

FORT DEARBORN INCOME SECURITIES INC
Form PRE 14A
October 03, 2008

SCHEDULE 14A

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 Proxy Statement
Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to SS 240.14a-12

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 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, 2008

TO THE SHAREHOLDERS:

The annual meeting of shareholders of Fort Dearborn Income Securities, Inc. (the Fund) will be held on Friday, December 5, 2008 at 1:00 p.m., Central Time, at One North Wacker Drive, 38th Floor, Chicago, Illinois 60606 for the following purposes:

- (1) To elect four (4) directors to serve until the annual meeting of shareholders in 2009, or until their successors are elected and qualified or until they resign or are otherwise removed;
- (2) To consider, if properly presented, a shareholder proposal; and
- (3) 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 6, 2008. If you attend the meeting, you may vote your shares in person. IF YOU DO NOT EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED WHITE PROXY CARD IN THE ENCLOSED POSTAGE PAID ENVELOPE.

A dissident shareholder has indicated his intention to file a proxy statement to elect his own nominees to the Board of the Fund at the Meeting, Your vote is extremely important, especially in light of the dissident nominees and the shareholder proposal, both of which are unanimously opposed by your Fund's Board. Whether or not you plan to attend the Meeting, and regardless of the number of shares you own, we urge you to vote FOR your Board's nominees (Proposal 1) and AGAINST the shareholder proposal (Proposal 2) by promptly completing, signing, dating and returning the enclosed white proxy card.

By order of the Board of Directors,

MARK F. KEMPER
SECRETARY

October 13, 2008
One North Wacker Drive
Chicago, Illinois 60606

YOUR VOTE IS IMPORTANT
NO MATTER HOW MANY SHARES YOU OWN

PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED WHITE 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, AGAINST THE SHAREHOLDER PROPOSAL, AND IN THE PROXIES DISCRETION, EITHER FOR OR

AGAINST ANY OTHER BUSINESS THAT MAY PROPERLY ARISE AT THE ANNUAL MEETING. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOUR COOPERATION IN MAILING YOUR 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 |

FORT DEARBORN INCOME SECURITIES, INC.
ONE NORTH WACKER DRIVE
CHICAGO, ILLINOIS 60606

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 5, 2008

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, 2008, at 1:00 p.m., Central Time, at the principal executive offices of the Fund at One North Wacker Drive, 38th Floor, 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 13, 2008.

A majority of the shares outstanding and entitled to vote on October 6, 2008 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 held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority. 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. At any adjourned meeting, the Fund may transact any business which might have been transacted at the original meeting.

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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 the four nominees for director named herein, AGAINST the shareholder proposal described 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 giving another proxy or by submitting a written notice of revocation to the Fund s Secretary at UBS Global Asset Management (Americas), Inc., One North Wacker Drive, Chicago, Illinois 60606. 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 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 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. In the event that the election of Directors is contested, the Fund expects that broker-dealer firms holding shares of the Fund in street name for their customers will not be permitted by New York Stock Exchange rules to vote on the election of Directors on behalf of their

customers and beneficial owners in the absence of voting instructions from their customers and beneficial owners.

As of the record date, October 6, 2008, the Fund had 8,775,665 shares of common stock outstanding. The solicitation of proxies, the cost of which will be borne by the Fund, will be made primarily by mail but also may include telephone and oral communications by regular employees of UBS Global Asset Management (Americas), Inc. (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. The Fund has made arrangements with Georgeson Inc. to assist with solicitation of proxies, as described in the section below entitled, Solicitation of Proxies.

UBS Global AM 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. The principal offices of UBS AG are Bahnhofstrasse 45, Zurich, Switzerland and Aeschenplatz 1, 4052 Basel, Switzerland.

THE FUND IS SENDING TO SHAREHOLDERS, IN A SEPARATE MAILING, THE FUND'S ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008. 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.

PROPOSAL 1. ELECTION OF DIRECTORS

Proposal 1 relates to the election of directors of the Fund. Management proposes the election of the four nominees named in the table below. 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

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shareholders or until his or her successor is elected and qualified, or until he or she resigns or is otherwise removed. Each of the nominees was last elected director at the Fund's December 2007 Annual Meeting of Shareholders. As described more fully below, these nominees have significant experience managing investment vehicles. All of the Fund's nominees have been Fund directors for numerous years, and 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.

Directors are elected by a plurality vote of shareholders. Unless you give contrary instructions on the enclosed proxy card, your shares will be voted FOR the election of all four 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 management may recommend.

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 majority of the shares of the Fund cast in person or by proxy and entitled

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to vote thereon, provided a quorum is present. Proxies cannot be voted for a greater number of persons than the number of nominees named. 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 6, 2008. 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 6, 2008.

