

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

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Stephen C. Miller, President

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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 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 02/01/08.....	373,750

	AUTO - ORIGINAL EQUIPMENT - 0.74%	
350,000	Dunlop Standard Aero Holdings, 11.88% due 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 (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 12/15/26.....	1,501,575

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	BROADCASTING - 2.97%	
500,000	Charter Communications Holding, 10.75% due 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 09/15/07.....	420,000
150,000 (/1/)	Salem Communications Holding Corp., 9.00% due 07/01/11 (Cost \$150,000 purchased on 06/20/01).....	155,063
100,000	Sinclair Broadcast Group, Inc., 9.00% due 07/15/07.....	100,500

		1,412,563

See notes to financial statements.

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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 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 (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

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	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 (Cost \$350,000 purchased on 07/18/01).....	364,000
350,000 (/1/)	Callahan Nordrhein-Westfalen, 14.00% due 07/15/10 (Cost \$319,620 purchased on 07/25/01- 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 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 05/01/05.....	425,000

		1,565,200

See notes to financial statements.

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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 (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 (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 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 (Cost \$177,223 purchased on 07/12/99 & 06/19/01).....	189,438

	HEALTHCARE - 1.85%	
200,000	HealthSouth Corp., 10.75% due 10/01/08.....	219,750

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160,000	Iasis Healthcare Corp., 13.00% due 10/15/09...	172,800
500,000	Universal Hospital Services, 10.25% due 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 10/01/07.....	150,000

	INFORMATION PROCESSING - DATA SERVICES - 1.45%	
500,000	Citizens Communications, Inc., 8.50% due 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 (Cost \$200,000 purchased on 06/22/01).....	219,500

		259,500

See notes to financial statements.

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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 (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:	

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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 11/30/04.....	110,500

		479,750

	MACHINERY - INDUSTRIAL/SPECIALTY - 0.06%	
60,000	Park-Ohio Industries, Inc., 9.25% due 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.: 11.25% due 07/01/08 (Cost \$200,000 purchased 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.

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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 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	

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	(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 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 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.

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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 (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 (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

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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 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 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 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 12/15/07.....	51,769
200,000	Tricon Global Restaurants, Inc., 8.88% due 04/15/11.....	212,000

		263,769

See notes to financial statements.

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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 (Cost \$1,246,174 purchased on 07/10/97).....	\$1,198,392
250,000	Western Financial Savings, 8.88% due 08/01/07.....	230,720

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		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 (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 (Cost \$206,239 & \$53,769 purchased on 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 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 11/15/09.....	116,250
170,000	Northland Cable Television, 10.25% due 11/15/07.....	130,900
250,000 (/1/)	Triton PCS, Inc., 8.75% due 11/15/11 (Cost \$250,000 purchased on 11/07/01).....	250,000
100,000	Telewest Communications, Plc., 11.00% due 10/01/07.....	103,500
350,000 (/1/)	United Pan Europe, 11.25% due 02/01/10 (Cost \$336,361 purchased on 01/14/00).....	56,000
190,000	Versatel Telecom International, 13.25% due 05/15/08.....	66,500
250,000 (/1/)	WCG Note Trust, 8.25% due 03/15/04 (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 (Cost \$500,000 purchased on 08/07/01).....	519,675
1,000,000 (/1/)	PSEG Energy Holdings, 8.50% due 06/15/11 (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.

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December 31, 2001

PAR VALUE, WARRANTS, OR SHARES -----		MARKET VALUE -----
	UTILITIES - 0.86%	
	Amerigas Partner:	
\$ 100,000 (/1/)	10.00% due 04/15/06 (Cost \$99,509 purchased on 03/28/01).....	\$ 105,500
50,000 (/1/)	8.88% due 05/20/11 (Cost \$50,000 purchased on 08/16/01).....	52,000
100,000	ESI Tractebel Acq Corp., 7.99% due 12/30/11.....	100,700
200,000 (/1/)	Northern Natural Gas Company, 6.75% due 09/15/08 (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 08/31/03 (Cost \$1,668,400).....	17,200

	WARRANTS - 0.02%	
1,500 (/1/)(/4/)	Ono Finance Plc., expiring 05/31/09 (Cost \$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
		----- 505,000 -----
	SHORT TERM INVESTMENTS - 0.43%	
	REPURCHASE AGREEMENT	
206,000	State Street Bank, 1.65% dated 12/31/01, to be repurchased at \$206,019 on 01/02/02, collateralized by Federal Home Loan Mortgage Association Note, 2.21%, 11/26/02, with a market value of \$214,270 (Cost \$206,000).....	206,000

	TOTAL INVESTMENTS - 97.94% (Cost \$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 Rule 144A of the Securities Act of 1933.

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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.

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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)

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Undistributed net investment income.....	704,069
Unrealized depreciation on investments.....	(5,227,999)

NET ASSETS.....	\$47,554,518

See notes to financial statements.

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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

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	December 31, 2001	June 30, 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.

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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 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

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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*: 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

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12

Notes to Financial Statements (Unaudited)

Note 1 - Significant Accounting Policies

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

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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

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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.

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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 Ended		Three Months 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 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 gain (loss) on securities...	(0.23)	(0.06)	0.06	(0.56)	0.30	(0.11)
Net asset value at end of quarter.....	\$ 8.47	\$ 8.40	\$ 9.02	\$ 8.47	\$ 8.75	\$ 8.65

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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

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

For	Against	Abstain	Br Non
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1,095,085	2,522,617	106,135	1,3

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.

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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

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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.

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17

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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