

FORT DEARBORN INCOME SECURITIES INC

Form N-Q

August 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-02319

Fort Dearborn Income Securities, Inc.

(Exact name of registrant as specified in charter)

51 West 52nd Street, New York, New York 10019-6114

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.
UBS Global Asset Management (Americas) Inc.
51 West 52nd Street
New York, NY 10019-6114
(Name and address of agent for service)

Copy to:

Bruce G. Leto, Esq.
Stradley Ronon Stevens & Young LLP
2600 One Commerce Square
Philadelphia, PA 19103

Registrant's telephone number, including area code: 212-882 5000

Date of fiscal year end: September 30

Date of reporting period: June 30, 2008

Item 1. Schedule of Investments**Fort Dearborn Income Securities, Inc. Portfolio of investments
June 30, 2008 (unaudited)**

| | Face amount | Value |
|---|------------------------|--------------|
| Bonds \square 96.02% | | |
| US bonds \square 88.73% | | |
| US corporate bonds \square 51.91% | | |
| Abbott Laboratories, 6.150%, due 11/30/37 | \$ 1,060,000 | \$ 1,062,799 |
| Allergan, Inc., 5.750%, due 04/01/16 | 1,820,000 | 1,826,696 |
| Allstate Corp., 5.950%, due 04/01/36 | 550,000 | 484,964 |
| Anheuser-Busch Cos., Inc., 6.450%, due 09/01/37 | 400,000 | 382,294 |
| Apache Corp., 6.000%, due 01/15/37 | 575,000 | 564,208 |
| Archer-Daniels-Midland Co., 6.450%, due 01/15/38 | 350,000 | 350,905 |
| AT&T, Inc., 6.450%, due 06/15/34 | 995,000 | 960,632 |
| 6.500%, due 09/01/37 | 975,000 | 943,623 |
| Bank of America Corp., 5.420%, due 03/15/17 | 700,000 | 640,246 |
| 5.750%, due 12/01/17 | 615,000 | 577,556 |
| Bear Stearns Cos., Inc., 7.250%, due 02/01/18 | 1,310,000 | 1,367,070 |
| BellSouth Corp., 6.550%, due 06/15/34 | 1,015,000 | 980,265 |
| Bristol-Myers Squibb Co., 5.875%, due 11/15/36 | 850,000 | 792,922 |
| Burlington Northern Santa Fe Corp., 7.082%, due 05/13/29 | 840,000 | 863,258 |
| Caterpillar Financial Services Corp., 5.450%, due 04/15/18 | 340,000 | 337,065 |
| Citigroup, Inc., 6.125%, due 05/15/18 | 1,535,000 | 1,468,944 |
| 6.875%, due 03/05/38 | 1,465,000 | 1,413,718 |
| Comcast Corp., 6.950%, due 08/15/37 | 2,250,000 | 2,213,075 |
| Consolidated Edison Co. of New York, Inc., Series 08-A, 5.850%, due 04/01/18 | 340,000 | 341,267 |
| Series 08-B, 6.750%, due 04/01/38 | 340,000 | 351,858 |
| CRH America, Inc., 6.000%, due 09/30/16 | 310,000 | 287,498 |
| CVS Caremark Corp., 6.250%, due 06/01/27 | 1,050,000 | 1,028,289 |
| Daimler Finance N.A. LLC, 8.500%, due 01/18/31 | 845,000 | 977,001 |
| Dominion Resources, Inc., Series B, 5.950%, due 06/15/35 | 495,000 | 444,260 |
| Dow Chemical Co., 5.700%, due 05/15/18 | 155,000 | 150,102 |
| DTE Energy Co., 6.350%, due 06/01/16 | 705,000 | 705,470 |

