

FORT DEARBORN INCOME SECURITIES INC
Form N-Q
February 26, 2010

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)

1285 Avenue of the Americas, New York, New York 10019-6028

(Address of principal executive offices) (Zip code)

Mark F. Kemper, Esq.
UBS Global Asset Management
1285 Avenue of the Americas, 12th Floor
New York, NY 10019-6028
(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: 212-713 3000

Date of fiscal year end: September 30

Date of reporting period: December 31, 2009

Item 1. Schedule of Investments**Fort Dearborn Income Securities, Inc.****Industry diversification (unaudited)**

As a percentage of net assets as of December 31, 2009

| | |
|--|-------|
| Bonds | |
| Corporate bonds | |
| Aerospace & defense | 1.20% |
| Automobiles | 0.74 |
| Banks | 0.29 |
| Beverages | 0.53 |
| Biotechnology | 0.25 |
| Capital markets | 3.65 |
| Chemicals | 1.78 |
| Commercial banks | 5.80 |
| Commercial services & supplies | 1.39 |
| Communications equipment | 0.85 |
| Computers & peripherals | 0.43 |
| Construction materials | 0.23 |
| Consumer finance | 1.15 |
| Diversified financial services | 7.94 |
| Diversified telecommunication services | 6.96 |
| Electric utilities | 5.35 |
| Energy equipment & services | 0.89 |
| Food & staples retailing | 2.25 |
| Food products | 0.69 |
| Health care providers & services | 1.11 |
| Independent power producers & energy traders | 1.32 |
| Insurance | 3.65 |
| Machinery | 0.16 |
| Media | 4.92 |
| Metals & mining | 0.47 |
| Multiline retail | 0.47 |
| Multi-utilities | 1.17 |
| Office electronics | 0.40 |
| Oil, gas & consumable fuels | 6.79 |
| Paper & forest products | 0.21 |
| Pharmaceuticals | 2.95 |
| Real estate investment trust (REIT) | 0.78 |
| Road & rail | 1.61 |
| Software | 0.43 |
| Tobacco | 1.76 |
| Wireless telecommunication services | 0.49 |
| Total corporate bonds | 71.06 |
| Asset-backed securities | 3.63 |
| Commercial mortgage-backed securities | 6.97 |
| Mortgage & agency debt securities | 8.18 |
| Municipal bonds | 4.75 |
| US government obligations | 0.62 |
| Non US-government obligations | 2.29 |
| Total bonds | 97.50 |
| Preferred stock | 0.02 |
| Short-term investment | 0.98 |

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| | |
|---|---------|
| Total investments | 98.50 |
| Cash and other assets, less liabilities | 1.50 |
| | <hr/> |
| Net assets | 100.00% |
| | <hr/> |
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Fort Dearborn Income Securities, Inc. Portfolio of investments

December 31, 2009 (unaudited)

| Security description | Face amount | Value |
|--|----------------|------------|
| Bonds 97.50% | | |
| Corporate bonds 71.06% | | |
| Bermuda 0.16% | | |
| Ingersoll-Rand Global Holding Co., Ltd., 9.500%, due 04/15/14 | \$ 185,000 | \$ 221,063 |
| Canada 3.27% | | |
| Anadarko Finance Co., Series B, 7.500%, due 05/01/31 | 490,000 | 549,705 |
| Barrick Gold Corp., 6.950%, due 04/01/19 | 180,000 | 202,670 |
| Canadian National Railway Co., 6.375%, due 11/15/37 | 625,000 | 695,628 |
| 6.900%, due 07/15/28 | 285,000 | 328,775 |
| Canadian Natural Resources Ltd., 5.850%, due 02/01/35 | 435,000 | 425,966 |
| Cenovus Energy, Inc., 4.500%, due 09/15/14 ⁽¹⁾ | 420,000 | 433,544 |
| EnCana Corp., 6.500%, due 05/15/19 | 440,000 | 492,200 |
| Petro-Canada, 6.800%, due 05/15/38 | 520,000 | 573,198 |
| Potash Corp of Saskatchewan, Inc., 6.500%, due 05/15/19 | 275,000 | 304,577 |
| TransCanada PipeLines Ltd., 7.125%, due 01/15/19 | 500,000 | 584,609 |
| Total Canada corporate bonds | | 4,590,872 |
| Cayman Islands 1.14% | | |
| Petrobras International Finance Co., 6.875%, due 01/20/40 | 350,000 | 354,375 |
| Transocean, Inc., 6.800%, due 03/15/38 | 535,000 | 598,236 |
| 7.500%, due 04/15/31 | 575,000 | 655,909 |
| Total Cayman Islands corporate bonds | | 1,608,520 |
| Finland 0.23% | | |
| Nokia OYJ, 5.375%, due 05/15/19 | 315,000 | 321,597 |
| France 0.53% | | |
| Credit Agricole SA, 6.637%, due 05/31/17 ^{(1),(2),(3)} | 235,000 | 190,350 |
| Electricite de France, 6.950%, due 01/26/39 ⁽¹⁾ | 465,000 | 549,945 |
| Total France corporate bonds | | 740,295 |
| Luxembourg 1.00% | | |

