

FORT DEARBORN INCOME SECURITIES INC
Form N-30D
May 28, 2002

MAY 8, 2002

DEAR SHAREHOLDER:

This financial report covers the six-month period ended March 31, 2002, which is our thirtieth fiscal year of operations.

The period began with considerable interest rate volatility, as the market attempted to digest conflicting signs of economic strength and weakness, the elimination of the 30-year U.S. Treasury bond issuance, and of course the tragic events of September 11. By the end of the period, the U.S. bond market was generally weaker with market participants focused primarily on growth oriented economic news. While the market expected flat to negative economic growth for the fourth quarter 2001, the Bureau of Economic Analysis indicated the U.S. economy had actually increased output by 1.7% for the quarter. At the beginning of 2002 consensus expectation for real GDP was 0.7%, a figure that eventually was reported at 5.8%. Discounting increasing unemployment numbers as a lagging indicator, the market became more concerned over inflation in light of the unexpected growth and the Federal Reserve's loose monetary policy. By the end of the semi-annual period, the yield on the 10-year U.S. Treasury had increased 0.82%.

We believe the economy is recovering, but will trend below our secular expectation of over 3% real growth over the next several years. This is largely due to the working off of the vestiges of the bubble with resultant excess capacity, overborrowing and general excess. We believe that inflation risk will remain muted. Corporate earnings continue to suffer as many of the largest U.S. companies combat top line growth issues stemming from a slower nominal economy. Productivity gains remain strong helping firms limit the negative effects of reduced sales volume and competitive pricing pressure. However, significant idle capacity currently exists which is likely to constrain aggregate business investment in the near term. Given this economic backdrop, long-term interest rates look fairly priced while short-term interest rates are likely to climb as economic activity begins to increase.

Despite the profits recession, the overall corporate bond market performed well as the investor community concentrated on an improving economic picture as well as cost and debt reduction plans of many corporations. The telecommunications industry is the exception, as it is suffering from a hangover from heavy capital expenditures and concurrent debt growth that exploded after deregulation. Investors are concerned with price competition and debt burden in the long distance communications business, and are quick to punish companies with any headline risk.

Firms with high levels of short-term debt also fared poorly as banks and money market investors became leery of advancing additional capital forcing the borrowers to fund operations using higher cost long-term debt. Performance of the corporate sector was further dampened as investors responded to heightened scrutiny by regulatory bodies over accounting practices at several large firms. We expect volatility of corporate spreads will remain high as a result of the aforementioned market concerns. We have offset our credit risk with defensive AAA sectors, a strategy that has served us well.

Net investment income for the six months was \$0.48 per share and net realized and unrealized losses on investments totaled \$0.67 per share. On March 31, 2002, the net asset value per share was \$15.11 and the stock closed that day at \$14.67 per share.

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During the period the Board of Directors declared regular quarterly dividends of \$0.25 per share and \$0.24 per share payable on December 14, 2001 and March 22, 2002, respectively. In addition to regular dividends, the Board declared a capital gains distribution of \$0.16 per share payable on December 14, 2001.

At the end of the period, the 108 issues in the portfolio had an average market yield of 7.06%, an average Moody's quality rating of A1, an average duration of 7.8, and an average maturity of 14.5 years. The distribution of the portfolio maturities and quality was as follows:

Maturities

0-1 year	0.6%
1-3 years	1.1
3-5 years	5.3
5-10 years	51.6
10-20 years	10.9
20 plus years	30.5

	100.0%

Quality

Treasury, Agency and Aaa	34.7%
Aa	7.7
A	26.0
Baa	28.2
Below Baa	3.4

	100.0%

STOCK REPURCHASE PLAN:

On July 28, 1988, the Board of Directors of the Company approved a resolution to repurchase up to 700,000 of its common shares. The Company may repurchase shares, at a price not in excess of market and at a discount from net asset value, if and when such repurchases are deemed appropriate and in the shareholder's best interest. Any repurchases will be made in compliance with applicable requirements of the federal securities law.

Under such law, the Company is required to give written notice to all shareholders of its intention to purchase stock within six months of the actual repurchase of shares. This report is to serve as notice to all shareholders with respect to any shares repurchased within the next six months pursuant to the Company's stock repurchase plan.

Unaudited financial statements for the six-month period ended March 31, 2002, and a list of the securities owned on that date are included in this report.

Sincerely,

/s/ Jeffrey J. Diermeier

Jeffrey J. Diermeier, CFA
PRESIDENT

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FORT DEARBORN INCOME SECURITIES, INC. is a closed-end bond fund investing principally in investment grade long-term fixed income debt securities. The primary objective of Fort Dearborn is to provide its shareholders with:

- a stable stream of current income consistent with external interest rate conditions, and
- a total return over time that is above what they could receive by investing individually in the investment grade and long-term maturity sectors of the bond market.

