

FORT DEARBORN INCOME SECURITIES INC  
Form N-30D  
November 25, 2002

NOVEMBER 8, 2002

DEAR SHAREHOLDER:

This financial report covers the fiscal year ended September 30, 2002, which is our thirtieth fiscal year of operations.

Against the backdrop of September 11, conflicting signs of economic health provided the fodder for high levels of interest rate volatility throughout the year. Over the first six months of the fiscal year, the benchmark ten-year Treasury bond yield increased 82 basis points followed by a precipitous drop of 182 basis points by year-end. With a loose monetary policy in place, early 2002 economic data suggested the economy had grown at a rate much higher than the market expected, setting a higher interest rate trend in motion. However, the consensus economic forecast soon shifted toward our view that real economic growth would trend between 2.0% and 3.0%.

As 2002 progressed, the market began to question if consumer spending could continue to keep the real economy on track as unemployment figures rose and consumer confidence indicators fell. Corporate spending continued to decline as entire industries were forced to work off excess financial and operating leverage. In an effort to preserve cash flow, many large U.S. corporations were required to combat declining revenue through reduced head count and capital expenditures. Some companies also needed to address serious flaws in corporate governance, as investor confidence began to wane. Given this environment combined with the recent threat of war against Iraq, markets reacted with risk aversion driving asset prices through equilibrium. As a result, interest rates fell to unsustainable levels.

We currently believe interest rates, across the entire yield curve, are below fair value and have positioned the portfolio accordingly. Our strategy towards spread sectors continues to favor high credit quality bonds issued in the commercial mortgage backed and asset backed sectors in lieu of corporate bonds with similar credit quality. As general corporate bond spreads increased to accommodate the added credit and liquidity risk in the market, we continue to look for attractive lending opportunities to corporations with stable or improving credit fundamentals. We anticipate our total exposure to investment-grade corporate bonds will increase during the next fiscal year. The defensive posture in terms of duration and credit strategy is expected to continue generating strong relative returns while preserving capital in this period of excessive volatility.

Net investment income for the year was \$0.95 per share and net realized and unrealized loss on investments totaled \$0.07 per share. On September 30, 2002, the net asset value per share was \$15.71 and the stock closed that day at \$15.10 per share.

During the fiscal year, the Board of Directors declared regular quarterly dividends of \$0.25 per share payable on December 14, 2001, \$0.24 per share payable on March 22, 2002 and June 14, 2002, and \$0.23 per share payable on September 13, 2002. In addition to the regular dividends, the Board declared a capital gains distribution of \$0.16 per share payable on December 14, 2001.

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No new shares of capital stock were issued in the fiscal year. On September 30, 2002, there were 8,775,665 shares of capital stock outstanding and the net assets applicable to those shares were \$137.9 million.

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At the end of the fiscal year the 136 issues in the portfolio had an average market yield of 5.41%, an average Moody's quality rating of A1, an average nominal duration of 7.0, and an average maturity of 14.9 years. The distribution of the portfolio maturities and quality was as follows:

### Maturities

0-1 year	4.2%
1-3 years	12.6
3-5 years	1.9
5-10 years	46.7
10-20 years	11.3
20 plus years	23.3
	-----
	100.0%

### Quality

Treasury, Agency and Aaa	41.7%
Aa	9.9
A	21.9
Baa	23.5
Below Baa	3.0
	-----
	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.

Audited financial statements for the year ended September 30, 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

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

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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, Inc.

MARKET VALUE OF INDEX AND SHARE PRICE(1) WITH ALL DIVIDENDS REINVESTED AS OF SEPTEMBER 30, 2002

	ANNUALIZED RETURNS	
	12 MONTHS	SINCE INCEPTION
Fort Dearborn	9.46%	8.74%
Investment Grade Bond Index	8.96	8.09

### \$ WEALTH INDEX

	INVESTMENT GRADE BOND INDEX	FORT DEARBORN
12/31/72	18.17	18.17
3/31/73	18.16	18.17
6/30/73	18.06	17.10
9/30/73	18.41	17.09
12/31/73	18.23	16.74
3/31/74	17.55	13.73
6/30/74	16.61	15.62
9/30/74	16.07	13.40
12/31/74	17.05	16.33
3/31/75	17.83	16.82
6/30/75	18.43	17.61
9/30/75	17.79	16.79
12/31/75	19.39	16.54
3/31/76	20.17	18.45
6/30/76	20.19	18.37
9/30/76	21.28	20.03
12/31/76	22.83	20.26
3/31/77	22.26	20.50
6/30/77	23.08	21.07
9/30/77	23.28	21.49
12/31/77	23.04	20.68
3/31/78	23.00	20.93
6/30/78	22.70	21.00
9/30/78	23.36	20.90
12/31/78	22.84	19.04
3/31/79	23.16	20.31
6/30/79	24.15	21.40
9/30/79	23.61	20.84
12/31/79	21.70	19.25
3/31/80	18.79	17.16
6/30/80	23.31	20.99
9/30/80	20.76	18.99
12/31/80	20.93	19.11
3/31/81	20.69	19.19
6/30/81	20.24	19.51

