

INVESTMENT GRADE MUNICIPAL INCOME FUND  
Form N-30D  
May 31, 2002

[GRAPHIC OMITTED]

Investment Grade Municipal Income Fund Inc.

Semiannual Report

March 31, 2002

Investment Grade Municipal Income Fund Inc.

May 15, 2002

Dear Shareholder,

We present you with the semiannual report for Investment Grade Municipal Income Fund Inc. for the six months ended March 31, 2002.

Q. HOW DID THE FUND PERFORM DURING THE PERIOD RELATIVE TO ITS PEERS?

A. For the six months ended March 31, 2002, the Fund's net asset value grew 0.5% and its market price increased 0.6%, outperforming its competitors, measured by the Lipper General Municipal Debt Fund (Leveraged) Median. The Lipper Median's net asset value declined 0.7% and its market price advanced

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

0.4%. The Fund's relatively short average duration compared to its peers was the primary factor that helped it to outperform its benchmark.

### Q. WHAT ECONOMIC FACTORS AFFECTED FUND PERFORMANCE?

A. The Federal Reserve's (The "Fed") unprecedented 11 fed funds rate cuts totaling 4.75% in 2001 depressed bond yields during the period. Optimism was the watchword at the start of 2002 as a series of positive economic indicators pointed toward a sustained economic recovery. The business activity index released in February by the Institute for Supply Management (ISM), a group of purchasing managers, rose above 50-signifying expansion for the first time in 18 months. Since then, the ISM index has posted scores of 55.6 in March and 53.9 post-period in April.

The nation's economic output also grew rapidly during the first quarter at a rate of 5.8%, after a growth rate of 1.7% in the fourth quarter of 2001 and a contraction of 1.3% in the third quarter of 2001 during the depth of the recession. During this time, the Fed adopted a neutral bias from its former easing stance.

However, unemployment remained stubbornly high, climbing to 6.0% post-period after reaching 5.7% in March. Additionally, the equity markets struggled again after a brief rally at the beginning of the year. A spate of companies questioned about their accounting and reporting practices did little to ease investors' fears.

-----  
UBS Global Asset Management

1

Investment Grade Municipal  
Income Fund Inc.

INVESTMENT GRADE MUNICIPAL  
INCOME FUND INC.

INVESTMENT GOAL:  
High level of current income  
exempt from federal income  
tax, consistent with  
preservation of capital

PORTFOLIO MANAGER:  
William Veronda  
UBS Global Asset  
Management (US) Inc.\*

COMMENCEMENT:  
November 6, 1992

NYSE SYMBOL:  
PPM  
DIVIDEND PAYMENTS:  
Monthly

\* Effective April 8, 2002, Brinson Advisors, Inc. was renamed UBS Global Asset Management (US) Inc. Mr. Veronda assumed management responsibility of the Fund effective May 20, 2002.

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Q. WHAT MARKET FACTORS AFFECTED THE INVESTMENT GRADE MUNICIPAL FUND DURING THE PERIOD?

A. Undoubtedly, The Fed's easing had the greatest effect on performance. However, the municipal market outperformed the taxable fixed income market despite a glut of new supply issued during the first quarter of 2002. The Fed's change from an easing to a neutral bias in March 2002 also helped to flatten the Treasury yield curve late in the period. At its peak in September, the yield curve was 269 points-the steepest curve since 1993. Since then, the yield curve has fallen to 235 points in March 2002.

Q. WHICH STRATEGIES HELPED OR HINDERED FUND PERFORMANCE DURING THE PERIOD?

A. The best performing point on the short end of the curve was at five years, with issues in this maturity range also quickly giving us the leverage to reposition when opportunities presented themselves. As a result, the weighted-average duration for the Fund was 4.80 years, although we have been increasing duration since late in the reporting period as the yield curve has flattened. We have combined our focus on the short end with a focus on the 15-year range, giving the portfolio a barbell-shaped structure. This strategy has allowed us to capture favorable returns at both ends of the spectrum.

Security selection also helped performance during the period. The September 11 terrorist attacks knocked out bond broking giant Cantor Fitzgerald, which virtually halted liquidity. In the succeeding weeks, travel industry sectors such as airlines, airports and hotels were severely affected. We were underweighted in these sectors during this time.

-----  
2

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Q. TO ILLUSTRATE YOUR INVESTMENT STRATEGIES, PLEASE PROVIDE DETAILS FOR TWO OR THREE HOLDINGS THAT YOU BOUGHT OR SOLD DURING THIS REPORTING PERIOD?

A. Buy and sell activity was slow during the period, as we attempted to forestall capital gains where we could. We did buy \$2.825 million in bonds from Fort Worth (Texas) Water and Sewer at 5.625% (matures in 2016). We also bought \$3.305 million in Indiana Transportation Finance Authority bonds due November 2012, as well as a 30-year, \$2.250 non-callable bond from the Massachusetts State Health and Education Facility Financing Authority. Both bonds had a 5.5% coupon.\*

Q. LASTLY, WHAT IS YOUR SHORT-TERM AND LONG-TERM OUTLOOK FOR THE MARKET?

A. We anticipate staying relatively short to our benchmark and peers on average duration, while we will continue to employ a barbell strategy. With good value at the 12- to 17-year range of the yield curve, we will also look for opportunities in this area.

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

We will continue to stress the more premium-structured defensive bonds, as worries about credit quality will continue throughout the year. During the period, we were overweighted in the essential revenue, general obligation and education sectors. In the coming months, we will continue our overweight in at least two of these three sectors-essential revenue and education. We will monitor the general obligation area, where we anticipate weaker credit quality as states, such as California, and even cities, such as New York, see their credit ratings downgraded. We anticipate debt from North Carolina and Georgia to remain quality opportunities.

\* Weightings represent percentages of net assets as of the dates indicated. As of March 31, 2002, Fort Worth (Texas) Water and Sewer, Indiana Transportation Finance Authority and Massachusetts State Health and Education Facility Financing Authority represented 1.8%, 4.2% and 1.4% of net assets, respectively. The Fund's portfolio is actively managed and its composition will vary over time.

-----  
UBS Global Asset Management

3

Investment Grade Municipal Income Fund Inc.

