# ABERDEEN AUSTRALIA EQUITY FUND INC Form DEFA14A April 04, 2003

SUPPLEMENT DATED APRIL 4, 2003

TO

PROXY STATEMENT
ABERDEEN AUSTRALIA EQUITY FUND, INC.

GATEWAY CENTER 3 100 MULBERRY STREET NEWARK, NEW JERSEY 07102

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ANNUAL MEETING OF STOCKHOLDERS APRIL 15, 2003

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This Supplement is being circulated to stockholders entitled to vote at the April 15, 2003 Annual Meeting of Stockholders ("Annual Meeting") of Aberdeen Australia Equity Fund, Inc., a Maryland corporation ("Fund"), to provide information in addition to that contained in the Proxy Statement for the Annual Meeting that was mailed to stockholders on or about March 7, 2003.

The Fund's Board of Directors ("Board") has continuously availed itself of methods specifically provided by, or consistent with, Maryland law and the Investment Company Act of 1940, as amended, to protect the Fund and its stockholders. The Fund is also subject to certain Maryland law provisions, including those which have been enacted since the inception of the Fund, that make it more difficult for challengers to gain control of the Board. Earlier this year, the Fund's Board adopted an amended and restated bylaws. In doing so, the Board consulted with counsel to the Fund, Maryland counsel to the Fund, and counsel to the independent directors. The amendments to the bylaws were adopted, among other things: to assure that directors elected to serve on the Fund's Board are well qualified; to develop the Fund's procedures with respect to meetings of stockholders; and to resist efforts by well-organized minority stockholders to subvert the objective and purposes of the Fund.

The following is a summary of the amendments to the bylaws which are set forth in the Amended and Restated Bylaws as of January 16, 2003. Some of the bylaw amendments have been under consideration for several years, while others are modifications or expansions of existing bylaws. This summary is qualified in its entirety by reference to the complete bylaws. The bylaw amendments:

- 1. Establish procedures for stockholder-requested special meetings, including procedures for setting the record date for the stockholders making the request, the record date for the meeting and the time, place and date of the meeting. Consistent with the Maryland General Corporation Law, stockholders requesting a meeting would be required to
  - disclose the purpose of the meeting and the matters to be proposed to be acted on at the meeting.
- 2. Provide that the Board of Directors may appoint the chair of the meeting of stockholders and provide for chairmanship in the absence of such an appointment. The amendments provide that the rules for conduct of the meeting are established by the chair of the meeting.

- 3. Enhance already existing bylaw provisions that require a stockholder to give written advance notice and other information to the Fund of the stockholder's nominees for directors and other proposals for business at stockholders meetings.
- 4. Disclose that the Board has elected on behalf of the Fund to be subject to the Maryland Control Share Acquisition Act, which provides that control shares acquired in a control share acquisition may not be voted except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Generally, control shares are voting shares of stock which would entitle the acquiror of the shares to exercise voting power within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority, or (3) a majority or more of all voting power. This limitation does not apply to matters for which the Investment Company Act of 1940, as amended, requires the vote of a majority of the Fund's outstanding voting securities (as defined in that Act.)
- 5. Establish qualifications for Fund directors. These qualifications are designed to assure that individuals have the type of background and experience necessary to provide competent service as directors of a closed-end fund that invests in Australian equity securities. They also require incumbent directors and nominees to comply with the Fund's conflict of interest policy. Current directors are exempted from these requirements (except compliance with the Fund's conflict of interest policy) because they have become qualified through past experience as directors of the Fund. Nevertheless, almost all current directors satisfy the new qualification requirements.
- 6. Require that directors be elected by the affirmative vote of the holders of a majority of the Fund's outstanding shares. (The bylaws previously required the affirmative vote of the holders of a majority of shares present at the meeting and entitled to vote.)
- 7. Establish supermajority Board vote requirements for certain actions, including mergers, dissolution, election of officers, officer and director compensation, and the amendment of the director term and qualification requirements.
- 8. Require that any proposed advisory, sub-advisory or management contract with an affiliate of an independent Fund director be approved by 75% of the Fund's independent directors who are not so affiliated. If such a contract is approved, the bylaws would provide automatic liquidity to dissatisfied shareholders by requiring the Fund to
  - commence a tender offer for at least 50 percent of its outstanding shares at a price of at least 98% of the Fund's per share net asset value. These provisions cannot be changed except by 75% of the directors who were in office January 16, 2003 or who were recommended by, or elected or nominated to succeed such a director by a majority of such directors then on the Board.
- Reserve to the Board the power to adopt, alter, or repeal the bylaws or any provision of the bylaws.