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9/30/81	18.40	19.39
12/31/81	20.51	20.85
3/31/82	21.47	21.83
6/30/82	21.63	22.26
9/30/82	26.21	26.55
12/31/82	29.02	28.83
3/31/83	30.14	29.96
6/30/83	30.55	31.44
9/30/83	30.40	31.01
12/31/83	30.59	31.22
3/31/84	30.09	32.50
6/30/84	28.94	30.21
9/30/84	32.51	32.66
12/31/84	35.48	37.09
3/31/85	35.82	37.34
6/30/85	40.17	43.27
9/30/85	40.92	42.71
12/31/85	45.80	46.79
3/31/86	50.64	53.14
6/30/86	50.88	55.71
9/30/86	51.74	56.95
12/31/86	54.47	57.70
3/31/87	55.37	60.37
6/30/87	53.02	58.78
9/30/87	49.70	55.66
12/31/87	53.50	56.99
3/31/88	55.86	62.51
6/30/88	56.58	63.41
9/30/88	57.95	63.23
12/31/88	58.38	65.30
3/31/89	59.10	63.95
6/30/89	64.57	69.00
9/30/89	64.91	71.79
12/31/89	67.02	73.38
3/31/90	65.82	75.08
6/30/90	68.35	75.50
9/30/90	67.72	74.62
12/31/90	71.21	80.42
3/31/91	74.02	83.65
6/30/91	75.16	85.57
9/30/91	80.14	91.67
12/31/91	84.58	96.45
3/31/92	83.43	93.81
6/30/92	87.02	97.18
9/30/92	91.22	102.91
12/31/92	91.65	101.67
3/31/93	96.61	108.40
6/30/93	100.19	113.71
9/30/93	104.21	117.42
12/31/93	103.37	112.65
3/31/94	98.48	107.51
6/30/94	96.30	106.80
9/30/94	96.42	105.14
12/31/94	97.14	101.57
3/31/95	103.18	107.51
6/30/95	111.98	116.50
9/30/95	114.54	118.69
12/31/95	121.13	126.33
3/31/96	116.32	124.45
6/30/96	116.17	122.62
9/30/96	118.35	129.34
12/31/96	123.00	137.71

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3/31/97	120.84	135.62
6/30/97	126.34	142.43
9/30/97	131.91	148.57
12/31/97	136.87	156.83
3/31/98	138.88	160.03
6/30/98	142.78	159.51
9/30/98	147.81	166.11
12/31/98	148.73	178.86
3/31/99	146.24	174.77
6/30/99	142.24	164.31
9/30/99	142.02	161.53
12/31/99	140.99	145.64
3/31/00	143.82	157.67
6/30/00	144.71	164.57
9/30/00	149.23	168.54
12/31/00	155.49	176.54
3/31/01	161.70	190.74
6/30/01	162.17	201.75
9/30/01	168.73	200.54
12/31/01	169.83	207.71
3/31/02	168.71	206.82
6/30/02	173.81	217.23
9/30/02	183.85	219.50

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 September 30, 2002, the share price was at a 3.88% discount to NAV.

Total Return does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

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STATEMENT OF ASSETS AND LIABILITIES  
SEPTEMBER 30, 2002

ASSETS:

Portfolio of investments:

Debt securities, at value (cost \$128,821,240).....	\$ 131,454,365
Short-term securities, at cost, which approximates market.....	4,762,535
	-----
Total portfolio of investments.....	136,216,900
Receivable for interest on debt securities.....	2,016,506
Other assets.....	8,363
	-----
Total assets.....	138,241,769
	-----

LIABILITIES:

Expenses:

Accrued investment advisory and administrative fees.....	314,740
Accrued professional fees.....	29,300
Accrued custodial and transfer agent fees.....	24,147
Accrued other expenses.....	11,915
	-----
Total liabilities.....	380,102
	-----

NET ASSETS (equivalent to \$15.71 per share for 8,775,665  
shares of capital stock outstanding)..... \$ 137,861,667

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Analysis of Net Assets:		=====
Shareholder capital.....	\$ 135,120,133	
Accumulated undistributed net investment income.....	133,939	
Accumulated net realized loss on sales of investments....	(25,530)	
Unrealized appreciation on investments.....	2,633,125	
	-----	
Net assets applicable to outstanding shares.....	\$ 137,861,667	=====

See Notes to Financial Statements.

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STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2002

Investment income:		
Interest income earned.....	\$ 9,312,772	-----
Expenses:		
Investment advisory and administrative fees.....	647,514	
Transfer agent and dividend disbursing agent fees.....	86,367	
Directors fees.....	77,985	
Professional fees.....	52,642	
Stockholders reports and annual meeting fees.....	50,930	
Custody fees.....	41,063	
Franchise taxes.....	9,855	
Other expenses.....	32,169	
	-----	
Total expenses.....	998,525	-----
Net investment income.....	8,314,247	-----
Net realized and unrealized gain (loss) on investments:		
Net realized gain from investment transactions.....	623,636	
Change in unrealized depreciation.....	(1,229,377)	
	-----	
Total realized and unrealized gain (loss) on investments....	(605,741)	-----
Net increase in net assets from operations.....	\$ 7,708,506	=====

See Notes to Financial Statements.