Portfolio Review

AVERAGE ANNUAL RETURNS,  
PERIODS ENDED 3/31/02

NET ASSET VALUE RETURNS	FUND	LIPPER MEDIAN (1)
6 Months	0.45%	-0.70%
1 Year	3.95	3.28
5 Years	5.56	6.18
Since Inception 11/6/92	6.47	6.84

MARKET PRICE RETURNS	FUND	LIPPER MEDIAN (1)
6 Months	0.62%	0.43%

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

1 Year	6.36	5.68
5 Years	8.43	6.19
Since Inception 11/6/92	6.66	6.30

## 1. Lipper General Municipal Debt Funds (Leveraged) Median

Inception returns for Lipper Median are shown as of nearest month-end of the Fund's inception: October 31, 1992. Past performance is no guarantee of future results. The Fund's share price and investment return will vary so that an investor's shares may be worth more or less than their original cost. NAV and market price returns for periods of less than one year are not annualized. NAV return assumes, for illustration only, that dividends were reinvested at the net asset value on the ex-dividend dates.

### SHARE PRICE, DIVIDEND AND YIELD 3/31/02

Market Price	\$ 15.00
Net Asset Value	\$ 15.74
12-Mo. Dividend (ended 3/31/02)	\$ 0.900
March 2002 Dividend	\$ 0.075
Market Yield	6.40 %
NAV Yield	6.10 %
IPO Yield	6.40 %

Market yield is calculated by multiplying the March dividend by 12 and dividing by the month-end market price. NAV yield is calculated by multiplying the month-end dividend by 12 and dividing by the month-end net asset value. IPO yield is calculated by multiplying the month-end dividend by 12 and dividing by the initial public offering price. Prices and yields will vary.

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

CHARACTERISTICS*	3/31/02	9/30/01
Net Assets (\$mm)	\$ 162.9	\$ 167.3
Weighted Avg Maturity	14.1 yrs	14.1 yrs
Weighted Avg Duration	4.8 yrs	3.8 yrs
Weighted Avg Coupon	6.0%	6.1%
AMT Paper	0%	0%
Leverage**	32.9%	32.4%
Callable/Maturing Within Five Years	16.4%	33.7%
Callable/Maturing Beyond Five Years	83.6%	77.2%
CREDIT QUALITY*	3/31/02	9/30/01
AAA/Aaa	72.8%	69.0%
AA/Aa	34.0	36.1
A/A	13.7	12.1
BBB/Baa	13.7	12.4
BB/Ba	0.6	0.0
Nonrated	13.1	13.9
Liabilities in Excess of Cash and Other Assets	(47.9)	(43.5)
TOTAL	100.0%	100.0%
TOP TEN STATES*	3/31/02	9/30/01
Texas	30.2%	Texas 32.8%
Indiana	15.1	Illinois 14.0
Illinois	14.0	Indiana 13.7
New York	9.9	New York 13.2
Washington	6.6	Wisconsin 7.4
California	5.9	Virginia 6.3
North Carolina	5.6	Pennsylvania 6.1
Colorado	5.4	California 6.0
Connecticut	5.4	Colorado 5.4
Kentucky	4.9	Connecticut 5.4

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

TOTAL	103.0%	TOTAL	110.3%
-----			
TOP FIVE SECTORS*	3/31/02		9/30/01
-----			
Water	20.6%	Water	24.8%
-----			
Lease	20.4	Hospital	20.1
-----			
Power	14.8	Power	19.1
-----			
Hospital	14.8	Lease	16.6
-----			
Housing	9.5	Housing	9.3
-----			
TOTAL	80.1%	TOTAL	89.9%
-----			

\* Weightings represent percentages of net assets applicable to common shareholders as of the dates indicated. The Fund's portfolio is actively managed and its composition will vary over time.

\*\* As a percentage of net assets.

-----  
UBS Global Asset Management

5

Investment Grade Municipal Income Fund Inc.

Our ultimate objective in managing your investments is to help you successfully meet your financial goals. We thank you for your continued support and welcome any comments or questions you may have. For additional information on the UBS Funds,<sup>1</sup> please contact your financial advisor or visit us at [www.ubs.com](http://www.ubs.com).

Sincerely,

/s/ Brian M. Storms  
-----

Brian M. Storms  
President  
Investment Grade Municipal Income Fund Inc.  
President and Chief Operating Officer  
UBS Global Asset Management (US) Inc.

/s/ William W. Veronda  
-----

William Veronda  
Portfolio Manager  
Investment Grade Municipal Income Fund Inc.  
Executive Director  
UBS Global Asset Management (US) Inc.

This letter is intended to assist shareholders in understanding how the Fund performed during the six months ended March 31, 2002, and reflects our views at the time of its writing. Of course, these views may change in response to

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

changing circumstances. We encourage you to consult your financial advisor regarding your personal investment program.

1. Mutual funds are sold by prospectus only. The prospectuses for the funds contain more complete information regarding risks, changes and expenses, and should be read carefully before investing.

6

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - March 31, 2002 (unaudited)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	
LONG-TERM MUNICIPAL BONDS - 146.28%						
ALABAMA - 2.80%						
\$ 4,600	Jefferson-County Sewer Revenue-Series A (FGIC Insured)	Aaa	AAA	02/01/27	5.375%	\$ 4
ARIZONA - 0.64%						
1,000	Scottsdale Municipal Property Corp. Excise Tax Revenue (a)	Aa1	AA+	07/01/06	5.500	1
ARKANSAS - 1.13%						
1,855	Little Rock Capital Improvement Revenue Parks & Recreation Projects-Series A	NR	NR	01/01/18	5.700	1
CALIFORNIA - 5.92%						
1,000	California Educational Facilities Authority-L.A. College of Chiropractic Medicine	Ba1	NR	11/01/17	5.600	
3,000	California Statewide Communities Development Authority Irvine Apartment Communities Series A-3	Baa2	BBB	05/17/10+	5.100	
2,150	Fontana Redevelopment Agency Tax Allocation					