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| | | |
|--|-----------|-----------|
| Duke Energy Carolinas LLC, 6.050%, due 04/15/38 | 350,000 | 346,008 |
| ERAC USA Finance Co., 7.000%, due 10/15/37 ⁽¹⁾ | 440,000 | 365,984 |
| 8.000%, due 01/15/11 ⁽¹⁾ | 1,065,000 | 1,099,886 |
| Exelon Generation Co. LLC, 5.350%, due 01/15/14 | 1,015,000 | 973,338 |
| Florida Power & Light Co., 5.650%, due 02/01/35 | 355,000 | 336,190 |
| Florida Power Corp., 6.350%, due 09/15/37 | 215,000 | 218,338 |
| Fortune Brands, Inc., 5.375%, due 01/15/16 | 1,090,000 | 1,020,759 |
| General Electric Capital Corp., 5.875%, due 01/14/38 | 1,820,000 | 1,649,408 |
| GlaxoSmithKline Capital, Inc., 6.375%, due 05/15/38 | 900,000 | 893,369 |
| GMAC LLC, 6.875%, due 09/15/11 | 1,915,000 | 1,376,065 |
| Goldman Sachs Group, Inc., 6.150%, due 04/01/18 | 675,000 | 654,857 |
| 6.750%, due 10/01/37 | 1,135,000 | 1,038,237 |

| | <u>Face amount</u> | <u>Value</u> |
|--|------------------------|--------------|
| Bonds ☐ (continued) | | |
| US bonds ☐ (continued) | | |
| US corporate bonds ☐ (continued) | | |
| Hartford Financial Services Group, Inc., 6.300%, due 03/15/18 | \$ 720,000 | \$ 719,232 |
| HSBC Bank USA N.A., 5.625%, due 08/15/35 | 855,000 | 720,214 |
| ICI Wilmington, Inc., 5.625%, due 12/01/13 | 850,000 | 859,577 |
| Johnson & Johnson, 5.850%, due 07/15/38 | 175,000 | 177,980 |
| JP Morgan Chase Capital XXV, Series Y, 6.800%, due 10/01/37 | 1,100,000 | 987,343 |
| JPMorgan Chase & Co., 6.400%, due 05/15/38 | 555,000 | 514,782 |
| Kinder Morgan Energy Partners LP, 5.125%, due 11/15/14 | 580,000 | 545,596 |
| 5.800%, due 03/15/35 | 1,130,000 | 980,396 |
| 7.400%, due 03/15/31 | 265,000 | 272,344 |
| Kroger Co., 6.900%, due 04/15/38 | 650,000 | 667,397 |
| Lehman Brothers Holdings, Inc., 6.750%, due 12/28/17 | 725,000 | 681,083 |
| 6.875%, due 05/02/18 | 250,000 | 242,026 |
| 7.000%, due 09/27/27 | 680,000 | 628,732 |
| McDonald's Corp., 6.300%, due 03/01/38 | 275,000 | 272,418 |
| Merck & Co., Inc., 6.400%, due 03/01/28 | 520,000 | 542,735 |
| Merrill Lynch & Co., Inc., 5.700%, due 05/02/17 | 400,000 | 352,175 |
| 6.875%, due 04/25/18 | 365,000 | 347,380 |
| MidAmerican Energy Holdings Co., 5.950%, due 05/15/37 | 900,000 | 844,326 |
| Morgan Stanley, 6.625%, due 04/01/18 | 750,000 | 710,644 |
| 7.250%, due 04/01/32 | 355,000 | 342,504 |
| New Cingular Wireless Services, Inc., 8.750%, due 03/01/31 | 945,000 | 1,121,317 |
| News America, Inc., 6.200%, due 12/15/34 | 695,000 | 640,916 |
| Norfolk Southern Corp., 5.750%, due 04/01/18 ⁽¹⁾ | 340,000 | 334,624 |
| Northrop Grumman Systems Corp., 7.125%, due 02/15/11 | 425,000 | 453,067 |
| Nustar Logistics, 7.650%, due 04/15/18 | 575,000 | 581,571 |
| Oracle Corp., 6.500%, due 04/15/38 | 550,000 | 551,363 |
| Pacific Gas & Electric Co., 6.050%, due 03/01/34 | 540,000 | 520,686 |
| Pemex Project Funding Master Trust, 5.750%, due 03/01/18 ⁽¹⁾ | 685,000 | 676,437 |
| Philip Morris International, Inc., 6.375%, due 05/16/38 | 345,000 | 336,211 |
| PPL Energy Supply LLC, | | |