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|--|-----------|-----------|
| Enel Finance International SA, 6.000%, due 10/07/39 ⁽¹⁾ | 365,000 | 366,932 |
| Telecom Italia Capital SA, 6.375%, due 11/15/33 | 1,060,000 | 1,045,074 |
| | | <hr/> |
| Total Luxembourg corporate bonds | | 1,412,006 |
| | | <hr/> |
| Malaysia 0.12% | | |
| Petronas Capital Ltd., 5.250%, due 08/12/19 ⁽¹⁾ | 175,000 | 175,645 |
| | | <hr/> |
| Netherlands 1.26% | | |
| Deutsche Telekom International Finance BV, 6.750%, due 08/20/18 | 520,000 | 582,181 |
| E.ON International Finance BV, 6.650%, due 04/30/38 ⁽¹⁾ | 725,000 | 824,391 |
| Siemens Financieringsmaatschappij NV, 6.125%, due 08/17/26 ⁽¹⁾ | 350,000 | 370,810 |
| | | <hr/> |
| Total Netherlands corporate bonds | | 1,777,382 |
| | | <hr/> |

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|---|-----------|-----------|
| Qatar 0.36% | | |
| Qtel International Finance Ltd., 7.875%, due 06/10/19 ⁽¹⁾ | 455,000 | 510,043 |
| Spain 0.35% | | |
| Telefonica Emisiones SAU, 6.221%, due 07/03/17 | 440,000 | 484,972 |
| Switzerland 0.64% | | |
| Credit Suisse, 6.000%, due 02/15/18 | 865,000 | 905,083 |
| United Kingdom 2.53% | | |
| Abbey National PLC, 7.950%, due 10/26/29 | 550,000 | 615,546 |
| Anglo American Capital PLC, 9.375%, due 04/08/19 ⁽¹⁾ | 370,000 | 469,978 |
| AstraZeneca PLC, 6.450%, due 09/15/37 | 470,000 | 529,358 |
| Barclays Bank PLC, 6.750%, due 05/22/19 | 385,000 | 429,441 |
| British Telecommunications PLC, 9.625%, due 12/15/30 | 365,000 | 465,089 |
| Royal Bank of Scotland Group PLC, 6.400%, due 10/21/19 | 350,000 | 348,876 |
| Vodafone Group PLC, 5.450%, due 06/10/19 | 325,000 | 336,542 |
| 6.150%, due 02/27/37 | 340,000 | 354,186 |
| Total United Kingdom corporate bonds | | 3,549,016 |
| United States 59.47% | | |
| Allergan, Inc., 5.750%, due 04/01/16 | 675,000 | 727,887 |
| Allstate Corp., 5.350%, due 06/01/33 | 575,000 | 539,785 |
| Alltel Corp., 7.875%, due 07/01/32 | 300,000 | 356,770 |
| Altria Group, Inc., 9.700%, due 11/10/18 | 460,000 | 568,637 |
| 9.950%, due 11/10/38 | 175,000 | 228,114 |
| American Express Credit Corp., 5.125%, due 08/25/14 | 1,000,000 | 1,053,733 |
| American International Group, Inc., 5.850%, due 01/16/18 | 800,000 | 656,423 |
| American Transmission Systems, Inc., 5.250%, due 01/15/22 ⁽¹⁾ | 375,000 | 370,294 |
| Amgen, Inc., 6.400%, due 02/01/39 | 325,000 | 356,611 |
| Anadarko Petroleum Corp., 6.450%, due 09/15/36 | 375,000 | 391,638 |
| Anheuser-Busch Cos., Inc., 6.450%, due 09/01/37 | 400,000 | 422,989 |
| Archer-Daniels-Midland Co., 7.000%, due 02/01/31 | 300,000 | 341,852 |
| AT&T, Inc., 6.500%, due 09/01/37 | 2,550,000 | 2,643,075 |
| AXA Financial, Inc., 7.000%, due 04/01/28 | 165,000 | 156,963 |

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|--|-----------|-----------|
| BAE Systems Holdings, Inc., 6.375%, due 06/01/19 ⁽¹⁾ | 355,000 | 381,863 |
| Bank of America Corp., 5.420%, due 03/15/17 | 2,200,000 | 2,171,624 |
| Bank of America N.A., 6.000%, due 10/15/36 | 500,000 | 483,163 |
| Bear Stearns Cos. LLC, 7.250%, due 02/01/18 | 1,310,000 | 1,503,687 |
| Boeing Co., 4.875%, due 02/15/20 | 540,000 | 541,464 |
| 5.000%, due 03/15/14 | 300,000 | 322,965 |
| Bristol-Myers Squibb Co., 5.875%, due 11/15/36 | 350,000 | 363,757 |
| Browning-Ferris Industries, Inc., 7.400%, due 09/15/35 | 250,000 | 275,847 |
| Burlington Northern Santa Fe Corp., 7.082%, due 05/13/29 | 745,000 | 814,835 |