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	Jurupa Hills Redevelopment Project A	NR	BBB+	10/01/17	5.500	2
3,500	Metropolitan Water District of Southern California Waterworks Series A	Aaa	AAA	03/01/18	5.250	3
COLORADO - 5.39%						
5,950	Arapahoe County Capital Improvement Trust Fund Highway Revenue (Pre-refunded with U.S. Government Securities to 08/31/05 @ 103)	Aaa	AAA	08/31/26	7.000	6
2,000	University of Colorado Participation Interests	NR	A-	12/01/13	6.000	2
CONNECTICUT - 5.46%						
8,590	Connecticut Housing Finance Authority Housing Mortgage Finance Program Series A & B	Aaa	AAA	05/14/14 to 11/15/23	6.200 to 6.750	8
FLORIDA - 1.66%						
2,540	First Govermental Financing Commission Revenue-Series B (AMBAC Insured)	Aaa	NR	07/01/15	5.500	2
UBS Global Asset Management				7		

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (continued)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES
------------------------------	-------------------	---------------	-------------------	-------------------

## LONG-TERM MUNICIPAL BONDS - (CONTINUED)

GEORGIA - 0.32%  
\$ 500 Georgia Municipal Electric  
Authority Power

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	Revenue Series B	A2	A	01/01/16	6.375%	\$
<hr/>						
ILLINOIS - 14.04%						
7,380	Chicago Gas Supply Revenue-People's Gas	Aa3	AA-	03/01/15	6.875	7,
<hr/>						
5,000	Chicago Parking District Parking Facility Revenue	Baa1	A	01/01/14	6.250	5,
<hr/>						
1,890	Illinois Toll & Highway Authority-Series A (Pre-refunded with U.S. Government Securities to 01/01/03 @ 102) (FGIC Insured)	Aaa	AAA	01/01/16	6.200	1,
<hr/>						
250	Metropolitan Pier & Exposition Authority	Aa3	AA-	06/15/27	6.500	
<hr/>						
6,350	Metropolitan Pier & Exposition Authority (Pre-refunded with U.S. Government Securities to 06/15/03 @ 102)	Aaa	AAA	06/15/27	6.500	6,
<hr/>						
1,000	Naperville Electric Revenue (Pre-refunded with U.S. Government Securities to 05/01/06 @ 100)	Aa2	AA	05/01/12	5.700	1,
<hr/>						
						22,
<hr/>						
INDIANA - 15.06%						
1,000	Clark-Pleasant Community School Building Corp. First Mortgage (AMBAC Insured)	Aaa	AAA	07/15/17	5.500	1,
<hr/>						
6,735	Indiana Transportation Financing Authority Airport Facilities- Lease Revenue Series A	A1	AA	11/01/12 to 11/01/17	5.500 to 6.250	6,
<hr/>						
2,000	Indianapolis Gas Utility Revenue-Series A (Pre-refunded with U.S. Government Securities to 06/01/02 @ 102) (FGIC Insured)	Aaa	AAA	06/01/23	6.200	2,
<hr/>						
2,000	Indianapolis Local Public Improvement Bond Bank Transportation Revenue (Pre-refunded with U.S. Government Securities to 07/01/03 @ 102)	Aa2	AA-	07/01/10	6.000	2,
<hr/>						
3,400	Marion County					

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Convention &  
Recreational Facilities  
Authority-Excise Tax  
Revenue-Series A  
(MBIA Insured)

Aaa

AAA

06/01/17

5.500

3,

8

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (continued)

PRINCIPAL  
AMOUNT  
(000)

MOODY'S  
RATING

S&P  
RATING

MATURITY  
DATES

INTEREST  
RATES

LONG-TERM MUNICIPAL BONDS - (CONTINUED)

INDIANA - (CONCLUDED)

\$ 4,000 Marion County Hospital  
Authority-Hospital  
Facilities Revenue  
Methodist Hospital of  
Indiana (Escrowed to  
Maturity)

Aa3

AAA

09/01/13

6.500%

1,000 Purdue University-Student  
Fee Revenue-Series B  
(Pre-refunded with U.S.  
Government Securities  
to 01/01/05 @ 103)

Aa2

AA

07/01/15

6.700

3,780 Wayne Township Marion  
County School Building  
Corp.-First Mortgage

NR

A+

01/15/15  
to  
07/15/15

5.250

KENTUCKY - 4.88%

7,750 Boone County Pollution  
Control Revenue-  
Dayton Power &  
Light Co.

A2

BBB+

11/15/22

6.500

MASSACHUSETTS - 4.61%

2,250 Massachusetts State  
Health & Educational  
Facilities Authority  
Revenue-  
Massachusetts Institute  
of Technology Series K

Aaa

AAA

07/01/32

5.500

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

5,000	Massachusetts Water Resources Authority- Series A (Pre-refunded with U.S. Government Securities to 07/15/02 @ 102)	Aaa	AAA	07/15/21	6.500
-----					
NEVADA - 4.25%					
6,750	Clark County Pollution Control Revenue- Nevada Power Co. Project-Series B (FGIC Insured)	Aaa	AAA	06/01/19	6.600
-----					
NEW JERSEY - 1.32%					
2,000	New Jersey Transportation Trust Fund Authority Transportation System Series A	Aa3	AA	06/15/11	5.500
-----					
New York- 9.93%					
7,345	New York City Municipal Water Financing Authority Revenue- Water & Sewer System Series A	Aa2	AA	06/15/17	6.000
-----					
5,500	New York City Transitional Financing Authority Revenue-Future Tax Secured-Series B	Aa2	AA+	11/15/23	4.750
-----					

UBS Global Asset Management 9

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (continued)

PRINCIPAL AMOUNT (000)	MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	V
-----					
LONG-TERM MUNICIPAL BONDS - (CONTINUED)					
NEW YORK- (CONCLUDED)					
\$ 2,000	New York State-Local Government Assistance Corp.-Series B (Pre-refunded with U.S. Government Securities				

