

DIGITAL RIVER INC /DE
Form 8-K
May 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): May 8, 2012

DIGITAL RIVER, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-24643
(Commission
File Number)

41-1901640
(IRS Employer
Identification No.)

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

10380 Bren Road West, Minnetonka, MN 55343

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): (952) 253-1234

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On May 8, 2012, Digital River, Inc. (Digital River) and Microsoft Corporation (Microsoft) entered into, in the ordinary course of business, the Third Omnibus Amendment to the Microsoft Operations Digital Distribution Agreement (the Third Omnibus Amendment). The Third Omnibus Amendment extends the term of Microsoft Operations Digital Distribution Agreement to a date no earlier than March 1, 2014. Additionally, the Third Omnibus Amendment contemplates the expansion of the business relationship whereby Digital River and its affiliated companies may build, host and manage the Microsoft Store, an e-commerce store that supports the sale and fulfillment of Microsoft and third party software as well as consumer electronics products, to customers throughout the world. The Third Omnibus Amendment contemplates Digital River providing e-commerce services in connection with Microsoft Store on a global basis in addition to Digital River maintaining and expanding its role as a reseller of Microsoft products via Digital River s existing online stores in addition to new stores offering physical media.

Item 7.01 Regulation FD Disclosure

On May 8, 2012, Digital River management reiterated previously issued annual financial guidance. For the full year ending December 31, 2012, management currently expects:

Revenue to be in the range of \$402 to \$409 million;

GAAP EPS to be in the range of \$0.54 and \$0.64 per diluted share; and

non-GAAP EPS to be in the range of \$1.20 to \$1.28 per diluted share.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DIGITAL RIVER, INC.

By: /s/ Stefan B. Schulz
 Name: Stefan B. Schulz
 Title: Chief Financial Officer

Date: May 9, 2012

3 Dividend \$0.070 ----- Market Yield* 6.01%
 ----- NAV Yield* 5.33%
 ----- IPO Yield* 5.60%

* Market yield is calculated by multiplying the March dividend by 12 and dividing by the month-end market price. NAV yield is calculated by multiplying the March dividend by 12 and dividing by the month-end net asset value. IPO yield is calculated by multiplying the March dividend by 12 and dividing by the initial public offering price. Prices and yields will vary.

===== 5
 Insured Municipal Income Fund Inc. ----- PORTFOLIO
 STATISTICS CHARACTERISTICS 3/31/03 9/30/02 3/31/02

----- Net Assets Applicable to
 Common Shareholders (mm) \$325.1 \$329.3 \$312.6 Weighted Average Maturity* 14.1 yrs 12.9 yrs 12.3 yrs Weighted
 Average Duration* 4.4 yrs 3.2 yrs 3.9 yrs Weighted Average Coupon* 5.4% 5.5% 5.4% AMT Paper** 0.0% 0.0%
 0.0% Leverage** 31.1% 31.0% 32.0% Callable/Maturing Within Five Years* 16.6% 26.5% 30.5% Callable/Maturing
 Beyond Five Years* 83.4% 73.5% 69.5% CREDIT QUALITY*** 3/31/03 9/30/02 3/31/02

----- AAA/Aaa 142.6% 140.5%
 140.3% SP-1/MIG-1 0.0 2.8 5.8 A1/P1 3.7 0.3 0.9 Liabilities in Excess of Other Assets (0.2) -- -- Other Assets in
 Excess of Liabilities -- 2.0 1.0 Liquidation Value of Auction Preferred Shares (46.1) (45.6) (48.0) TOTAL 100.0%
 100.0% 100.0% ----- TOP TEN

STATES*** 3/31/03 9/30/02 3/31/02
 ----- Texas 28.3% Texas 27.0% Texas
 27.2% Illinois 17.9 Illinois 17.7 Pennsylvania 14.9 Pennsylvania 13.4 Pennsylvania 13.9 Illinois 13.2 Rhode Island
 10.5 Rhode Island 10.2 Rhode Island 10.6 California 8.6 Indiana 6.7 Indiana 7.2 Indiana 7.4 Kentucky 5.7
 Washington 6.9 North Carolina 7.0 Washington 5.2 Kentucky 6.2 Alabama 4.8 California 4.9 California 6.0 Michigan
 3.9 Alabama 4.6 Alabama 4.8 Massachusetts 3.9 Michigan 4.6 Louisiana 4.7

----- TOTAL 105.7% 100.5% 101.7%
 TOP FIVE SECTORS*** 3/31/03 9/30/02 3/31/02

----- Power 32.5% Water 28.9% Water
 30.9% Pre-refunded 20.1 Power 27.1 Power 29.0 Escrow-to-maturity 16.8 Hospital 22.7 Hospital 22.9 Water 14.6
 General Obligations 14.1 Sales Tax 14.8 Hospital 9.8 Sales Tax 13.4 General Obligations 12.1
 ----- TOTAL 93.8% 106.2% 109.7%

----- * Weightings represent
 percentages of portfolio assets as of the dates indicated. The Fund's portfolio is actively managed and its composition
 will vary over time. ** As a percentage of total assets as of the dates indicated. *** As a percentage of net assets
 applicable to common shareholders as of the dates indicated. Credit quality ratings designated by Standard & Poor's
 Ratings Group and Moody's Investor Services, Inc. Both are independent rating agencies.

===== 6

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODYS S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE

LONG-TERM MUNICIPAL BONDS--142.62%

ALABAMA--4.77% \$ 1,590 Alabama Water Pollution Control Authority Revolving Fund Loan- Series A (AMBAC Insured) Aaa AAA 08/15/17 6.750% \$ 1,775,871

----- 5,400
Birmingham Baptist Medical Center-Special Care Facilities Financing Authority Revenue- Series A (MBIA Insured) Aaa AAA 08/15/23 5.500 5,521,716

----- 8,000
Jefferson County Sewer Revenue-Series A (FGIC Insured) Aaa AAA 02/01/27 5.375 8,195,040

15,492,627

===== CALIFORNIA--8.62% 10,000 California State Department of Water Resources Power Supply Revenue-Series A (AMBAC Insured) Aaa AAA 05/01/16 5.500 11,200,000

----- 4,000
California State Department of Water Resources Water Revenue- Series W (FSA Insured) Aaa AAA 12/01/14 5.500 4,619,440

----- 30
California State General Obligation (FGIC Insured) Aaa AAA 11/01/12 7.000 33,012

----- 2,000
Long Beach Finance Authority Lease Revenue-Aquarium of the South Pacific (AMBAC Insured) Aaa AAA 11/01/15 5.500 2,240,740

----- 3,000
Los Angeles University School District-Series A (FSA Insured) Aaa AAA 07/01/20 5.250 3,231,450

----- 2,250
Los Angeles Wastewater System Revenue-Series A (MBIA Insured) Aaa AAA 06/01/20 5.700 2,312,415

----- 4,000
San Francisco City & County Airport Commission International Airport Second Series 27B (FGIC Insured) Aaa AAA 05/01/15 5.250 4,379,880

28,016,937

===== COLORADO--1.37% 5,000 E-470 Public Highway Authority Revenue-Capital Appreciation Series B (MBIA Insured) Aaa AAA 09/01/07 5.330@ 4,442,050

----- 7 Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE

LONG-TERM MUNICIPAL BONDS--(CONTINUED)

===== DELAWARE--3.16% \$10,000 Delaware State Economic Development Authority Pollution Control Revenue Delmarva Power-Series B (MBIA Insured) Aaa AAA 06/01/21 5.900% \$10,270,100