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|---|-----------|-----------|
| Capital One Bank USA NA, 8.800%, due 07/15/19 | 375,000 | 443,125 |
| Capital One Capital VI, 8.875%, due 05/15/40 | 325,000 | 346,125 |
| Capital One Financial Corp., 7.375%, due 05/23/14 | 500,000 | 566,116 |
| Caterpillar Financial Services Corp., 5.450%, due 04/15/18 | 340,000 | 354,136 |
| CenterPoint Energy Resources Corp., 6.000%, due 05/15/18 | 285,000 | 292,637 |
| CenturyTel, Inc., Series P, 7.600%, due 09/15/39 | 200,000 | 204,967 |
| Cisco Systems, Inc., 5.900%, due 02/15/39 | 655,000 | 662,261 |
| Citigroup, Inc., 6.125%, due 05/15/18 | 700,000 | 703,786 |
| 8.125%, due 07/15/39 | 1,775,000 | 2,003,348 |
| CNA Financial Corp., 7.350%, due 11/15/19 | 125,000 | 125,146 |
| Comcast Corp., 6.950%, due 08/15/37 | 2,250,000 | 2,452,259 |
| ConocoPhillips, 6.500%, due 02/01/39 | 1,040,000 | 1,154,236 |
| Consolidated Edison Co. Inc., 7.125%, due 12/01/18 | 400,000 | 462,224 |
| CRH America, Inc., 6.000%, due 09/30/16 | 310,000 | 323,783 |
| CVS Caremark Corp., 6.125%, due 09/15/39 | 425,000 | 421,217 |
| 6.250%, due 06/01/27 | 500,000 | 508,475 |
| Daimler Finance North America LLC, 8.500%, due 01/18/31 | 845,000 | 1,038,372 |
| DCP Midstream LLC, 9.750%, due 03/15/19 ⁽¹⁾ | 170,000 | 209,177 |
| DirecTV Holdings LLC, 5.875%, due 10/01/19 ⁽¹⁾ | 700,000 | 711,967 |
| Discover Bank, 8.700%, due 11/18/19 | 250,000 | 267,839 |
| Dominion Resources, Inc., Series B, 5.950%, due 06/15/35 | 495,000 | 492,345 |
| Dow Chemical Co., 8.550%, due 05/15/19 | 250,000 | 298,286 |
| DTE Energy Co., 6.350%, due 06/01/16 | 500,000 | 519,558 |
| Duke Energy Carolinas LLC, 6.050%, due 04/15/38 | 350,000 | 372,654 |
| Enterprise Products Operating LLC, 6.125%, due 10/15/39 | 500,000 | 483,037 |
| ERAC USA Finance Co., 7.000%, due 10/15/37 ⁽¹⁾ | 440,000 | 430,676 |
| 8.000%, due 01/15/11 ⁽¹⁾ | 475,000 | 498,041 |
| Exelon Generation Co. LLC, 5.350%, due 01/15/14 | 130,000 | 137,240 |
| FirstEnergy Solutions Corp., 6.800%, due 08/15/39 ⁽¹⁾ | 625,000 | 631,249 |
| Florida Power Corp., 6.350%, due 09/15/37 | 215,000 | 233,027 |
| FPL Group Capital, Inc., 6.650%, due 06/15/67 ⁽²⁾ | 200,000 | 187,000 |
| General Electric Capital Corp., 5.875%, due 01/14/38 | 1,745,000 | 1,615,666 |

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|--|-----------|-----------|
| 6.875%, due 01/10/39 | 745,000 | 769,350 |
| GlaxoSmithKline Capital, Inc., | | |
| 6.375%, due 05/15/38 | 600,000 | 664,726 |
| GMAC, Inc., | | |
| 6.875%, due 09/15/11 ⁽¹⁾ | 202,000 | 198,970 |
| Goldman Sachs Group, Inc., | | |
| 6.150%, due 04/01/18 | 1,026,000 | 1,098,332 |
| 6.750%, due 10/01/37 | 1,070,000 | 1,099,839 |
| Harris Corp., | | |
| 6.375%, due 06/15/19 | 200,000 | 215,956 |
| Hartford Financial Services Group, Inc., | | |
| 5.950%, due 10/15/36 | 590,000 | 491,427 |
| Hewlett-Packard Co., | | |
| 4.750%, due 06/02/14 | 570,000 | 608,679 |
| HJ Heinz Finance Co., | | |
| 7.125%, due 08/01/39 ⁽¹⁾ | 150,000 | 169,581 |