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STATEMENT OF CHANGES IN NET ASSETS

	FOR THE YEAR ENDED SEPTEMBER 30,	
	2002	2001
	-----	-----
From operations:		
Net investment income.....	\$ 8,314,247	\$ 9,088,903

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Net realized gain from investment transactions.....	623,636	1,972,541
Change in unrealized appreciation (depreciation) of investments.....	(1,229,377)	5,958,527
	-----	-----
Net increase in net assets from operations.....	7,708,506	17,019,971
Distributions to shareholders from:		
Net investment income.....	(8,424,638)	(9,126,692)
Net realized gain.....	(1,404,106)	--
	-----	-----
Total distributions.....	(9,828,744)	(9,126,692)
	-----	-----
Net increase (decrease) in net assets.....	(2,120,238)	7,893,279
Net Assets:		
Beginning of period.....	139,981,905	132,088,626
	-----	-----
End of period (including undistributed net investment income of \$133,939 and \$228,941, respectively).....	\$137,861,667	\$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:

	YEARS ENDED SEPTEMBER 30,				
	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
Net asset value, beginning of period...	\$ 15.95	\$ 15.05	\$ 15.11	\$ 16.87	\$ 16.30
Net investment income (1).....	0.95	1.04	1.05	1.05	1.05
Net realized and unrealized gain (loss) on investments.....	(0.07)	0.90	(0.06)	(1.27)	0.71
	-----	-----	-----	-----	-----
Total from investment operations.....	0.88	1.94	0.99	(0.22)	1.76
Less distributions from:					
Net investment income.....	(0.96)	(1.04)	(1.04)	(1.04)	(1.04)
Net realized gain.....	(0.16)	--	(0.01)	(0.50)	(0.15)
	-----	-----	-----	-----	-----
Total distributions.....	(1.12)	(1.04)	(1.05)	(1.54)	(1.19)
	-----	-----	-----	-----	-----
Net asset value, end of period.....	\$ 15.71	\$ 15.95	\$ 15.05	\$ 15.11	\$ 16.87
	=====	=====	=====	=====	=====
Market price per share at end of period.....	\$ 15.10	\$ 14.84	\$ 13.38	\$ 13.88	\$ 15.75
Total investment return (market value) (2).....	9.46%	18.98%	4.34%	(2.76)%	11.81%
Total return (net asset value) (3).....	5.82%	13.22%	6.77%	(1.48)%	11.07%
Net assets at end of period (in millions).....	\$137.86	\$ 139.98	\$ 132.09	\$ 132.81	\$ 148.30
Ratios of expenses to average net					

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assets.....	0.73%	0.71%	0.74%	0.73%	0.71%
Ratio of net investment income to average net assets.....	6.07%	6.68%	7.01%	6.61%	6.29%
Portfolio turnover.....	126.8%	142.7%	73.8%	69.9%	63.5%
Number of shares outstanding at end of period (in thousands).....	8,776	8,776	8,776	8,789	8,789

- 
- (1) 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  
SEPTEMBER 30, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
	DEBT SECURITIES--(96.5%)			
	/ / MUNICIPAL SECURITIES--(3.0%)			
\$10,000,000	New Jersey Economic Development Authority, Zero Coupon Revenue Bond, due 02/15/18....	Aaa	\$ 3,175,028	\$ 4,172,300
			-----	-----
	/ / U.S. GOVERNMENT SECURITIES--(17.3%)			
	AGENCY OBLIGATIONS--(11.3%)			
685,000	Fannie Mae Grantor Trust, 7.125%, due 01/15/30.....	(a)	766,899	849,189
85	Federal Home Loan Mortgage Corp., Guaranteed Mortgage Certificates, 9.000%, due 08/01/04.....	(a)	89	91
3,973,362	Federal National Mortgage Association, 6.000%, due 11/01/28.....	(a)	3,929,978	4,087,211
2,670,974	6.500%, due 08/01/32.....	(a)	2,766,962	2,769,984
985,631	7.000%, due 03/01/31.....	(a)	998,105	1,033,135
	Federal National Mortgage Association, Guaranteed Mortgage Pass Thru Certificates,			
2,331,953	6.500%, due 03/01/28.....	(a)	2,319,929	2,418,396
441,218	7.000%, REMIC, due 06/25/13.....	(a)	410,283	477,973
2,638,021	Freddie Mac Gold Pool, 6.000%, due 04/01/29.....	(a)	2,701,086	2,718,587
920,558	Government National Mortgage Association, 6.500%, due 05/15/29.....	(a)	849,359	960,938
			-----	-----



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			14,742,690	15,315,504
			-----	-----
	DIRECT OBLIGATIONS--(6.0%)			
	U.S. Treasury Inflation Indexed Bonds,			
3,800,000	3.000%, due 07/15/12.....	Aaa	4,022,662	4,096,415
	U.S. Treasury Notes,			
850,000	2.875%, due 06/30/04.....	Aaa	862,965	867,763
25,000	4.375%, due 05/15/07.....	Aaa	26,448	26,983
320,000	5.000%, due 08/15/11.....	Aaa	347,770	355,388
170,000	6.125%, due 08/15/07.....	Aaa	193,108	196,988

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 2,180,000	6.250%, due 05/15/30.....	Aaa	\$ 2,583,049	\$ 2,659,770
			-----	-----
			8,036,002	8,203,307
			-----	-----
	Total U.S. Government Securities.....		22,778,692	23,518,811
			-----	-----
	/ / CORPORATE BONDS AND NOTES--(76.2%)			
	FINANCE--(38.4%)			
745,000	Anadarko Finance Co., 7.500%, due 05/01/31.....	Baa1	786,076	884,176
375,000	Avalonbay Communities, Inc., 7.500%, due 08/01/09.....	Baa1	393,623	433,408
1,915,000	Bank of America Corp., 7.400%, due 01/15/11.....	Aa3	1,985,461	2,263,486
815,000	Bank One Corp., 7.875%, due 08/01/10.....	A1	874,741	988,182
1,655,000	Barclays Bank PLC, 144-A, 8.550%, due 09/29/49.....	Aa3	1,652,733	2,005,901
280,000	Boeing Capital Corp., 7.375%, due 09/27/10.....	A3	300,716	315,732
430,000	Capital One Bank, 6.875%, due 02/01/06....	Baa2	418,757	403,960
200,000	ChevronTexaco Capital Co., 3.500%, due 09/17/07.....	Aa2	199,106	203,017
1,995,000	Citigroup, Inc., 7.250%, due 10/01/10.....	Aa2	2,100,486	2,286,402
335,000	Countrywide Home Loan, Inc., 5.500%, due 02/01/07.....	A3	339,231	352,450
3,000,000	CPL Transition Funding LLC, 6.250%, due 01/15/17.....	Aaa	3,243,281	3,289,316
585,000	Credit Suisse First Boston USA, Inc., 6.500%, due 01/15/12.....	Aa3	577,652	624,577
2,800,000	CS First Boston Mortgage Securities Corp., 7.545%, due 04/14/62.....	AAA*	3,026,625	3,326,743
635,000	DLJ Commercial Mortgage Corp., 00-CKP1, Class A1B, 7.180%, due 08/10/10.....	Aaa	638,274	741,650
2,000,000	DLJ Commercial Mortgage Corp., 99-CG3, Class A1B, 7.340%, due 10/10/32.....	Aaa	2,171,250	2,344,269
615,000	EOP Operating LP, 7.875%, due 07/15/31....	Baa1	624,338	685,472