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

Fort Dearborn Income Securities

MARKET VALUE OF INDEX AND SHARE PRICE(1) WITH ALL DIVIDENDS REINVESTED

AS OF MARCH 31, 2002

\$ Wealth Index

	FORT DEARBORN	INVESTMENT GRADE BOND INDEX
1972	\$18.17	\$18.17
'73	\$18.17	\$18.16
'73	\$17.10	\$18.06
'73	\$17.09	\$18.41
'73	\$16.74	\$18.23
'74	\$13.73	\$17.55
'74	\$15.62	\$16.61
'74	\$13.40	\$16.07
'74	\$16.33	\$17.05
'75	\$16.82	\$17.83
'75	\$17.61	\$18.43
'75	\$16.79	\$17.79
'75	\$16.54	\$19.39
'76	\$18.45	\$20.17
'76	\$18.37	\$20.19
'76	\$20.03	\$21.28
'76	\$20.26	\$22.83
'77	\$20.50	\$22.26
'77	\$21.07	\$23.08
'77	\$21.49	\$23.28
'77	\$20.68	\$23.04
'78	\$20.93	\$23.00
'78	\$21.00	\$22.70
'78	\$20.90	\$23.36
'78	\$19.04	\$22.84
'79	\$20.31	\$23.16
'79	\$21.40	\$24.15
'79	\$20.84	\$23.61
'79	\$19.25	\$21.70
'80	\$17.16	\$18.79
'80	\$20.99	\$23.31
'80	\$18.99	\$20.76
'80	\$19.11	\$20.93
'81	\$19.19	\$20.69
'81	\$19.51	\$20.24
'81	\$19.39	\$18.40

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'81	\$20.85	\$20.51
'82	\$21.83	\$21.47
'82	\$22.26	\$21.63
'82	\$26.55	\$26.21
'82	\$28.83	\$29.02
'83	\$29.96	\$30.14
'83	\$31.44	\$30.55
'83	\$31.01	\$30.40
'83	\$31.22	\$30.59
'84	\$32.50	\$30.09
'84	\$30.21	\$28.94
'84	\$32.66	\$32.51
'84	\$37.09	\$35.48
'85	\$37.34	\$35.82
'85	\$43.27	\$40.17
'85	\$42.71	\$40.92
'85	\$46.79	\$45.80
'86	\$53.14	\$50.64
'86	\$55.71	\$50.88
'86	\$56.95	\$51.74
'86	\$57.70	\$54.47
'87	\$60.37	\$55.37
'87	\$58.78	\$53.02
'87	\$55.66	\$49.70
'87	\$56.99	\$53.50
'88	\$62.51	\$55.86
'88	\$63.41	\$56.58
'88	\$63.23	\$57.95
'88	\$65.30	\$58.38
'89	\$63.95	\$59.10
'89	\$69.00	\$64.57
'89	\$71.79	\$64.91
'89	\$73.38	\$67.02
'90	\$75.08	\$65.82
'90	\$75.50	\$68.35
'90	\$74.62	\$67.72
'90	\$80.42	\$71.21
'91	\$83.65	\$74.02
'91	\$85.57	\$75.16
'91	\$91.67	\$80.14
'91	\$96.45	\$84.58
'92	\$93.81	\$83.43
'92	\$97.18	\$87.02
'92	\$102.91	\$91.22
'92	\$101.67	\$91.65
'93	\$108.40	\$96.61
'93	\$113.71	\$100.19
'93	\$117.42	\$104.21
'93	\$112.65	\$103.37
'94	\$107.51	\$98.48
'94	\$106.80	\$96.30
'94	\$105.14	\$96.42
'94	\$101.57	\$97.14
'95	\$107.51	\$103.18
'95	\$116.50	\$111.98
'95	\$118.69	\$114.54
'95	\$126.33	\$121.13
'96	\$124.45	\$116.32
'96	\$122.62	\$116.17
'96	\$129.34	\$118.35
'96	\$137.71	\$123.00
'97	\$135.62	\$120.84

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'97	\$142.43	\$126.34
'97	\$148.57	\$131.91
'97	\$156.83	\$136.87
'98	\$160.03	\$138.88
'98	\$159.51	\$142.78
'98	\$166.11	\$147.81
'98	\$178.86	\$148.73
'99	\$174.77	\$146.24
'99	\$164.31	\$142.24
'99	\$161.53	\$142.02
'99	\$145.64	\$140.99
'00	\$157.67	\$143.82
'00	\$164.57	\$144.71
'00	\$168.54	\$149.23
'00	\$176.54	\$155.49
'01	\$190.74	\$161.70
'01	\$201.75	\$162.17
'01	\$200.54	\$168.73
'01	\$207.71	\$169.83
'02	\$206.82	\$168.71

ANNUALIZED RETURNS	12 MONTHS	SINCE INCEPTION
Fort Dearborn	8.43%	8.67%
Investment Grade Bond Index	4.34	7.92

Returns are net of fees

(1) Share price return is impacted by changes in the premium or discount to the net asset value (NAV).

At March 31, 2002, the share price was at a 2.91% discount to NAV.