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| HSBC Bank USA NA, 5.625%, due 08/15/35 | 855,000 | 790,578 |
| ICI Wilmington, Inc., 5.625%, due 12/01/13 | 850,000 | 887,180 |
| International Lease Finance Corp., 6.625%, due 11/15/13 | 140,000 | 112,698 |
| International Paper Co., 9.375%, due 05/15/19 | 235,000 | 288,855 |
| JP Morgan Chase Capital XXII, Series V, 6.450%, due 02/02/37 | 475,000 | 435,925 |
| JP Morgan Chase Capital XXV, Series Y, 6.800%, due 10/01/37 | 1,100,000 | 1,092,918 |
| Kinder Morgan Energy Partners LP, 5.800%, due 03/15/35 | 900,000 | 833,843 |
| Kraft Foods, Inc., 6.875%, due 01/26/39 | 440,000 | 461,997 |
| Kroger Co., 6.900%, due 04/15/38 | 650,000 | 723,358 |
| Lehman Brothers Holdings, Inc., 6.750%, due 12/28/17 ^{(4),(5),(6)} | 585,000 | 0 |
| 6.875%, due 05/02/18 ⁽⁴⁾ | 785,000 | 162,888 |
| Lockheed Martin Corp., 5.500%, due 11/15/39 | 450,000 | 440,921 |
| Massachusetts Mutual Life Insurance Co., 8.875%, due 06/01/39 ⁽¹⁾ | 275,000 | 337,274 |
| Mead Johnson Nutrition Co., 3.500%, due 11/01/14 ⁽¹⁾ | 350,000 | 346,011 |
| Merck & Co., Inc., 6.400%, due 03/01/28 | 520,000 | 573,688 |
| Merrill Lynch & Co., Inc., 5.700%, due 05/02/17 | 400,000 | 392,069 |
| 6.875%, due 04/25/18 | 365,000 | 393,265 |
| MetLife, Inc., 6.400%, due 12/15/36 | 300,000 | 262,500 |
| 10.750%, due 08/01/39 | 225,000 | 277,071 |
| MidAmerican Energy Holding Co., 5.950%, due 05/15/37 | 685,000 | 685,768 |
| Morgan Stanley, 5.625%, due 09/23/19 | 600,000 | 604,386 |
| Series F, 6.625%, due 04/01/18 | 900,000 | 973,051 |
| 7.250%, due 04/01/32 | 355,000 | 403,814 |
| Mosaic Co., 7.375%, due 12/01/14 ⁽¹⁾ | 950,000 | 1,017,030 |
| National Rural Utilities Cooperative Finance Corp., 10.375%, due 11/01/18 | 160,000 | 212,012 |
| Nationwide Mutual Insurance Co., 8.250%, due 12/01/31 ⁽¹⁾ | 400,000 | 384,722 |
| New Cingular Wireless Services, Inc., 8.750%, due 03/01/31 | 420,000 | 542,770 |
| News America, Inc., 6.200%, due 12/15/34 | 695,000 | 698,485 |
| 6.900%, due 08/15/39 ⁽¹⁾ | 350,000 | 381,806 |
| Nisource Finance Corp., 10.750%, due 03/15/16 | 605,000 | 745,471 |
| Norfolk Southern Corp., 5.590%, due 05/17/25 | 200,000 | 194,426 |
| NuStar Logistics LP, 7.650%, due 04/15/18 | 575,000 | 630,596 |
| Oncor Electric Delivery Co. LLC, 6.800%, due 09/01/18 | 425,000 | 472,081 |
| ONEOK Partners LP, | | |

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|-------------------------------------|-----------|-----------|
| 8.625%, due 03/01/19 | 440,000 | 530,989 |
| Oracle Corp., | | |
| 6.500%, due 04/15/38 | 550,000 | 603,952 |
| Pacific Gas & Electric Co., | | |
| 6.050%, due 03/01/34 | 540,000 | 563,778 |
| 8.250%, due 10/15/18 | 275,000 | 335,788 |
| Pacific Life Insurance Co., | | |
| 9.250%, due 06/15/39 ⁽¹⁾ | 350,000 | 404,158 |
| Pemex Project Funding Master Trust, | | |
| 5.750%, due 03/01/18 | 685,000 | 692,621 |
| PepsiCo, Inc., | | |
| 7.900%, due 11/01/18 | 260,000 | 319,086 |
| Pfizer, Inc., | | |
| 6.200%, due 03/15/19 | 305,000 | 339,045 |
| Philip Morris International, Inc., | | |
| 5.650%, due 05/16/18 | 1,200,000 | 1,261,896 |