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	to 04/01/02 @ 102)	Aaa	AA-	04/01/21	6.250%	\$ 2,0
1,500	New York State Medical Care Facilities Finance Agency Revenue- Hospital and Nursing Homes-Series D (Pre-refunded with U.S. Government Securities to 02/15/03 @ 102) (FHA Insured)	NR	NR	02/15/31	6.600	1,5
						16,1
NORTH CAROLINA - 5.60%						
3,155	Charlotte Water & Sewer System Revenue- Series A	Aa1	AAA	07/01/15	5.500	3,3
2,700	North Carolina Eastern Municipal Power Agency Series A (Escrowed to Maturity)	Baa3	BBB	01/01/21	6.400	3,0
1,630	North Carolina Municipal Power Agency- Catawba Electric Revenue	Baa1	BBB+	01/01/17	6.250	1,6
920	North Carolina Municipal Power Agency- Catawba Electric Revenue (Pre-refunded with U.S. Government Securities to 01/01/03 @ 102)	NR	BBB+	01/01/17	6.250	9
						9,1
OHIO - 1.31%						
2,000	Ohio State Water Development Authority Revenue- Fresh Water Series B (FSA Insured)	Aaa	AAA	06/01/16 to 12/01/17	5.500	2,1
PENNSYLVANIA - 4.65%						
5,000	Northumberland County Authority-Guaranteed Lease Revenue- Mountain View Manor Project	NR	NR	10/01/20	7.000	4,8
2,680	Philadelphia School District-Series A (MBIA Insured)	Aaa	AAA	04/01/15	5.250	2,7 7,5

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (continued)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	
LONG-TERM MUNICIPAL BONDS - (CONTINUED)						
PUERTO RICO - 1.56%						
\$ 2,425	Puerto Rico Public Buildings Authority Revenue-Guaranteed Government Facilities-Series D	Baa1	A	07/01/13	5.375%	\$
RHODE ISLAND - 3.90%						
6,175	Rhode Island Housing & Mortgage Finance Corp. Homeownership Opportunity- Series 10-A	Aa2	AA+	04/01/27	6.500	
SOUTH CAROLINA - 3.95%						
6,290	Richland County Pollution Control Revenue- Union Camp Corp. Project Series C	Baa2	BBB	11/01/20	6.550	
SOUTH DAKOTA - 2.36%						
3,958	Lower Brule Sioux Tribe ++	NR	NR	08/15/15	6.000	
TENNESSEE - 1.54%						
2,500	Memphis-Shelby County Airport Authority- Special Facilities Revenue-Federal Express Corp.	Baa2	BBB	09/01/09	5.000	
TEXAS - 29.12%						
2,475	Alvin Independent School District-School House Series A	Aaa	AAA	02/15/17	5.375	
4,000	Coastal Bend Health Facilities Development- Incarnate Word Health System (Escrowed to Maturity) (AMBAC Insured)	Aaa	AAA	01/01/17	6.300	
10,000	Colorado River Texas Municipal Water District Water Revenue					

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	(AMBAC Insured)	Aaa	AAA	01/01/21	5.150
1,335	Eagle Mountain & Saginaw Independent School District-Unlimited Tax-School Building	Aaa	AAA	08/15/14	5.375
2,825	Fort Worth Water & Sewer Revenue	Aa2	AA	02/15/16	5.625
7,640	Harris County Texas Lease ++	NR	NR	05/01/20	6.750
915	Harris County Toll Road	Aaa	AAA	08/15/17	6.500
3,007	Houston Community College System Certificates of Participation ++	NR	NR	06/15/25	7.875
2,000	Houston Refunding & Public Improvement Series A	Aa3	AA-	03/01/15	5.250

UBS Global Asset Management 11

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (continued)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES	
LONG-TERM MUNICIPAL BONDS - (CONCLUDED)						
TEXAS - (CONCLUDED)						
\$ 3,000	Houston Water & Sewer System Revenue-Junior Lien-Series C (FGIC Insured)	Aaa	AAA	12/01/22	5.250%	\$ 2
1,000	Houston Water & Sewer System Revenue-Prior Lien Series B (Pre-refunded with U.S. Government Securities to 12/01/02 @ 102)	Aaa	A+	12/01/14	6.375	1
2,350	Port Corpus Christi Industrial Development Corp. Revenue-Valero					

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	Energy Corp.- Series C	Baa2	BBB	04/01/18	5.400	2
1,875	San Antonio Electric & Gas-Series A	Aa1	AA	02/01/21	4.500	1
5,000	Texas Health Facilities Development Corp.-All Saints Episcopal Hospital Series B (MBIA Insured)	Aaa	AAA	08/15/22	6.250	5
						47
VIRGINIA - 4.33%						
1,050	Chesapeake Public Improvement	Aa2	AA	12/01/14	5.500	1
5,815	Virginia Transportation Board-Transportation Contract Revenue-Route 28 Project	Aa1	AA+	04/01/18	6.500	5
						7
WASHINGTON - 6.30%						
2,170	King County Sewer Revenue (FGIC Insured)	Aaa	AAA	01/01/14	5.250	2
3,035	Metropolitan Park District Tacoma (AMBAC Insured)	Aaa	AAA	12/01/14 to 12/01/16	6.000	3
4,500	Metropolitan Seattle Sewer Revenue Series W (Pre-refunded with U.S. Government Securities to 01/01/03 @ 102) (MBIA Insured)	Aaa	AAA	01/01/33	6.300	4
						10
WISCONSIN - 4.25%						
6,750	Wisconsin Health & Educational Facilities Authority Revenue-Sisters of Sorrowful Mother Health Care System (MBIA Insured)	Aaa	AAA	06/01/20	6.250	6
Total Long-Term Municipal Bonds (cost - \$232,083,503)						238

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Investment Grade Municipal Income Fund Inc.

Portfolio of Investments - (concluded)

PRINCIPAL AMOUNT (000)		MOODY'S RATING	S&P RATING	MATURITY DATES	INTEREST RATES
SHORT-TERM MUNICIPAL NOTES - 1.23%					
MICHIGAN - 0.12%					
\$ 200	Delta County Economic Development Corp. Environmental Improvement Revenue Mead Escanaba Paper Series D	P1	NR	04/01/02	1.500%*
TEXAS - 1.11%					
1,800	Harris County Health Facilities Development Corp. Revenue-Special Facilities-Texas Medical Center Project	VMIG-1	A-1+	04/01/02	1.500*
Total Short-Term Municipal Notes (cost - \$2,000,000)					
Total Investments (cost - \$234,083,503) - 147.51%					
Other assets in excess of liabilities - 1.58%					
Liquidation value of Auction Preferred Shares - (49.09)%					
Net assets applicable to common shareholders - 100.00%					

(a) Security purchased on a when-issued basis.