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590,000	FleetBoston Financial Corp., 7.375%, due 12/01/09.....	A3	628,383	670,154
1,805,000	Ford Motor Co., 7.450%, due 07/16/31.....	Baa1	1,654,746	1,485,526
510,000	Ford Motor Credit Co., 5.800%, due 01/12/09.....	A3	476,279	460,498

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 1,185,000	Ford Motor Credit Co., 7.375%, due 02/01/11.....	A3	\$ 1,167,803	\$ 1,117,732
1,835,000	General Electric Capital Corp., 6.750%, due 03/15/32.....	Aaa	1,801,508	1,968,131
1,130,000	General Motors Acceptance Corp., 6.875%, due 09/15/11.....	A2	1,112,815	1,101,516
1,710,000	General Motors Acceptance Corp., 8.000%, due 11/01/31.....	A2	1,735,511	1,657,455
665,000	Goldman Sachs Group, Inc., 6.875%, due 01/15/11.....	Aa3	664,898	737,684
2,370,000	Household Finance Corp., 6.750%, due 05/15/11.....	A2	2,355,474	2,264,175
475,000	Lehman Bros. Holdings, Inc., 6.625%, due 01/18/12.....	A2	472,554	520,479
390,000	Lincoln National Corp., 6.200%, due 12/15/11.....	A3	388,534	422,397
1,410,000	Merrill Lynch Mortgage Investors, Inc., 96-C2, Class A3, 6.960%, due 11/21/28....	AAA*	1,496,748	1,532,776
1,640,000	Morgan Stanley, 6.750%, due 04/15/11.....	Aa3	1,645,537	1,792,897
170,000	Morgan Stanley, 7.250%, due 04/01/32.....	Aa3	170,973	182,647
1,029,919	Norwest Asset Securities Corp., 7.000%, due 09/25/11.....	AAA*	1,038,287	1,054,349
1,500,000	PNC Mortgage Acceptance Corp., 99-CM1, Class A1B, 7.330%, due 12/10/32.....	Aaa	1,608,750	1,759,880
870,000	Prudential Mortgage Capital Funding, LLC, 01-ROCK, Class A2, 6.605%, due 05/10/34.....	Aaa	874,350	989,782
1,380,000	PSE&G Transition Funding LLC, 6.450%, due 03/15/13.....	Aaa	1,445,766	1,581,893
3,000,000	PSE&G Transition Funding LLC, 6.610%, due 06/15/15.....	Aaa	3,376,875	3,447,221
1,645,000	Qwest Capital Funding, Inc., 7.900%, due 08/15/10.....	Caal	1,707,715	740,250
285,000	Sears Roebuck Acceptance, 6.700%, due 04/15/12.....	Baa1	289,970	301,923
115,000	SLM Corp., 5.125%, due 08/27/12.....	A2	114,202	119,248
500,000	U.S. Bank N.A., Minnesota, 6.375%, due 08/01/11.....	Aa3	510,881	564,463
945,000	Unilever Capital Corp., 7.125%, due 11/01/10.....	A1	1,015,849	1,128,577

