

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

USLIFE INCOME FUND INC  
Form N-30D  
March 08, 2002

-----  
USLIFE INCOME FUND, INC.

2929 Allen Parkway  
Houston, TX 77019

Dear Shareholder,

A number of significant changes have taken place with the Fund since the most recent annual report.

At its Special Meeting of Shareholders held on January 23, 2002, Alfred G. Aldridge, Jr., Richard I. Barr, Susan L. Ciciora, Joel W. Looney and Stephen C. Miller were elected to the Fund's Board of Directors by a majority vote of shareholders. Following the election of the five new Directors, the Fund accepted the resignations of Benjamin Love, Timothy Ebner and Gustavo Gonzales as Directors of the Fund and approved a decrease in the number of Directors of the Fund to five.

In conjunction with the Directors' resignation, the Fund also accepted the resignations of the previous Officers of the Fund and the resignation of The Variable Annuity Life Insurance Company ("VALIC") as investment adviser to the Fund. Subsequently, the Board appointed Stephen C. Miller as President, Chairman of the Board, and Chief Executive Officer, Carl D. Johns as Chief Financial Officer, Chief Accounting Officer, Vice President and Treasurer, Stephanie J. Kelley as Secretary, and Nicole L. Murphey as Assistant Secretary.

In response to VALIC's resignation, the Board further approved Fund Administrative Services, LLC ("FAS") as administrator to the Fund and is recommending that shareholders approve Boulder Investment Advisers, LLC ("BIA") and Stewart Investment Advisers ("SIA") as investment advisers to the Fund. The Board resolved that BIA and SIA will serve as interim investment advisers until such time as shareholders approve an ongoing investment advisory contract. BIA and SIA currently serve as the adviser and sub-adviser to the Boulder Total Return Fund, Inc. ("BTF"), a closed-end registered investment company traded on the New York Stock Exchange. FAS will provide the principal offices of the Fund and perform certain essential internal administrative and oversight services to the Fund. Currently, FAS serves as co-administrator to BTF.

The Board is also recommending that shareholders of the Fund approve a number of additional changes, including: a change in the investment objective of the Fund to "total return," the elimination of a number of the Fund's fundamental investment restrictions, change to non-diversified status, and a change in the Fund's name to Boulder Growth & Income Fund, Inc.

Finally, on January 23, 2002, Ernst & Young LLP resigned as the Fund's external auditors. In response to the resignation, the Board considered and approved KPMG LLP as the Fund's auditors for fiscal year 2002.

A special shareholders meeting to vote on the proposed changes and the new investment advisers is being planned for April 26, 2002. In the near future, proxies will be sent to all shareholders with details of the proposed changes.

Sincerely,  
/s/ Stephen C. Miller

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

Stephen C. Miller, President

-  
1

-----  
Schedule of Investments (Unaudited)  
December 31, 2001

| PAR VALUE       |                                                                                       | MARKET VALUE |
|-----------------|---------------------------------------------------------------------------------------|--------------|
| -----           |                                                                                       | -----        |
|                 | CORPORATE BONDS - 96.39%                                                              |              |
|                 | AEROSPACE/DEFENSE - 1.34%                                                             |              |
|                 | BE Aerospace:                                                                         |              |
| \$ 75,000       | 9.50% due 11/01/08.....                                                               | \$ 65,062    |
| 90,000          | 8.00% due 03/01/08.....                                                               | 75,375       |
| 500,000         | Loral Corp., 7.00% due 09/15/23.....                                                  | 496,455      |
|                 |                                                                                       | -----        |
|                 |                                                                                       | 636,892      |
|                 |                                                                                       | -----        |
|                 | AIRLINES - 0.42%                                                                      |              |
| 120,000         | American Airline, 7.80% due 04/01/08.....                                             | 117,769      |
| 100,000         | Atlas Air Worldwide Holdings, Inc., 9.25% due<br>04/15/08.....                        | 82,000       |
|                 |                                                                                       | -----        |
|                 |                                                                                       | 199,769      |
|                 |                                                                                       | -----        |
|                 | APPAREL & PRODUCTS - 0.74%                                                            |              |
| 350,000         | Shop At Home, Inc., 11.00% due 04/01/05.....                                          | 353,500      |
|                 |                                                                                       | -----        |
|                 | AUTO - CARS - 0.79%                                                                   |              |
| 575,000         | Prestolite Electric, Inc., 9.63% due<br>02/01/08.....                                 | 373,750      |
|                 |                                                                                       | -----        |
|                 | AUTO - ORIGINAL EQUIPMENT - 0.74%                                                     |              |
| 350,000         | Dunlop Standard Aero Holdings, 11.88% due<br>05/15/09.....                            | 353,500      |
|                 |                                                                                       | -----        |
|                 | AUTO - REPLACEMENT PARTS - 0.41%                                                      |              |
|                 | The Pep Boys - Manny, Moe & Jack:                                                     |              |
| 60,000          | 6.63% due 05/15/03.....                                                               | 57,000       |
| 140,000         | 6.52% due 07/16/07.....                                                               | 137,200      |
|                 |                                                                                       | -----        |
|                 |                                                                                       | 194,200      |
|                 |                                                                                       | -----        |
|                 | BANKS - OTHER - 4.28%                                                                 |              |
| 1,500,000 (/1/) | Bank of Scotland, 7.00% due 11/29/49<br>(Cost \$1,440,921 purchased on 07/12/99)..... | 1,512,212    |
| 500,000         | Colonial Bank, 9.38% due 06/01/11.....                                                | 522,334      |
|                 |                                                                                       | -----        |
|                 |                                                                                       | 2,034,546    |
|                 |                                                                                       | -----        |
|                 | BANKS - REGIONAL - 3.16%                                                              |              |
| 1,500,000       | Zions Institutional Capital Trust A, 8.54% due<br>12/15/26.....                       | 1,501,575    |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|               |                                                                                                          | -----     |
|---------------|----------------------------------------------------------------------------------------------------------|-----------|
|               | BROADCASTING - 2.97%                                                                                     |           |
| 500,000       | Charter Communications Holding, 10.75% due<br>10/01/09.....                                              | 527,500   |
| 200,000       | Cumulus Media, Inc., 10.38% due 07/01/08.....                                                            | 209,500   |
| 400,000 (/2/) | Frontiervision Holdings LP., 11.88% due<br>09/15/07.....                                                 | 420,000   |
| 150,000 (/1/) | Salem Communications Holding Corp., 9.00% due<br>07/01/11<br>(Cost \$150,000 purchased on 06/20/01)..... | 155,063   |
| 100,000       | Sinclair Broadcast Group, Inc., 9.00% due<br>07/15/07.....                                               | 100,500   |
|               |                                                                                                          | -----     |
|               |                                                                                                          | 1,412,563 |
|               |                                                                                                          | -----     |

See notes to financial statements.