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|---|-----------|-----------|
| Principal Financial Group, Inc., | | |
| 8.875%, due 05/15/19 | 295,000 | 340,288 |
| Progressive Corp., | | |
| 6.250%, due 12/01/32 | 275,000 | 281,489 |
| ProLogis, REITs, | | |
| 5.625%, due 11/15/15 | 825,000 | 784,483 |
| Prudential Financial, Inc., Series C, | | |
| 5.400%, due 06/13/35 | 425,000 | 370,990 |
| PSEG Power LLC, | | |
| 8.625%, due 04/15/31 | 695,000 | 898,381 |
| Qwest Corp., | | |
| 7.625%, due 06/15/15 | 340,000 | 351,900 |
| Reynolds American, Inc., | | |
| 7.250%, due 06/15/37 | 425,000 | 428,008 |
| Safeway, Inc., | | |
| 7.450%, due 09/15/27 | 725,000 | 822,536 |
| Schering-Plough Corp., | | |
| 6.550%, due 09/15/37 | 525,000 | 596,246 |
| Simon Property Group LP, | | |
| 5.375%, due 06/01/11 | 300,000 | 311,420 |
| Southwestern Electric Power Co., | | |
| 6.450%, due 01/15/19 | 500,000 | 535,520 |
| Sprint Capital Corp., | | |
| 6.875%, due 11/15/28 | 1,035,000 | 860,344 |
| Swiss Re Solutions Holding Corp., | | |
| 7.000%, due 02/15/26 | 295,000 | 288,231 |
| Target Corp., | | |
| 6.500%, due 10/15/37 | 290,000 | 317,995 |
| 7.000%, due 07/15/31 | 305,000 | 341,373 |
| Tennessee Valley Authority, | | |
| 6.150%, due 01/15/38 | 1,675,000 | 1,855,088 |
| Time Warner Cable, Inc., | | |
| 6.550%, due 05/01/37 | 305,000 | 310,794 |
| 7.300%, due 07/01/38 | 600,000 | 665,171 |
| 8.750%, due 02/14/19 | 410,000 | 499,697 |
| Time Warner, Inc., | | |
| 7.625%, due 04/15/31 | 1,030,000 | 1,196,477 |
| Travelers Property Casualty Corp., | | |
| 6.375%, due 03/15/33 | 350,000 | 367,998 |
| Union Electric Co., | | |
| 6.700%, due 02/01/19 | 340,000 | 375,377 |
| Union Pacific Corp., | | |
| 7.875%, due 01/15/19 | 180,000 | 217,800 |
| UnitedHealth Group, Inc., | | |
| 6.875%, due 02/15/38 | 865,000 | 894,022 |
| Valero Energy Corp., | | |
| 6.625%, due 06/15/37 | 360,000 | 337,800 |
| 7.500%, due 04/15/32 | 400,000 | 411,352 |
| Verizon Communications, Inc., | | |
| 6.900%, due 04/15/38 | 520,000 | 576,338 |
| Verizon New York, Inc., Series B, | | |
| 7.375%, due 04/01/32 | 1,085,000 | 1,168,765 |
| Wachovia Bank NA, | | |
| 5.850%, due 02/01/37 | 755,000 | 722,237 |
| Wal-Mart Stores, Inc., | | |
| 6.500%, due 08/15/37 | 600,000 | 682,787 |
| Washington Mutual Bank, | | |
| 5.500%, due 01/15/13 ⁽⁴⁾ | 750,000 | 3,750 |
| Washington Mutual Preferred Funding LLC, | | |
| 9.750%, due 12/15/17 ^{(1),(2),(3),(4),(5),(7)} | 1,300,000 | 1,300 |
| Waste Management, Inc., | | |

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| 6.100%, due 03/15/18 | 700,000 | 744,406 |
| WellPoint, Inc., | | |
| 5.850%, due 01/15/36 | 705,000 | 662,938 |
| Wells Fargo Bank NA, | | |
| 5.950%, due 08/26/36 | 750,000 | 732,025 |
| Wells Fargo Capital X, | | |
| 5.950%, due 12/15/36 | 475,000 | 413,250 |
| Wells Fargo Capital XIII, | | |
| 7.700%, due 03/26/13 ^{(2),(3)} | 500,000 | 485,000 |
| Wisconsin Power & Light Co., | | |
| 7.600%, due 10/01/38 | 175,000 | 213,357 |
| Xerox Corp., | | |
| 6.350%, due 05/15/18 | 540,000 | 563,289 |
| | | <hr/> |
| Total United States corporate bonds | | 83,581,803 |
| | | <hr/> |
| Total corporate bonds (cost \$97,158,304) | | 99,878,297 |
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| Asset-backed securities 3.63% | | |
|---|-----------|-----------|
| United States 3.63% | | |
| American Express Credit Account Master Trust, | | |
| Series 2007-6, Class C, | | |
| 0.513%, due 01/15/13 ^{(1),(2)} | 925,000 | 919,610 |
| Ameriquest Mortgage Securities, Inc., | | |
| Series 2005-R6, Class A2, | | |
| 0.431%, due 08/25/35 ⁽²⁾ | 160,463 | 141,514 |
| Citibank Credit Card Issuance Trust, | | |
| Series 2006-C4, Class C4, | | |
| 0.455%, due 01/09/12 ⁽²⁾ | 300,000 | 299,926 |
| Series 2003-C4, Class C4, | | |
| 5.000%, due 06/10/15 | 450,000 | 442,187 |
| Series 2007-A3, Class A3, | | |
| 6.150%, due 06/15/39 | 390,000 | 423,571 |
| Continental Airlines, Inc., | | |
| Series A, | | |
| 7.250%, due 11/10/19 | 300,000 | 305,250 |
| MBNA Credit Card Master Note Trust, | | |
| Series 2006-B1, Class B1, | | |
| 0.453%, due 07/15/15 ⁽²⁾ | 500,000 | 460,850 |
| Series 2004-B1, Class B1, | | |
| 4.450%, due 08/15/16 | 500,000 | 476,101 |
| Series 2002-C1, Class C1, | | |
| 6.800%, due 07/15/14 | 1,025,000 | 1,051,523 |
| MBNA Master Credit Card Trust, | | |
| Series 2001-B, Class C, | | |
| 7.250%, due 08/15/13 ⁽¹⁾ | 300,000 | 308,446 |
| Small Business Administration, | | |
| Series 2004-P10B, Class 1, | | |
| 4.754%, due 08/10/14 | 268,965 | 280,095 |
| <hr/> | | |
| Total asset-backed securities | | 5,109,073 |
| (cost \$4,655,951) | | <hr/> |