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STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2002 (UNAUDITED)

ASSETS:

Portfolio of investments: (Note 1)	
Debt securities, at value (cost \$133,123,858).....	\$ 129,842,552
Short-term securities, at cost, which approximates market.....	663,964

Total portfolio of investments.....	130,506,516
Cash.....	76,647
Receivable for interest on debt securities (Note 1).....	2,157,326
Receivable for investments sold.....	161,115
Other Assets.....	25,000

Total assets.....	132,926,604

LIABILITIES:

Expenses:

Accrued investment advisory and administrative fees (Note 6).....	154,099
Payable for investments purchased.....	148,586

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Accrued custodial and transfer agent fees.....	18,563
Accrued other expenses.....	19,199

Total liabilities.....	340,447

NET ASSETS (equivalent to \$15.11 per share for 8,775,665 shares of capital stock outstanding) (Note 4).....	\$ 132,586,157
	=====
Analysis of Net Assets:	
Shareholder capital (Note 4).....	\$ 135,120,133
Accumulated undistributed net investment income (Note 3).....	169,001
Accumulated net realized gain on sales of investments (Note 3).....	578,329
Unrealized depreciation on investments.....	(3,281,306)

Net assets applicable to outstanding shares.....	\$ 132,586,157
	=====

See Notes to Financial Statements.

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STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 2002 (UNAUDITED)

Investment income:	
Interest income earned.....	\$ 4,732,727

Expenses:	
Investment advisory and administrative fees (Note 6).....	325,263
Transfer agent and dividend disbursing agent fees.....	44,954
Directors Fees (Note 6).....	37,397
Stockholders reports and annual meeting fees.....	30,800
Custody fees.....	20,655
Professional fees.....	19,508
Franchise taxes.....	4,914
Other expenses.....	9,100

Total expenses.....	492,591

Net investment income.....	4,240,136

Net realized and unrealized gain (loss) on investments:	
Net realized gain from investment transactions.....	1,212,107
Change in unrealized depreciation.....	(7,143,808)

Total realized and unrealized gain(loss) on investments.....	(5,931,701)

Net decrease in net assets from operations.....	\$ (1,691,565)
	=====

See Notes to Financial Statements.

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STATEMENT OF CHANGES IN NET ASSETS

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	SIX MONTHS ENDED MARCH 30, 2002 (UNAUDITED)	FOR THE YEAR ENDED SEPTEMBER 30, 2001
	-----	-----
From operations:		
Net investment income.....	\$ 4,240,136	\$ 9,088,903
Net realized gain (loss) from investment transactions.....	1,212,107	1,972,541
Change in unrealized appreciation of investments.....	(7,143,808)	5,958,527
	-----	-----
Net increase in net assets from operations.....	(1,691,565)	17,019,971
Distributions to shareholders from:		
Net investment income.....	(4,300,076)	(9,126,692)
Net realized gain.....	(1,404,107)	0
	-----	-----
Total distributions.....	(5,704,183)	(9,126,692)
Net increase (decrease) in net assets.....	(7,395,748)	7,893,279
Net Assets:		
Beginning of period.....	139,981,905	132,088,626
	-----	-----
End of period (including undistributed net investment income of \$169,001 and \$228,941, respectively).....	\$132,586,157	\$139,981,905
	=====	=====

See Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

Financial highlights for each share of capital stock outstanding through each period:

	SIX MONTHS ENDED MARCH 31, 2002 (UNAUDITED)	YEARS ENDED SEPTEMBER 30,				
	-----	2001	2000	1999	1998	1997
	-----	-----	-----	-----	-----	-----
Net asset value, beginning of period.....	\$ 15.95	\$ 15.05	\$ 15.11	\$ 16.87	\$ 16.30	\$ 15.95
Net investment income (1).....	0.48	1.04	1.05	1.05	1.05	1.05
Net realized and unrealized gain (loss) on investments.....	(0.67)	0.90	(0.06)	(1.27)	0.71	0.71
	-----	-----	-----	-----	-----	-----
Total from investment operations.....	(0.19)	1.94	0.99	(0.22)	1.76	1.76

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Less distributions						
from:						
Net investment						
income.....	(0.49)	(1.04)	(1.04)	(1.04)	(1.04)	
Net realized gain....	(0.16)	--	(0.01)	(0.50)	(0.15)	
	-----	-----	-----	-----	-----	-----
Total distributions.....	(0.65)	(1.04)	(1.05)	(1.54)	(1.19)	
	-----	-----	-----	-----	-----	-----
Net asset value, end of						
period.....	\$ 15.11	\$ 15.95	\$ 15.05	\$ 15.11	\$ 16.87	\$
	=====	=====	=====	=====	=====	=====
Market price per share at						
end of period.....	\$ 14.67	\$ 14.84	\$ 13.38	\$ 13.88	\$ 15.75	\$
Total investment return						
(market value) (2).....	3.15%	18.98%	4.34%	(2.76)%	11.81%	1
Total return (net asset						
value) (3).....	-1.24%	13.22%	6.77%	(1.48)%	11.07%	1
Net assets at end of						
period (in millions)....	\$ 132.59	\$ 139.98	\$ 132.09	\$ 132.81	\$ 148.30	\$ 1
Ratios of expenses to						
average net assets.....	0.72%	0.71%	0.74%	0.73%	0.71%	
Ratio of net investment						
income to average net						
assets.....	6.16%	6.68%	7.01%	6.61%	6.29%	
Portfolio turnover.....	75.4%	142.7%	73.8%	69.9%	63.5%	1
Number of shares						
outstanding at end of						
period (in thousands)...	8,776	8,776	8,776	8,789	8,789	

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- (1) Beginning October 1, 1994, net investment income includes amortization of discounts and premiums.
 - (2) Total investment return (market value) reflects the market value experiences of a continuous shareholder who made commission-free acquisitions through distributions in accordance with the shareholder reinvestment plan.
 - (3) Total return (net asset value) reflects the Company's portfolio performance and is the combination of reinvested dividend income, reinvested capital gains distributions at NAV, if any, and changes in net asset value per share.