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| | | |
|--|-----------|-----------|
| Series A, 6.000%, due 12/15/36 | 370,000 | 321,218 |
| Progressive Corp., 6.250%, due 12/01/32 | 275,000 | 265,833 |
| Prologis, 5.625%, due 11/15/15 | 825,000 | 775,080 |
| Prudential Financial, Inc., 6.625%, due 12/01/37 | 425,000 | 401,180 |
| PSEG Power LLC, 8.625%, due 04/15/31 | 695,000 | 837,708 |
| Residential Capital LLC, 9.625%, due 05/15/15 ⁽¹⁾ | 49,000 | 23,765 |
| Safeway, Inc., 7.250%, due 02/01/31 | 645,000 | 691,435 |
| San Diego Gas & Electric Co., Series FFF, 6.125%, due 09/15/37 | 450,000 | 450,072 |
| Schering-Plough Corp., 6.550%, due 09/15/37 | 525,000 | 512,726 |
| Simon Property Group LP, 5.375%, due 06/01/11 | 300,000 | 295,613 |
| Southern California Edison Co., Series 06-E, 5.550%, due 01/15/37 | 375,000 | 350,475 |
| Sprint Capital Corp., 6.875%, due 11/15/28 | 1,280,000 | 1,065,600 |

| | <u>Face amount</u> | <u>Value</u> |
|---|------------------------|--------------|
| Bonds □ (continued) | | |
| US bonds □ (continued) | | |
| US corporate bonds □ (concluded) | | |
| Target Corp., 6.500%, due 10/15/37 | \$ 290,000 | \$ 278,973 |
| 7.000%, due 07/15/31 | 305,000 | 322,668 |
| Teva Pharmaceutical Finance LLC, 5.550%, due 02/01/16 | 845,000 | 825,682 |
| Time Warner Cable, Inc., 7.300%, due 07/01/38 | 600,000 | 596,311 |
| Time Warner, Inc., 7.625%, due 04/15/31 | 1,030,000 | 1,045,703 |
| Travelers Property Casualty Corp., 6.375%, due 03/15/33 | 350,000 | 334,284 |
| Union Electric Co., 6.700%, due 02/01/19 | 340,000 | 344,393 |
| UnitedHealth Group, Inc., 6.875%, due 02/15/38 | 865,000 | 818,562 |
| Valero Energy Corp., 6.625%, due 06/15/37 | 360,000 | 330,065 |
| 7.500%, due 04/15/32 | 885,000 | 895,680 |
| Verizon Communications, Inc., 6.900%, due 04/15/38 | 520,000 | 513,901 |
| Verizon New York, Inc., Series B, 7.375%, due 04/01/32 | 1,085,000 | 1,102,181 |
| Wachovia Bank N.A., 5.850%, due 02/01/37 | 1,175,000 | 935,319 |
| Wal-Mart Stores, Inc. 6.500%, due 08/15/37 | 900,000 | 926,238 |
| Washington Mutual Bank, 5.500%, due 01/15/13 | 1,000,000 | 800,000 |
| 6.750%, due 05/20/36 | 500,000 | 365,000 |
| Washington Mutual Preferred Funding LLC, 9.750%, due 12/15/17 ^{(1),(2),(3)} | 1,300,000 | 1,023,750 |
| Waste Management, Inc., 6.100%, due 03/15/18 | 700,000 | 698,391 |
| WellPoint, Inc., 5.850%, due 01/15/36 | 705,000 | 605,816 |
| Wells Fargo Bank N.A., 5.950%, due 08/26/36 | 1,380,000 | 1,291,970 |
| Weyerhaeuser Co., 7.375%, due 03/15/32 | 665,000 | 659,594 |
| Xerox Corp., 6.350%, due 05/15/18 | 540,000 | 533,034 |
| | | <hr/> |
| Total US corporate bonds (cost \$72,745,666) | | 69,351,720 |
| | | <hr/> |
| Asset-backed securities □ 2.94% | | |
| Citibank Credit Card Issuance Trust, Series 07-A3, Class A3, 6.150%, due 06/15/39 | 390,000 | 365,586 |
| CPL Transition Funding LLC, Series 02-1, Class A5, 6.250%, due 01/15/17 | 3,000,000 | 3,131,376 |
| Small Business Administration, Series 04-P10B, Class 1, | | |

