separate executive sessions, with representatives of Fund management, with the Fund's internal auditors, or other personnel responsible for the Fund's internal audit function, if any, and with the independent auditors.

8. The Committee shall have the resources and authority appropriate to discharge its responsibilities, including: (i) the appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of conducting audit, review or attest services and rendering their audit report; and (ii) the authority to retain special counsel and other experts, consultants or advisors at the expense of the appropriate Fund(s) as it determines necessary to carry out its duties.

9. The Committee shall prepare and retain minutes of its meetings and appropriate documentation of decisions made outside of meetings by delegated authority.
10. The Committee may select one of its members to be the chair.
11. The Committee shall review this Charter at least annually and recommend any changes it deems appropriate to the full Board.
12. The Committee shall evaluate its performance at least annually.

As adopted as of August 19, 2003, and amended as of June 7, 2004 and September 8, 2011.

Schedule A

The UBS Funds  
UBS Relationship Funds  
SMA Relationship Trust  
Fort Dearborn Income Securities, Inc.

## Schedule B

Policies of the audit committee regarding concerns or complaints relating to accounting, internal accounting controls or auditing matters or other 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 ("UBS Global AM") listed on Schedule 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 Schedule B to the Charter. These policies constitute the procedures to be established pursuant to Item 5 of the Charter; however, 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 Company Manual.

These policies establish (1) procedures for the receipt, retention and treatment of complaints received by the Fund (including Fund officers) regarding accounting, internal accounting controls or auditing matters or other matters relating to the operations of the Fund, (2) procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser (and sub-advisor, if applicable), administrator (and sub-administrator, if applicable), principal underwriter (if any), or any other provider of accounting related services for the Fund (each a "Service Provider") and (3) protections for such persons bringing complaints or concerns 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 concerns or 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 at their firm 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 utilizing internal reporting mechanisms would be futile or otherwise undesirable, he or she should (1) in the case of Service Providers under the supervision of UBS Global AM (e.g., J.P. Morgan Chase or BNY Mellon Investment Servicing (US) Inc.), contact UBS Global AM via the Whistleblower hotline and/or web-site referenced below (unless such person believes that using such would be futile or 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 all 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 pursuant to these or any similar policies it may have if such complaints or

concerns are reasonably believed to relate to accounting, internal accounting controls 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. Each Service Provider, including UBS Global AM, shall be directed to make these methods by which complaints or concerns can be communicated known 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, UBS Global AM shall notify the Committee of the Service Provider's reasons for non-cooperation, and the Committee shall recommend to the Board such actions as 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 not 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; or
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, threaten, harass, or in any other manner discriminate against an employee in the terms and conditions of his or her employment because such employee has 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, including interference with the lawful employment or livelihood of any person, for providing to a law enforcement officer any truthful information relating 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 possible that in the course of the investigation, facts must be disclosed that would require the identity of the reporting person to be disclosed. Accordingly, 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 directly to the Chairman of the Committee (or in the event of a potential conflict involving such person, to any other member of the Committee at 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.

### **Whistleblower hotline and website**

Where circumstances preclude the use of conventional channels (oral or written report to line manager, Head of Compliance, Regional General Counsel or Human Resources), UBS Global AM has established a Whistleblower hotline and a dedicated Whistleblower web-site to facilitate the confidential, anonymous submission of concerns regarding potential legal/regulatory violations and questionable accounting or auditing matters or other matters relating to the operations of a Fund or other ethical dilemmas. The Whistleblower hotline can be reached either internally or externally, external calls to the Whistleblower hotline can be made toll free. The dedicated web-site consists of a Whistleblower form with instructions for submission. The hotline is available for leaving a voicemail message 24-hours a day, seven days a week. In order to protect confidentiality, only the UBS Regional Responsible Counsel will be authorized to take steps to investigate the matter. The Whistleblower hotline number is toll free 888 968 4827.

### **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 have an 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, the Board's 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 shall have 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.

(September 2011)



Fort  
Dearborn Income  
Securities, Inc.

Proxy  
statement

Fort  
Dearborn Income  
Securities, Inc.

Notice of  
annual meeting  
to be held on  
December 5, 2014  
and  
proxy statement

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**EVERY SHAREHOLDER S VOTE IS IMPORTANT**

**EASY VOTING OPTIONS:**

**VOTE BY MAIL**

**Vote, sign and date this Proxy**

**Card and return in the**

**postage-paid envelope**

**VOTE IN PERSON**

**Attend Shareholder Meeting**

**One North Wacker Drive, 38th Floor**

**Chicago, Illinois**

**on December 5, 2014**

Please detach at perforation before mailing.

PROXY

**FORT DEARBORN INCOME SECURITIES, INC.  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD DECEMBER 5, 2014  
PROXY SOLICITED BY THE BOARD OF DIRECTORS OF THE FUND**

PROXY

The undersigned hereby appoints as proxies, Joseph J. Alessie and Tammie Lee, and each of them (with full power of substitution) to represent the undersigned and to vote for the undersigned all shares of common stock of the undersigned at the aforesaid meeting and any adjournment or postponement thereof with all the power the undersigned would have if personally present. The shares represented by this proxy will be voted as instructed.

**IF NO INSTRUCTIONS ARE RECEIVED, THIS PROXY SHALL BE DEEMED TO GRANT AUTHORITY TO VOTE FOR ALL OF THE NOMINEES IN PROPOSAL 1. ADDITIONALLY, THE VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST IN THE DISCRETION OF THE PROXYHOLDER ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF FORT DEARBORN INCOME SECURITIES, INC.**

**Note:** Signature(s) should be exactly as name or names appearing on this proxy. If shares are held jointly, either holder should sign. If signing is by attorney, executor, administrator, corporate officer, trustee, guardian or custodian, please give full title unless it is reflected in the form of registration.

Signature

(Title or Authority)

Date

FDI\_26119\_101014

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**EVERY SHAREHOLDER S VOTE IS IMPORTANT**

Please detach at perforation before mailing.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL OF THE NOMINEES IN PROPOSAL 1.**



TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS IN THIS EXAMPLE:

1. Election of Directors.			FOR ALL	WITHHOLD ALL	FOR ALL EXCEPT
01. Adela Cepeda	02. John J. Murphy	03. Frank K. Reilly	o	o	o
04. Edward M. Roob	05. Abbie J. Smith	06. J. Mikesell Thomas			

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark the box **FOR ALL EXCEPT** and write the nominee s number on the line provided below.

**YOUR VOTE IS IMPORTANT. Please date and sign this proxy on the reverse side and return it in the enclosed envelope.**

FDI\_26119\_101014

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