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS
MARCH 31, 2002 (UNAUDITED)

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
	DEBT SECURITIES-- (99.5%)			
	/ / MUNICIPAL SECURITIES-- (2.6%)			
	New Jersey Economic Development Authority,			
\$10,000,000	0.000%, due 02/15/18.....	Aaa	\$ 3,057,954	\$ 3,344,000

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/ / U.S. GOVERNMENT SECURITIES--(19.1%)				
AGENCY OBLIGATIONS--(11.6%)				
4,915,000	Fannie Mae Grantor Trust, 7.125%, due 01/15/30.....	(a)	5,539,662	5,255,378
	Federal Home Loan Mortgage Corp., Guaranteed Mortgage Certificates,			
1,696	9.000%, due 08/01/04.....	(a)	1,770	1,778
	Federal National Mortgage Association,			
1,175,188	7.000%, due 03/01/31.....	(a)	1,190,061	1,200,785
1,492,033	6.000%, due 11/01/28.....	(a)	1,469,186	1,447,505
2,912,906	6.000%, due 11/01/28.....	(a)	2,887,873	2,825,973
	Federal National Mortgage Association, Guaranteed Mortgage Pass Thru Certificates,			
522,397	7.000%, due 06/25/13.....	(a)	485,772	542,491
2,768,488	6.500%, due 03/01/28.....	(a)	2,754,213	2,759,189
	Government National Mortgage Association,			
1,095,471	6.500%, due 05/15/29.....	(a)	1,010,743	1,093,460
			-----	-----
			15,339,280	15,126,559
			-----	-----
DIRECT OBLIGATIONS--(7.5%)				
3,000,000	U.S. Treasury Bond, 8.000%, due 11/15/21.....	Aaa	3,823,197	3,673,359
930,000	U.S. Treasury Note, 6.500%, due 02/15/10.....	Aaa	1,027,309	995,754
4,980,000	U.S. Treasury Note, 6.250%, due 05/15/30.....	Aaa	5,390,079	5,175,505
			-----	-----
			10,240,585	9,844,618
			-----	-----
			25,579,865	24,971,177
			-----	-----

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)
MARCH 31, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
/ / CORPORATE BONDS AND NOTES--(77.8%)				
FINANCE (28.8%)				
\$ 1,905,000	Bank of America Corp., 7.400%, due 01/15/11.....	Aa3	\$ 1,974,941	\$ 2,011,562
725,000	Bank One Corp., 7.875%, due 08/01/10.....	A1	772,754	786,336
430,000	Capital One Bank, 6.875%, due 02/01/06....	Baa2	417,271	414,963
	Chase Commercial Mortgage Securities Corp.,			
1,000,000	98-1 A2, 6.560%, due 05/18/30.....	Aaa	1,064,180	1,025,977

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150,000	CIT Group, Inc., 7.750%, due 04/02/12.....	A2	148,585	150,413
2,500,000	Citigroup, Inc., 7.250%, due 10/01/10.....	Aa2	2,591,898	2,628,422
2,800,000	CS First Boston Mortgage Securities Corp., 7.545%, due 04/15/62.....	Aaa	3,026,625	2,997,308
2,000,000	DLJ Commercial Mortgage Corp., 7.340%, due 10/10/32.....	Aaa	2,171,250	2,118,579
635,000	DLJ Commercial Mortgage Corp., 00-CKP1, Class A1B, 7.180%, due 08/10/10.....	Aaa	638,274	668,799
615,000	EOP Operating Ltd., 7.875%, due 07/15/31.....	Baa1	624,382	610,715
1,620,000	First Union National Bank, 7.800%, due 08/18/10.....	A1	1,723,899	1,759,064
555,000	Fleet Boston Corp., 7.375%, due 12/01/09.....	A3	592,405	576,460
650,000	Ford Motor Credit Co., 6.875%, due 02/01/06.....	A3	648,862	646,300
1,170,000	Ford Motor Credit Co., 7.375%, due 02/01/11.....	A3	1,153,304	1,138,621
2,395,000	Ford Motor Credit Co., 5.800%, due 01/12/09.....	A3	2,224,897	2,157,701
1,835,000	General Electric Capital Corp., 6.750%, due 03/15/32.....	Aaa	1,801,508	1,773,546
1,095,000	General Motors Acceptance Corp., 6.875%, due 09/15/11.....	A2	1,077,718	1,057,859
1,605,000	General Motors Acceptance Corp., 8.000%, due 11/01/31.....	A2	1,625,924	1,606,470
665,000	Goldman Sachs Group, Inc., 6.875%, due 01/15/11.....	A1	664,965	668,201
2,815,000	Household Finance Corp., 6.750%, due 05/15/11.....	A2	2,798,391	2,731,445
230,000	Keycorp Capital III, 7.750%, due 07/15/29.....	A3	230,328	225,765
475,000	Lehman Bros. Holdings, Inc., 6.625%, due 01/18/12.....	A2	472,554	466,174