-  
2

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE     |                                                                                 | MARKET VALUE |
|---------------|---------------------------------------------------------------------------------|--------------|
| -----         |                                                                                 | -----        |
|               | CHEMICAL - 0.68%                                                                |              |
| \$ 225,000    | Koppers Industry, Inc., 9.88% due 12/01/07....                                  | \$ 220,500   |
| 25,000        | Polymer Group, Inc., 9.00% due 07/01/07.....                                    | 7,250        |
| 150,000       | Royster-Clark, Inc., 10.25% due 04/01/09.....                                   | 96,000       |
|               |                                                                                 | -----        |
|               |                                                                                 | 323,750      |
|               |                                                                                 | -----        |
|               | CONSUMER FINANCE - 0.30%                                                        |              |
| 150,000       | AmeriCredit Corp., 9.25% due 02/01/04.....                                      | 144,000      |
|               |                                                                                 | -----        |
|               | CONTAINERS - 0.51%                                                              |              |
| 340,000       | Packaged Ice, Inc., 9.75% due 02/01/05.....                                     | 244,800      |
|               |                                                                                 | -----        |
|               | DRUGS - 1.68%                                                                   |              |
| 715,000 (/2/) | ICN Pharmaceuticals, Inc., 9.75% due<br>11/15/08.....                           | 800,800      |
|               |                                                                                 | -----        |
|               | ELECTRICAL EQUIPMENT - 0.79%                                                    |              |
|               | AMKOR Technologies, Inc.:                                                       |              |
| 75,000        | 9.25% due 05/01/06.....                                                         | 71,625       |
| 100,000       | 9.25% due 02/15/08.....                                                         | 94,500       |
| 200,000 (/1/) | Avista Corp., 9.75% due 06/01/08<br>(Cost \$198,642 purchased on 03/29/01)..... | 208,617      |
|               |                                                                                 | -----        |
|               |                                                                                 | 374,742      |
|               |                                                                                 | -----        |
|               | ELECTRIC PRODUCTS - 2.01%                                                       |              |
| 1,000,000     | ITT Industrial, Inc., 7.40% due 11/15/25.....                                   | 956,320      |
|               |                                                                                 | -----        |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|               |                                                                                                                  |           |
|---------------|------------------------------------------------------------------------------------------------------------------|-----------|
|               | ELECTRONIC INSTRUMENTS - 1.97%                                                                                   |           |
| 1,000,000     | Arrow Electronics, Inc., 7.00% due 01/15/07...                                                                   | 937,990   |
|               |                                                                                                                  | -----     |
|               | ENTERTAINMENT - 3.29%                                                                                            |           |
| 40,000        | Argosy Gaming Co., 9.00% due 09/01/11.....                                                                       | 41,900    |
| 350,000 (/1/) | Aztar Corp., 9.00% due 08/15/11<br>(Cost \$350,000 purchased on 07/18/01).....                                   | 364,000   |
| 350,000 (/1/) | Callahan Nordrhein-Westfalen, 14.00% due<br>07/15/10<br>(Cost \$319,620 purchased on 07/25/01-<br>11/14/01)..... | 231,000   |
| 200,000       | Cinemark USA, Inc., 9.63% due 08/01/08.....                                                                      | 192,000   |
| 50,000        | Hollywood Casino Shreveport, 13.00% due<br>08/01/06.....                                                         | 47,250    |
| 100,000       | MTS, Inc., 9.38% due 05/01/05.....                                                                               | 26,000    |
|               | Pegasus Communications Corp.:                                                                                    |           |
| 90,000        | 9.75% due 12/01/06.....                                                                                          | 80,550    |
| 175,000       | 9.63% due 10/15/05.....                                                                                          | 157,500   |
| 425,000       | Riviera Black Hawk, Inc., 13.00% due<br>05/01/05.....                                                            | 425,000   |
|               |                                                                                                                  | -----     |
|               |                                                                                                                  | 1,565,200 |
|               |                                                                                                                  | -----     |

See notes to financial statements.

-  
3

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE        |                                                                                                             | MARKET VALUE |
|------------------|-------------------------------------------------------------------------------------------------------------|--------------|
| -----            |                                                                                                             | -----        |
|                  | FINANCE COMPANIES - 0.32%                                                                                   |              |
| \$ 150,000 (/1/) | Nexstar Finance, 12.00% due 04/01/08<br>(Cost \$149,188 purchased on 04/23/01).....                         | \$ 150,000   |
|                  |                                                                                                             | -----        |
|                  | FINANCIAL SERVICES - 6.77%                                                                                  |              |
| 150,000 (/1/)    | Dana Credit Corp., 7.25% due 12/16/02<br>(Cost \$147,700 purchased on 07/31/2001).....                      | 147,000      |
| 1,500,000        | Doral Financial Corp., 8.50% due 07/08/04.....                                                              | 1,581,909    |
| 200,000          | LaBranche & Co., Inc., 12.00% due 03/02/07....                                                              | 228,000      |
| 250,000          | Ono Finance Plc., 13.00% due 05/01/09.....                                                                  | 189,688      |
| 1,000,000        | Royal & Sun Alliance Insurance, 8.95% due<br>10/15/29.....                                                  | 1,072,770    |
|                  |                                                                                                             | -----        |
|                  |                                                                                                             | 3,219,367    |
|                  |                                                                                                             | -----        |
|                  | FUNERAL SERVICES - 0.40%                                                                                    |              |
| 175,000 (/1/)    | Stewart Enterprises, Inc., 10.75% due 07/01/08<br>(Cost \$177,223 purchased on 07/12/99 &<br>06/19/01)..... | 189,438      |
|                  |                                                                                                             | -----        |
|                  | HEALTHCARE - 1.85%                                                                                          |              |
| 200,000          | HealthSouth Corp., 10.75% due 10/01/08.....                                                                 | 219,750      |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|               |                                                                                             |         |
|---------------|---------------------------------------------------------------------------------------------|---------|
| 160,000       | Iasis Healthcare Corp., 13.00% due 10/15/09...                                              | 172,800 |
| 500,000       | Universal Hospital Services, 10.25% due<br>03/01/08.....                                    | 487,500 |
|               |                                                                                             | -----   |
|               |                                                                                             | 880,050 |
|               |                                                                                             | -----   |
|               | HOSPITAL MANAGEMENT - 0.55%                                                                 |         |
| 250,000       | Manor Care, Inc., 7.50% due 06/15/06.....                                                   | 261,732 |
|               |                                                                                             | -----   |
|               | HOSPITAL SUPPLIES - 0.32%                                                                   |         |
| 150,000       | Physician Sales & Service, 8.50% due<br>10/01/07.....                                       | 150,000 |
|               |                                                                                             | -----   |
|               | INFORMATION PROCESSING - DATA SERVICES - 1.45%                                              |         |
| 500,000       | Citizens Communications, Inc., 8.50% due<br>05/15/06.....                                   | 534,675 |
|               | Comdisco, Inc.:                                                                             |         |
| 50,000 (/3/)  | 6.38% due 11/30/01.....                                                                     | 38,000  |
| 150,000 (/3/) | 6.13% due 08/01/01.....                                                                     | 114,000 |
| 10,000 (/3/)  | PSInet, Inc., 11.00% due 08/01/09.....                                                      | 775     |
|               |                                                                                             | -----   |
|               |                                                                                             | 687,450 |
|               |                                                                                             | -----   |
|               | INFORMATION PROCESSING - NETWORKING - 0.55%                                                 |         |
| 400,000 (/3/) | Condor Systems, Inc., 11.88% due 05/01/09.....                                              | 40,000  |
| 200,000 (/1/) | Mediacom Broadband LLC., 11.00% due 07/15/06<br>(Cost \$200,000 purchased on 06/22/01)..... | 219,500 |
|               |                                                                                             | -----   |
|               |                                                                                             | 259,500 |
|               |                                                                                             | -----   |

See notes to financial statements.