| Commercial mortgage-backed securities 6.97% | | |
|--|-----------|-----------|
| United States 6.97% | | |
| Banc of America Commercial Mortgage, Inc., | | |
| Series 2006-6, Class A2, | | |
| 5.309%, due 10/10/45 | 975,000 | 979,258 |
| Series 2006-6, Class A4, | | |
| 5.356%, due 10/10/45 | 1,125,000 | 1,008,536 |
| Series 2007-3, Class A2, | | |
| 5.658%, due 06/10/49 ⁽²⁾ | 800,000 | 813,957 |
| Citigroup Commercial Mortgage Trust, | | |
| Series 2007-C6, Class AM, | | |
| 5.700%, due 12/10/49 ⁽²⁾ | 1,775,000 | 1,279,516 |
| Citigroup/Deutsche Bank Commercial Mortgage Trust, | | |
| Series 2006-CD2, Class A4, | | |
| 5.363%, due 01/15/46 ⁽²⁾ | 625,000 | 597,417 |
| Series 2006-CD3, Class A2, | | |
| 5.560%, due 10/15/48 | 500,000 | 510,747 |
| Commercial Mortgage Pass Through Certificates, | | |
| Series 2006-CN2A, Class A2FX, | | |
| 5.449%, due 02/05/19 ⁽¹⁾ | 625,000 | 614,420 |
| Greenwich Capital Commercial Funding Corp., | | |
| Series 2007-GG9, Class A2, | | |
| 5.381%, due 03/10/39 | 975,000 | 987,722 |
| Series 2007-GG9, Class AM, | | |
| 5.475%, due 03/10/39 | 1,100,000 | 820,697 |

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| | | |
|---|---------|-----------|
| GS Mortgage Securities Corp. II, | | |
| Series 2006-GG8, Class A2, | | |
| 5.479%, due 11/10/39 | 320,000 | 323,152 |
| Series 2006-GG6, Class A2, | | |
| 5.506%, due 04/10/38 ⁽²⁾ | 350,000 | 354,678 |
| Wachovia Bank Commercial Mortgage Trust, | | |
| Series 2006-C23, Class AM, | | |
| 5.466%, due 01/15/45 ⁽²⁾ | 925,000 | 733,929 |
| Series 2006-C27, Class A2, | | |
| 5.624%, due 07/15/45 | 750,000 | 767,822 |
| | | <hr/> |
| Total commercial mortgage-backed securities | | 9,791,851 |
| (cost \$8,292,141) | | <hr/> |

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| | | |
|--|-----------|------------|
| Mortgage & agency debt securities 8.18% | | |
| United States 8.18% | | |
| Federal Home Loan Mortgage Corp., | | |
| 3.750%, due 03/27/19 | 3,500,000 | 3,431,474 |
| 5.000%, due 01/30/14 | 30,000 | 32,712 |
| Federal Home Loan Mortgage Corp. Gold Pools, | | |
| #E01127, | | |
| 6.500%, due 02/01/17 | 89,253 | 96,349 |
| Federal National Mortgage Association Pools, | | |
| #688066, | | |
| 5.500%, due 03/01/33 | 266,216 | 282,013 |
| #793666, | | |
| 5.500%, due 09/01/34 | 1,455,221 | 1,532,587 |
| #802481, | | |
| 5.500%, due 11/01/34 | 247,731 | 262,524 |
| #596124, | | |
| 6.000%, due 11/01/28 | 186,612 | 199,302 |
| #991043, | | |
| 6.000%, due 10/01/38 | 2,830,121 | 3,000,371 |
| #253824, | | |
| 7.000%, due 03/01/31 | 88,908 | 98,862 |
| Federal National Mortgage Association REMIC, | | |
| Series 1993-106, Class Z, | | |
| 7.000%, due 06/25/13 | 31,703 | 33,805 |
| Government National Mortgage Association Pools, | | |
| #701813, | | |
| 4.500%, due 04/15/39 | 731,801 | 733,586 |
| #781029, | | |
| 6.500%, due 05/15/29 | 53,619 | 57,998 |
| GSR Mortgage Loan Trust, | | |
| Series 2006-2F, Class 3A4, | | |
| 6.000%, due 02/25/36 | 1,300,000 | 891,903 |
| Wells Fargo Mortgage Backed Securities Trust, | | |
| Series 2003-18, Class A2, | | |
| 5.250%, due 12/25/33 | 844,165 | 841,396 |
| | | <hr/> |
| Total mortgage & agency debt securities | | 11,494,882 |
| (cost \$11,851,824) | | <hr/> |
| Municipal bonds 4.75% | | |
| United States 4.75% | | |
| California 0.88% | | |
| State of California General Obligation Bonds, | | |
| 7.300%, due 10/01/39 | 730,000 | 689,909 |
| 7.550%, due 04/01/39 | 365,000 | 358,605 |
| University of California Revenue Bonds, | | |
| Series 2009, | | |
| 5.7700%, due 05/15/43 | 195,000 | 190,472 |
| | | <hr/> |
| | | 1,238,986 |
| | | <hr/> |
| Illinois 1.40% | | |
| Illinois State Taxable Pension | | |
| 5.100%, due 06/01/33 | 2,350,000 | 1,964,294 |
| | | <hr/> |
| New Jersey 2.28% | | |
| New Jersey Economic Development Authority Revenue Bonds, | | |
| Series B, | | |
| 10.249%, due 02/15/18 ⁽⁸⁾ | 5,000,000 | 3,056,100 |