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)
MARCH 31, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 390,000	Lincoln National Corp., 6.200%, due 12/15/11.....	A3	\$ 388,534	\$ 377,407
1,640,000	Morgan Stanley Dean Witter, 6.750%, due 04/15/11.....	Aa3	1,645,775	1,644,405
1,437,976	Norwest Asset Securities Corp., 7.000%, due 09/25/11.....	AAA	1,449,659	1,474,803
1,500,000	PNC Mortgage Acceptance Corp., 99-CM1, Class A1B, 7.330%, due 12/10/32.....	Aaa	1,608,750	1,583,132
870,000	Prudential Mortgage Capital Funding, LLC, 00-ROCK, Class A2, 6.605%, due 05/10/34.....	Aaa	874,350	882,360
1,380,000	PSE&G Transition Funding LLC, 6.450%, due 03/15/13.....	Aaa	1,445,766	1,416,314

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945,000	Unilever Capital Corp., 7.125%, due 11/01/10.....	A1	1,019,217	998,554
1,025,000	Wells Fargo Bank N.A., 6.450%, due 02/01/11.....	Aa2	1,014,879	1,026,970
			-----	-----
			37,891,845	37,624,625
			-----	-----
	INDUSTRIAL--(20.0%)			
665,000	Abitibi-Consolidated, Inc., 8.850%, due 08/01/30.....	Baa3	671,778	685,004
690,000	Alcoa Inc., 6.000%, due 01/15/12.....	A1	685,935	669,667
430,000	Amerada Hess Corp., 6.650%, due 08/15/11.....	Baa2	431,646	426,686
745,000	Anadarko Finance Co., 7.500%, due 05/01/31.....	Baa1	786,300	764,783
940,000	Anheuser-Busch Cos., Inc., 9.000%, due 12/01/09.....	A1	1,126,264	1,103,589
1,460,000	AOL Time Warner, Inc., 7.625%, due 04/15/31.....	Baa1	1,488,367	1,453,209
1,270,000	Avon Products, Inc., 7.150%, due 11/15/09.....	A2	1,294,751	1,321,237
190,000	Burlington Northern Santa Fe Corp., 6.875%, due 12/01/27.....	Baa2	186,612	182,488
740,000	Burlington Northern Santa Fe Corp., 7.082%, due 05/13/29.....	Baa2	733,582	730,897
720,000	Caterpillar, Inc., 6.550%, due 05/01/11...	A2	721,244	724,627
1,325,000	Cendant Corp., 6.875%, due 08/15/06.....	Baa1	1,324,571	1,286,046
330,000	Centex Corp., 9.750%, due 06/15/05.....	Baa2	329,993	364,782
520,000	Daimler Chrysler NA Holdings, 7.300%, due 01/15/12.....	A3	531,232	522,588
825,000	Deere & Co., 7.125%, due 03/03/31.....	A3	841,646	792,822
840,000	Delhaize America, Inc., 8.125%, due 04/15/11.....	Baa3	855,774	889,738

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)
MARCH 31, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 670,000	Devon Financing Corp. ULC, 6.875%, due 09/30/11.....	Baa2	\$ 648,818	\$ 651,615
845,000	First Data Corp., 5.625%, due 11/01/11....	A1	842,397	805,543
900,000	Ford Motor Co. Del Global Landmark, 7.450%, due 07/16/31.....	Baa1	858,809	813,917
470,000	Harrah's Operating Co., Inc., 7.125%, due 06/01/07.....	Baa3	469,615	477,080
875,000	International Paper Co., 6.750%, due 09/01/11.....	Baa2	876,209	868,829
1,120,000	Kraft Foods, Inc., 6.500%, due 11/01/31...	A2	1,115,170	1,063,478
695,000	Kroger Co., 7.500%, due 04/01/31.....	Baa3	761,147	703,106
735,000	Occidental Petroleum Corp., 8.450%, due 02/15/29.....	Baa2	832,205	838,148

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3,000,000	Philips Electronics, 7.750%, due 05/15/25.....	A3	2,990,353	2,886,405
735,000	Rohm & Haas Co., 7.850%, due 07/15/29.....	A3	807,496	800,630
1,060,000	Target Corp., 7.000%, due 07/15/31.....	A2	1,119,107	1,070,328
1,135,000	Transocean Sedco Forex, 7.500%, due 04/15/31.....	Baa2	1,102,267	1,102,738
300,000	Union Oil Co. of California, 7.500%, due 02/15/29.....	Baa1	316,541	302,774
425,000	Valero Energy Corp., 8.750%, due 06/15/30.....	Baa2	501,101	475,003
770,000	Viacom, Inc., 8.625%, due 08/01/12.....	A3	859,018	863,574
145,000	Wal-Mart Stores, Inc., 6.875%, due 08/10/09.....	Aa2	155,278	154,358
315,000	Walt Disney Company, 6.375%, due 03/01/12.....	A3	314,310	307,010
			-----	-----
			26,579,536	26,102,699
			-----	-----
	INTERNATIONAL--(9.8%)			
2,500,000	Augusta Funding Ltd., 144-A, 7.375%, due 04/15/13.....	Aaa	2,426,113	2,515,350
1,655,000	Barclays Bank PLC, 144-A, 0.000%, due 12/31/49.....	Aa3	1,652,733	1,835,233
450,000	France Telecom, 0.000%, due 03/01/31.....	Baa1	520,553	480,955
300,000	Petroleum Geo-Services, 6.625%, due 03/30/08.....	Baa3	277,812	240,000
1,440,000	Petroleum Geo-Services, 7.500%, due 03/31/07.....	Baa3	1,401,494	1,195,200
1,335,000	Telus Corp., 8.000%, due 06/01/11.....	Baa2	1,328,031	1,371,337
435,000	Tyco International Group, 7.000%, due 06/15/28.....	Baa1	431,864	362,517
750,000	United Mexican States, 8.375%, due 01/14/11.....	Baa2	785,717	785,625