- + The maturity date reflects the mandatory date bond will be put back to issuer.
- ++ Illiquid securities representing 8.84% of net assets applicable to common shareholders.
- \* Variable rate demand note is payable on demand. The maturity dates shown are the next interest rate reset dates. The interest rates shown are the current rates as of March 31, 2002.

AMBAC - American Municipal Bond Assurance Corporation

FGIC - Financial Guaranty Insurance Company

FHA - Federal Housing Authority

FSA - Financial Security Assurance Incorporated

MBIA - Municipal Bond Investors Assurance

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

See accompanying notes to financial statements.

-----  
UBS Global Asset Management 13

Investment Grade Municipal Income Fund Inc.

Statement of Assets and Liabilities - March 31, 2002 (unaudited)

## ASSETS:

Investments in securities, at value (cost - \$234,083,503)	\$240,392,866
Cash	72,419
Interest receivable	3,904,659
Other assets	27,533
TOTAL ASSETS	244,397,477

## LIABILITIES:

Payable for investments purchased	1,038,980
Payable to investment advisor and administrator	161,035
Dividends payable to preferred shareholders	92,712
Accrued expenses and other liabilities	142,170
TOTAL LIABILITIES	1,434,897

Auction Preferred Shares Series A & B-1,600 non-participating shares authorized, issued and outstanding; \$0.001 par value; \$50,000 liquidation value per share	80,000,000
------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$162,962,580
----------------------------------------------	---------------

## NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:

Common Stock-\$0.001 par value; 199,998,400 shares authorized; 10,356,667 shares issued and outstanding	153,674,147
Undistributed net investment income	1,787,927
Accumulated net realized gain from investment transactions	1,191,143
Net unrealized appreciation of investments	6,309,363
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$162,962,580

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

---

Net asset value per common share (\$162,962,580 applicable to 10,356,667 common shares outstanding)	\$15.74
--------------------------------------------------------------------------------------------------------	---------

---

See accompanying notes to financial statements.

---

14

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Statement of Operations

FOR THE  
SIX MONTHS  
ENDED  
MARCH 31, 2002  
(unaudited)

---

INVESTMENT INCOME:

---

Interest	\$7,038,100
----------	-------------

---

EXPENSES:

---

Investment advisory and administration	1,103,832
----------------------------------------	-----------

---

Auction Preferred Shares expenses	118,263
-----------------------------------	---------

---

Custody and accounting	73,588
------------------------	--------

---

Professional fees	29,930
-------------------	--------

---

Reports and notices to shareholders	22,114
-------------------------------------	--------

---

Transfer agency fees	8,609
----------------------	-------

---

Directors' fees	3,739
-----------------	-------

---

Other expenses	12,067
----------------	--------

---

1,372,142

---

Less: Fee waivers from advisor	(153,310)
--------------------------------	-----------

---

Net expenses	1,218,832
--------------	-----------

---

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

NET INVESTMENT INCOME	5,819,268
REALIZED AND UNREALIZED GAINS (LOSSES) FROM INVESTMENT ACTIVITIES:	
Net realized gain from investment transactions	1,191,784
Net change in unrealized appreciation/depreciation of investments	(5,612,631)
NET REALIZED AND UNREALIZED LOSS FROM INVESTMENT ACTIVITIES	(4,420,847)
DIVIDENDS AND DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM:	
Net investment income	(633,708)
Net realized gain on investments	(85,072)
TOTAL DIVIDENDS AND DISTRIBUTIONS TO PREFERRED SHAREHOLDERS	(718,780)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	\$ 679,641

See accompanying notes to financial statements.

UBS Global Asset Management 15

Investment Grade Municipal Income Fund Inc.

Statement of Changes in Net Assets Applicable to Common Shareholders

	FOR THE SIX MONTHS ENDED MARCH 31, 2002 (unaudited)	FOR THE YEAR ENDED SEPTEMBER 30, 2001
FROM OPERATIONS:		
Net investment income	\$ 5,819,268	\$ 12,125,828
Net realized gains from investment transactions	1,191,784	435,821
Net change in unrealized appreciation/depreciation of investments	(5,612,631)	4,249,989
Dividends and distributions to preferred shareholders	(718,780)	(3,045,659)
Net increase in net assets applicable to common shareholders		

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

resulting from operations	679,641	13,765,979
-----		
DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:		
-----		
Net investment income	(4,660,500)	(9,321,000)
-----		
Net realized gains on investments	(351,091)	(1,919,090)
-----		
Total dividends and distributions to common shareholders	(5,011,591)	(11,240,090)
-----		
Net increase (decrease) in net assets	(4,331,950)	2,525,889
-----		
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:		
Beginning of period	167,294,530	164,768,641
-----		
End of period (including undistributed net investment income of \$1,787,927 and \$1,262,867, respectively)	\$162,962,580	\$167,294,530
-----		

See accompanying notes to financial statements.

-----  
16

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Statement of Cash Flows

FOR THE  
SIX MONTHS  
ENDED  
MARCH 31, 2002  
(unaudited)

## CASH FLOWS PROVIDED FROM (USED FOR) OPERATING ACTIVITIES:

Interest received	\$ 7,250,800
-----	
Expenses paid (net of fee waivers)	(1,252,559)
-----	
Dividends paid from net investment income to preferred shareholders	(645,072)
-----	
Dividends paid from capital gains to preferred shareholders	(85,072)
-----	
Sale of short-term portfolio investments, net	6,100,000
-----	
Purchase of long-term portfolio investments	(37,501,285)
-----	
Sale of long-term portfolio investments	31,143,951
-----	
Net cash provided from operating activities	5,010,763
-----	

## CASH FLOWS USED FOR FINANCING ACTIVITIES:

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Dividends paid from net investment income to common shareholders	(4,660,500)
Dividends paid from capital gains to common shareholders	(351,091)
Net cash used for financing activities	(5,011,591)
Net decrease in cash	(828)
Cash at beginning of period	73,247
Cash at end of period	\$ 72,419
RECONCILIATION OF NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:	
Net increase in net assets applicable to common shareholders resulting from operations	\$ 679,641
Decrease in investments, at value	7,730,611
Decrease in interest receivable	213,647
Increase in other assets	(26,315)
Decrease in payable for investments purchased	(3,568,045)
Increase in payable to investment advisor and administrator	3,113
Decrease in dividends payable to preferred shareholders	(11,364)
Decrease in accrued expenses and other liabilities	(10,525)
Total adjustments	4,331,122
Net cash provided from operating activities	\$ 5,010,763

See accompanying notes to financial statements.