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| | | |
|--|-----------|-----------|
| 4.754%, due 08/10/14 | 442,881 | 434,299 |
| | | <hr/> |
| Total asset-backed securities | | 3,931,261 |
| (cost \$4,075,207) | | <hr/> |
| Mortgage & agency debt securities □ 8.10% | | |
| Federal Home Loan Mortgage Corp., | | |
| 3.500%, due 05/29/13 | 1,345,000 | 1,306,918 |
| 5.000%, due 01/30/14 | 30,000 | 31,002 |
| Federal Home Loan Mortgage Corp. Gold Pool, | | |
| # E01127, 6.500%, due 02/01/17 | 133,758 | 139,304 |
| Federal National Mortgage Association, | | |
| 3.500%, due 04/28/11 | 190,000 | 189,471 |
| 3.875%, due 07/12/13 | 1,340,000 | 1,321,969 |
| 5.250%, due 08/01/12 | 450,000 | 455,411 |
| 5.625%, due 07/15/37 | 1,500,000 | 1,594,947 |
| Federal National Mortgage Association Grantor Trust, | | |
| Series 02-T19, Class A1, | | |
| 6.500%, due 07/25/42 | 312,501 | 327,089 |
| Federal National Mortgage Association Pools, | | |
| # 688066, 5.500%, due 03/01/33 | 349,439 | 346,703 |
| # 793666, 5.500%, due 09/01/34 | 1,736,750 | 1,718,805 |
| # 802481, 5.500%, due 11/01/34 | 305,998 | 302,837 |
| # 596124, 6.000%, due 11/01/28 | 215,521 | 219,557 |
| # 253824, 7.000%, due 03/01/31 | 101,048 | 107,273 |