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)
MARCH 31, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 1,900,000	United Mexican States, 9.875%, due 02/01/10.....	Baa2	\$ 1,927,892	\$ 2,147,000
1,660,000	Vodafone Group PLC, 7.750%, due 02/15/10.....	A2	1,757,837	1,774,442
			-----	-----
			12,510,046	12,707,659
			-----	-----
	UTILITIES--(7.6%)			
230,000	Commonwealth Edison, 6.150%, due 03/15/12.....	A3	229,795	224,470
1,400,000	Consolidated Edison, Inc., 7.500%, due 09/01/10.....	A1	1,389,332	1,472,501

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1,395,000	Dominion Resources, Inc., Class B, 7.625%, due 07/15/05.....	Baa1	1,476,012	1,476,468
1,300,000	Duke Energy Field Services LLC, 8.125%, due 08/16/30.....	Baa2	1,407,008	1,323,215
550,000	El Paso Energy Corp., 7.800%, due 08/01/31.....	Baa2	575,915	535,114
835,000	First Energy Corp., 6.450%, due 11/15/11.....	Baa2	826,754	767,560
985,000	Mirant Americas Generation Inc., 9.125%, due 05/01/31.....	Ba1	1,068,216	837,250
520,000	Progress Energy Inc., 7.000%, due 10/30/31.....	Baa1	526,602	495,485
765,000	Pure Resources Inc., 7.125%, due 06/15/11.....	Baa3	754,078	724,105
1,000,000	Sempra Energy, 7.950%, due 03/01/10.....	A2	997,380	1,020,936
1,095,000	Williams Cos, Inc., 7.125%, due 09/01/11.....	Baa2	1,092,966	1,039,462
			-----	-----
			10,344,058	9,916,566
			-----	-----
	COMMUNICATION--(7.5%)			
1,380,000	AT&T Wireless Services, Inc., 8.750%, due 03/01/31.....	Baa2	1,521,091	1,432,914
1,475,000	Citizens Communications Co., 9.000%, due 08/15/31.....	Baa2	1,529,101	1,543,424
415,000	Comcast Cable Communications, 6.750%, due 01/30/11.....	Baa2	413,161	404,032
1,290,000	News America Holdings, Inc., 7.125%, due 04/08/28.....	Baa3	1,147,495	1,139,364
2,600,000	Qwest Capital Funding, Inc., 7.900%, due 08/15/10.....	Baa3	2,663,637	2,196,277
550,000	SBC Communications, 5.875%, due 02/01/12.....	Aa3	544,764	529,505
1,460,000	Sprint Capital Corp., 6.875%, due 11/15/28.....	Baa2	1,339,016	1,168,904

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)
MARCH 31, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 265,000	Verizon Global Funding Corp., 7.250%, due 12/01/10.....	A1	\$ 273,444	\$ 271,804
1,050,000	Verizon Global Funding Corp., 7.750%, due 12/01/30.....	A1	1,088,468	1,094,083
			-----	-----
			10,520,177	9,780,307
			-----	-----
	TRANSPORTATION--(4.1%)			
1,500,000	Delta Airlines, Inc., 10.500%, due 04/30/16.....	Ba1	1,828,950	1,336,575

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1,740,000	Erac U.S.A. Finance Co., 144-A, 8.000%, due 01/15/11.....	Baa1	1,811,427	1,805,554
3,000,000	United Airlines, Inc., 7.870%, due 01/30/19.....	B1	3,000,000	2,253,390
			-----	-----
			6,640,377	5,395,519
			-----	-----
			104,486,039	101,527,375
			-----	-----
	Total Debt Securities (Cost \$133,123,858).....		133,123,858	129,842,552
			-----	-----

SHARES

	SHORT TERM SECURITIES--(0.5%)			
663,964	UBS Supplementary Trust U.S. Cash Management Prime Fund.....		663,964	663,964
			-----	-----
	Total Investments (100%) (Cost \$133,787,822).....		\$133,787,822	\$130,506,516
			=====	=====

(a) Moody's as a matter of policy, does not rate this issue.

* Standard & Poor's Corporation rating. Security is not rated by Moody's Investor Service, Inc.

144-A Securities exempt from registration under Rule 144-A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2002, the value of these securities amounted to \$3,865,258 or 2.96% of the total portfolio of investments.

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002 (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

Fort Dearborn Income Securities, Inc. ("the Company") is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end management company. The Company invests principally in investment grade long-term fixed income debt securities with the primary objective of providing its shareholders with:

- a stable stream of current income consistent with external interest rate conditions, and
- a total return over time that is above what they could receive by
- investing individually in the investment grade and long-term maturity sectors of the bond market.