Any stockholder who would like a copy of the Fund's bylaws may obtain a copy from the Securities and Exchange Commission ("SEC") by calling the SEC at (202) 942-8090 or e-mailing the SEC at publicinfo@sec.gov, or from the Fund.

PLEASE TAKE A MOMENT AND CAST YOUR VOTE!

# IMPORTANT NOTICE REGARDING ABERDEEN AUSTRALIA EQUITY FUND, INC.

ANNUAL MEETING OF STOCKHOLDERS SCHEDULED FOR TUESDAY, APRIL 15, 2003 AT 1:00 P.M. EASTERN TIME

Dear Stockholder:

WE ARE VERY PLEASED TO REPORT THAT, IN CONNECTION WITH THE FUND'S ANNUAL MEETING, INSTITUTIONAL SHAREHOLDER SERVICES, INC., THE NATION'S LEADING INDEPENDENT PROXY ADVISORY FIRM, HAS RECOMMENDED TO ITS CLIENTS THAT FUND STOCKHOLDERS VOTE:

0	FOR	Proposal 1:	Election of Directors
0	FOR	Proposal 2:	Amendment of the Fund's Charter
0	FOR	Proposal 3:	Amendment of the Fund's fundamental borrowing policy
0	FOR	Proposal 4:	Amendment of the Fund's Management Agreement and
			Investment Advisory Agreement
0	AGAINST	Proposal 5:	Stockholder proposal

These recommendations are the same as those unanimously approved by the Fund's Board of Directors.

According to our latest records, your voting instructions for this meeting have not yet been received. We are writing to urge you to vote your shares today in accordance with the recommendations of the Board of Directors. REGARDLESS OF THE NUMBER OF SHARES YOU MAY OWN, IT IS IMPORTANT THEY BE REPRESENTED AT THE MEETING. HERE IS A REMINDER OF THE CONVENIENT CHOICES YOU HAVE TO VOTE YOUR SHARES:

#### --> BY TOUCH-TONE PHONE:

Dial the toll-free number found on your proxy card and follow the simple instructions.

#### --> BY INTERNET:

Visit WWW.PROXYVOTE.COM and enter the 12-digit control number located on your proxy card.

#### --> BY MAIL:

Simply sign, date and return your executed proxy card in the enclosed postage paid envelope. PLEASE TRY TO UTILIZE ONE OF THE ABOVE OPTIONS TO REGISTER YOUR VOTE, SO IT MAY BE RECEIVED IN TIME FOR THE MEETING.

The Fund has retained a professional proxy solicitation firm, Georgeson Shareholder Communications Inc. to assist you with the voting process. If you have any questions regarding the voting of your shares, PLEASE CALL TOLL-FREE AT 1-866-216-0268.

Thank you for your support. Your prompt voting may save the Fund the necessity and expense of further solicitations.

#### INSTRUCTIONS FOR AUTHORIZING YOUR PROXY

Aberdeen Australia Equity Fund, Inc. offers shareholders of record four alternative ways of authorizing proxies:

TELE	PHONE Available only until 5:00 p.m. Easte 2003.	rn Daylight Tir	ne April 14,
0	On a touch-tone telephone, call TOLL FREE 1-day, 7 days a week	877-260-0388, 2	24 hours a
0	You will be asked to enter ONLY the Control	Number shown be	wo.l.
0	Have your proxy card ready, then follow the		
0	Your voting instructions will be confirmed a		
FAX			
0	Simply fax your completed and signed proxy c sides) to 1-212-440-9009	ard (both front	and back
INTE	RNET Available only until 5:00 p.m. Easte	rn Daylight Tir	ne April 14,
0	Visit the Internet voting Website at http:// Enter the COMPANY NUMBER AND CONTROL NUMBER		
	instructions on your screen		
0	You will incur only your usual Internet char	ges	
MAIL			
0	Simply sign and date your proxy card and ret envelope	urn it in the p	oostage-paid
CC	OMPANY NUMBER	CONTROL 1	IUMBER
	TO VOTE BY MAIL, PLEASE DETACH PROX	Y CARD HERE	
E	PLEASE MARK		
	VOTES AS IN THIS EXAMPLE.		
	ARD OF DIRECTORS RECOMMENDS THAT THE FUND'S ST ALS $1,2,3,4(\text{A})$ AND $4(\text{B})$ , EACH AS MORE FULLY DE ENT.		
1. E	Election of the following four nominees to	FOR WITH	IHOLD