-  
4

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE       |                                                                                           | MARKET VALUE |
|-----------------|-------------------------------------------------------------------------------------------|--------------|
| -----           |                                                                                           | -----        |
|                 | INSURANCE - LIFE - 0.09%                                                                  |              |
| \$ 100,000      | Conseco, Inc., 10.75% due 06/15/08.....                                                   | \$ 44,400    |
|                 |                                                                                           | -----        |
|                 | INSURANCE - MULTILINE - 2.69%                                                             |              |
| 1,300,000 (/1/) | Zurich Capital Trust, 8.38% due 06/01/37<br>(Cost \$1,477,400 purchased on 11/20/97)..... | 1,278,770    |
|                 |                                                                                           | -----        |
|                 | LEISURE TIME - 1.00%                                                                      |              |
| 250,000         | Hollywood Park, Inc., 9.25% due 02/15/07.....                                             | 216,250      |
| 250,000         | Speedway Motorsports, 8.50% due 08/15/07.....                                             | 257,500      |
|                 |                                                                                           | -----        |
|                 |                                                                                           | 473,750      |
|                 |                                                                                           | -----        |
|                 | LODGING - 1.41%                                                                           |              |
|                 | Crown Castle International Corp:                                                          |              |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|               |                                                                                       |         |
|---------------|---------------------------------------------------------------------------------------|---------|
| 250,000       | 10.75% due 08/01/11.....                                                              | 244,375 |
| 40,000        | 9.38% due 08/01/11.....                                                               | 36,800  |
| 150,000       | HMH Properties, 7.88% due 08/01/08.....                                               | 138,750 |
| 250,000       | Prime Hospitality Corp., 9.75% due 04/01/07...                                        | 251,875 |
|               |                                                                                       | -----   |
|               |                                                                                       | 671,800 |
|               |                                                                                       | -----   |
|               | MACHINERY - CONSTRUCTION & CONTRACTS - 1.01%                                          |         |
| 150,000       | Calpine Corp., 8.75% due 07/15/07.....                                                | 135,750 |
| 650,000       | Grove Worldwide LLC., 9.25% due 05/01/08.....                                         | 13,000  |
| 200,000       | Lennar Corp., 9.95% due 05/01/10.....                                                 | 220,500 |
| 130,000       | National Equipment Services, Inc., 10.00% due<br>11/30/04.....                        | 110,500 |
|               |                                                                                       | -----   |
|               |                                                                                       | 479,750 |
|               |                                                                                       | -----   |
|               | MACHINERY - INDUSTRIAL/SPECIALTY - 0.06%                                              |         |
| 60,000        | Park-Ohio Industries, Inc., 9.25% due<br>12/01/07.....                                | 29,400  |
|               |                                                                                       | -----   |
|               | MEDICAL TECHNOLOGY - 0.27%                                                            |         |
| 125,000       | Pharmerica, Inc., 8.38% due 04/01/08.....                                             | 129,375 |
|               |                                                                                       | -----   |
|               | MERCHANDISE - DRUG - 1.19%                                                            |         |
| 150,000       | Express Scripts, Inc., 9.63% due 06/15/09.....                                        | 165,375 |
| 200,000 (/1/) | Rite Aid Corp.:<br>11.25% due 07/01/08 (Cost \$200,000 purchased<br>on 06/20/01)..... | 196,000 |
| 290,000       | 6.88% due 08/15/13.....                                                               | 203,000 |
|               |                                                                                       | -----   |
|               |                                                                                       | 564,375 |
|               |                                                                                       | -----   |
|               | MERCHANDISE - SPECIALTY - 1.96%                                                       |         |
| 1,000,000     | American Greetings Corp., 6.10% due 08/01/28..                                        | 806,060 |
| 125,000       | BIG 5 Corp., 10.88% due 11/15/07.....                                                 | 122,500 |
|               |                                                                                       | -----   |
|               |                                                                                       | 928,560 |
|               |                                                                                       | -----   |

See notes to financial statements.

-  
5

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE     |                                                       | MARKET VALUE |
|---------------|-------------------------------------------------------|--------------|
| -----         |                                                       | -----        |
|               | MERCHANDISING - DEPARTMENT - 0.25%                    |              |
| \$ 120,000    | True Temper Sports, Inc., 10.88% due<br>12/01/08..... | \$ 121,200   |
|               |                                                       | -----        |
|               | MERCHANDISING - FOOD - 0.64%                          |              |
| 150,000       | Fleming Companies, Inc., 10.13% due 04/01/08..        | 151,500      |
| 150,000 (/1/) | Smithfield Foods, Inc., 8.00% due 10/15/09            |              |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|               |                                                                   |           |
|---------------|-------------------------------------------------------------------|-----------|
|               | (Cost \$150,000 purchased on 10/17/01).....                       | 154,500   |
|               |                                                                   | -----     |
|               |                                                                   | 306,000   |
|               |                                                                   | -----     |
|               | MERCHANDISING - MASS - 3.56%                                      |           |
| 2,500,000     | K Mart Funding, 9.44% due 07/01/18.....                           | 1,693,975 |
|               |                                                                   | -----     |
|               | METALS - STEEL - 3.96%                                            |           |
| 200,000       | AK Steel Corp., 7.88% due 02/15/09.....                           | 197,000   |
| 500,000       | Inco Limited., 9.60% due 06/15/22.....                            | 522,670   |
| 100,000       | National Steel Corp., 9.88% due 03/01/09.....                     | 35,000    |
| 1,000,000     | Phelps Dodge Corp., 8.75% due 06/01/11.....                       | 979,537   |
| 150,000       | Russel Metals, Inc., 10.00% due 06/01/09.....                     | 149,250   |
|               |                                                                   | -----     |
|               |                                                                   | 1,883,457 |
|               |                                                                   | -----     |
|               | MISCELLANEOUS - 0.21%                                             |           |
| 100,000       | Pierce Leahy, 8.13% due 05/15/08.....                             | 101,000   |
|               |                                                                   | -----     |
|               | NATURAL GAS - DIVERSIFIED - 0.56%                                 |           |
| 250,000       | Leviathan Gas Pipeline Partner, 10.38% due<br>06/01/09.....       | 265,000   |
|               |                                                                   | -----     |
|               | OIL - INTEGRATED DOMESTIC - 1.30%                                 |           |
|               | Tesoro Petroleum Corp.:                                           |           |
| 150,000 (/1/) | 9.63% due 11/01/08 (Cost \$150,000 purchased<br>on 11/01/01)..... | 154,661   |
| 225,000       | 9.00% due 07/01/08.....                                           | 226,687   |
| 200,000       | USX-Marathon Group, 9.13% due 01/15/13.....                       | 234,832   |
|               |                                                                   | -----     |
|               |                                                                   | 616,180   |
|               |                                                                   | -----     |

See notes to financial statements.