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See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 1,620,000	Wachovia Bank N.A. (Charlotte), 7.800%, due 08/18/10.....	A1	\$ 1,719,152	\$ 1,966,635
350,000	Washington Mutual Bank, 6.875%, due 06/15/11.....	A3	380,807	398,061
1,025,000	Wells Fargo Bank N.A., 6.450%, due 02/01/11.....	Aa2	1,014,812	1,155,865
			-----	-----
			50,201,529	52,270,955
			-----	-----
	INDUSTRIAL--(16.3%)			
690,000	Alcoa, Inc., 6.000%, due 01/15/12.....	A2	685,935	763,914
430,000	Amerada Hess Corp., 6.650%, due 08/15/11.....	Baa2	431,576	483,232
940,000	Anheuser-Busch Cos., Inc., 9.000%, due 12/01/09.....	A1	1,116,416	1,215,241
1,815,000	AOL Time Warner, Inc., 7.625%, due 04/15/31.....	Baa1	1,784,067	1,513,256
1,270,000	Avon Products, Inc., 7.150%, due 11/15/09.....	A2	1,293,488	1,487,203
185,000	Bristol Myers Squibb Co., 5.750%, due 10/01/11.....	Aa2	180,649	199,961
720,000	Caterpillar, Inc., 6.550%, due 05/01/11...	A2	721,121	827,914
900,000	Cendant Corp., 6.875%, due 08/15/06.....	Baa1	899,093	905,053
330,000	Centex Corp., 9.750%, due 06/15/05.....	Baa2	329,993	376,669
350,000	Coors Brewing Co., 6.375%, due 05/15/12...	Baa2	348,586	396,074
1,005,000	DaimlerChrysler N.A. Holdings Corp., 8.500%, due 01/18/31.....	A3	1,117,150	1,195,097
825,000	Deere & Co., 7.125%, due 03/03/31.....	A3	841,553	949,548
150,000	Delhaize America, Inc., 9.000%, due 04/15/31.....	Baa3	138,053	127,260
180,000	Dow Chemical Co., 6.125%, due 02/01/11....	A3	182,970	190,375
375,000	First Data Corp., 5.625%, due 11/01/11....	A1	373,845	399,969
470,000	Harrah's Operating Co., Inc., 7.125%, due 06/01/07.....	Baa3	469,615	517,585
875,000	International Paper Co., 6.750%, due 09/01/11.....	Baa2	876,162	968,719
285,000	Kohl's Corp., 6.300%, due 03/01/11.....	A3	288,980	318,675
1,120,000	Kraft Foods, Inc., 6.500%, due 11/01/31...	A2	1,115,166	1,241,323
415,000	Kroger Co., 7.500%, due 04/01/31.....	Baa3	463,322	456,406
735,000	Occidental Petroleum Corp., 8.450%, due 02/15/29.....	Baa2	831,598	947,164
495,000	Pepsi Bottling Holdings, Inc., 144-A, 5.625%, due 02/17/09.....	A1	488,812	538,710
290,000	Rohm & Haas Co., 7.850%, due 07/15/29.....	A3	319,608	365,149
695,000	Safeway, Inc., 7.250%, due 02/01/31.....	Baa2	726,441	779,633

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

FACE VALUE		MOODY'S RATING	COST	VALUE
-----		-----	-----	-----
\$ 1,060,000	Target Corp., 7.000%, due 07/15/31.....	A2	\$ 1,118,748	\$ 1,226,968
1,135,000	Transocean, Inc., 7.500%, due 04/15/31....	Baa2	1,102,267	1,310,971
430,000	United Technologies Corp., 6.100%, due 05/15/12.....	A2	429,247	483,420
475,000	UST, Inc., 144-A, 6.625%, due 07/15/12....	A3	472,777	515,714
145,000	Wal-Mart Stores, Inc., 6.875%, due 08/10/09.....	Aa2	154,703	171,113
315,000	Walt Disney Co., 6.375%, due 03/01/12.....	A3	314,310	334,782
310,000	Wendy's International, Inc., 6.200%, due 06/15/14.....	Baa1	309,095	349,669
665,000	Weyerhaeuser Co., 144-A, 7.375%, due 03/15/32.....	Baa2	658,430	716,027
			20,583,776	22,272,794
	UTILITIES--(7.6%)			
265,000	Apache Corp., 6.250%, due 04/15/12.....	A3	263,113	298,653
270,000	Commonwealth Edison Co., 144-A, 6.150%, due 03/15/12.....	A3	270,632	302,152
680,000	ConocoPhillips, 8.750%, due 05/25/10.....	A3	780,545	861,250
1,400,000	Consolidated Edison Co. of New York, 7.500%, due 09/01/10.....	A1	1,389,332	1,658,633
670,000	Devon Financing Corp., ULC, 6.875%, due 09/30/11.....	Baa2	649,604	752,350
415,000	Dominion Resources, Inc., 5.700%, due 09/17/12.....	Baa1	414,718	427,475
1,300,000	Duke Energy Field Services, LLC, 8.125%, due 08/16/30.....	Baa2	1,406,430	1,280,214
775,000	El Paso Energy Corp., 7.800%, due 08/01/31.....	Baa2	762,645	488,250
835,000	First Energy Corp., 6.450%, due 11/15/11.....	Baa2	826,755	785,247
985,000	Mirant Americas Generation, Inc., 9.125%, due 05/01/31.....	Ba1	1,067,861	472,800
210,000	Praxair, Inc., 6.375%, due 04/01/12.....	A3	213,332	234,814
520,000	Progress Energy, Inc., 7.000%, due 10/30/31.....	Baa1	526,565	519,062
135,000	Pure Resources, Inc., 7.125%, due 06/15/11.....	Baa3	130,335	143,190
1,000,000	Sempra Energy, 7.950%, due 03/01/10.....	Baa1	997,380	1,082,494
220,000	Southern Power Co., 144-A, 6.250%, due 07/15/12.....	Baa1	219,690	239,020

See Notes to Financial Statements.

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PORTFOLIO OF INVESTMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