| | <u>Face amount</u> | <u>Value</u> |
|--|------------------------|--------------------|
| Bonds ☐ (continued) | | |
| US bonds ☐ (concluded) | | |
| Mortgage & agency debt securities ☐ (concluded) | | |
| Federal National Mortgage Association, REMIC, Series 93-106, Class Z, 7.000%, due 06/25/13 | \$ 44,098 | \$ 45,964 |
| Government National Mortgage Association Pool, # 781029, 6.500%, due 05/15/29 | 69,006 | 71,693 |
| GSR Mortgage Loan Trust, Series 06-2F, Class 3A4, 6.000%, due 02/25/36 | 1,300,000 | 1,167,978 |
| Residential Funding Mortgage Securitization I, Inc., Series 06-S6, Class M2, 6.000%, due 07/25/36 | 1,280,141 | 322,852 |
| Wells Fargo Mortgage Backed Securities Trust, Series 03-18, Class A2, 5.250%, due 12/25/33 | 1,233,212 | 1,154,670 |
| Total mortgage & agency debt securities (cost \$11,919,409) | | <u>10,824,443</u> |
| Municipal bonds ☐ 3.88% | | |
| New Jersey Economic Development Authority Revenue Bonds, Series B, 10.905%, due 02/15/18 ⁽⁴⁾ | 5,000,000 | 2,975,750 |
| State of Illinois General Obligation Bonds, 5.100%, due 06/01/33 | 2,350,000 | 2,212,454 |
| Total municipal bonds (cost \$4,620,634) | | <u>5,188,204</u> |
| US government obligations ☐ 21.90% | | |
| US Treasury Bonds, 4.750%, due 02/15/37 | 1,615,000 | 1,667,740 |
| 8.125%, due 08/15/19 | 165,000 | 220,378 |
| US Treasury Inflation Indexed Notes (TIPS), 1.625%, due 01/15/18 | 7,976,212 | 8,102,706 |
| US Treasury Notes, 1.750%, due 03/31/10 | 1,600,000 | 1,579,374 |
| 2.750%, due 02/28/13 | 7,330,000 | 7,155,913 |
| 4.500%, due 03/31/09 | 5,480,000 | 5,566,907 |
| 4.750%, due 08/15/17 | 4,690,000 | 4,968,469 |
| Total US government obligations (cost \$29,301,439) | | <u>29,261,487</u> |
| Total US bonds (cost \$122,662,355) | | <u>118,557,115</u> |
| International bonds ☐ 7.29% | | |
| International corporate bonds ☐ 7.29% | | |
| Canada ☐ 1.75% | | |
| Anadarko Finance Co., Series B, 7.500%, due 05/01/31 | 380,000 | 407,337 |
| Canadian National Railway Co., 6.375%, due 11/15/37 | 625,000 | 616,125 |

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| | | |
|--------------------------------------|-----------|------------------|
| 6.900%, due 07/15/28 | 285,000 | 298,216 |
| Canadian National Resources, Ltd., | | |
| 6.750%, due 02/01/39 | 1,020,000 | 1,022,160 |
| | | <u>2,343,838</u> |
| Cayman Islands □ 0.92% | | |
| Transocean, Inc., | | |
| 6.800%, due 03/15/38 | 535,000 | 547,162 |
| 7.500%, due 04/15/31 | 620,000 | 678,983 |
| | | <u>1,226,145</u> |
| Luxembourg □ 0.71% | | |
| Telecom Italia Capital SA, | | |
| 6.375%, due 11/15/33 | 1,060,000 | 943,685 |
| Netherlands □ 0.54% | | |
| E. ON International Finance BV, | | |
| 6.650%, due 04/30/38 ⁽¹⁾ | 725,000 | 721,834 |

| | <u>Face amount</u> | <u>Value</u> |
|--|------------------------|-----------------------|
| Bonds ☐ (concluded) | | |
| International bonds ☐ (concluded) | | |
| International corporate bonds ☐ (concluded) | | |
| Switzerland ☐ 1.25% | | |
| Credit Suisse, | | |
| 6.000%, due 02/15/18 | \$ 1,740,000 | \$ 1,675,477 |
| United Kingdom ☐ 2.12% | | |
| Abbey National PLC, | | |
| 7.950%, due 10/26/29 | 750,000 | 762,799 |
| AstraZeneca PLC, | | |
| 6.450%, due 09/15/37 | 745,000 | 758,445 |
| Royal Bank of Scotland Group PLC, | | |
| 7.640%, due 09/29/17 ^{(2),(3)} | 700,000 | 640,030 |
| SABMiller PLC, | | |
| 6.500%, due 07/01/16 ⁽¹⁾ | 650,000 | 671,230 |
| | | <u>2,832,504</u> |
| Total international corporate bonds (cost \$10,090,077) | | <u>9,743,483</u> |
| Total bonds (cost \$132,752,432) | | <u>128,300,598</u> |
| | <u>Shares</u> | |
| Short-term investment ☐ 2.83% | | |
| Other ☐ 2.83% | | |
| UBS Supplementary Trust ☐ U.S. Cash Management Prime Fund, 2.706% ^{(5),(6)} (cost \$3,780,327) | 3,780,327 | 3,780,327 |
| Total investments ⁽⁷⁾ ☐ 98.85% (cost \$136,532,759) | | 132,080,925 |
| Cash and other assets, less liabilities ☐ 1.15% | | 1,536,426 |
| Net assets ☐ 100.00% | | <u>\$ 133,617,351</u> |