-  
6

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE     |                                                                                            | MARKET VALUE |
|---------------|--------------------------------------------------------------------------------------------|--------------|
| -----         |                                                                                            | -----        |
|               | OIL - SERVICES - 0.75%                                                                     |              |
| \$ 40,000     | Grey Wolf, Inc., 8.88% due 07/01/07.....                                                   | \$ 39,000    |
| 100,000 (/1/) | Hanover Equipment Trust, 8.50% due 09/01/08<br>(Cost \$100,000 purchased on 08/16/01)..... | 104,000      |
| 300,000       | Unova, Inc., 6.88% due 03/15/05.....                                                       | 162,000      |
| 50,000 (/1/)  | WestPort Resources Corp., 8.25% due 11/01/11<br>(Cost \$50,000 purchased on 10/31/01)..... | 50,500       |
|               |                                                                                            | -----        |
|               |                                                                                            | 355,500      |
|               |                                                                                            | -----        |
|               | OIL/GAS PRODUCERS - 1.38%                                                                  |              |
| 195,000       | Frontier Oil Corp., 11.75% due 11/15/09.....                                               | 206,700      |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|                 |                                                               |           |
|-----------------|---------------------------------------------------------------|-----------|
| 250,000         | KCS Energy, Inc., 8.88% due 01/15/06.....                     | 197,500   |
| 25,000          | R & B Falcon Corp., 9.50% due 12/15/08.....                   | 28,615    |
| 220,000         | Swift Energy Co., 10.25% due 08/01/09.....                    | 222,200   |
|                 |                                                               | -----     |
|                 |                                                               | 655,015   |
|                 |                                                               | -----     |
|                 | PAPER/FOREST PRODUCTS - 7.41%                                 |           |
| 225,000         | Bear Island LLC, 10.00% due 12/01/07.....                     | 213,750   |
| 2,300,000       | Boise Cascade Co., 7.99% due 09/13/13.....                    | 2,127,937 |
| 335,000         | Buckeye Technologies, Inc., 8.50% due<br>12/15/05.....        | 323,275   |
| 500,000         | Georgia-Pacific Corp., 9.63% due 03/15/22.....                | 506,560   |
| 400,000         | Specialty Paperboard, 9.38% due 10/15/06.....                 | 352,000   |
|                 |                                                               | -----     |
|                 |                                                               | 3,523,522 |
|                 |                                                               | -----     |
|                 | POLLUTION CONTROL - 0.59%                                     |           |
| 270,000         | Allied Waste North America, Inc., 10.00% due<br>08/01/09..... | 276,750   |
| 1,000,000 (/3/) | Safety-Kleen Services, 9.25% due 06/01/08.....                | 4,740     |
|                 |                                                               | -----     |
|                 |                                                               | 281,490   |
|                 |                                                               | -----     |
|                 | PUBLISHING - NEWS - 2.14%                                     |           |
| 1,000,000       | News America Holdings, Inc., 8.15% due<br>10/17/36.....       | 1,018,050 |
|                 |                                                               | -----     |
|                 | RAILROAD - 1.96%                                              |           |
| 1,000,000       | Stagecoach Holdings, 8.63% due 11/15/09.....                  | 931,190   |
|                 |                                                               | -----     |
|                 | RESTAURANTS - 0.55%                                           |           |
| 55,000          | Perkins Family Restaurants, 10.13% due<br>12/15/07.....       | 51,769    |
| 200,000         | Tricon Global Restaurants, Inc., 8.88% due<br>04/15/11.....   | 212,000   |
|                 |                                                               | -----     |
|                 |                                                               | 263,769   |
|                 |                                                               | -----     |

See notes to financial statements.

-  
7

-----  
Schedule of Investments (Unaudited) - continued  
December 31, 2001

| PAR VALUE         |                                                                                             | MARKET VALUE |
|-------------------|---------------------------------------------------------------------------------------------|--------------|
| -----             |                                                                                             | -----        |
|                   | SAVINGS & LOAN - 3.01%                                                                      |              |
| \$1,200,000 (/1/) | Ahmanson Capital Trust, 8.36% due 12/01/26<br>(Cost \$1,246,174 purchased on 07/10/97)..... | \$1,198,392  |
| 250,000           | Western Financial Savings, 8.88% due<br>08/01/07.....                                       | 230,720      |
|                   |                                                                                             | -----        |



Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|                 |                                                                                                            |           |
|-----------------|------------------------------------------------------------------------------------------------------------|-----------|
|                 |                                                                                                            | 1,429,112 |
|                 |                                                                                                            | -----     |
|                 | TELECOMMUNICATIONS - 9.30%                                                                                 |           |
| 150,000 (/3/)   | 360Networks, Inc., 13.00% due 05/01/08.....                                                                | 188       |
| 200,000         | American Cellular Corp., 9.50% due 10/15/09...                                                             | 194,000   |
| 75,000          | American Tower Corp., 9.38% due 02/01/09.....                                                              | 59,438    |
| 300,000         | Amphenol Corp., 9.88% due 05/15/07.....                                                                    | 319,500   |
| 100,000 (/1/)   | AT&T Wireless Services, 7.88% due 03/01/11<br>(Cost \$99,760 purchased on 03/01/01).....                   | 106,590   |
| 200,000 (/2/)   | Benedek Communications, 13.25% due 05/15/06...                                                             | 142,000   |
| 260,000 (/1/)   | Ekabel Hessen, 14.50% due 09/01/10<br>(Cost \$206,239 & \$53,769 purchased on<br>09/14/00 & 12/19/00)..... | 122,200   |
| 325,000         | GCI, Inc., 9.75% due 08/01/07.....                                                                         | 316,875   |
| 500,000         | Koninklijke KPN NV - ADR, 8.00% due 10/01/10..                                                             | 506,725   |
| 75,000          | Lodgenet Entertainment Corp., 10.25% due<br>12/15/06.....                                                  | 75,000    |
| 1,125,000       | Marconi Corp., Plc, 7.75% due 09/15/10.....                                                                | 587,844   |
| 150,000         | Nextel Communications, Inc., 9.38% due<br>11/15/09.....                                                    | 116,250   |
| 170,000         | Northland Cable Television, 10.25% due<br>11/15/07.....                                                    | 130,900   |
| 250,000 (/1/)   | Triton PCS, Inc., 8.75% due 11/15/11<br>(Cost \$250,000 purchased on 11/07/01).....                        | 250,000   |
| 100,000         | Telewest Communications, Plc., 11.00% due<br>10/01/07.....                                                 | 103,500   |
| 350,000 (/1/)   | United Pan Europe, 11.25% due 02/01/10<br>(Cost \$336,361 purchased on 01/14/00).....                      | 56,000    |
| 190,000         | Versatel Telecom International, 13.25% due<br>05/15/08.....                                                | 66,500    |
| 250,000 (/1/)   | WCG Note Trust, 8.25% due 03/15/04<br>(Cost \$250,000 purchased on 03/22/01).....                          | 244,553   |
| 1,000,000       | WorldCom, Inc., 7.50% due 05/15/11.....                                                                    | 1,024,080 |
|                 |                                                                                                            | -----     |
|                 |                                                                                                            | 4,422,143 |
|                 |                                                                                                            | -----     |
|                 | UTILITIES - ELECTRIC - 9.99%                                                                               |           |
|                 | AES Corp.:                                                                                                 |           |
| 50,000          | 8.75% due 12/15/02.....                                                                                    | 49,250    |
| 150,000         | 8.75% due 06/15/08.....                                                                                    | 132,000   |
| 625,000         | AES Drax Energy, Ltd., 11.50% due 08/30/10....                                                             | 418,750   |
| 900,000         | Boston Edison., 8.25% due 09/15/22.....                                                                    | 924,615   |
| 200,000         | Calpine Canada, 8.50% due 05/01/08.....                                                                    | 182,925   |
| 865,000         | Commonwealth Edison, 8.38% due 09/15/22.....                                                               | 899,617   |
| 500,000 (/1/)   | Edison Mission Energy, 10.00% due 08/15/08<br>(Cost \$500,000 purchased on 08/07/01).....                  | 519,675   |
| 1,000,000 (/1/) | PSEG Energy Holdings, 8.50% due 06/15/11<br>(Cost \$998,230 purchased on 06/27/01).....                    | 981,650   |
| 600,000         | Toledo Edison MTNA, 9.22% due 12/15/21.....                                                                | 647,538   |
|                 |                                                                                                            | -----     |
|                 |                                                                                                            | 4,756,020 |
|                 |                                                                                                            | -----     |

See notes to financial statements.

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

December 31, 2001

| PAR VALUE,<br>WARRANTS,<br>OR SHARES<br>----- |                                                                                                                                                                                                                                            | MARKET VALUE<br>----- |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
|                                               | UTILITIES - 0.86%                                                                                                                                                                                                                          |                       |
|                                               | Amerigas Partner:                                                                                                                                                                                                                          |                       |
| \$ 100,000 (/1/)                              | 10.00% due 04/15/06 (Cost \$99,509<br>purchased on 03/28/01).....                                                                                                                                                                          | \$ 105,500            |
| 50,000 (/1/)                                  | 8.88% due 05/20/11 (Cost \$50,000<br>purchased on 08/16/01).....                                                                                                                                                                           | 52,000                |
| 100,000                                       | ESI Tractebel Acq Corp., 7.99% due<br>12/30/11.....                                                                                                                                                                                        | 100,700               |
| 200,000 (/1/)                                 | Northern Natural Gas Company, 6.75% due<br>09/15/08<br>(Cost \$173,075 purchased on 12/04/01)...                                                                                                                                           | 154,092               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               |                                                                                                                                                                                                                                            | 412,292               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | TOTAL CORPORATE BONDS                                                                                                                                                                                                                      |                       |
|                                               | (Cost \$49,442,703).....                                                                                                                                                                                                                   | 45,840,529            |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | PROMISSORY NOTE - 0.04%                                                                                                                                                                                                                    |                       |
|                                               | HEALTHCARE                                                                                                                                                                                                                                 |                       |
| 1,720,000 (/3/)                               | Kuala Healthcare, Inc., 6.00% due<br>08/31/03 (Cost \$1,668,400).....                                                                                                                                                                      | 17,200                |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | WARRANTS - 0.02%                                                                                                                                                                                                                           |                       |
| 1,500 (/1/)(/4/)                              | Ono Finance Plc., expiring 05/31/09 (Cost<br>\$0 purchased on 11/04/99).....                                                                                                                                                               | 7,500                 |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | PREFERRED STOCK - 1.06%                                                                                                                                                                                                                    |                       |
|                                               | BROADCASTING                                                                                                                                                                                                                               |                       |
| 3,500                                         | Adelphia Communications.....                                                                                                                                                                                                               | 353,500               |
| 1,500                                         | Sinclair Capital.....                                                                                                                                                                                                                      | 151,500               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | (Cost \$487,125).....                                                                                                                                                                                                                      | 505,000               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | SHORT TERM INVESTMENTS - 0.43%                                                                                                                                                                                                             |                       |
|                                               | REPURCHASE AGREEMENT                                                                                                                                                                                                                       |                       |
| 206,000                                       | State Street Bank, 1.65% dated 12/31/01,<br>to be repurchased at \$206,019 on<br>01/02/02, collateralized by<br>Federal Home Loan Mortgage Association<br>Note, 2.21%, 11/26/02, with a market<br>value of \$214,270 (Cost \$206,000)..... | 206,000               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | TOTAL INVESTMENTS - 97.94% (Cost<br>\$51,804,228).....                                                                                                                                                                                     | 46,576,229            |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | Other assets less liabilities - 2.06%....                                                                                                                                                                                                  | 978,289               |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | NET ASSETS - 100.00%.....                                                                                                                                                                                                                  | \$47,554,518          |
|                                               |                                                                                                                                                                                                                                            | -----                 |
|                                               | -----                                                                                                                                                                                                                                      |                       |
| (/1/)                                         | Securities exempt from registration under<br>Rule 144A of the Securities Act of 1933.                                                                                                                                                      |                       |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

These securities may be sold in transaction exempt from registration, normally to qualified institutional buyers. At the December 31, 2001. The aggregate value of these securities was \$8,913,413 representing 18.74% of net asset.

- (/2/) Security is a "step-up" bond where the coupon rate increase or steps up at a predetermined date. Rate shown reflects the increased rate.
- (/3/) Non-income producing--issuer filed for protection under Federal Bankruptcy Code or is in default of interest payments.
- (/4/) Non-income producing security

See notes to financial statements.