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New Jersey State Turnpike Authority Revenue Bonds,
Series F,

| | | |
|----------------------|---------|------------------|
| 7.414%, due 01/01/40 | 140,000 | 157,808 |
| | | <u>3,213,908</u> |

New York 0.19%

New York State Urban Development Corp. Revenue Bonds,

| | | |
|----------------------|---------|---------|
| 5.770%, due 03/15/39 | 265,000 | 262,387 |
|----------------------|---------|---------|

| | | |
|--|--|------------------|
| Total municipal bonds (cost \$6,623,060) | | <u>6,679,575</u> |
|--|--|------------------|

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| | | |
|---|-----------|----------------|
| US government obligations 0.62% | | |
| US Treasury Notes, | | |
| 0.750%, due 11/30/11 | 310,000 | 307,978 |
| 1.000%, due 10/31/11 | 570,000 | 569,487 |
| | | 877,465 |
| Total US government obligations (cost \$881,347) | | |
| | | 877,465 |
| Non US-government obligations 2.29% | | |
| Brazil 0.82% | | |
| Federal Republic of Brazil, | | |
| 8.250%, due 01/20/34 | 900,000 | 1,145,250 |
| | | 1,145,250 |
| Mexico 1.37% | | |
| United Mexican States, | | |
| Series A, | | |
| 6.750%, due 09/27/34 | 890,000 | 938,950 |
| 8.300%, due 08/15/31 | 800,000 | 989,040 |
| | | 1,927,990 |
| Poland 0.10% | | |
| Republic of Poland, | | |
| 6.375%, due 07/15/19 | 135,000 | 146,407 |
| | | 146,407 |
| Total non US-government obligations (cost \$2,796,292) | | |
| | | 3,219,647 |
| Total bonds (cost \$132,258,919) | | |
| | | 137,050,790 |
| Shares | | |
| Preferred stock 0.02% | | |
| United States 0.02% | | |
| GMAC, Inc. | | |
| 7.000% ^{(1),(9)} | | |
| (cost \$34,713) | 42 | 27,683 |
| | | 27,683 |
| Short-term investment 0.98% | | |
| Investment company 0.98% | | |
| UBS Cash Management Prime Relationship Fund, | | |
| 0.120% ^{(10),(11)} | | |
| (cost \$1,372,158) | 1,372,158 | 1,372,158 |
| | | 1,372,158 |
| Total investments ⁽¹²⁾ 98.50% | | |
| (cost \$133,665,790) | | 138,450,631 |
| Cash and other assets, less liabilities 1.50% | | 2,102,086 |
| | | 2,102,086 |
| Net assets 100.00% | | \$ 140,552,717 |
| | | \$ 140,552,717 |

Notes to portfolio of investments

Aggregate cost for federal income tax purposes, which was the same for book purposes, was \$133,665,790; and net unrealized appreciation consisted of:

| | |
|--|--------------|
| Gross unrealized appreciation | \$ 9,371,504 |
| Gross unrealized depreciation | (4,586,663) |
| | <hr/> |
| Net unrealized appreciation of investments | \$ 4,784,841 |
| | <hr/> |

On September 7, 2008, the Federal Housing Finance Agency placed the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation into conservatorship, and the US Treasury guaranteed the debt issued by those organizations.

- (1) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities are considered liquid, unless noted otherwise, and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2009, the value of these securities amounted to \$11,603,367 or 8.26% of net assets.
- (2) Floating rate security The interest rates shown are the current rates as of December 31, 2009.
- (3) Perpetual bond security. The maturity date reflects the next call date.
- (4) Security is in default.
- (5) Security is illiquid. At December 31, 2009, the value of these securities amounted to \$5,050 or less than 0.01% of net assets.
- (6) Security is being fair valued by a valuation committee under the direction of the Board of Trustees. At December 31, 2009, the value of the securities amounted to \$0 or 0.00% of net assets.
- (7) These securities, which represent 0.00% of net assets as of December 31, 2009, is considered illiquid and restricted. (See restricted security table below for more information.)

| Restricted security | Acquisition dates | Acquisition cost | Acquisition cost as a percentage of net assets | 12/31/09 Market value | 12/31/09 Market value as a percentage of net assets |
|---|-------------------|------------------|--|-----------------------|---|
| Washington Mutual Preferred Funding LLC, 9.750%, due 12/15/17 | 10/19/07 | \$ 614,225 | 0.44% | \$ 600 | 0.00% ^(a) |
| 9.750%, due 12/15/17 | 10/25/07 | 592,000 | 0.42 | 600 | 0.00 ^(a) |
| 9.750%, due 12/15/17 | 11/02/07 | 93,500 | 0.06 | 100 | 0.00 ^(a) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | \$ 1,299,725 | 0.92% | \$ 1,300 | 0.00% ^(a) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

^(a) Amount represents less than 0.005%.