Notes to portfolio of investments

Aggregate cost for federal income tax purposes, which was the same for book purposes, was \$136,532,759; and net unrealized depreciation consisted of:

| | |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 1,309,109 |
| Gross unrealized depreciation | (5,760,943) |
| | <hr/> |
| Net unrealized depreciation | \$ (4,451,834) |
| | <hr/> |

- (1) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid, unless otherwise noted, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2008, the value of these securities amounted to \$4,917,510 or 3.68% of net assets.
- (2) Floating rate security □ The interest rate shown is the current rate as of June 30, 2008.
- (3) Perpetual bond security. The maturity date reflects the next call date.
- (4) Zero coupon bond. The rate shown is the effective yield at June 30, 2008.
- (5) The rate shown reflects the yield at June 30, 2008.
- (6) The table below details the Fund's investment in a security issued by a fund that is advised by the same advisor as the Fund. The advisor does not earn a management fee from UBS Supplementary Trust.

| Security description | Value 09/30/07 | Purchases during the nine months ended 06/30/08 | Sales during the nine months ended 06/30/08 | Value 06/30/08 | Inco ear from affi for nin mon end |
|---|-------------------|--|--|-------------------|---|
| UBS Supplementary Trust □ U.S. Cash Management Prime Fund | \$ 1,247,839 | \$ 48,492,133 | \$ 45,959,645 | \$ 3,780,327 | \$ 88 |

- (7) The Fund calculates its net asset value based on the current market value, where available, for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources. Independent pricing sources may use reported last sale prices, current market quotations or valuations from computerized □matrix□ systems that derive values based on comparable securities. A matrix system incorporates parameters such as security quality, maturity and coupon, and/or research and evaluations by its staff, including review of broker-dealer market price quotations, if available, in determining the valuation of portfolio securities. Securities traded in the over-the-counter (□OTC□) market and listed on The NASDAQ Stock Market, Inc. (□NASDAQ□) normally are valued at the NASDAQ Official Closing Price. Other OTC securities are valued at the last bid price available on the valuation date prior to valuation. Securities which are listed on US and foreign stock exchanges normally are valued at the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. Securities listed on foreign stock exchanges may be fair valued based on significant events that have occurred subsequent to the close of the foreign markets. The Fund may use a systematic fair valuation model provided by an independent third party to value securities principally traded in foreign markets in order to adjust for possible stale pricing that may occur between the close of the foreign exchanges and the time for valuation. If a security is valued at a □fair value,□ that value is likely to be different from the last quoted market price for the security. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by UBS Global Asset Management (Americas) Inc. (□UBS Global AM□), the investment manager of the Fund. UBS Global AM is an indirect wholly owned asset management subsidiary of UBS AG, an internationally diversified organization with headquarters in Zurich and Basel, Switzerland and operations in many areas of the financial services industry. If a market value is not readily available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the □Board□). Various

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factors may be reviewed in order to make a good faith determination of a security's fair value. These factors include, but are not limited to, fundamental analytical data relating to the investment; the nature and duration of restrictions on disposition of the securities; and the evaluation of forces which influence the market in which the securities are purchased and sold. Investments in open-end investment companies are valued at the daily closing net asset value of the respective investment company.

GMAC General Motors Acceptance Corp.