===== DISTRICT OF COLUMBIA--1.39% 4,000 District of Columbia Hospital Revenue-Medlantic Healthcare-Series A (Escrowed to Maturity) (MBIA Insured) Aaa AAA 08/15/14 5.750 4,520,640

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

GEORGIA--1.00% 1,015 Columbus Building Authority Lease Revenue- Series A (FGIC Insured) Aaa AAA 01/01/16
5.250 1,133,836

----- 2,000
Georgia Municipal Electric Authority Power Revenue-Series A (FSA Insured) Aaa AAA 01/01/18 5.000 2,120,220

3,254,056

===== 8
ILLINOIS--17.90% 8,000 Central Lake County Joint Action Water Agency Interim Water Revenue (FGIC Insured)
Aaa AAA 05/01/20 5.375 8,188,480

----- 8,400
Chicago O'Hare International Airport Revenue-Second Lien- Series A (MBIA Insured) Aaa AAA 01/01/15 6.375
9,224,712

----- 3,000
Chicago O'Hare International Airport Revenue-Second Lien- Series B (MBIA Insured) Aaa AAA 01/01/15 5.500
3,069,240

----- 1,000
Chicago Project & Refunding- Series A (MBIA Insured) Aaa AAA 01/01/14 5.500 1,123,470

----- 9,325
Chicago Project & Refunding Series A (AMBAC Insured) Aaa AAA 01/01/42 5.000 9,294,134

----- 4,600
Chicago Public Building Commission-Building Revenue-Series A (Pre-refunded with U.S. Government Securities to
12/01/03 @ 102) (MBIA Insured) Aaa AAA 12/01/18 5.750 4,834,232

===== 8
Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P
AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES
VALUE

LONG-TERM MUNICIPAL BONDS--(CONTINUED)

ILLINOIS--(CONCLUDED) \$ 4,000 Illinois Development Finance Authority Pollution Control
Revenue-Commonwealth Edison Co. Project-Series D (AMBAC Insured) Aaa AAA 03/01/15 6.750% \$ 4,456,720
----- 4,500

Illinois Health Facilities Authority Revenue- Franciscan Sisters Health Care-Series C (Escrowed to Maturity) (MBIA
Insured) Aaa AAA 09/01/18 5.750 5,284,845
----- 2,000

Illinois Sales Tax Revenue- Series 2 (FGIC Insured) Aaa AAA 06/15/16 5.500 2,303,100
----- 3,000

Kane McHenry Cook & De Kalb Counties-United School District No. 300 (MBIA Insured) Aaa AAA 12/01/15 5.500
3,361,680
----- 4,850

Metropolitan Pier & Exposition Authority Illinois McCormick Place Expansion-Series A (MBIA Insured) Aaa AAA
06/15/42 5.250 5,004,764
----- 2,000

Regional Transportation Authority-Series A (Pre-refunded with U.S. Government Securities to 06/01/03 @ 102)
(FGIC Insured) Aaa AAA 06/01/23 5.850 2,055,800

58,201,177

===== 8
INDIANA--7.28% 2,500 Indiana Health Facilities Finance Authority Hospital Revenue Columbus Regional Hospital
(FSA Insured) Aaa AAA 08/15/22 5.500 2,578,575

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

-----	1,000
Indiana University Revenue Student Fee-Series 0 (FGIC Insured) Aaa AAA 08/01/18 5.250 1,084,610	
-----	7,835
Indianapolis Gas & Utilities Revenue-Series A (FGIC Insured) Aaa AAA 06/01/21 5.375 7,977,754	
-----	12,000
Marion County Convention Center and Recreational Facilities Authority-Excise Tax Revenue-Lease Rental- Series A (AMBAC Insured) Aaa AAA 06/01/21 5.500 12,020,640	

23,661,579	
=====	
IOWA--1.47% 4,625 Ames Hospital Revenue Mary Greeley Medical Center Project (AMBAC Insured) Aaa AAA 08/15/22 5.750 4,774,619	
=====	
=====	9
Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE	

LONG-TERM MUNICIPAL BONDS--(CONTINUED)	

MAINE--2.53% \$ 4,785 Maine Health & Higher Educational Facilities Authority Revenue- Series A (Escrowed to Maturity) (FSA Insured) Aaa AAA 07/01/23 5.500% \$ 4,996,545	
-----	3,105
Maine Health & Higher Educational Facilities Authority Revenue-Series A (FSA Insured) Aaa AAA 07/01/23 5.500 3,190,884	
-----	30
Maine Health & Higher Educational Facilities Authority Revenue-Series B (Pre-refunded with U.S. Government Securities to 07/01/04 @ 102) (FSA Insured) Aaa AAA 07/01/24 7.000 32,767	

8,220,196	
=====	
MASSACHUSETTS--2.03% 2,800 Massachusetts Water Pollution Abatement Trust MWRA Program-Series A Aaa AAA 08/01/20 5.250 2,995,888	
-----	3,390
Massachusetts Water Pollution Abatement Trust Pool Program Bonds Series-8 Aaa AAA 08/01/17 5.000 3,621,740	

6,617,628	
=====	
MICHIGAN--3.90% 4,475 Eastern Michigan University Revenue-Series A (FGIC Insured) Aaa AAA 06/01/19 5.000 4,723,004	
-----	2,880
Michigan Municipal Bond Authority Clean Water Revenue Fund Aaa AAA 10/01/19 5.250 3,114,893	
-----	4,755
Michigan State Housing Development Authority Rental Housing Revenue- Series A (AMBAC Insured) Aaa AAA 04/01/23 5.900 4,837,119	

12,675,016	
=====	
MISSOURI--1.63% 4,775 St. Louis Airport Revenue Capital Improvement Project-Series A 07/01/15 to (MBIA Insured) Aaa AAA 07/01/18 5.375 5,293,441	
=====	

NEVADA--3.63% 7,500 Washoe County Gas & Water Facilities Revenue Sierra Pacific Power Co. Project- Series A (MBIA Insured) Aaa AAA 06/01/23 5.900 7,702,575

===== 10
 Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P
 AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES
 VALUE

LONG-TERM MUNICIPAL BONDS--(CONTINUED)

NEVADA--(CONCLUDED)

\$ 4,000 Washoe County Gas & Water Facilities Revenue Sierra Pacific Power Co. Project- Series B (MBIA Insured)
 Aaa AAA 06/01/23 5.900% \$ 4,108,040

11,810,615

NEW JERSEY--1.68% 5,000 Salem County Industrial Pollution Control Finance Authority Revenue Public Service
 Electric & Gas- Series D (MBIA Insured) Aaa AAA 10/01/29 6.550 5,454,350

NEW MEXICO--2.79% 8,850 Gallup Pollution Control Revenue-Plains Electric Generation (MBIA Insured) Aaa
 AAA 08/15/17 6.650 9,064,081

NEW YORK--3.35% 2,920 New York State Dormitory Authority Revenue Columbia University- Series A Aaa AAA
 07/01/16 5.125 3,204,145

----- 2,000
 Long Island Power Authority Electric System Revenue- Series A (FSA Insured) Aaa AAA 12/01/22 5.125 2,048,620
 5,000 Metropolitan Transportation Authority Revenue-Series A (AMBAC Insured) Aaa AAA 11/15/16 5.500
 5,623,650

10,876,415

NORTH CAROLINA--6.96% 19,000 North Carolina Eastern Municipal Power Agency Power System Revenue
 (AMBAC Insured) Aaa AAA 01/01/18 6.000 22,637,740