-  
9

-----  
Statement of Assets and Liabilities (Unaudited)

December 31, 2001

ASSETS

|                                            |              |
|--------------------------------------------|--------------|
| Investments at market (See Note 1):        |              |
| (Cost \$51,598,228).....                   | \$46,370,229 |
| Repurchase agreement (Cost \$206,000)..... | 206,000      |
| Cash.....                                  | 749          |
| Dividend and interest receivable.....      | 1,199,766    |
| Other assets.....                          | 95,508       |
|                                            | -----        |
| TOTAL ASSETS.....                          | 47,872,252   |
|                                            | -----        |

LIABILITIES

|                                       |         |
|---------------------------------------|---------|
| Directors' deferred compensation..... | 189,618 |
| Legal & audit fees.....               | 31,469  |
| Transfer agent fees.....              | 9,100   |
| Report to shareholders.....           | 29,000  |
| Payable to affiliates:                |         |
| Advisory fees.....                    | 27,311  |
| Accounting services.....              | 12,500  |
| Other liabilities.....                | 18,736  |
|                                       | -----   |
| TOTAL LIABILITIES.....                | 317,734 |
|                                       | -----   |

|                                                                                  |              |
|----------------------------------------------------------------------------------|--------------|
| NET ASSETS (equivalent to \$8.40 per share on 5,663,892 shares outstanding)..... | \$47,554,518 |
|                                                                                  | -----        |

NET ASSETS REPRESENTED BY:

|                                                                   |              |
|-------------------------------------------------------------------|--------------|
| Common stock, \$1.00 par value                                    |              |
| (10,000,000 shares authorized; 5,663,892 shares outstanding)..... | \$ 5,663,892 |
| Additional paid in capital.....                                   | 52,577,714   |
| Accumulated net realized loss on investments.....                 | (6,163,158)  |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|                                             |              |
|---------------------------------------------|--------------|
| Undistributed net investment income.....    | 704,069      |
| Unrealized depreciation on investments..... | (5,227,999)  |
|                                             | -----        |
| NET ASSETS.....                             | \$47,554,518 |
|                                             | -----        |

See notes to financial statements.

--  
10

-----  
Statement of Operations (Unaudited)

For the Six Months Ended December 31, 2001

INVESTMENT INCOME:

|                |              |
|----------------|--------------|
| Interest.....  | \$ 2,590,811 |
| Dividends..... | 31,469       |
|                | -----        |
|                | 2,622,280    |
|                | -----        |

EXPENSES:

|                                                   |         |
|---------------------------------------------------|---------|
| Advisory fees.....                                | 172,491 |
| Legal & audit fees.....                           | 83,057  |
| Transfer agent fees and expenses.....             | 20,693  |
| Treasury and secretarial services.....            | 25,000  |
| Directors' fees.....                              | 31,706  |
| Report to shareholders.....                       | 8,344   |
| New York Stock Exchange listing fees.....         | 10,314  |
| Interest on Directors' deferred compensation..... | 5,336   |
| Custodian fees.....                               | 1,369   |
| Proxy expenses.....                               | 116,481 |
| Miscellaneous.....                                | 5,974   |
|                                                   | -----   |
| Total expenses.....                               | 480,765 |
|                                                   | -----   |

NET INVESTMENT INCOME..... 2,141,515

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:

|                                                 |             |
|-------------------------------------------------|-------------|
| Net realized loss on investments.....           | (1,571,778) |
| Net unrealized depreciation on investments..... | (79,476)    |
|                                                 | -----       |

Net realized and unrealized loss on investments..... (1,651,254)

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS..... \$ 490,261

-----  
Statement of Changes in Net Assets (Unaudited)

Six Months Ended Year Ended

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|                                                                                                             | December 31,<br>2001 | June 30,<br>2001 |
|-------------------------------------------------------------------------------------------------------------|----------------------|------------------|
|                                                                                                             | -----                | -----            |
| OPERATIONS:                                                                                                 |                      |                  |
| Net investment income.....                                                                                  | \$ 2,141,515         | \$ 3,994,351     |
| Net realized loss on investments.....                                                                       | (1,571,778)          | (2,913,272)      |
| Net unrealized appreciation (depreciation) on investments.....                                              | (79,476)             | 1,152,798        |
|                                                                                                             | -----                | -----            |
| Increase in net assets resulting from operations.....                                                       | 490,261              | 2,233,877        |
|                                                                                                             | -----                | -----            |
| DISTRIBUTIONS TO SHAREHOLDERS FROM:                                                                         |                      |                  |
| Net investment income.....                                                                                  | (1,925,723)          | (4,010,505)      |
|                                                                                                             | -----                | -----            |
| Capital Stock Transactions:                                                                                 |                      |                  |
| Proceeds from capital stock issued for distributions reinvested.....                                        | --                   | 175,683          |
|                                                                                                             | -----                | -----            |
| TOTAL DECREASE IN NET ASSETS.....                                                                           | (1,435,462)          | (1,600,945)      |
|                                                                                                             | -----                | -----            |
| NET ASSETS:                                                                                                 |                      |                  |
| Beginning of period.....                                                                                    | 48,989,980           | 50,590,925       |
|                                                                                                             | -----                | -----            |
| End of period (including undistributed net investment income of \$704,069 and \$488,277, respectively)..... | \$47,554,518         | \$48,989,980     |
|                                                                                                             | -----                | -----            |

See notes to financial statements.

--  
11

-----  
Financial Highlights (Unaudited)

Per share data is for a share of common stock outstanding throughout the period. Total return includes reinvestment of dividends.

| Per Share Data                                             | Six Months Ended<br>December 31, |         | Year Ended June 30, |          |          |         |
|------------------------------------------------------------|----------------------------------|---------|---------------------|----------|----------|---------|
|                                                            | 2001                             | 2001    | 2000                | 1999     | 1998     | 1997    |
|                                                            | -----                            | -----   | -----               | -----    | -----    | -----   |
| Net asset value at beginning of period...                  | \$ 8.65                          | \$ 8.96 | \$ 10.07            | \$ 10.75 | \$ 10.17 | \$ 9.62 |
|                                                            | -----                            | -----   | -----               | -----    | -----    | -----   |
| Income (loss) from investment operations:                  |                                  |         |                     |          |          |         |
| Net investment income.....                                 | 0.38                             | 0.70    | 0.67                | 0.78     | 0.75     | 0.73    |
| Net realized and unrealized gain (loss) on securities..... | (0.29)                           | (0.31)  | (1.02)              | (0.70)   | 0.59     | 0.62    |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