GSR Goldman Sachs Residential

REMIC Real Estate Mortgage Investment Conduit

TIPS Treasury inflation protected securities (TIPS) are debt securities issued by the US Treasury whose principal and/or interest payments are adjusted for inflation, unlike debt securities that make fixed principal and interest payments. The interest rate paid by the TIPS is fixed, while the principal value rises or falls based on changes in a published Consumer Price Index (CPI). Thus, if inflation occurs, the principal and interest payments on the TIPS are adjusted accordingly to protect investors from inflationary loss. During a deflationary period, the principal and interest payments decrease, although the TIPS principal amounts will not drop below their face amounts at maturity. In exchange for the inflation protection, the TIPS generally pay lower interest rates than typical US Treasury securities. Only if inflation occurs will TIPS offer a higher real yield than a conventional Treasury bond of the same maturity.

For more information regarding the Fund's other significant accounting policies, please refer to the Fund's semi-annual report to shareholders dated March 31, 2008.

Industry diversification

As a percentage of net assets

As of June 30, 2008 (unaudited)

| | |
|--|-------|
| Bonds | |
| US bonds | |
| US corporate bonds | |
| Aerospace & defense | 0.34% |
| Automobiles | 0.73 |
| Beverages | 0.29 |
| Capital markets | 5.50 |
| Chemicals | 0.76 |
| Commercial banks | 2.21 |
| Commercial services & supplies | 0.52 |
| Construction materials | 0.22 |
| Consumer finance | 1.03 |
| Diversified financial services | 4.96 |
| Diversified telecommunication services | 4.17 |
| Electric utilities | 2.68 |
| Energy equipment & services | 0.44 |
| Food & staples retailing | 2.48 |
| Food products | 0.26 |
| Health care providers & services | 1.07 |
| Hotels, restaurants & leisure | 0.20 |
| Household durables | 0.76 |
| Insurance | 1.65 |
| Media | 3.36 |
| Multi-utilities | 2.85 |
| Multiline retail | 0.45 |
| Office electronics | 0.40 |
| Oil, gas & consumable fuels | 3.19 |
| Paper & forest products | 0.49 |
| Pharmaceuticals | 4.97 |
| Real estate investment trusts (REITs) | 0.80 |
| Road & rail | 1.99 |
| Software | 0.41 |
| Thrifts & mortgage finance | 1.64 |
| Tobacco | 0.25 |
| Wireless telecommunication services | 0.84 |
| | <hr/> |
| Total US corporate bonds | 51.91 |
| | <hr/> |
| Asset-backed securities | 2.94 |
| Mortgage & agency debt securities | 8.10 |
| Municipal bonds | 3.88 |
| US government obligations | 21.90 |
| | <hr/> |
| Total US bonds | 88.73 |
| | <hr/> |
| International bonds | |
| International corporate bonds | |
| Beverages | 0.50 |
| Commercial banks | 1.73 |
| Diversified telecommunication services | 0.71 |
| Electric utilities | 0.54 |
| Energy equipment & services | 0.92 |
| Oil, gas & consumable fuels | 1.07 |
| Pharmaceuticals | 0.57 |
| Road & rail | 0.68 |
| Thrifts & mortgage finance | 0.57 |

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| | |
|---|----------------|
| Total international bonds | <u>7.29</u> |
| Total bonds | 96.02 |
| Short-term investment | 2.83 |
| | <u>98.85</u> |
| Total investments | 98.85 |
| Cash and other assets, less liabilities | 1.15 |
| | <u>100.00%</u> |
| Net assets | |

Item 2. Controls and Procedures.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (Investment Company Act)) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.
- (b) The registrant's principal executive officer and principal financial officer are aware of no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

- (a) Certifications of principal executive officer and principal financial officer of registrant pursuant to Rule 30a-2(a) under the Investment Company Act is attached hereto as Exhibit EX-99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fort Dearborn Income Securities, Inc.

By: /s/ Kai R. Sotorp
Kai R. Sotorp
President

Date: August 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Kai R. Sotorp
Kai R. Sotorp
President

Date: August 29, 2008

By: /s/ Thomas Disbrow
Thomas Disbrow
Treasurer & Principal Accounting Officer

Date: August 29, 2008