OHIO--0.65% 1,870 Ohio Water Development Authority-Pollution Control Facilities Revenue-Water Control Loan
 Fund- Water Quality Series (MBIA Insured) Aaa AAA 06/01/13 5.500 2,100,328

PENNSYLVANIA--13.38% 16,435 Pennsylvania Intergovernmental Cooperative Authority Special Tax Revenue
 (Pre-refunded with U.S. Government Securities to 05/15/03 @ 100) (MBIA Insured) 06/15/15 to 5.600 to Aaa AAA
 06/15/23 5.625 16,588,167

===== 11
 Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P
 AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES
 VALUE

LONG-TERM MUNICIPAL BONDS--(CONTINUED)

PENNSYLVANIA--(CONCLUDED) \$ 6,130 North Wales Water Authority- Series A (FGIC Insured) Aaa AAA
 11/01/16 5.500% \$ 6,266,699

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

Philadelphia General 03/15/13 to Obligation (FSA Insured) Aaa AAA 03/15/14 5.250 2,197,030	2,000
Philadelphia School District- Series A (MBIA Insured) Aaa AAA 04/01/16 5.250 4,078,537	3,750
Philadelphia Water & Wastewater Revenue (FSA Insured) Aaa AAA 06/15/15 5.500 6,048,544	5,885
Philadelphia Water & Wastewater Revenue (Pre-refunded with U.S. Government Securities to 06/15/03 @ 102) (FSA Insured) Aaa AAA 06/15/15 5.500 8,319,708	8,085

43,498,685	
=====	
RHODE ISLAND--10.49% 14,000 Rhode Island Convention Center Authority-Series A (Pre-refunded with U.S. Government Securities to 05/15/03 @ 102) (AMBAC Insured) Aaa AAA 05/15/27 5.750 14,359,380	
Rhode Island Depositors Economic Protection Corp. Special Obligation-Series A (Escrowed to Maturity) (FSA Insured) Aaa AAA 08/01/14 5.750 11,842,400	10,000
Rhode Island Depositors Economic Protection Corp. Special Obligation-Series B (Pre-refunded with U.S. Government Securities to 02/01/11 @ 100) (MBIA Insured) Aaa AAA 08/01/21 5.250 7,883,680	7,000

34,085,460	
=====	
SOUTH CAROLINA--1.18% 2,625 Charleston County Hospital Facilities Revenue-Bon Secours Health System Project (Escrowed to Maturity) (FSA Insured) Aaa AAA 08/15/25 5.625 2,713,830	
Myrtle Beach Water & Sewer Revenue System (FGIC Insured) Aaa AAA 03/01/15 5.375 1,128,210	1,000

3,842,040	
=====	

Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE	12

LONG-TERM MUNICIPAL BONDS--(CONTINUED)	

TENNESSEE--1.57% \$5,000 Sullivan County Health Educational & Housing Facilities Board Revenue- Holston Valley Health (MBIA Insured) Aaa AAA 02/15/20 5.750% \$5,105,700	
=====	
TEXAS--28.25% 7,945 Bexar Metropolitan Water District Waterworks System Revenue (MBIA Insured) Aaa AAA 05/01/22 5.875 8,739,738	
Frisco Certificates Obligation- Series A (FGIC Insured) Aaa AAA 02/15/14 5.250 2,324,050	2,120
Harris County Toll Road Sub-Lien (FGIC Insured) Aaa AAA 08/01/09 6.000 3,505,680	3,000
Houston Water & Sewer System Revenue-Junior Lien-Series A (FSA Insured) Aaa AAA 12/01/15 5.500 6,704,580	6,000
Houston Water & Sewer System Revenue-Junior Lien-Series C (FGIC Insured) Aaa AAA 12/01/22 5.250 7,242,340	7,000

	2,000

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

Jefferson County (FGIC Insured) Aaa AAA 08/01/20 5.250 2,128,860	3,620
Lower Colorado River Authority Revenue- Series B (FSA Insured) Aaa AAA 05/15/13 6.000 4,200,395	10,000
Lubbock Health Facilities Development Corp.- Hospital Revenue Methodist Hospital-Series A (Pre-refunded with U.S. Government Securities to 12/01/05 @ 100) (AMBAC Insured) Aaa AAA 12/01/22 5.900 11,147,400	9,005
Matagorda County Navigation District No. 1 Revenue-Houston Light & Power-Series A (AMBAC Insured) Aaa AAA 03/01/27 6.700 9,223,011	13,000
San Antonio Electric & Gas Revenue (Escrowed to Maturity) Aaa AAA 02/01/19 5.650 15,064,790	9,500
San Antonio Electric & Gas Revenue-Capital Appreciation-Series A (Escrowed to Maturity) (AMBAC Insured) Aaa AAA 02/01/05 3.280@ 9,244,925	
Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE	13
LONG-TERM MUNICIPAL BONDS--(CONTINUED)	
TEXAS--(CONCLUDED) \$ 155 San Antonio Water Revenue (MBIA Insured) Aaa AAA 05/15/16 6.000% \$ 178,588	720 San
Antonio Water Revenue (Pre-refunded with U.S. Government Securities to 05/15/07 @ 100) (MBIA Insured) Aaa AAA 05/15/16 6.000 858,542	6,110
Texas A&M University Fund Refunded Aaa NR 07/01/17 5.250 6,714,279	4,170
Williamson County General Obligation (FSA Insured) Aaa AAA 02/15/17 5.500 4,570,946	
91,848,124	
UTAH--2.03% 4,085 Utah Municipal Power System Revenue Payson Power 04/01/17 to 5.000 to Project-Series A (FSA Insured) Aaa AAA 04/01/18 5.250 4,386,377	2,055
Utah Water Finance Agency Revenue Pooled Loan Financing Program-Series C (AMBAC Insured) Aaa NR 10/01/18 5.250 2,222,606	
6,608,983	
WASHINGTON--3.79% 3,220 Cowlitz County School 12/01/15 to District No. 458 Kelso Aaa NR 12/01/18 5.750 3,664,329	2,175
Energy Northwest Electric Revenue-Project No. 1- Series A (MBIA Insured) Aaa AAA 07/01/15 5.750 2,479,370	2,000
King County School District No. 403 Renton (FGIC Insured) Aaa AAA 12/01/14 5.250 2,203,660 3,625 Snohomish County School District No. 015 Edmonds (FGIC Insured) Aaa AAA 12/01/15 5.250 3,973,290	
12,320,649	

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

WEST VIRGINIA--3.87% 10,000 Marshall County Pollution Control Revenue-Ohio Power Project-Series D (MBIA Insured) Aaa AAA 04/01/22 5.900 10,235,000

----- 2,245

West Virginia Water Development Authority Water Development Revenue Loan Program II- Series A (FSA Insured) Aaa AAA 11/01/29 5.750 2,342,792

12,577,792

===== 14
Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATES RATES VALUE

LONG-TERM MUNICIPAL BONDS--(CONCLUDED)

WISCONSIN--1.95% \$1,500 Wisconsin State Health & Educational Facilities Authority Revenue- Bellin Memorial Hospital (AMBAC Insured) Aaa AAA 02/15/19 5.500% \$ 1,533,810

----- 3,500

Wisconsin State Health & Educational Facilities Authority Revenue-Hospital Sisters Health Services (MBIA Insured) Aaa AAA 06/01/18 5.375 3,563,770

----- 1,105

Ladysmith-Hawkins School District Refunding (FGIC Insured) Aaa NR 04/01/20 5.500 1,238,351