The following is a summary of the significant accounting policies followed

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by the Company in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A. SECURITY VALUATIONS -- Investments are valued based on available quoted bid prices on the valuation date. Short-term securities are valued at amortized cost, which approximates value.

B. INVESTMENT INCOME AND SECURITY TRANSACTIONS -- Interest income is recorded on the accrual basis. Dividend income is recorded on ex-dividend date. Security transactions are accounted for on the trade date. The Company has elected to amortize market discount and premium on all issues purchased. Realized gains and losses from security transactions and unrealized appreciation and depreciation of investments are reported on a first-in first-out basis.

C. FEDERAL INCOME TAXES -- It is the Company's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes is required.

Net realized gains or losses may differ for financial and tax reporting purposes as a result of post October 31 losses, which are not recognized for tax purposes until the first day of the following fiscal year along with losses from wash sales.

At March 31, 2002 for federal income tax purposes, the cost for long and short-term investments is \$133,787,822, the aggregate gross unrealized appreciation is \$1,454,871, and the aggregate gross unrealized depreciation is \$4,736,177, resulting in net unrealized depreciation of investments of \$3,281,306.

2. NET ASSET VALUATIONS

The net asset value of the Company's shares is determined each week as of the close of business on the last day on which the New York Stock Exchange is open, on the last business day of each month, on the

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NOTES TO FINANCIAL STATEMENTS--(CONTINUED) MARCH 31, 2002 (UNAUDITED)

2. NET ASSET VALUATIONS (CONTINUED)

eighth trading day prior to the dividend payment date and on the last business day of each calendar quarter, if such days are other than the last business day of the week.

3. DISTRIBUTIONS

Dividends and distributions payable to shareholders are recorded by the Company on the record date. Net realized gains from the sale of investments, if any, are distributed annually. Net investment income and realized gains and losses for federal income tax purposes may differ from that reported on the financial statements because of permanent and temporary book and tax basis differences.

Distributions from net realized gains for book purposes may include

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short-term capital gains, which are included as ordinary income for tax purposes.

4. CAPITAL STOCK

At March 31, 2002, there were 12,000,000 shares of \$.01 par value capital stock authorized, and shareholder capital of \$135,120,133. During the six months ended March 31, 2002 no new shares were issued as part of the dividend reinvestment plan and no shares were repurchased in the open market.

5. PURCHASES AND SALES OF SECURITIES

Purchases and sales (including maturities) of portfolio securities during the six months ended March 31, 2002, were as follows: debt securities and preferred stock, \$49,700,860 and \$52,488,565, respectively; short-term securities, \$25,360,747 and \$25,315,996, respectively; and United States government debt obligations, \$51,893,368 and \$50,562,331, respectively.

6. MANAGEMENT AND OTHER FEES

Under an agreement between the Company and UBS Global Asset Management (Americas) Inc. ("the Advisor"), the Advisor manages the Company's investment portfolio, maintains its accounts and records, and furnishes the services of individuals to perform executive and administrative functions for the Company. In return for these services, the Company pays the Advisor a quarterly fee of 1/8 of 1% (annually 1/2 of 1%) of the Company's average weekly net assets up to \$100,000,000 and 1/10 of 1% (annually 2/5 of 1%) of average weekly net assets in excess of \$100,000,000.

All Company officers serve without direct compensation from the Company.

Fort Dearborn Income Securities, Inc. invest in shares of the UBS Supplementary Trust U.S. Cash Management Prime Fund ("Supplementary Trust"). The Supplementary Trust is an investment company managed by the Advisor. The Supplementary Trust is offered as a cash management option only to mutual funds and other accounts managed by the Advisor.

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NOTES TO FINANCIAL STATEMENTS--(CONTINUED) MARCH 31, 2002 (UNAUDITED)

6. MANAGEMENT AND OTHER FEES (CONTINUED)

The Supplementary Trust pays no management fees. Distributions from the Supplementary Trust are reflected as interest income on the statement of operations. Amounts relating to those investments at March 31, 2002 and for the period ended are summarized as follows:

FUND	COST OF PURCHASE	SALES PROCEEDS	INTEREST INCOME	VALUE	% NE ASS
----	-----	-----	-----	-----	-----
UBS Supplementary Trust U.S. Cash Management Prime Fund.....	\$25,360,747	\$25,315,996	\$36,391	\$663,964	0.

7. MORTGAGE BACKED SECURITIES AND OTHER INVESTMENTS

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The Company invests in Mortgage Backed Securities (MBS), representing interests in pools of mortgage loans. These securities provide shareholders with payments consisting of both principal and interest as the mortgages in the underlying mortgage pools are paid. Most of the securities are guaranteed by federally sponsored agencies -- Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC). However, some securities may be issued by private, non-governmental corporations. MBS issued by private entities are not government securities and are not directly guaranteed by any government agency. They are secured by the underlying collateral of the private issuer. Yields on privately issued MBS tend to be higher than those of government backed issues. However, risk of loss due to default and sensitivity to interest rate fluctuations is also higher.