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

NAME, AGE, AND <u>ADDRESS</u>	POSITION(S) HELD WITH <u>FUND</u>	LENGTH OF TIME <u>SERVED</u>	PRINCIPAL OCCUPATION(S) DURING PAST 5 <u>YEARS</u>	NUMBER OF	OTHER	SHARES
				PORTFOLIOS IN FUND COMPLEX OVERSEEN BY <u>NOMINEE</u>	DIRECTORSHIPS INDIRECTLY HELD BY <u>NOMINEE</u>	BENEFICIALLY OWNED DIRECTLY OR INDIRECTLY AT OCTOBER 6, <u>2008</u>
INDEPENDENT DIRECTORS: Adela Cepeda; 50 A.C. Advisory, Inc. 161 No. Clark Street, Suite 4975 Chicago, IL 60601	Director	Since 2000	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 56 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub- advisor or manager.	Ms. Cepeda is a director of the MGI Funds (7 portfolios) (since 2005) and a director of Amalgamated Bank of Chicago.	[]
Frank K. Reilly; 72 Mendoza College of Business University of Notre Dame Notre Dame, IN	Chairman and Director	Since 1992	Mr. Reilly is a Professor at the University of Notre Dame (since 1982).	Mr. Reilly is a director or trustee of four investment companies (consisting of 56	Mr. Reilly is a director of Discover Bank, a subsidiary of Discover Financial Services.	[]

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NAME, AGE, AND ADDRESS	POSITION(S) HELD WITH FUND	LENGTH OF TIME OF SERVED	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	PORTFOLIOS IN FUND COMPLEX OVERSEEN BY NOMINEE	OTHER DIRECTORSHIPS HELD BY NOMINEE	OWNED DIRECTLY OR INDIRECTLY AT OCTOBER 6, 2008
46556-5649				portfolios), for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.		
Edward M. Roob; 74 841 Woodbine Lane Northbrook, IL 60002	Director	Since 1993	Mr. Roob is retired (since 1993).	Mr. Roob is a director or trustee of four investment companies (consisting of 56 portfolios), for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.	None	[]
J. Mikesell Thomas; 57 1353 Astor Street Chicago, IL 60610	Director	Since 2002	Mr. Thomas is the former President and CEO of Federal Home Loan Bank of Chicago (2004 to March 2008). Mr. Thomas was an independent financial advisor (2001-2004).	Mr. Thomas is a director or trustee of four investment companies (consisting of 56 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.	Mr. Thomas is a director and chairman of the Audit Committee for Evanston Northwestern Healthcare.	[]

Each Independent Director receives from the Fund for his or her service to the Fund, an annual retainer of \$5,000 for serving as a board member, a \$2,000 retainer for serving as an Audit Committee member, and a \$2,000 retainer for serving as a Nominating, Compensation and Governance Committee member. In addition, the Chairman of the Board, for serving as Chairman of the Board, the Chairman of the Audit Committee, for serving as Chairman of the Audit Committee and the Chairman of the Nominating Committee, for serving as Chairman of the Nominating Committee, receive, from the Fund for his or her service to the Fund, an annual retainer of \$2,000, \$1,500 and \$1,000, respectively. Each Independent Director also will receive from the Fund \$500 for each regular Board meeting (and each in-person special meeting) actually attended. The Fund 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⁺

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NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM THE FUND [*]	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSES	TOTAL COMPENSATION FROM THE FUND AND THE FUND COMPLEX ^{**}
Adela Cepeda, Director	\$6,624	N/A	\$123,500
Frank K. Reilly, Director and Chairman	8,283	N/A	144,500
Edward M. Roob, Director	6,624	N/A	127,500
J. Mikesell Thomas, Director ^{***}	6,994	N/A	125,850

+ Only Independent Directors are compensated by the Fund.

* Represents fees paid to each director for service on the Board during the fiscal year ended September 30, 2008.

** Represents fees paid for services during the fiscal year ended September 30, 2008 to each Board member by four investment companies for which UBS Global AM or one of its affiliates served as investment advisor, sub-advisor or manager. The Fund does not have a bonus, pension, profit sharing or retirement plan.

*** These amounts include compensation paid to Mr. Thomas for his service as the liaison for the Board of Directors for purposes of the UBS Global AM (Americas) Profitability Working Group.