6,335,931

===== Total Long-Term Municipal Bonds (cost--\$439,008,050) 463,606,959

SHORT-TERM MUNICIPAL NOTES--3.74%

INDIANA--0.09% 300 Princeton Pollution Control Revenue Refunding- PSI Energy, Inc. Project VMIG-1 NR 04/01/03 1.150* 300,000

===== KENTUCKY--0.03% 100 Breckinridge County Lease Program Revenue- Kentucky Association Counties Leasing Trust- Series A VMIG-1 NR 04/01/03 1.200* 100,000

===== MASSACHUSETTS--1.86% 6,050 Massachusetts Water Resources Authority- Refunding General Multi-Modal-SubSeries C VMIG-1 A-1+ 04/01/03 1.150* 6,050,000

===== 15
Insured Municipal Income Fund Inc. Portfolio of Investments -- March 31, 2003 PRINCIPAL MOODY'S S&P AMOUNT RATING RATING MATURITY INTEREST (000) (UNAUDITED) (UNAUDITED) DATE RATE VALUE

SHORT-TERM MUNICIPAL NOTES--(CONCLUDED)

VIRGINIA--1.76% \$ 5,700 Loudoun County Industrial Developmental Authority Revenue-Howard Hughes Medical-Series C VMIG-1 A-1+ 04/01/03 1.150%* \$ 5,700,000

Total Short-Term Municipal Notes (cost--\$12,150,000) 12,150,000

----- Total

Investments (cost--\$451,158,050)--146.36% 475,756,959

 Liabilities in excess of other assets--(0.21)% (696,841)

Liquidation Value of Auction Preferred Shares--(46.15)% (150,000,000)

Assets applicable to common shareholders--100.00% \$325,060,118
 =====

Net

* Variable rate demand notes are payable on demand. The maturity dates shown are the next interest rate reset dates. The interest rates shown are the current rates as of March 31, 2003. @ Interest rates shown reflect yield to maturity at purchase date for zero coupon bonds. NR -- Not Rated AMBAC -- American Municipal Bond Assurance Corporation FGIC -- Financial Guaranty Insurance Company FSA -- Financial Security Assurance MBIA -- Municipal Bond Investors Assurance See accompanying notes to financial statements
 =====

Insured Municipal Income Fund Inc. Statement of Assets and Liabilities -- March 31, 2003 ASSETS: Investments in securities, at value (cost-\$451,158,050) \$ 475,756,959

-----	Cash	16,408
-----	Interest receivable	6,645,274
-----	Other assets	8,016
-----	Total assets	482,426,657
-----	LIABILITIES: Payable for investments purchased	
6,667,762 -----	Payable to investment advisor and administrator	313,848
-----	Dividends payable to auction preferred shareholders	64,951
-----	Accrued expenses and other liabilities	319,978
-----	Total liabilities	7,366,539
-----	Auction Preferred Shares Series A, B, C & D--3,000 non- participating shares authorized, issued and outstanding; \$0.001 par value; \$50,000 liquidation value per share	150,000,000
-----	Net assets applicable to common shareholders	325,060,118
-----	NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS: Common Stock-\$0.001 par value; 199,997,000 shares authorized; 20,628,363 shares issued and outstanding	302,699,678
-----	Undistributed net investment income	3,342,323
-----	Accumulated net realized loss from investment transactions	(5,580,792)
-----	Net unrealized appreciation of investments	24,598,909
-----	Net assets applicable to common shareholders	\$ 325,060,118
-----	Net asset value per common share (\$325,060,118 applicable to 20,628,363 common shares outstanding)	\$ 15.76
-----	See accompanying notes to financial statements	

16

Insured Municipal Income Fund Inc. Statement of Operations For the Year Ended March 31, 2003

-----	INVESTMENT INCOME: Interest	\$24,634,384
-----	EXPENSES: Investment advisory and administration fees	4,251,755
-----	Auction Preferred Shares expenses	441,187
282,450 -----	Custody and accounting	
-----	Professional fees	54,961
-----	Reports and notices to shareholders	53,998
-----	Transfer agency fees	22,292
-----	Directors' fees	7,617
-----	Other expenses	30,079
-----		5,144,339
-----	Less: Fee waivers from investment advisor and administrator	(590,524)
-----	Net expenses	4,553,815

17

----- Net investment income 20,080,569
 =====
REALIZED AND UNREALIZED GAINS FROM INVESTMENT ACTIVITIES: Net realized gains from investment transactions 6,118,115 ----- Net change in unrealized appreciation/depreciation of investments 5,616,365 -----
 Net realized and unrealized gains from investment activities 11,734,480
 ----- Dividends to auction preferred shareholders from net investment income (1,978,974) ----- Net increase in net assets applicable to common shareholders resulting from operations \$29,836,075
 ===== See accompanying notes to financial statements

===== 18
Insured Municipal Income Fund Inc. Statement of Changes in Net Assets Applicable to Common Shareholders For the Years Ended March 31, ----- 2003 2002
 ----- **FROM OPERATIONS:** Net investment income \$ 20,080,569 \$ 20,805,391 ----- Net realized gains from investment transactions 6,118,115 2,513,664 ----- Net change in unrealized appreciation/depreciation of investments 5,616,365 (7,763,702)
 ----- Dividends to auction preferred shareholders from net investment income (1,978,974) (3,512,387) ----- Net increase in net assets applicable to common shareholders resulting from operations 29,836,075 12,042,966
 ----- **DIVIDENDS TO COMMON SHAREHOLDERS**
FROM: Net investment income (17,327,825) (15,058,705)
 ----- Net increase (decrease) in net assets applicable to common shareholders 12,508,250 (3,015,739) -----
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS: Beginning of year 312,551,868 315,567,607
 ----- End of year (including undistributed net investment income of \$3,342,323 and \$2,641,923, respectively) \$325,060,118 \$312,551,868
 ----- See accompanying notes to financial statements

===== 19
Insured Municipal Income Fund Inc. Notes to Financial Statements ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES Insured Municipal Income Fund Inc. (the "Fund") was incorporated in Maryland on February 18, 1993, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires the Fund's management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies: **VALUATION OF INVESTMENTS**--The Fund calculates its net asset value based on the current market value, where available, for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. If a market value is not available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the "Board"). The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board determines that this does not represent fair value. **INVESTMENT TRANSACTIONS AND INVESTMENT INCOME**--Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized as adjustments to interest income and the identified cost of investments. **DIVIDENDS AND DISTRIBUTIONS**--The Fund intends to pay monthly dividends to common

shareholders at a level rate that over time will result in the distribution of all of the Fund's net investment income remaining after the payment of dividends on any outstanding auction preferred shares. The dividend rate on the common stock is adjusted as necessary to reflect the performance of the Fund. Dividends and distributions to common shareholders are recorded on the ex-dividend date. Dividends to auction preferred shareholders are accrued daily. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital