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FACE VALUE		MOODY'S RATING	COST	VALUE
\$ 300,000	Union Oil Co. of California, 7.500%, due 02/15/29.....	Baa2	\$ 316,433	\$ 351,713
470,000	Valero Energy Corp., 7.500%, due 04/15/32.....	Baa2	465,958	430,694
			10,701,328	10,328,011
	COMMUNICATION--(5.2%)			
455,000	AT&T Corp., 8.000%, due 11/15/31.....	Baa2	396,034	420,875
140,000	AT&T Wireless Services, Inc., 7.875%, due 03/01/11.....	Baa2	116,257	107,800
760,000	AT&T Wireless Services, Inc., 8.750%, due 03/01/31.....	Baa2	837,334	547,200
315,000	BellSouth Telecommunications, 6.000%, due 10/15/11.....	Aa3	322,248	336,321
340,000	British Telecommunications, PLC, 8.375%, due 12/15/10.....	Baa1	374,057	399,432
260,000	Cingular Wireless, 6.500%, due 12/15/11...	A3	250,905	250,234
520,000	Citizens Communications Co., 9.000%, due 08/15/31.....	Baa2	538,998	462,800
575,000	Comcast Cable Communications, 6.750%, due 01/30/11.....	Baa3	556,670	534,750
170,000	Motorola, Inc., 7.625%, due 11/15/10.....	Baa2	157,015	165,791
1,290,000	News America, Inc., 7.125%, due 04/08/28.....	Baa3	1,148,325	1,153,910
550,000	SBC Communications, Inc., 5.875%, due 02/01/12.....	Aa3	544,764	578,905
1,290,000	Sprint Capital Corp., 6.875%, due 11/15/28.....	Baa3	1,184,989	743,504
100,000	Tele-Communications, Inc., 7.875%, due 08/01/13.....	Baa3	85,173	94,004
260,000	Verizon New England, Inc., 6.500%, due 09/15/11.....	Aa2	244,581	270,588
960,000	Verizon New York, Inc., 7.375%, due 04/01/32.....	A1	856,171	961,258
			7,613,521	7,027,372
	INTERNATIONAL--(4.9%)			
2,500,000	Augusta Funding Ltd., 7.375%, due 04/15/13.....	Aaa	2,426,113	2,788,725
180,000	Canadian National Railway Co., 6.900%, due 07/15/28.....	Baa2	179,068	203,310

See Notes to Financial Statements.

FACE VALUE		MOODY'S RATING	COST	VALUE
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\$ 625,000	Deutsche Telekom International Finance, 8.750%, due 06/15/30.....	Baa1	\$ 661,457	\$ 669,900
530,000	France Telecom, 10.000%, due 03/01/31.....	Baa3	606,531	586,098
365,000	Telus Corp., 8.000%, due 06/01/11.....	Ba1	363,095	279,225
2,235,000	United Mexican States, 8.125%, due 12/30/19.....	Baa2	2,223,851	2,179,125
			6,460,115	6,706,383
	TRANSPORTATION-- (3.8%)			
190,000	Burlington Northern Santa Fe Corp., 6.875%, due 12/01/27.....	Baa2	186,612	208,015
740,000	Burlington Northern Santa Fe Corp., 7.082%, due 05/13/29.....	Baa2	733,571	831,808
1,500,000	Delta Airlines, Inc., 10.500%, due 04/30/16.....	Ba1	1,828,950	1,216,905
1,030,000	Erac U.S.A. Finance Co., 144-A, 8.000%, due 01/15/11.....	Baa1	1,083,713	1,148,513
470,000	Union Pacific Corp., 6.650%, due 01/15/11.....	Baa3	474,405	528,468
3,000,000	United Airlines, Inc., 7.870%, due 01/30/19.....	Caa2	3,000,000	1,224,030
			7,307,251	5,157,739
	Total Corporate Bonds and Notes.....		102,867,520	103,763,254
	Total Debt Securities.....		128,821,240	131,454,365
	SHARES			
	SHORT-TERM INVESTMENTS-- (3.5%)			
4,762,535	UBS Supplementary Trust U.S. Cash Management Prime Fund.....		4,762,535	4,762,535
	Total Investments (100.0%).....		\$133,583,775	\$136,216,900

(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 September 30, 2002, the value of these securities amounted to \$5,466,037 or 4.01% of the total portfolio of investments.

REMIC Real Estate Mortgage Investment Conduit

See Notes to Financial Statements.

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## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2002

### 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 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 the 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.

At September 30, 2002, the components of accumulated earnings on a tax basis were as follows:

Accumulated earnings	\$ 320,064
Undistributed long term capital gains	166,223
Accumulated capital and other losses	(354,379)
Unrealized appreciation	2,609,625
	-----
Total accumulated earnings	\$2,741,533
	-----

The differences between book-basis and tax-basis unrealized appreciation is attributable to the tax deferral of losses on wash sales.

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NOTES TO FINANCIAL STATEMENTS--(CONTINUED)  
SEPTEMBER 30, 2002

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 30, 2002 for federal income tax purposes, the cost for long and short-term investments is \$133,607,275, the aggregate gross unrealized appreciation is \$8,775,489, and the aggregate gross unrealized depreciation is \$6,165,864, resulting in net unrealized appreciation of investments of \$2,609,625.

## 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 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

The tax character of distributions paid during the fiscal years ended September 30, 2002 and September 30, 2001 were as follows:

DISTRIBUTIONS PAID FROM:	2002	2001
Ordinary income	\$8,424,638	\$9,126,692
Capital gains	1,404,106	--
	\$9,828,744	\$9,126,692
	=====	=====

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. Permanent book and tax differences of \$15,389 were reclassified from accumulated net realized gain (loss) on investments to undistributed net investment income due to gains from paydown adjustments related to mortgage-backed securities.

Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income for tax purposes.

## 4. CAPITAL STOCK

At September 30, 2002, there were 12,000,000 shares of \$.01 par value capital stock authorized, and shareholder capital of \$135,120,133. During the year ended September 30, 2002 no new shares were issued as part of the dividend reinvestment plan and no shares were repurchased in the open market.



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NOTES TO FINANCIAL STATEMENTS--(CONTINUED)  
 SEPTEMBER 30, 2002

5. PURCHASES AND SALES OF SECURITIES

Purchases and sales (including maturities) of portfolio securities during the year ended September 30, 2002, were as follows: debt securities and preferred stock, \$68,677,583 and \$82,410,898, respectively; short-term securities, \$47,012,015 and \$42,868,693, respectively; and United States government debt obligations, \$100,412,532 and \$91,917,258, respectively.