|                                                            |              |          |          |          |          |          |
|------------------------------------------------------------|--------------|----------|----------|----------|----------|----------|
| Total income (loss) from investment operations.....        | 0.09         | 0.39     | (0.35)   | 0.08     | 1.34     | 1.35     |
| Distributions from net investment income.....              | (0.34)       | (0.70)   | (0.76)   | (0.76)   | (0.76)   | (0.80)   |
| Net asset value, end of period.....                        | \$ 8.40      | \$ 8.65  | \$ 8.96  | \$ 10.07 | \$ 10.75 | \$ 10.17 |
| Market value, end of period.....                           | \$ 7.74      | \$ 8.50  | \$ 8.25  | \$ 9.63  | \$ 9.63  | \$ 9.13  |
| Total return*:<br>Based on market value..                  | (5.33%)      | 11.77%   | (6.81%)  | 7.85%    | 14.01%   | 10.48%   |
| Based on net asset value.....                              | 1.00%        | 4.41%    | (3.70%)  | 0.64%    | 13.57%   | 15.19%   |
| Ratios and supplemental data:                              |              |          |          |          |          |          |
| Ratio of expenses to average net assets....                | 1.97%(/1/)** | 1.82%**  | 2.51%**  | 1.12%    | 1.12%    | 1.19%    |
| Ratio of net investment income to average net assets.....  | 8.80%(/1/)   | 8.03%    | 7.08%    | 7.46%    | 7.11%    | 7.43%    |
| Portfolio turnover rate.....                               | 8%           | 83%      | 53%      | 58%      | 73%      | 26%      |
| Number of shares outstanding at end of period (000's)..... | 5,664        | 5,664    | 5,644    | 5,644    | 5,644    | 5,644    |
| Net assets, end of period (000's).....                     | \$47,555     | \$48,990 | \$50,591 | \$56,841 | \$60,670 | \$57,417 |

\* Total returns reflect the change in net asset value or market value at the end of each period, assuming that dividends and capital gains distributions, if any, were reinvested in accordance with the Automatic Dividend Investment Plan available to shareholders. Total returns based on net asset value may not be representative of a shareholder's actual total return due to the difference between the net asset value and the current market value of a share as traded on the New York Stock Exchange.

\*\* For the six months ended December 31, 2001 and the years ended June 30, 2001 and 2000, the ratio of expenses to average net assets excluding the costs attributable to a proxy contest and related matters was 1.50%(/1/), 1.26% and 1.55%, respectively.

(/1/) Annualized

--  
12

Notes to Financial Statements (Unaudited)

Note 1 - Significant Accounting Policies

USLIFE Income Fund, Inc. (the "Fund") is registered under the Investment

## Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

Company Act of 1940, as amended, as a closed end diversified management investment company. The Fund's investment objective is to provide a high level of current income through a diversified portfolio composed predominantly of marketable fixed-income securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP requires management to make estimates and assumptions that affect the reported amounts of 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. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

### A. Investment Valuation

Listed securities are valued at the last reported sale price on the principal exchange on which the security is traded. In the absence of any sales that day, securities are valued at the last reported bid price, or based on a matrix system which utilizes information (such as credit ratings, yields and maturities) from independent sources. Securities may also be priced by an independent pricing service. Short-term debt securities for which market quotations are readily available are valued at the last reported bid price. However, short-term securities with a remaining maturity of 60 days or less are valued by the amortized cost method which approximates fair market value. Investments for which market quotations are not readily available are valued at fair value as determined in good faith by, or under authority delegated by the Fund's Board of Directors.

### B. Repurchase Agreements

The Fund may acquire securities subject to repurchase agreements. Under a typical repurchase agreement, the Fund would acquire a debt security for a relatively short period (usually for one day and not more than one week) subject to an obligation of the seller to repurchase and of the Fund to resell the debt security at an agreed-upon higher price, thereby establishing a fixed investment return during the Fund's holding period. Under each repurchase agreement, the Fund receives, as collateral, securities whose market value is at least equal to the repurchase price.

### C. Federal Income Taxes

The Fund intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code and to distribute all of its taxable net investment income and taxable net realized capital gains, in excess of any available capital loss carryovers. Therefore, no Federal income tax provision is required. At December 31, 2001, the Fund had a net capital loss carry forward of approximately \$2.0 million expiring through June 30, 2009.

### D. Investment Transactions and Related Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses are determined on the basis of identified cost. Dividend income, if any, is recorded on the ex-dividend date. Coupon interest income on investments is accrued daily. Prior to July 1, 2001, the Fund did not accrete discounts or amortize premiums for financial reporting purposes. Based on securities held in the Fund on July 1, 2001, the cumulative effect of this accounting change had no impact on total net assets of the Fund, but resulted in an adjustment of \$202,496 to the cost of investment securities. The Statement of Changes in Net Assets and Financial Highlights for prior periods presented have not been restated to reflect this change in presentation. The effect of the change for the period ended December 31, 2001, is an increase in net investment income of

--

---

Notes to Financial Statements (Unaudited) - continued

\$128,836 and an offsetting increase to unrealized appreciation (depreciation) of \$113,062 and net realized gain (loss) on investments of \$15,774.

E. Distribution to Shareholders

Distributions to shareholders are recorded on the ex-dividend date.

Dividends from net investment income, if any, are declared and paid quarterly. Distributions from net realized capital gains, if any, are normally declared and paid annually.

Investment income and capital gains and losses are recognized in accordance with GAAP. Distributions from net investment income and realized capital gains are based on earnings as determined in accordance with Federal tax regulations which may differ from book basis earnings. These differences are primarily due to differing treatments for capital loss carryforwards, deferral of wash sales, interest on defaulted bonds, interest on directors deferred compensation and post-October capital losses.

At the end of the year, offsetting adjustments to undistributed net investment income, additional paid in capital and accumulated net realized gains (losses) are made to eliminate permanent book/tax differences arising in the current year.

Note 2 - Advisory Fees and Other Transactions with Affiliates

On September 24, 1997, the shareholders of the Fund approved an investment advisory agreement with The Variable Annuity Life Insurance Company ("VALIC"). VALIC is an indirect wholly-owned subsidiary of American International Group, Inc. Certain officers and directors of the Fund are officers and directors of VALIC or affiliates of VALIC. VALIC receives a monthly fee equal to the sum of: a) 0.04167% of the Fund's adjusted net assets (month end net assets, less net investment income for the month); and b) 2.50% of the Fund's net investment income, minus interest on borrowed funds during the month. For the period ended December 31, 2001, the Fund paid VALIC \$172,491 for providing advisory services.

In accordance with the investment advisory agreement, the Fund reimburses VALIC for services performed on behalf of the Fund by the Secretary and the Treasurer and personnel operating under their direction. For the period ended December 31, 2001, the Fund paid VALIC \$25,000 for providing these services.

At December 31, 2001, the Fund had a deferred compensation liability to a former Director of the Fund which totaled \$189,618, including accrued interest payable by the Fund.

Note 3 - Investment Activity

At December 31, 2001, the identified cost of investments for Federal income tax purposes was \$51,859,798 resulting in gross unrealized appreciation of \$1,526,214, gross unrealized depreciation of \$6,809,783, and net unrealized depreciation of \$5,283,569.

For the period ended December 31, 2001, purchases and sales of investments, other than short-term investments, aggregated \$4,143,870 and \$4,021,271, respectively.