UBS Global Asset Management	17
-----------------------------	----

Investment Grade Municipal Income Fund Inc.

Notes to Financial Statements (unaudited)

## ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Investment Grade Municipal Income Fund Inc. (the "Fund") was incorporated in Maryland on August 6, 1992, and is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended, as a closed-end diversified management investment company. The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital.

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires Fund management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

VALUATION OF INVESTMENTS--The Fund calculates its net asset value based on the current market value, where available, for its portfolio securities. The Fund normally obtains market values for its securities from independent pricing sources and broker-dealers. Independent pricing sources may use reported last sale prices, current market quotations or valuations from computerized "matrix" systems that derive values based on comparable securities. If a market value is not available from an independent pricing source for a particular security, that security is valued at fair value as determined in good faith by or under the direction of the Fund's board of directors (the "Board"). The amortized cost method of valuation, which approximates market value, generally is used to value short-term debt instruments with sixty days or less remaining to maturity, unless the Board determines that this does not represent fair value.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME--Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis. Discounts are accreted and premiums are amortized as adjustments to interest income and the identified cost of investments.

DIVIDENDS AND DISTRIBUTIONS--The Fund intends to pay monthly dividends to common shareholders at a level rate that over time will result in the distribution of all of the Fund's net investment income remaining after the payment of dividends on any outstanding preferred shares. Dividends and distributions to common shareholders are recorded on the ex-dividend date. Dividends to preferred shareholders are accrued daily. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. These "book/tax" differences are either considered temporary or

-----  
18

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

Notes to Financial Statements (unaudited) (continued)

permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification.

### CHANGE IN ACCOUNTING PRINCIPLE

In July 2001, a Securities and Exchange Commission staff announcement, Emerging Issues Task Force Discussion ("EITF D")-98, Classification and Measurement of Redeemable Securities, was issued providing new guidance related to the presentation of preferred shares in financial statements. EITF D-98 is required

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

to be applied beginning with fiscal quarters ending after December 15, 2001 on a retroactive basis, by restating the prior year's financial statements. In accordance with the announcement, the Fund has presented its auction preferred shares outside of net assets and has presented dividends to preferred shareholders on such auction preferred shares in the net change in net assets attributable to common shareholders resulting from operations for all periods presented. Therefore, beginning net assets attributable to common shareholders have been restated and dividend activity related to preferred shares has been reclassified from the capital activity in the statements of changes in net assets and the financial highlights to the operating activity. The application of EITF D-98 related entirely to presentation and had no impact on net asset value or the allocation of net income or capital gains or losses to common shareholders.

### CONCENTRATION OF RISK

The Fund follows an investment policy of investing primarily in municipal obligations of various states. Economic changes affecting those states and certain of their public bodies and municipalities may affect the ability of the issuers within those states to pay interest on, or repay principal of, municipal obligations held by the Fund.

### INVESTMENT ADVISOR AND ADMINISTRATOR

The Board has approved an investment advisory and administration contract ("Advisory Contract") with UBS Global Asset Management (US) Inc. ("UBS Global AM", formerly known as Brinson Advisors, Inc.), under which UBS Global AM serves as investment advisor and administrator of the Fund. In accordance with the Advisory Contract, the Fund pays UBS Global AM an investment advisory and administration fee, which is accrued weekly and paid monthly, at the annual rate of 0.90% of the Fund's average weekly net assets. For the six months ended March 31, 2002, UBS Global AM voluntarily waived \$153,310 in investment advisory and administration fees from the Fund.

### COMMON STOCK

There are 199,998,400 shares of \$0.001 par value common stock authorized and 10,356,667 common shares outstanding at March 31, 2002.

-----  
UBS Global Asset Management

19

Investment Grade Municipal Income Fund Inc.

Notes to Financial Statements (unaudited) (concluded)

### AUCTION PREFERRED SHARES

The Fund has issued 800 shares of Auction Preferred Shares Series A and 800 shares of Auction Preferred Shares Series B, which are referred to herein collectively as the "APS." All shares of each series of APS have a liquidation preference of \$50,000 per share plus an amount equal to accumulated but unpaid dividends upon liquidation.

Dividends, which are cumulative, are generally reset every 28 days for APS

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Series A and 90 days for APS Series B. Dividend rates ranged from 1.278% to 2.300% for the six months ended March 31, 2002.

The Fund is subject to certain restrictions relating to the APS. Failure to comply with these restrictions could preclude the Fund from declaring any distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of APS at liquidation value.

The APS are entitled to one vote per share and, unless otherwise required by law, will vote with holders of common stock as a single class, except that the preferred shares will vote separately as a class on certain matters, as required by law. The holders of the preferred shares have the right to elect two directors of the Fund.

### FEDERAL TAX STATUS

For federal income tax purposes, the cost of securities owned at March 31, 2002 was substantially the same as the cost of securities for financial statement purposes.

At March 31, 2002, the components of net unrealized appreciation of investments were as follows:

Gross appreciation (investments having an excess of value over cost) .....	\$7,827,236
Gross depreciation (investments having an excess of cost over value) .....	(1,517,873)
	-----
Net unrealized appreciation of investments. ....	\$6,309,363
	=====

For the six months ended March 31, 2002, total aggregate purchases and sales of portfolio securities, excluding short-term securities, were \$33,933,240 and \$31,143,951, respectively.

The Fund intends to distribute substantially all of its tax-exempt income and any taxable income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, the Fund intends not to be subject to a federal excise tax.

-----  
20

UBS Global Asset Management

Investment Grade Municipal Income Fund Inc.