6. MANAGEMENT AND OTHER FEES

Under an agreement between the Company and UBS Global Asset Management (Americas) Inc. (formerly Brinson Partners, 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.

The Company pays each of its directors (except the Chairman) at the rate of \$9,000 annually to serve as directors and \$750 for each Board of Directors meeting attended. The Company pays the Chairman at the rate of \$13,000 annually to serve in such capacity and \$750 for each Board of Directors meeting attended.

The following table sets forth as to each Director the compensation paid to such Director in the fiscal year ended September 30, 2002 for service on the Board of the Company and, in the case of Messrs. Reilly and Roob, on the boards of three other investment companies for which the Advisor performed investment advisory services.

NAME OF DIRECTOR	AGGREGATE COMPENSATION FROM COMPANY	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF COMPANY EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPE FROM COMPA FUND COM
Adela Cepeda.....	\$12,750	--	--	\$12,75
C. Roderick O'Neil.....	15,750	--	--	15,75
Frank K. Reilly.....	12,750	--	--	64,35
Edward M. Roob.....	12,750	--	--	64,35
J. Mikesell Thomas.....	7,000	--	--	7,00

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) SEPTEMBER 30, 2002

### 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 September 30, 2002 and for the period ended are summarized as follows:

FUND	COST OF PURCHASE	SALES PROCEEDS	INTEREST INCOME	VALUE	%
----	-----	-----	-----	-----	-----
UBS Supplementary Trust U.S. Cash Management Prime Fund.....	\$47,012,015	\$42,868,693	\$53,802	\$4,762,535	3

### 7. MORTGAGE BACKED SECURITIES AND OTHER INVESTMENTS

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 OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of  
Fort Dearborn Income Securities, Inc.

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Fort Dearborn Income Securities, Inc., (the "Company") as of September 30, 2002, and the related statement of operations for the year then ended, and the statement of changes in net assets and the financial highlights for each of the two years in the period ended September 30, 2002. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the three years in the period ended September 30, 2000, were audited by other auditors whose report dated October 26, 2000, expressed an unqualified opinion on the financial highlights.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 securities owned as of September 30, 2002, by correspondence with the custodian and others. 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 Fort Dearborn Income Securities, Inc. as of September 30, 2002, and the results of its operations for the year then ended and the changes in its net assets and financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

New York, New York  
November 8, 2002

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### REPORT ON THE AUTOMATIC DIVIDEND INVESTMENT PLAN (UNAUDITED)

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 year ended September 30, 2002, 79,406 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

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June 14, 2002	16,082	\$15.25	Open Market
September 13, 2002	15,362	\$15.16	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 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 779 participants on September 13, 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 STATEMENTS ON THEIR PLAN PARTICIPATION AS A PART OF THEIR PERMANENT TAX RECORD. THIS WILL ENSURE THAT COST INFORMATION IS AVAILABLE IF AND WHEN IT IS NEEDED.

FOR THE YEAR ENDED SEPTEMBER 30, 2002, THERE WERE: (I) NO MATERIAL CHANGES IN THE COMPANY'S INVESTMENT OBJECTIVES OR POLICIES, (II) NO CHANGES IN THE COMPANY'S CHARTER OR BY-LAWS THAT WOULD DELAY OR PREVENT A CHANGE OF CONTROL OF THE COMPANY, (III) NO MATERIAL CHANGES IN THE PRINCIPAL RISK FACTORS ASSOCIATED WITH INVESTMENT IN THE COMPANY, AND (IV) NO CHANGE IN THE PERSON PRIMARILY RESPONSIBLE FOR THE DAY-TO DAY MANAGEMENT OF THE COMPANY'S PORTFOLIO.

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SUPPLEMENTAL INFORMATION (UNAUDITED)

BOARD OF DIRECTORS & OFFICERS

The Company is governed by a Board of Directors which oversees the Company's operations. Each Director serves until the next annual meeting of shareholders or until his or her successor is elected and qualified. 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 Company, the length of time served as a Director or Officer of the Company, the Director's or Officer's principal occupations during the last five years, other directorships held by the Director or Officer, the number of funds in the Fort Dearborn fund complex overseen by the Director or for which a person served as an Officer, and shares owned by the Director or Officer.

NAME, AGE AND ADDRESS	POSITION/ TERM/TIME SERVED	PRINCIPAL OCCUPATIONS AND OTHER DIRECTORSHIPS	NUMBER OF PORTFOLIOS FUND COMPLE OVERSEEN DIRECTOR
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DIRECTORS:

<p>C. Roderick O'Neil, CFA, 71 O'Neil &amp; Associates P.O. Box 405 South Glastonbury, CT 06073</p>	<p>Director and Chairman of the Board of Directors since 1992</p>	<p>Chairman, O'Neil Associates (formerly Greenspan O'Neil Associates), an investment and financial consulting firm; Director, Beckman Coulter, Inc. (Since January, 1994) Director, Cadre Institutional Investors Trust (Since 1995); Trustee, Optimum Qu Fund (Since 2002).</p>	<p>1</p>
<p>Adela Cepeda, 44 A.C. Advisory, Inc. Three First National Plaza, Suite 1515 Chicago, Illinois 60602</p>	<p>Director since 2000</p>	<p>Founder and President of A.C. Advisory, Inc.; Director of Lincoln National Income Fund, Inc. and Lincoln National Convertible Securities Fund. Former Managing Director and co-founder of Abacus Financial Group, Inc., (1991-1995); Vice President, Smith Barney, Harris Upham &amp; Co. Inc., (1980-1991).</p>	<p>1</p>