===== 20

Insured Municipal Income Fund Inc. Notes to Financial Statements accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. **CONCENTRATION OF RISK** The Fund follows an investment policy of investing primarily in municipal obligations of various states. Economic changes affecting those states and certain of their public bodies and municipalities may affect the ability of the issuers within those states to pay interest on, or repay principal of, municipal obligations held by the Fund. **INVESTMENT ADVISOR AND ADMINISTRATOR** The Board has approved an investment advisory and administration contract ("Advisory Contract") with UBS Global Asset Management (US) Inc. ("UBS Global AM") under which UBS Global AM serves as investment advisor and administrator of the Fund. UBS Global AM is an indirect wholly owned asset management subsidiary of UBS AG, an internationally diversified organization with headquarters in Zurich, Switzerland and operations in many areas of the financial services industry. In accordance with the Advisory Contract, the Fund pays UBS Global AM an investment advisory and administration fee, which is accrued weekly and paid monthly, at the annual rate of 0.90% of the Fund's average weekly net assets. At March 31, 2003, the Fund owed UBS Global AM \$313,848, representing \$364,468 for investment advisory and administration fees less fee waivers of \$50,620. For the year ended March 31, 2003, UBS Global AM voluntarily waived \$590,524 in investment advisory and administration fees from the Fund. **COMMON STOCK** There are 199,997,000 shares of \$0.001 par value common stock authorized and 20,628,363 common shares outstanding at March 31, 2003. **AUCTION PREFERRED SHARES** The Fund has issued 800 shares of Auction Preferred Shares Series A, 800 shares of Auction Preferred Shares Series B, 800 shares of Auction Preferred Shares Series C and 600 shares of Auction Preferred Shares Series D, which are referred to herein collectively as the "APS." All shares of each series of APS have a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends upon liquidation. Dividends, which are cumulative, are generally reset every 7 days for APS Series A, 28 days for APS Series B, 90 days for APS Series C and 7 days for APS Series D. Dividend rates ranged from 0.90% to 1.85% for the year ended March 31, 2003. The Fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the Fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value.

===== 21

Insured Municipal Income Fund Inc. Notes to Financial Statements The APS are entitled to one vote per share and, unless otherwise required by law, will vote with holders of common stock as a single class, except that the auction preferred shares will vote separately as a class on certain matters, as required by law. The holders of the auction preferred shares have the right to elect two directors of the Fund. The redemption of the Fund's auction preferred shares is outside of the control of the Fund because it is redeemable upon the occurrence of an event that is not solely within the control of the Fund. **FEDERAL TAX STATUS** For federal income tax purposes, at March 31, 2003, the components of net unrealized appreciation of investments were as follows: Gross appreciation (from investments having an excess value over cost) \$ 25,002,282 Gross depreciation (from investments having an excess of cost over value) (6,926,195) ----- Net unrealized appreciation of investments \$ 18,076,087 ===== For the year ended March 31, 2003, total aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$121,668,337 and \$108,707,008, respectively. The Fund intends to distribute substantially all of its tax-exempt income and any taxable income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, realized capital gains and certain other amounts, if any, the Fund intends not to be subject to a federal excise tax. The tax character of distributions paid during the fiscal years ended March 31, 2003 and March 31,

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

2002 were as follows: Distributions paid from: 2003 2002 ----- Tax-exempt income
 \$19,306,799 \$18,703,218 ----- At March 31, 2003, the components of
 accumulated earnings on a tax basis were as follows: Undistributed tax-exempt income \$ 2,782,917
 Undistributed long-term capital gains 1,566,387 ----- Accumulated earnings
 4,349,304 Net unrealized appreciation of investments 18,076,087 ----- Total accumulated earnings
 \$22,425,391 =====

===== 22
 Insured Municipal Income Fund Inc. Notes to Financial Statements The differences between book-basis and tax-basis
 net unrealized appreciation of investments is attributable to the realization for tax purposes of unrealized gains/losses
 on certain securities that were marked-to-market. To reflect reclassifications arising from permanent "book/tax"
 differences for the year ended March 31, 2003, the Fund's undistributed net investment income was decreased by
 \$73,370 and accumulated net realized loss was decreased by \$73,370.

===== 23
 Insured Municipal Income Fund Inc. Financial Highlights Selected data for a share of common stock outstanding
 throughout each year is presented below: FOR THE YEARS ENDED MARCH 31,
 ----- 2003 2002 2001 2000 1999
 ----- NET ASSET
 VALUE, BEGINNING OF YEAR \$15.15 \$15.30 \$14.54 \$15.58 \$15.40
 ----- Net investment
 income 0.97 1.01 1.04 1.04 1.02
 ----- Net realized and
 unrealized gain (loss) from investment transactions 0.58 (0.26) 0.79 (1.05) 0.18
 ----- Common share
 equivalent of dividends paid to auction preferred shareholders from net investment income (0.10) (0.17) (0.31) (0.26)
 (0.25) ----- Net increase
 (decrease) from operations applicable to common shareholders 1.45 0.58 1.52 (0.27) 0.95
 ----- Dividends paid to
 common shareholders from net investment income (0.84) (0.73) (0.76) (0.77) (0.77)
 ----- NET ASSET
 VALUE, END OF YEAR \$15.76 \$15.15 \$15.30 \$14.54 \$15.58
 ----- MARKET
 VALUE, END OF YEAR \$13.98 \$13.42 \$13.11 \$12.00 \$14.25
 ----- TOTAL
 INVESTMENT RETURN(1) 10.61% 8.04% 16.02% (10.49)% 10.96%
 ----- RATIO TO
 AVERAGE NET ASSETS ATTRIBUTABLE TO COMMON SHARES:
 ----- Total expenses, net
 of waivers from advisor 1.41% 1.42% 1.44% 1.44% 1.46%
 ----- Total expenses,
 before waivers from advisor 1.60% 1.61% 1.63% 1.63% 1.65%
 ----- Net investment
 income before auction preferred shares dividends 6.23% 6.57% 7.00% 7.05% 6.58%
 ----- Auction preferred
 shares dividends 0.61% 1.11% 2.10% 1.75% 1.60%
 ----- Net investment
 income available to common shareholders, net of waivers from advisor 5.62% 5.46% 4.90% 5.30% 4.98%
 ----- Net investment
 income available to common shareholders, before waivers from advisor 5.43% 5.27% 4.71% 5.11% 4.79%
 ----- SUPPLEMENTAL
 DATA: ----- Net assets
 applicable to common shareholders, end of year (000's) \$325,060 \$312,552 \$315,568 \$299,876 \$321,361

					Portfolio turnover
24%	14%	2%	8%	5%	
					Asset coverage per share of auction preferred shares, end of year
	\$158,353	\$154,184	\$155,189	\$149,959	\$157,120

(1) Total investment return is calculated assuming a \$10,000 purchase of common stock at the current market price on the first day of each year reported and a sale at the current market price on the last day of each year reported, and assuming reinvestment of dividends and other distributions to common shareholders at prices obtained under the Fund's Dividend Reinvestment Plan. Total investment return does not reflect brokerage commissions. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions.