- (8) Rate shown reflects annualized yield at December 31, 2009 on zero coupon bond.
- (9) This security is subject to a perpetual call and may be called in full or partially on or anytime after December 31, 2011.
- (10) Rate shown reflects the yield at December 31, 2009.
- (11) 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 Cash Management Prime Relationship Fund.

| Security description | Value 09/30/09 | Purchases during the period ended 12/31/09 | Sales during the period ended 12/31/09 | Value 12/31/09 | Income earned from affiliate for the period ended 12/31/09 |
|---|----------------|--|--|----------------|--|
| UBS Cash Management Prime Relationship Fund | \$1,324,178 | \$10,739,624 | \$10,691,644 | \$1,372,158 | \$1,994 |

(12) 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 and other instruments from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, official market closing prices, current market quotations or valuations from computerized matrix systems that derive values based on comparable securities or instruments. 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 the 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 on the valuation date available prior to valuation. Securities which are listed on US and foreign stock exchanges normally are valued at the market closing price, the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. 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 advisor of the Fund. If a market value is not available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors (the Board). Foreign currency exchange rates are generally determined as of the close of the New York Stock Exchange (NYSE). Occasionally, events affecting the value of foreign investments occur between the time at which they are determined and the close of the NYSE, which will not be reflected in the computation of the Fund's net asset value. If events materially affecting the value of such securities occur during such time periods, the securities will be valued at their fair value as determined in good faith by or under the direction of the Board. The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board determines that this does not represent fair value. Investments in open-end investment companies are valued at the daily closing net asset value of the respective investment company as provided by such other entity. Pursuant to the Fund's adoption of use of the practical expedient within ASC Topic 820 that is effective for interim periods ending after December 15, 2009, investments in non-registered investment companies are also valued at the daily net asset value. All investments quoted in foreign currencies are valued daily in US dollars on the basis of the foreign currency exchange rates prevailing at the time such valuation is determined by the Fund's custodian.

GMAC General Motors Acceptance Corp.
 GS Goldman Sachs
 GSR Goldman Sachs Residential
 REIT Real estate investment trust
 REMIC Real Estate Mortgage Investment Conduit

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US generally accepted accounting principles (GAAP) requires disclosure regarding the various inputs that are used in determining the value of the Fund s investments. These inputs are summarized into the three broad levels listed below:

Level 1 Unadjusted quoted prices in active markets for identical investments.

Level 2 Other significant observable inputs, including but not limited to, quoted prices for similar investments, interest rates, prepayment speeds and credit risk.

Level 3 Unobservable inputs inclusive of the Fund s own assumptions in determining the fair value of investments.

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund s investments:

In January 2010, FASB issues Accounting Standards Update (ASU) No.2010-06 Improving Disclosures about Fair Value Measurements . ASU No. 2010-06 will require reporting entities to make new disclosures about amounts and reasons for significant transfers in and out of Level 1 and Level 2 fair value measurements as well as input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements that fell in either level 2 or Level 3, and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of activity in Level 3 fair value measures. The new and revised disclosures are required to be implemented for fiscal years beginning after December 15, 2009 except for the disclosures surrounding purchases, sales, issuances and settlements on a gross basis in the reconciliation of level 3 fair value measures, which are effective for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact the adoption of ASU No. 2010-06 may have on the Fund s financial statement disclosures.

Measurements at 12/31/09

| Description | Unadjusted quoted prices in active markets for identical investments (Level 1) | Other significant observable inputs (Level 2) | Unobservable inputs (Level 3) | Total |
|---------------------------------------|---|---|-------------------------------------|-----------------------|
| Corporate bonds | \$ | \$ 99,873,247 | \$ 5,050 | \$ 99,878,297 |
| Asset-backed securities | | 5,109,073 | | 5,109,073 |
| Commercial mortgage-backed securities | | 9,791,851 | | 9,791,851 |
| Mortgage & agency debt securities | | 11,494,882 | | 11,494,882 |
| Municipal bonds | | 6,679,575 | | 6,679,575 |
| US government obligations | | 877,465 | | 877,465 |
| Non-US government obligations | | 3,219,647 | | 3,219,647 |
| Preferred stock | | 27,683 | | 27,683 |
| Short-term investment | | 1,372,158 | | 1,372,158 |
| Total | \$ | \$ 138,445,581 | \$ 5,050 | \$ 138,450,631 |

Level 3 Rollforward Disclosure

The following is a rollforward of the Fund s investments that were valued using unobservable inputs for the period:

| | Measurements using unobservable inputs (Level 3) | |
|---|---|----------|
| | Corporate bonds | Total |
| Assets | | |
| Beginning balance | \$14,875 | \$14,875 |
| Total gains or losses (realized/unrealized) included in earnings ^(a) | (9,825) | (9,825) |
| Purchases, sales, issuances, and settlements (net) | | |
| Transfers in and/or out of Level 3 | | |

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| | | |
|--|-----------|-----------|
| Ending balance | \$5,050 | \$5,050 |
| The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to investments still held at 12/31/09. | (\$9,884) | (\$9,884) |

^(a) Does not include unrealized losses of \$59 related to transferred assets, presented at their end of period values.

Restricted securities:

The Fund may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. Information regarding restricted securities, if any, is included in the Fund's Notes to portfolio of investments.

For more information regarding the Fund's other significant accounting policies, please refer to Fund's annual report to shareholders dated September 30, 2009.

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: February 26, 2010

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: February 26, 2010

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

Date: February 26, 2010