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NAME, AGE AND ADDRESS	POSITION/ TERM/TIME SERVED	PRINCIPAL OCCUPATIONS AND OTHER DIRECTORSHIPS	NUMBER OF PORTFOLIOS FUND COMPLE OVERSEEN DIRECTOR
-----	-----	-----	-----
<p>Frank K. Reilly, CFA, 66 College of Business Administration, Room 307A University of Notre Dame Notre Dame, IN 46556-0399</p>	<p>Director since 1993</p>	<p>Bernard J. Hank Professor of Finance, University of Notre Dame (since 1981); Chairman, The UBS Funds (since 1992); Chairman, The UBS Relationship Funds (since 1995); Director, Discover Bank (since 1993); Director, Morgan Stanley Trust, FSB (since 1996); Director, NIBCO (1993-2001); Director, Battery Park High Yield Fund (1996-2001); Board of Governors, Association for Investment Management and Research (1993-2000) Chairman, 1998-1999; Board of Trustees, Institute of Chartered Financial Analysts (1993-2000) Chairman, 1996-1997; Board of Regents, Financial Analysts Seminar (1992-2001); Board of Trustees, Research Foundation of the Association of Investment Management and</p>	<p>4</p>

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<p>Edward M. Roob, 68                  Fort Dearborn Income Securities, Inc.                  C/o UBS Global Asset Management                  (Americas) Inc.                  One N. Wacker Drive                  Chicago, Illinois 60606</p>	<p>Director                  since 1993</p>	<p>Research (since 1996).                   Senior Vice President, Daiwa                  Securities America, Inc.                  (1986-1993); Senior Vice                  President, First National Bank                  of Chicago (1975-1985);                  Director, The UBS Funds;                  Director, The UBS Relationship                  Funds; Trustee, UBS Global                  Asset Management Trust                  Company; Trustee, CCM Advisors                  Funds; Trustee, CCMA Select                  Investment Trust; Trustee                  A.H.A. Investment Funds;                  Member, Board of Governors                  Chicago Stock Exchange,                  (1988-1991); Member U.S.                  Treasury and Federal Agency                  Advisory Committee,                  (1972-1985). Member, Committee                  for Specialist Assignment and                  Evaluation, Chicago Stock                  Exchange, (1993-1999).</p>	<p>4</p>
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NAME, AGE AND ADDRESS -----	POSITION/ TERM/TIME SERVED -----	PRINCIPAL OCCUPATIONS AND OTHER DIRECTORSHIPS -----	NUMBER OF PORTFOLIOS FUND COMPLE OVERSEEN DIRECTOR
<p>J. Mikesell Thomas, 51                  Fort Dearborn Income Securities, Inc.                  C/o UBS Global Asset Management                  (Americas) Inc.                  One N. Wacker Drive                  Chicago, Illinois 60606</p>	<p>Director                  since 2002</p>	<p>Independent Financial Advisor,                  (April, 2001-Present);                  Managing Director, Lazard                  Freres &amp; Co. (1995-2001);                  First Chicago Corporation,                  (1973-1994) Executive Vice                  President and Co-Head                  Corporate and Institutional                  Banking, (1992-1995),                  Executive Vice President and                  Co-Head, Merchant Banking,                  (1989-1992), Executive Vice                  President and Chief Financial                  Officer, (1986-1989), Senior                  Vice President and Treasurer,                  (1980-1986), Assistant                  Treasurer, (1976-1980), First                  Scholar Management Development                  Program, (1973-1976). Director                  and Chairman of Finance                  Committee, Evanston                  Northwestern Healthcare; Vice                  President of Board of                  Trustees, Mid-Day Club;</p>	<p>1</p>

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OFFICERS:

Jeffrey J. Diermeier, CFA, B.B.A., M.B.A., 50*	President since 2000	Investment Committee member, UBS Global Asset Management (Americas) Inc. (1998-Present); Director, Chief Investment Officer and Managing Director and Investment Committee member, UBS Global Asset Management (Americas) Inc. (2000-Present); Managing Director, First Chicago Invest-ment Advisors, N.A. (1975-1989).
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NAME, AGE AND ADDRESS	POSITION/ TERM/TIME SERVED	PRINCIPAL OCCUPATIONS AND OTHER DIRECTORSHIPS	NUMBER OF PORTFOLIOS FUND COMPL OVERSEEN DIRECTOR
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Craig G. Ellinger, CFA, 32*	Vice President & Portfolio Manager since 2001	Portfolio Manager in the Fixed Income Group at UBS Global Asset Management (Americas) Inc. (since 2000). He previously served in a similar position at PPM America, Inc (1997-2000) and was a Commissioned Bank Examiner at the Federal Deposit Insurance Corporation (1992-1997).	
Joseph A. Anderson, 40*	Secretary & Treasurer since 1992	Executive Director of UBS Global Asset Management (Americas) Inc. (since 1991) and is currently the Vice President of UBS Global Asset Management Trust Company (since 1995).	
Robert M. Fascia, 29*	Assistant Secretary & Assistant Treasurer since 2000	Associate Director of UBS Global Asset Management (Americas) Inc., (since 1999). He was previously employed by Stein Roe & Farnham.	

\* This person's business address is UBS Global Asset Management (Americas) Inc., UBS Tower, One North Wacker Drive, Chicago, IL 60606.

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INC.

ANNUAL REPORT  
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