=====
 24
 Insured Municipal Income Fund Inc. Report of Ernst & Young LLP, Independent Auditors To the Board of Directors and Shareholders Insured Municipal Income Fund Inc. We have audited the accompanying statement of assets and liabilities of Insured Municipal Income Fund Inc. (the "Fund"), including the portfolio of investments, as of March 31, 2003, and the related statement of operations for the year then ended, the statements of changes in net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of March 31, 2003, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Insured Municipal Income Fund Inc. at March 31, 2003, the results of its operations for the year then ended, the changes in its net assets applicable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the indicated periods, in conformity with accounting principles generally accepted in the United States. /s/ Ernst & Young LLP
 New York, New York May 5, 2003

=====
 25
 Insured Municipal Income Fund Inc. GENERAL INFORMATION (UNAUDITED) THE FUND Insured Municipal Income Fund Inc. (the "Fund") is a diversified, closed-end management investment company whose shares trade on the New York Stock Exchange ("NYSE"). The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital. The Fund's investment advisor and administrator is UBS Global Asset Management (US) Inc. ("UBS Global AM"), an indirect wholly owned asset management subsidiary of UBS AG, which has over \$73.0 billion in assets under management as of April 30, 2003. SHAREHOLDER INFORMATION The Fund's NYSE trading symbol is "PIF." Comparative net asset value and market price information about the Fund is published weekly in THE WALLSTREET JOURNAL, THE NEW YORK TIMES and BARRON'S, as well as in numerous other publications. DIVIDEND REINVESTMENT PLAN The Fund's Board has established a Dividend Reinvestment Plan (the "Plan") under which all common shareholders whose shares are registered in their own names, or in the name of UBS PaineWebber Inc. or its nominee, will have all dividends and other distributions on their shares of common stock automatically reinvested in additional shares of common stock, unless such common shareholders elect to receive cash. Common shareholders who elect to hold their shares in the name of another broker or nominee should contact such broker or nominee to determine whether, or how, they may participate in the Plan. The ability of such shareholders to participate in the Plan may change if their shares are transferred into the name of another broker or nominee. A common shareholder may elect not to participate in the Plan or may terminate participation in the Plan at any time without penalty, and common shareholders who have previously terminated participation in the Plan may rejoin it at any time. Changes in elections must be made in writing to the Fund's transfer agent and should include the shareholder's name and address as they appear on the share

certificate or in the transfer agent's records. An election to terminate participation in the Plan, until such election is changed, will be deemed an election by a common shareholder to take all subsequent distributions in cash. An election will be effective only for distributions declared and having a record date at least ten days after the date on which the election is received. Additional shares of common stock acquired under the Plan will be purchased in the open market, on the NYSE or otherwise, at prices that may be higher or lower than the net asset value per share of the common stock at the time of the purchase. The number of shares of common stock purchased with each dividend will be equal to ===== 26

Insured Municipal Income Fund Inc. GENERAL INFORMATION (UNAUDITED) (CONTINUED) DIVIDEND REINVESTMENT PLAN (CONCLUDED) the result obtained by dividing the amount of the dividend payable to a particular shareholder by the average price per share (including applicable brokerage commissions) that the transfer agent was able to obtain in the open market. The Fund will not issue any new shares of common stock in connection with the Plan. There currently is no charge to participants for reinvesting dividends or other distributions. The transfer agent's fees for handling the reinvestment of distributions will be paid by the Fund. However, each participant pays a pro rata share of brokerage commissions incurred with respect to the transfer agent's open market purchases of common stock in connection with the reinvestment of distributions. The automatic reinvestment of dividends and other distributions in shares of common stock does not relieve participants of any income tax that may be payable on such distributions. Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan with respect to any dividend or other distribution if notice of the change is sent to Plan participants at least 30 days before the record date for such distribution. The Plan also may be amended or terminated by the transfer agent by at least 30 days' written notice to all Plan participants. Additional information regarding the Plan may be obtained from, and all correspondence concerning the Plan should be directed to, the transfer agent at PFPC Inc., P.O. Box 43027, Providence, Rhode Island 02940-3027. For further information regarding the Plan, you may also contact the transfer agent directly at 1-800-331-1710.

===== 27
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) BOARD OF DIRECTORS & OFFICERS

The Fund is governed by a Board of Directors which oversees the Fund's operations. Each Director serves 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. Officers are appointed by the Directors and serve at the pleasure of the Board. The table below shows, for each Director and Officer, his or her name, address and age, the position held with the Fund, the length of time served as a Director and Officer of the Fund, the Director's or Officer's principal occupations during the last five years, the number of funds in the UBS fund complex overseen by the Director or for which a person served as an Officer, and other directorships held by the Director. INTERESTED DIRECTORS Term of Office+ and Position(s)
Length of Name, Address, Held with Time Principal Occupation(s) and Age Fund Served During Past 5 Years

----- Margo N. Alexander*++; 56 Director Since 1995 Mrs. Alexander is retired. She was an executive vice president of UBS PaineWebber (March 1984 to December 2002). She was chief executive officer of UBS Global AM from January 1995 to October 2000, a director (from January 1995 to September 2001) and chairman (from March 1999 to September 2001). E. Garrett Bewkes, Jr.*++; Director Since 1993 Mr. Bewkes serves as a consultant to UBS PaineWebber 76 and (since May 1999). Prior to November 2000, he was a Chairman Director of Paine Webber Group Inc. ("PW Group," of the formerly the holding company of UBS PaineWebber and Board of UBS Global AM) and prior to 1996, he was a Directors consultant to PW Group. Prior to 1988, he was chairman of the board, president and chief executive officer of American Bakeries Company.

===== 28
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) Number of Portfolios in Fund Complex Other Directorships Overseen by Director Held by Director

----- Mrs. Alexander is a director or trustee None of 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. Mr. Bewkes is a director or trustee of Mr. Bewkes is also a director of 33 investment companies (consisting of Interstate Bakeries Corporation. 54 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 29

Insured Municipal Income Fund Inc. Supplemental Information (unaudited) INDEPENDENT DIRECTORS Term of Office+ and Position(s) Length of Name, Address, Held with Time Principal Occupation(s) and Age Fund Served During Past 5 Years

----- Richard Q. Armstrong; 67 Director Since 1995 Mr. Armstrong is chairman and principal of R.Q.A. R.Q.A. Enterprises Enterprises (management consulting firm) (since One Old Church Road - April 1991 and principal occupation since March Unit # 6 1995). Mr. Armstrong was chairman of the board, Greenwich, CT 06830 chief executive officer and co-owner of Adirondack Beverages (producer and distributor of soft drinks and sparkling/still waters) (from October 1993 to March 1995). He was a partner of The New England Consulting Group (management consulting firm) (from December 1992 to September 1993). He was managing director of LVMH U.S. Corporation (U.S. subsidiary of the French luxury goods conglomerate, Louis Vuitton Moet Hennessey Corporation) (from 1987 to 1991) and chairman of its wine and spirits subsidiary, Schieffelin & Somerset Company (from 1987 to 1991). David J. Beaubien; 68 Director Since 2001 Mr. Beaubien is chairman of Yankee Environmental 101 Industrial Road Systems, Inc., a manufacturer of meteorological Turners Falls, MA 01376 measuring systems. Prior to January 1991, he was senior vice president of EG&G, Inc., a company which makes and provides a variety of scientific and technically oriented products and services. From 1985 to January 1995, Mr. Beaubien served as a director or trustee on the boards of the Kidder, Peabody & Co. Incorporated mutual funds.