### Financial Highlights

Selected data for a share of common stock outstanding throughout each period is presented below:

Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

	FOR THE SIX MONTHS ENDED MARCH 31, 2002 (unaudited)		FOR THE YEARS ENDED SEPTEMBER	
		2001	2000	1999
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 16.15	\$ 15.91	\$ 16.09	\$ 17.09
Net investment income	0.56	1.17	1.18	1.17
Net realized and unrealized gains (losses) from investment transactions	( 0.42)	0.46	( 0.13)	( 1.02)
Common share equivalent of dividends and distributions paid to preferred shareholders from:				
Net investment income	( 0.06)	( 0.23)	( 0.31)	( 0.25)
Net realized gains on investments	( 0.01)	( 0.07)	( 0.00) (1)	-
Net increase (decrease) from investment operations	0.07	1.33	0.74	( 0.10)
Dividends and distributions paid to common shareholders from:				
Net investment income	( 0.45)	( 0.90)	( 0.90)	( 0.90)
Net realized gains on investments	( 0.03)	( 0.19)	( 0.02)	--
Total dividends and distributions to common shareholders	( 0.48)	( 1.09)	( 0.92)	( 0.90)
NET ASSET VALUE, END OF PERIOD	\$ 15.74	\$ 16.15	\$ 15.91	\$ 16.09
MARKET VALUE, END OF PERIOD	\$ 15.00	\$ 15.39	\$ 13.75	\$ 13.88
TOTAL INVESTMENT RETURN (2)	0.62 %	20.59%	5.90%	( 7.68) %

\* Annualized.

(1) Distribution equal to \$0.0042 per share.

(2) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day of each period reported and a sale at the current market price on the last day of each period reported, and assuming reinvestment of dividends and other distributions to common shareholders at prices obtained under the Fund's Dividend Reinvestment Plan. Total investment return does not reflect brokerage commissions and has not been annualized for a period of less than one year.

UBS Global Asset Management

21

Investment Grade Municipal Income Fund Inc.

Financial Highlights (concluded)

	FOR THE SIX MONTHS ENDED MARCH 31, 2002 (unaudited)	2001	2000	1999	1998
RATIO TO AVERAGE NET ASSETS ATTRIBUTABLE TO COMMON SHARES:					
Total expenses, net of waivers from advisor	1.47%*	1.49%	1.52%	1.52%	1.4
Total expenses, before waivers from advisor	1.66%*	1.68%	1.71%	1.71%	1.6
Net investment income before preferred stock dividends	7.03%*	7.30%	7.48%	7.01%	7.0
Preferred stock dividends	0.77%*	1.42%	1.99%	1.50%	1.6
Net investment income available to common shareholders, net of waivers from advisor	6.27%*	5.88%	5.49%	5.51%	5.4
Net investment income available to common shareholders, before waivers from advisor	6.08%*	5.69%	5.30%	5.32%	5.2
SUPPLEMENTAL DATA:					
Net assets applicable to common shareholders, end of period (000's)	\$162,963	\$167,295	\$164,769	\$166,618	\$176,98
Portfolio turnover rate	13%	8%	14%	8%	
Asset coverage per share of preferred stock, end of period	\$151,852	\$154,559	\$152,980	\$154,136	\$160,61

Investment Grade Municipal Income Fund Inc.

General Information (unaudited)

#### THE FUND

Investment Grade Municipal Income Fund Inc. (the "Fund") is a diversified, closed-end management investment company whose shares trade on the New York Stock Exchange ("NYSE"). The Fund's investment objective is to achieve a high level of current income that is exempt from federal income tax, consistent with the preservation of capital. The Fund's investment advisor and administrator is UBS Global Asset Management (US) Inc. ("UBS Global AM"), an indirect wholly owned asset management subsidiary of UBS AG, which had over \$75.6 billion in assets under management as of April 30, 2002.

Effective May 20, 2002, William Veronda assumed primary responsibility for the day-to-day management of the Fund. Mr. Veronda is an Executive Director and portfolio manager of UBS Global AM. Mr. Veronda joined UBS Global AM in September 1995 and has led its municipal research group since that date. Mr. Veronda previously served as the portfolio manager for PaineWebber Municipal High Income Fund from September 1995 until March 2001.

#### INVESTMENT POLICY CHANGES

The Fund's board approved modifications to the Fund's investment policies as a result of a new rule promulgated by the Securities and Exchange Commission. This rule generally requires a fund with a name suggesting that it focuses on a particular type of investment to invest at least 80% of its net assets (plus the amount of any borrowing for investment purposes) in the type of investment suggested by its name. The investment policy changes became effective on April 8, 2002. These changes are not expected to affect materially portfolio management.

The new 80% policy has been adopted as a "fundamental" investment policy; the Fund may not deviate from this 80% policy without shareholder approval. Many of the Fund's other investment policies are non-fundamental policies and may be changed by its board without shareholder approval. The Fund will interpret these new policies as if the following phrase appeared immediately after the words "net assets": "(plus the amount of any borrowing for investment purposes)." If subsequent to an investment, the Fund's 80% policy is no longer met (e.g., bonds are called resulting in a large influx of cash), then under normal circumstances, the Fund's future investments would be made in a manner that would bring the Fund's investments back in line with the 80% threshold.

In order to place these changes in context, reproduced below are prior policies that were impacted by this change as well as new policies which replace the prior policies:

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

Investment Grade Municipal Income Fund Inc.

General Information (unaudited) (continued)

### INVESTMENT POLICY CHANGES (CONCLUDED)

#### Prior Policies Impacted by Change

The Fund normally invests substantially all of its assets in a diversified portfolio of long-term, tax-exempt Municipal Obligations that have been rated investment grade or are unrated but have been determined to be of comparable quality by UBS Global AM. Municipal Obligations rated investment grade are those that, at the time of investment, are rated within the four highest grades by Moody's (Baa or higher) or S&P (BBB or higher) or have an equivalent rating from another nationally recognized statistical rating organization. The Fund may invest up to 20% of its total assets in Municipal Obligations that are unrated but that, at the time of investment, have been determined by UBS Global AM to be of comparable quality to those that are rated investment grade. Under normal circumstances, the Fund invests at least 65% of its total assets in income-producing securities.