The Company invests in Collateralized Mortgage Obligations (CMOs). A CMO is a bond, which is collateralized by a pool of MBS. The Company also invests in REMICs (Real Estate Mortgage Investment Conduit) which are simply another form of CMO. These MBS pools are divided into classes or tranches with each class having its own characteristics. The different classes are retired in sequence as the underlying mortgages are repaid. For instance, a Planned Amortization Class (PAC) is a specific class of mortgages, which over its life will generally have the most stable cash flows and the lowest prepayment risk. A GPM (Graduated Payment Mortgage) is a negative amortization mortgage where the payment amount gradually increases over the life of the mortgage. The early payment amounts are not sufficient to cover the interest due, and therefore, the unpaid interest is added to the principal, thus increasing the borrower's mortgage balance. Prepayment may shorten the stated maturity of the CMO and can result in a loss of premium, if any has been paid.

The Company invests in Asset Backed Securities, representing interests in pools of certain types of underlying installment loans or leases or by revolving lines of credit. They often include credit enhancement that help limit investors exposure to the underlying credit. These securities are valued on the basis of timing and certainty of cash flows compared to investments with similar durations.

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REPORT ON THE AUTOMATIC DIVIDEND INVESTMENT PLAN

THE COMPANY'S AUTOMATIC DIVIDEND INVESTMENT PLAN, OPERATED FOR THE CONVENIENCE OF THE SHAREHOLDERS, HAS BEEN IN OPERATION SINCE THE DIVIDEND PAYMENT OF MAY 5, 1973.

For the six months ended March 31, 2002, 47,962 shares were purchased for the Plan participants. The breakdown of these shares is listed below:

DIVIDEND PAYMENT DATE	NO. OF SHARES PURCHASED	AVERAGE PRICE	WHERE SHARES WERE PURCHASED
December 14, 2001	31,512	\$15.31	Open Market
March 22, 2002	16,450	\$14.95	Open Market

As explained in the Plan, shares are purchased at the lower of the market value (including commission) or net asset value, depending upon availability. The expense of maintaining the Plan, \$1.35 for each participating account per

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dividend payment, is borne by the Company. Shareholders who have not elected to participate in the Plan receive all dividends in cash.

The Plan had 865 participants on March 22, 2002. Under the terms of the Plan, any shareholder may terminate participation by giving written notice to the Company. Upon termination, a certificate for all full shares, plus a check for the value of any fractional interest in shares, will be sent to the withdrawing shareholders, unless the sale of all or part of such shares is requested. ANY REGISTERED SHAREHOLDER WHO WISHES TO PARTICIPATE IN THE PLAN MAY DO SO BY WRITING TO EQUISERVE TRUST COMPANY N.A. OF NEW YORK, P.O. BOX 2500, JERSEY CITY, NJ 07303-2500 OR CALLING THEM AT (800) 446-2617. A copy of the Plan and enrollment card will be mailed to you. Shareholders who own shares in nominee name should contact their brokerage firm. All new shareholders will receive a copy of the Plan and a card, which may be signed to authorize reinvestment of dividends pursuant to the Plan.

* THE INVESTMENT OF DIVIDENDS DOES NOT RELIEVE PARTICIPANTS OF ANY INCOME TAX WHICH MAY BE PAYABLE THEREON. THE COMPANY STRONGLY RECOMMENDS THAT ALL AUTOMATIC DIVIDEND INVESTMENT PLAN PARTICIPANTS RETAIN EACH YEAR'S FINAL STATEMENT ON THEIR PLAN PARTICIPATION AS A PART OF THEIR PERMANENT TAX RECORD. THIS WILL INSURE THAT COST INFORMATION IS AVAILABLE IF AND WHEN IT IS NEEDED.

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REPORT ON ANNUAL MEETING

At the annual meeting of shareholders, held on December 17, 2001, shareholders elected the Company's four nominees as directors and ratified the selection of accountants. The votes on such matters were as follows:

	DIRECTORS	FOR
1.	-----	-----
	C.R. O'Neil	7,392,839
	A. Cepeda	7,411,704
	F.K. Reilly	7,398,208
	E.M. Roob	7,405,605

2. Ratification of Accountants (Ernst and Young LLP)

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
-----	-----	-----	-----
7,386,045	38,708	39,197	0

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BOARD OF DIRECTORS

C. RODERICK O'NEIL, CFA
Chairman of the Board

ADELA CEPEDA
Director

FRANK K. REILLY, CFA

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Director

EDWARD M. ROOB
Director

J. MIKESELL THOMAS
Director

OFFICERS

JEFFREY J. DIERMEIER, CFA
President

CRAIG G. ELLINGER, CFA
Vice President & Portfolio Manager

JOSEPH A. ANDERSON
Secretary & Treasurer

ROBERT M. FASCIA
Assistant Secretary & Assistant Treasurer

FORT DEARBORN
INCOME SECURITIES, INC.

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AGENT
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Jersey City, New Jersey 07303-2500

Mail stock certificates to:
EquiServe
P.O. Box 2506
Jersey City, New Jersey 07303-2506

INDEPENDENT AUDITORS
Ernst & Young LLP
787 Seventh Avenue
New York, New York 10019

LEGAL COUNSEL
Winston & Strawn
35 West Wacker Drive
Chicago, IL 60601

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SEMI-ANNUAL REPORT
MARCH 31, 2002