===== 30
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) Number of Portfolios in Fund Complex Other Directorships Overseen by Director Held by Director

----- Mr. Armstrong is a director or trustee Mr. Armstrong is also a director of of 19 investment companies (consisting AlFresh Beverages Canada, Inc. (a of 40 portfolios) for which UBS Global Canadian beverage subsidiary of AlFresh AM or one of its affiliates serves as Foods Inc.) (since October 2000). investment advisor, sub-advisor or manager. Mr. Beaubien is a director or trustee Mr. Beaubien is also a director of IEC of 19 investment companies (consisting Electronics, Inc., a manufacturer of of 40 portfolios) for which UBS Global electronic assemblies. AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 31
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) INDEPENDENT DIRECTORS (CONTINUED) Term of Office+ and Position(s) Length of Name, Address, Held with Time Principal Occupation(s) and Age Fund Served During Past 5 Years

----- Richard R. Burt; 56 Director Since 1995 Mr. Burt is chairman of Diligence LLC (international 1275 Pennsylvania Ave., information and security firm) and IEP Advisors N.W. (international investments and consulting firm). He Washington, D.C. 20004 was the chief negotiator in the Strategic Arms Reduction Talks with the former Soviet Union (from 1989 to 1991) and the U.S. Ambassador to the Federal Republic of Germany (from 1985 to 1989). From 1991 to 1994, he served as a partner of McKinsey & Company (management consulting firm). Meyer Feldberg; 61 Director Since 1993 Mr. Feldberg is Dean and Professor of Management of Columbia University the Graduate School of Business, Columbia 101 Uris Hall University. Prior to 1989, he was president of the New York, New York Illinois Institute of Technology. 10027 George W. Gowen; 73 Director Since 1996 Mr. Gowen is a partner in the law firm of 666 Third Avenue Dunnington, Bartholow & Miller. Prior to May 1994, New York, New York he was a partner in the law firm of Fryer, Ross & 10017 Gowen. William W. Hewitt, Jr.**; 74 Director Since 2001 Mr. Hewitt is retired. From 1990 to January 1995, c/o UBS Global Asset Mr. Hewitt served as a director or trustee on the Management (US) Inc. boards of the Kidder, Peabody & Co. Incorporated 51 West 52nd Street mutual funds. From 1986 to 1988, he was an executive New York, New York vice president and director of mutual funds, 10019-6114 insurance and trust services of Shearson Lehman Brothers Inc. From 1976 to 1986, he was president of Merrill Lynch Funds Distributor, Inc. Morton L. Janklow; 72 Director Since 2001 Mr. Janklow is senior partner of Janklow & Nesbit 445 Park Avenue Associates, an international literary agency New York, New York representing leading authors in their relationships 10022 with publishers and motion picture, television and multi-media companies, and of counsel to the law firm of Janklow & Ashley.

===== 32

Insured Municipal Income Fund Inc. Supplemental Information (unaudited) Number of Portfolios in Fund Complex
Other Directorships Overseen by Director Held by Director

----- Mr. Burt is a director or trustee of 19 Mr. Burt is also a director of investment companies (consisting of 40 Hollinger International, Company portfolios) for which UBS Global AM or (publishing), HCL Technologies Ltd., one of its affiliates serves as The Central European Fund, Inc., The investment advisor, sub-advisor or Germany Fund, Inc., IGT, Inc. (provides manager. technology to gaming and wagering industry) and chairman of Weirton Steel Corp. (makes and finishes steel products). He is also a director or trustee of funds in the Scudder Dean Feldberg is a director or trustee Dean Feldberg is also a director of of 33 investment companies (consisting Primedia Inc. (publishing), Federated of 54 portfolios) for which UBS Global Department Stores, Inc. (operator of AM, one of its affiliates serves as department stores), Revlon, Inc. (cosmetics), Select Medical Inc. (healthcare services) and SAPPI, Ltd. (producer of paper). Mr. Gowen is a director or trustee of None 33 investment companies (consisting of 54 portfolios) for which UBS Global AM, one of its affiliates serves as investment Mr. Hewitt is a director or trustee of Mr. Hewitt is also a director or 19 investment companies (consisting of trustee of the Guardian Life Insurance 40 portfolios) for which UBS Global AM Company Mutual Funds (consisting of 19 or one of its affiliates serves as portfolios). investment advisor, sub-advisor or manager. Mr. Janklow is a director or trustee of None 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 33
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) INDEPENDENT DIRECTORS
(CONCLUDED) Term of Office+ and Position(s) Length of Name, Address, Held with Time Principal Occupation(s)
and Age Fund Served During Past 5 Years

----- Frederic V. Malek; 66 Director Since 1996 Mr. Malek is chairman of Thayer Capital Partners 1455 Pennsylvania Avenue, (merchant bank) and chairman of Thayer Hotel N.W. Investors III, Thayer Hotel Investors II and Lodging Suite 350 Opportunities Fund (hotel investment partnerships). Washington, D.C. From January 1992 to November 1992, he was campaign 20004 manager of Bush- Quayle `92. From 1990 to 1992, he was vice chairman and, from 1989 to 1990, he was president of Northwest Airlines Inc. and NWA Inc. (holding company of Northwest Airlines Inc.). Prior to 1989, he was employed by the Marriott Corporation (hotels, restaurants, airline catering and contract feeding), where he most recently was an executive vice president and president of Marriott Hotels and Resorts. Carl W. Schafer; 67 Director Since 1996 Mr. Schafer is president of the Atlantic Foundation 66 Witherspoon Street (charitable foundation). Prior to January 1993, he #1100 was chairman of the Investment Advisory Committee of Princeton, NJ 08542 the Howard Hughes Medical Institute. William D. White; 69 Director Since 2001 Mr. White is retired. From February 1989 through P.O. Box 199 March 1994, he was president of the National League 40 Upper Black Eddy, PA of Professional Baseball Clubs. Prior to one of its 18972 1989, he was a television sportscaster for WPIX-TV, New York. Mr. White served on the board of directors of Centel from 1989 to 1993 and on the board of directors of Jefferson Banks Incorporated, Philadelphia, PA.

===== 34
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) Number of Portfolios in Fund Complex
Other Directorships Overseen by Director Held by Director

----- Mr. Malek is a director or trustee of Mr. Malek is also a director of Aegis 19 investment companies (consisting of Communications, Inc. (tele-services), 40 portfolios) for which UBS Global AM American Management Systems, Inc. or one of its affiliates serves as (management consulting and computer investment advisor, sub-advisor or related services), Automatic Data manager. Processing, Inc. (computing services), CB Richard Ellis, Inc. (real estat services), Federal National Mortgage Associat FPL Group, Inc. (electric services),Manor Car Inc. (health care), and Northwest Airlines In Mr. Schafer is a director or trustee of Mr. Schafer is also a director of Labor 19 investment companies (consisting of Ready, Inc. (temporary employment), 40 portfolios) for which UBS Global AM Roadway Corp. (trucking), Guardian Life or one of its affiliates serves as Insurance Company Mutual Funds investment advisor, sub-advisor or (consisting of 19 portfolios), the manager. Harding, Loevner Funds (consisting of four portfolios), E.I.I. Realty Securities Trust (investment company) and Frontier Oil Corporation. Mr. White is a director or trustee of None 19 investment companies (consisting of portfolios) for which UBS Global AM or affiliates serves as investment advisor, sub-advisor or

manager.