YOU MAY WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE OR NOMINEES BY MARKING THE FOR BOX AND STRIKING OUT THE NAME OF ANY SUCH NOMINEE. YOUR SHARES WILL BE VOTED FOR THE REMAINING NOMINEE(S).

terms and until their successors are

S. Freedman, David L. Elsum, Peter J. O'Connell and William J. Potter

-	amend the Fund's charter to number of authorized share		AGAINST	ABSTAIN
of stock, to class of pref the Board of reclassify ar stock into or	authorize an undesignated ferred stock and to authori Directors to classify and my unissued shares of prefere or more classes or series ock or common stock	/ / ze	/ /	/ /
3. Proposal to a borrowing pol	amend the Fund's fundamenta Licy	1 //	/ /	/ /
4(2)		FOR	AGAINST	ABSTAIN
Agreement to thereunder to	amend the Fund's Management provide that fees paid o the Investment Manager d on all managed assets	/ /	/ /	/ /
Advisory Agre	amend the Fund's Investment eement to provide that fees der to the Investment Advis d on all managed assets	/ /	/ /	/ /
THE BOARD OF DIRECT DESCRIBED IN THE PF	TORS RECOMMENDS A VOTE "AGA ROXY STATEMENT.	.INST" PROPOS	AL 5, AS M	ORE FULLY
of the Fund a consider taki convert the F otherwise per	proposal that the stockhold ask the Board of Directors ing the steps necessary to Fund to an open-end fund or mit stockholders to realizate for their shares	to / /	/ /	/ /
undersigned on any	chorizes the Proxy holder to other matter that may propenement thereof in the di	erly come be	fore the me	eeting or any
	NOTE: PLEASE SIGN AS NOWNERS SHOULD EACH SIGE EXECUTOR, ADMINISTRATO OR OTHER ENTITY OR IN PLEASE GIVE THE FULL T	N. WHEN SIGN R, TRUSTEE, ANOTHER REPR	ING AS ATTO OFFICER OF ESENTATIVE	ORNEY, CORPORATION CAPACITY,
	SIGNATURE			
	SIGNATURE (IF HELD JOI	NTLY)		
	DATE			

TO	VOTE	BY	MAIL,	PLEASE	DETACH	PROXY	CARD	HERE

#### PROXY

ABERDEEN AUSTRALIA EQUITY FUND, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF STOCKHOLDERS -- APRIL 15, 2003

The undersigned stockholder of Aberdeen Australia Equity Fund, Inc., a Maryland corporation (the "Fund"), hereby appoints Beverley Hendry, William J. Potter, and Timothy Sullivan, or any of them, with full power of substitution in each of them, to attend the Annual Meeting of Stockholders of the Fund to be held at Dryden Hall, 7th Floor, Plaza Building, 751 Broad Street, Newark, New Jersey on Tuesday April 15, 2003, at 1:00 p.m. (Eastern time), and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting and otherwise to represent the undersigned at the meeting with all powers possessed by the undersigned if personally present at the meeting. The undersigned hereby acknowledges receipt of the Notice of the Annual Meeting of Stockholders and of the accompanying Proxy Statement and revokes any proxy heretofore given with respect to such meeting.

THE VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST AS INSTRUCTED ON THE REVERSE SIDE HEREOF. IF THIS PROXY IS EXECUTED BUT NO INSTRUCTIONS ARE GIVEN, THE VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST "FOR" EACH OF THE NOMINEES FOR DIRECTOR (PROPOSAL 1), "FOR" PROPOSALS 2, 3, 4(A) AND 4(B), "AGAINST" PROPOSAL 5 AND IN THE DISCRETION OF THE PROXY HOLDER ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

HAS YOUR ADDRESS CHANGED?	DO YOU HAVE ANY COMMENTS?
	SEE REVERSE SIDE