--



-----  
Notes to Financial Statements (Unaudited) - continued

Note 4 - Quarterly Results of Operations

For the six months ended December 31, 2001 and the year ended June 30, 2001

(000's omitted except for per share data):

|                                                               | 2001         |         | 2000         |          | 2001         |         |
|---------------------------------------------------------------|--------------|---------|--------------|----------|--------------|---------|
|                                                               | Three Months |         | Three Months |          | Three Months |         |
|                                                               | Ended        |         | Ended        |          | Ended        |         |
|                                                               | Sept.        | Dec.    | Sept.        | Dec.     | Mar.         | Jun.    |
| Investment income.....                                        | \$ 1,419     | \$1,203 | \$1,265      | \$ 1,339 | \$1,146      | \$1,151 |
| Net investment income.....                                    | 1,232        | 910     | 1,027        | 1,059    | 928          | 980     |
| Net realized and unrealized<br>gain (loss) on securities..... | (1,282)      | (369)   | 312          | (3,147)  | 1,689        | (614)   |
| Per share of common stock:                                    |              |         |              |          |              |         |
| Net investment income.....                                    | 0.22         | 0.16    | 0.18         | 0.19     | 0.16         | 0.17    |
| Net realized and unrealized<br>gain (loss) on securities...   | (0.23)       | (0.06)  | 0.06         | (0.56)   | 0.30         | (0.11)  |
| Net asset value at end of quar-<br>ter.....                   | \$ 8.47      | \$ 8.40 | \$ 9.02      | \$ 8.47  | \$ 8.75      | \$ 8.65 |

--  
15

-----  
USLIFE INCOME FUND, INC.  
Supplementary Information

Annual Meeting of Shareholders

The Annual Meeting of Shareholders of the Fund was held on October 30, 2001. Shareholders of the Fund voted on the election of three directors to hold office until their successors are elected and a proposal to approve a new investment advisory agreement between The Variable Annuity Life Insurance Company ("VALIC") and the Fund. The results of the proposals voted on by shareholders of the Fund were as follows:

Election of three directors to the Board.

|                           | In Favor  | Withheld  |
|---------------------------|-----------|-----------|
| Dr. Judith L. Craven..... | 3,189,228 | 1,908,815 |
| Dr. Norman Hackerman..... | 3,177,391 | 1,920,652 |
| Ben H. Love.....          | 3,189,360 | 1,908,683 |

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

Proposal to approve a new investment advisory agreement between VALIC and the Fund.

| For       | Against   | Abstain |
|-----------|-----------|---------|
| -----     | -----     | -----   |
| 1,095,085 | 2,522,617 | 106,135 |

Special Meeting of Shareholders

A Special Meeting of Shareholders of the Fund was held on January 23, 2002. At this meeting, Alfred G. Aldridge, Jr., Richard I. Barr, Susan L. Ciciora, Joel W. Looney and Stephen C. Miller were elected to the Fund's Board of Directors. Following the election of the five new Directors, the Fund accepted the resignations of Benjamin Love, Timothy Ebner and Gustavo Gonzales as Directors of the Fund and approved a decrease in the number of Directors of the Fund to five.

The Fund also accepted the resignations of the previous Officers of the Fund, VALIC as investment adviser to the Fund and Ernst & Young, LLP, as external auditors to the Fund. Subsequently, the Board appointed Stephen C. Miller as President, Chairman of the Board, and Chief Executive Officer, Carl D. Johns as Chief Financial Officer, Chief Accounting Officer, Vice President and Treasurer, Stephanie J. Kelley as Secretary, and Nicole L. Murphey as Assistant Secretary.

In response to VALIC's resignation, the Board further approved Fund Administrative Services, LLC ("FAS") as administrator to the Fund and Boulder Investment Advisers, LLC ("BIA") and Stewart Investment Advisers ("SIA") as investment advisers to the Fund. BIA and SIA will serve as interim investment advisers until such time as shareholders consider an ongoing investment advisory contract. FAS will provide the principal offices of the Fund and perform certain internal administrative and oversight services to the Fund.

--  
16

-----

AUTOMATIC DIVIDEND INVESTMENT PLAN

Shareholders may elect to enroll in the Fund's Automatic Dividend Investment Plan ("Plan"). All distributions of the Fund's net investment income and net realized short-term and long-term capital gains, if any, will automatically be received or invested in shares of the Fund's common stock at their net asset value or market price plus the cost of brokerage commissions, whichever is lower. Shares will be held by Chase Manhattan Bank, the Plan agent, in an account for each participant in non-certificated form. Participation in the Plan will not relieve participants of any capital gains or income tax payable on dividends or distributions reinvested under the Plan. Participation in the Plan can be terminated at any time up to the next dividend record date by writing to Mellon Investor Services, L.L.C., the Shareholder Servicing Agent for the Fund. Upon termination, stock certificates for full shares will be issued to the participant or, at the participant's direction, sold at the current market price. Any fractional shares at the time of termination will be converted to cash at the current market price. A check for the proceeds, less brokerage commissions and any other costs of sale, will be sent to the

Edgar Filing: USLIFE INCOME FUND INC - Form N-30D

participant. For additional information on the Plan, please write:

Mellon Investor Services, L.L.C.  
85 Challenger Road, Overpeck Center  
Ridgefield Park, NJ 07660  
or call 1-800-526-0801.

--  
17

-----  
[This Page Intentionally Left Blank]  
-----

BOARD OF DIRECTORS (As of 12/31/2001\*)

Timothy J. Ebner  
Gustavo E. Gonzales, Jr.  
Ben H. Love

OFFICERS (As of 12/31/2001\*)

Steven Guterman, Vice President and Senior Investment Officer  
Nori L. Gabert, Vice President and Secretary  
Gregory R. Kingston, Treasurer  
Todd L. Spillane, Chief Compliance Officer  
Katherine Stoner, Assistant Secretary  
Kathryn A. Pearce, Assistant Treasurer  
Donald H. Guire, Assistant Treasurer

INVESTMENT ADVISOR (As of 12/31/2001\*)

The Variable Annuity Life Insurance Company (VALIC)  
2929 Allen Parkway  
Houston, TX 77019

SHAREHOLDER SERVICE AGENT

Mellon Investor Services, L.L.C.  
85 Challenger Road  
Overpeck Center  
Ridgefield Park, NJ 07660

CUSTODIAN

State Street Bank and Trust Company  
225 Franklin Street  
Boston, MA 02110

INDEPENDENT AUDITORS As of (12/31/2001\*)

Ernst & Young LLP  
1221 McKinney Street  
Houston, TX 77010

\* See Supplemental Information

[American General Logo]

The Variable Annuity Life Insurance Company (VALIC)  
2929 Allen Parkway . Houston, TX 77019

VA 10643 VER 12/31/2001

USLIFE Income  
Fund, Inc.

Semi-Annual  
Report

December 31, 2001