NOMINEE OWNERSHIP OF FUND SHARES

NOMINEE	DOLLAR RANGE OF EQUITY SECURITIES IN FUND ⁺	AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN ALL REGISTERED INVESTMENT COMPANIES OVERSEEN BY NOMINEE FOR WHICH UBS GLOBAL AM OR AN AFFILIATE SERVES AS INVESTMENT ADVISOR, SUB-ADVISOR OR MANAGER ⁺
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INDEPENDENT

DIRECTORS:

Adela Cepeda	[]	[]
Frank K. Reilly	[]	[]
Edward M. Roob	[]	[]
J. Mikesell Thomas	[]	[]

+ Information regarding ownership of shares of the Fund is as of October 6, 2008; information regarding ownership of shares in all registered investment companies overseen by nominee for which UBS Global AM or an affiliate serves as investment advisor, sub-advisor or manager is as of December 31, 2007.

As of December 31, 2007, 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.

A dissident shareholder has indicated its intention to elect its own nominees to the Fund's Board of Directors at the Meeting. The dissident shareholder has also stated that it wants to

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terminate the Fund's investment advisory agreement with UBS Global AM (as described in the description of Proposal 2 below). If the dissident nominees are elected, the Fund's current Board strongly believes that your Fund's investment advisory agreement with UBS Global AM would be terminated stripping the Fund of the resources and expertise of UBS Global AM, which has been the Fund's investment advisor for over 35 years, and potentially leaving the Fund without the capacity to manage its portfolio, conduct research, or pursue trades.

As discussed in Proposal 2 below, the Fund's current Board believes that it is in shareholders' best interests to continue the Fund's investment advisory relationship with UBS Global AM. As a result, the Fund's current Board intends to vigorously contest the election of the dissident nominees. We urge you to vote **FOR** your Board's nominees by promptly completing, signing, dating and returning the enclosed white proxy card.

PROPOSAL 2. A SHAREHOLDER PROPOSAL

A shareholder (the Shareholder Proponent) has submitted the following proposal (the Shareholder Proposal) to be included in this proxy statement:

RESOLVED: The investment advisory agreement between UBS Global Asset Management (Americas), Inc. and Fort Dearborn Income Securities, Inc. shall be terminated.

Section 15(a)(3) of the 1940 Act provides that a shareholder proposal to terminate the advisory agreement requires the vote of a majority of the outstanding voting securities of the Fund, which is defined in the 1940 Act to be the vote, at the annual or a special meeting of the security holders of such company duly called, (A) of 67 per centum or more of the voting securities present at such meeting, if the holders of more than 50 per centum of the outstanding voting securities of such company are present or represented by proxy; or (B) of more than 50 per centum of the outstanding voting securities of such company, whichever is the less.

OPPOSITION STATEMENT OF FORT DEARBORN INCOME SECURITIES, INC.

Your Fund's Board opposes the Shareholder Proposal and believes it is in your best interests to maintain your Fund's investment advisory agreement with UBS Global Asset Management (Americas), Inc. ("UBS Global AM" or the "Advisor"). UBS Global AM has delivered consistently strong market returns to Fund investors over time. The Board believes strongly that your Fund receives significant benefits from its continued investment advisory relationship with UBS Global AM, but would not be able to provide the same benefits to shareholders if the investment advisory agreement with UBS Global AM is terminated. **The Board therefore recommends that shareholders vote AGAINST the Shareholder Proposal.**

Reasons for the Board's Recommendation

Your Fund's Board has reviewed and considered the Shareholder Proposal but believes that it is not in the best interests of the Fund and its shareholders. For the reasons discussed below, the

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Board believes that the Fund's shareholders are best served by voting **AGAINST** the Shareholder Proposal.

1. Your Fund's Competitive Performance

Your Fund's Board believes that the Fund's investment approach and long-term market price performance has benefited shareholders. With UBS Global AM as your Fund's investment advisor, your Fund's long-term performance at market price has been consistently competitive, both in absolute terms and relative to its Lipper peer group and benchmark indices, as shown in the table below:

Fort Dearborn Income Securities, Inc. as of September 30, 2008

Average Annual Total Return¹	1-Year	3-Year	5-Year	10-Year
Fund Return Based on Change in Market Price ²	-0.62%	1.88%	3.55%	4.97%
Fund Return Based on Change in Net Asset Value ³	-6.60%	0.29%	2.01%	4.43%
Investment Grade Bond Index ⁴	-4.07%	0.81%	2.56%	4.84%
Lipper Corporate Debt Funds BBB-Rated (NAV) ⁵	-7.48%	0.17%	2.42%	4.53%
Lipper Corporate Debt Funds BBB-Rated (Market Price) ⁵	-15.39%	-3.18%	0.47%	3.71%
Rank in Lipper Category Based on Change in NAV ⁵	10 out of 21	9 out of 20	11 out of 18	6 out of 12

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

- (1) Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.
- (2) Source: Lipper Inc. Assumes reinvestment of distributions based on the Dividend Reinvestment Plan.
- (3)