===== 35
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) OFFICERS Term of Principal Occupation(s) Office+ and During Past 5 Years; Position(s) Length of Number of Portfolios in Name, Address, Held with Time Fund Complex For Which and Age Fund Served Person Serves as Officer

----- W.
Douglas Beck*; Vice President Since 2003 Mr. Beck is an executive director and head of mutual 36 fund product management of UBS Global AM (since 2002). From March 1998 to November 2002, he held various positions at Merrill Lynch, the most recent being first vice president and co-manager of the managed solutions group. Prior to March 1998, Mr. Beck was a portfolio manager and managing director at Raymond James & Associates. Mr. Beck is vice president of UBS Supplementary Trust and 22 investment companies (consisting of 81 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. Thomas Disbrow*; Vice President Since 2000 Mr. Disbrow is a director and a senior manager of 37 and Assistant the mutual fund finance department of UBS Global AM. Treasurer Prior to November 1999, he was a vice president of Zweig/Glaser Advisers. Mr. Disbrow is a vice president and assistant treasurer of 19 investment companies (consisting of 40 portfolios) and assistant treasurer of one investment company (consisting of two portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. Amy R. Doberman*; Vice President Since 2000 Ms. Doberman is a managing director and general 41 and Secretary counsel of UBS Global AM. From December 1997 through July 2000, she was general counsel of Aeltus Investment Management, Inc. Prior to working at Aeltus, Ms. Doberman was assistant chief counsel of the SEC's Division of Investment Management. Ms. Doberman is vice president and assistant secretary of UBS Supplementary Trust and five investment companies (consisting of 44 portfolios) and vice president and secretary of 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 36
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) OFFICERS (CONTINUED) Term of Principal Occupation(s) Office+ and During Past 5 Years; Position(s) Length of Number of Portfolios in Name, Address, Held with Time Fund Complex For Which and Age Fund Served Person Serves as Officer

Elbridge T. Gerry III*; 46 Vice President Since 1996 Mr. Gerry is a managing director-- fixed income of UBS Global AM. Mr. Gerry is a vice president of six investment companies (consisting of 11 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. David M. Goldenberg*; Vice President Since 2002 Mr. Goldenberg is an executive director and deputy 36 and Assistant general counsel of UBS Global AM. From 2000 to 2002, Secretary he was director, legal affairs at Lazard Asset Management. Mr. Goldenberg was global director of compliance for SSB Citi Asset Management Group from 1998 to 2000. He was associate general counsel at Smith Barney Asset Management from 1996 to 1998. Prior to working at Smith Barney Asset Management, Mr. Goldenberg was branch chief and senior counsel in the SEC's Division of Investment Management. Mr. Goldenberg is a vice president and secretary of UBS Supplementary Trust and of five investment companies (consisting of 44 portfolios) and a vice president and assistant secretary of 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 37
Insured Municipal Income Fund Inc. Supplemental Information (unaudited) OFFICERS (CONTINUED) Term of Principal Occupation(s) Office+ and During Past 5 Years; Position(s) Length of Number of Portfolios in Name, Address, Held with Time Fund Complex For Which and Age Fund Served Person Serves as Officer

----- Kevin J. Mahoney*; Vice President Since 1999 Mr. Mahoney is a director and a senior manager of 37 and Assistant the mutual fund finance department of UBS Global AM. Treasurer Prior to April 1999, he was the manager of the mutual fund internal control group of Salomon Smith Barney. Mr. Mahoney is a vice president and assistant treasurer of 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. Paul H. Schubert*; 40 Vice President Since 1994 Mr. Schubert is an executive director and head of and Treasurer the mutual fund finance department of UBS Global AM. Mr. Schubert is treasurer and principal accounting officer of UBS Supplementary Trust and of three investment companies (consisting

of 41 portfolios), a vice president and treasurer of 20 investment companies (consisting of 41 portfolios), and treasurer and chief financial officer of one investment company (consisting of two portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager.

===== 38
 Insured Municipal Income Fund Inc. Supplemental Information (unaudited) OFFICERS (CONCLUDED) Term of Principal Occupation(s) Office+ and During Past 5 Years; Position(s) Length of Number of Portfolios in Name, Address, Held with Time Fund Complex For Which and Age Fund Served Person Serves as Officer

----- Joseph A. Varnas*; President Since 2003 Mr. Varnas is a managing director (since March 35 2003), chief technology officer (since March 2001) and head of product, technology and operations of UBS Global AM (since November 2002). From 2000 to 2001, he was manager of product development at UBS PaineWebber Investment Management Services. Mr. Varnas was a senior analyst in the Global Securities Research & Economics Group at Merrill Lynch from 1995 to 1999. Mr. Varnas is president of UBS Supplementary Trust and 23 investment companies (consisting of 81 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. Keith A. Weller*; 41 Vice President Since 1995 Mr. Weller is a director and senior associate and Assistant general counsel of UBS Global AM. Mr. Weller is a Secretary vice president and assistant secretary of 19 investment companies (consisting of 40 portfolios) for which UBS Global AM or one of its affiliates serves as investment advisor, sub-advisor or manager. ----- * This person's business address is 51 West 52nd Street, New York, New York 10019-6114. ** Address for mailing purposes only. + Each Director serves 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. Officers of the Fund are appointed by the Directors and serve at the pleasure of the Board. ++ Mrs. Alexander and Mr. Bewkes are "interested persons" of the Fund as defined in the Investment Company Act by virtue of their positions with UBS Global AM and/or its affiliates.

===== 39
 DIRECTORS E. Garrett Bewkes, Jr. George W. Gowen CHAIRMAN William W. Hewitt, Jr. Margo N. Alexander Morton L. Janklow Richard Q. Armstrong Frederic V. Malek David J. Beaubien Carl W. Schafer Richard R. Burt William D. White Meyer Feldberg PRINCIPAL OFFICERS Joseph A. Varnas Elbridge T. Gerry III PRESIDENT VICE PRESIDENT Amy R. Doberman W. Douglas Beck VICE PRESIDENT AND SECRETARY VICE PRESIDENT Paul H. Schubert VICE PRESIDENT AND TREASURER INVESTMENT ADVISOR AND ADMINISTRATOR UBS Global Asset Management (US) Inc. 51 West 52nd Street New York, New York 10019-6114 NOTICE IS HEREBY GIVEN IN ACCORDANCE WITH SECTION 23(C) OF THE INVESTMENT COMPANY ACT OF 1940 THAT FROM TIME TO TIME THE FUND MAY PURCHASE SHARES OF ITS COMMON STOCK IN THE OPEN MARKET AT MARKET PRICES. THIS REPORT IS SENT TO THE SHAREHOLDERS OF THE FUND FOR THEIR INFORMATION. IT IS NOT A PROSPECTUS, CIRCULAR OR REPRESENTATION INTENDED FOR USE IN THE PURCHASE OR SALE OF SHARES OF THE FUND OR OF ANY SECURITIES MENTIONED IN THIS REPORT. (C) 2003 UBS GLOBAL ASSET MANAGEMENT (US) INC. ALL RIGHTS RESERVED. [UBS LOGO] UBS GLOBAL ASSET MANAGEMENT (US) INC. 51 West 52nd Street New York, NY 10019-6114 ITEM 2. CODE OF ETHICS. Form N-CSR disclosure requirement not yet effective with respect to the registrant. ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT. Form N-CSR disclosure requirement not yet effective with respect to the registrant. ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. Form N-CSR disclosure requirement not yet effective with respect to the registrant. ITEMS 5 and 6. [RESERVED BY SEC FOR FUTURE USE.] ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES. Form N-CSR disclosure requirement not yet effective with respect to the registrant. ITEM 8. [RESERVED BY SEC FOR FUTURE USE.] ITEM 9. CONTROLS AND PROCEDURES. (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document. (b) There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. ITEM 10. EXHIBITS. (a) Form N-CSR disclosure requirement not yet effective with respect to registrant. (b) The

Edgar Filing: DIGITAL RIVER INC /DE - Form 8-K

certifications required by Rule 30a-2 of the Investment Company Act of 1940, as amended, and Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached hereto. SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. INSURED MUNICIPAL INCOME FUND INC.
By: /s/ JOSEPH A. VARNAS ----- Joseph A. Varnas President Date: JUNE 6, 2003 Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By: /s/ JOSEPH A. VARNAS ----- Joseph A. Varnas President Date: JUNE 6, 2003 By: /s/ PAUL H. SCHUBERT ----- Paul H. Schubert Treasurer Date: JUNE 6, 2003