#### Revised Policies

The Fund normally invests substantially all of its assets in a diversified portfolio of long-term Municipal Obligations. Under normal circumstances, the Fund invests at least 80% of its net assets in investment grade Municipal Obligations, the income from which is exempt from regular federal income tax. Municipal Obligations rated investment grade are those that, at the time of investment, are rated within the four highest grades by Moody's (Baa or higher) or S&P (BBB or higher) or have an equivalent rating from another nationally recognized statistical rating organization. The Fund may invest up to 20% of its net assets in Municipal Obligations that are unrated but that, at the time of investment, have been determined by UBS Global AM to be of comparable quality to those that are rated investment grade.

### SHAREHOLDER INFORMATION

The Fund's NYSE trading symbol is "PPM." Comparative net asset value and market price information about the Fund is published weekly in The Wall Street Journal, The New York Times and Barron's, as well as in numerous other publications.

An annual meeting of shareholders of the Fund was held on January 17, 2002. At the meeting, Margo N. Alexander, Richard Q. Armstrong, David J. Beaubien, E. Garrett Bewkes, Jr., Richard R. Burt, Meyer Feldberg, George W. Gowen, William W. Hewitt, Jr., Morton L. Janklow, Frederick V. Malek, Carl W. Schafer and William D. White were elected to serve as directors until the next annual meeting of shareholders, or until their successors are elected and qualified.

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

General Information (unaudited) (continued)

## SHAREHOLDER INFORMATION (CONCLUDED)

### COMMON STOCK AND APS SHARES VOTING AS A SINGLE CLASS

TO VOTE FOR OR AGAINST THE ELECTION OF:	SHARES VOTED FOR	SHARES WITHHOLD AUTHORITY
Richard Q. Armstrong	9,955,461	156,636
David J. Beaubien	9,951,979	160,118
E. Garrett Bewkes, Jr.	9,935,176	176,921
Richard R. Burt	9,965,699	146,398
George W. Gowen	9,943,271	168,826
William W. Hewitt, Jr.	9,939,656	172,441
Morton L. Janklow	9,937,015	175,082
Frederick V. Malek	9,962,597	149,500
Carl W. Schafer	9,957,125	154,972
William D. White	9,943,343	168,754

### AUCTION PREFERRED SHARES:

#### TO VOTE FOR OR AGAINST THE ELECTION OF:

Margo N. Alexander .....	1,
Meyer Feldberg .....	1,
(Broker non-votes and abstentions are included within the "Shares Withhold Authority" totals)	

### DIVIDEND REINVESTMENT PLAN

The Fund's Board has established a Dividend Reinvestment Plan (the "Plan") under which all common shareholders whose shares are registered in their own names, or in the name of UBS PaineWebber Inc. or its nominee, will have all dividends and other distributions on their shares of common stock automatically reinvested in additional shares of common stock, unless such common shareholders elect to receive cash. Common shareholders who elect to hold their shares in the name of another broker or nominee should contact such broker or nominee to determine whether, or how, they may participate in the Plan. The ability of such shareholders to participate in the Plan may change if their shares are transferred into the name of another broker or nominee.

A common shareholder may elect not to participate in the Plan or may terminate participation in the Plan at any time without penalty, and common shareholders who have previously terminated participation in the Plan may rejoin it at any time. Changes in elections must be made in writing to the Fund's transfer agent and should include the shareholder's name and address as they appear on that share certificate or in the transfer agent's records. An election to terminate

## Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

participation in the Plan, until such election is changed, will be deemed an election by a common shareholder to take all subsequent distributions in cash. An election will be effective only for distributions declared and having a record date at least ten days after the date on which the election is received.

-----  
UBS Global Asset Management

25

Investment Grade Municipal Income Fund Inc.

General Information (unaudited) (concluded)

### DIVIDEND REINVESTMENT PLAN (CONCLUDED)

Additional shares of common stock acquired under the Plan will be purchased in the open market, on the NYSE or otherwise, at prices that may be higher or lower than the net asset value per share of the common stock at the time of the purchase. The number of shares of common stock purchased with each dividend will be equal to the result obtained by dividing the amount of the dividend payable to a particular shareholder by the average price per share (including applicable brokerage commissions) that the transfer agent was able to obtain in the open market.

The Fund will not issue any new shares of common stock in connection with the Plan. There currently is no charge to participants for reinvesting dividends or other distributions. The transfer agent's fees for handling the reinvestment of distributions will be paid by the Fund. However, each participant pays a pro rata share of brokerage commissions incurred with respect to the transfer agent's open market purchases of common stock in connection with the reinvestment of distributions. The automatic reinvestment of dividends and other distributions in shares of common stock does not relieve participants of any income tax that may be payable on such distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan with respect to any dividend or other distribution if notice of the change is sent to Plan participants at least 30 days before the record date for such distribution. The Plan also may be amended or terminated by the transfer agent by at least 30 days' written notice to all Plan participants. Additional information regarding the Plan may be obtained from, and all correspondence concerning the Plan should be directed to, the transfer agent at PFPC Inc., P.O. Box 8030, Boston, Massachusetts 02266-8030. For further information regarding the Plan, you may also contact the transfer agent directly at 1-800-381-1710.

# Edgar Filing: INVESTMENT GRADE MUNICIPAL INCOME FUND - Form N-30D

26

UBS Global Asset Management

## Directors

E. Garrett Bewkes, Jr.  
Chairman

Margo N. Alexander

Richard Q. Armstrong

David J. Beaubien

Richard R. Burt

Meyer Feldberg

George W. Gowen

William W. Hewitt, Jr.

Morton L. Janklow

Frederic V. Malek

Carl W. Schafer

William D. White

## Principal Officers

Brian M. Storms  
President

Amy R. Doberman  
Vice President and Secretary

Paul H. Schubert  
Vice President and Treasurer

Elbridge T. Gerry III  
Vice President

## Investment Advisor and Administrator

UBS Global Asset Management (US) Inc.  
51 West 52nd Street  
New York, New York 10019-6114

The financial information included herein is taken from the records of the Fund without examination by independent auditors who do not express an opinion thereon.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that from time to time the Fund may purchase shares of its common stock in the open market at market prices.

This report is sent to the shareholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

[GRAPHIC OMITTED]

+-----+  
|                   |  
|                   |

UBS GLOBAL ASSET MANAGEMENT (US) INC.  
51 West 52nd Street



New York, NY 10019