NUVEEN REAL ESTATE INCOME FUND
Form N-2/A
October 31, 2007

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 31, 2007

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	x
Pre-Effective Amendment No. 1	x
Post-Effective Amendment No.	¨

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	x
Amendment No. 9	x
(Check appropriate box or boxes)	¨

NUVEEN REAL ESTATE INCOME FUND

(Exact Name of Registrant as Specified in Charter)

333 WEST WACKER DRIVE, CHICAGO, ILLINOIS 60606

(Address of Principal Executive Offices (Number, Street, City, State, Zip Code)

(800) 257-8787

(Registrant s Telephone Number, including Area Code)

Kevin J. McCarthy

Vice President

333 West Wacker Drive

Chicago, Illinois 60606

Name and Address (Number, Street, City, State, Zip Code) of Agent for Service

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Copies to:

Monica L. Parry

Morgan, Lewis & Bockius LLP

1111 Pennsylvania Avenue, NW

Washington, DC 20004

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. [X]

It is proposed that this filing will become effective (check appropriate box)

¨ When declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Amount Being Registered**	**Proposed Maximum Offering Price Per Unit**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration Fee(1)**
Common Shares, $0.01 par value	2.825 million Shares	$______	$______	$______

(1) Transmitted prior to filing.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

The information in this Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS (SUBJECT TO COMPLETION)

[,] 2007

PROSPECTUS

2,825,000 Common Shares

Nuveen Real Estate Income Fund

Nuveen Real Estate Income Fund (the Fund) is a non-diversified, closed-end management investment company. The Fund s primary investment objective is to provide high current income. The Fund s secondary investment objective is capital appreciation. Under normal circumstances, the Fund invests at least 90% of its Managed Assets (as defined on p. of the Prospectus) in income producing securities issued by real estate companies, including up to 25% of its assets in non-dollar denominated REICs, as defined below. The Fund cannot assure you that it will achieve its investment objectives.

Investing in the Fund s Common Shares involves certain risks that are described in the Risk Factors and How the Fund Manages Risks sections of this Prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information (SAI), dated [,] 2007, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of the SAI, the table of contents of which is on the last page of this Prospectus, annual and semi-annual reports to shareholders and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787, by writing to the Fund or from the Fund s website (http://www.nuveen.com). The information contained in, or that can be accessed through, the Fund s website is not part of this Prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the Securities and Exchange Commission s (SEC) web site (http://www.sec.gov).

The Fund s common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency.

Portfolio Contents. Under normal circumstances, the Fund will invest at least 90% of its total assets in income producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as real estate investment trusts (REITs) and foreign real estate investment companies (REICs); at least 80% of its total assets in income producing equity securities issued by REITs and REICs; and up to 20% of its total assets in debt securities, including convertible debt securities issued or guaranteed by real estate companies. In addition, the Fund will not invest more than 25% of its total assets in non-investment grade preferred stocks, convertible preferred stocks and debt securities (commonly known as junk bonds); and 10% of its total assets in illiquid real estate securities.

Adviser and Sub-Adviser. Nuveen Asset Management is the Fund s investment adviser and Security Capital Research & Management Incorporated (Security Capital) is the Fund s sub-adviser.

The common shares are listed on the American Stock Exchange. The trading or ticker symbol of the common shares of the Fund is JRS.

The date of this Prospectus is , 2007

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You should rely only on the information contained or incorporated by reference into this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the front of this Prospectus. The Fund will update this Prospectus to reflect any material changes to the disclosures herein.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this Prospectus and in the SAI.

The Fund

Nuveen Real Estate Income Fund (the Fund) is a non-diversified, closed-end management investment company. See The Fund. The Fund s common shares, $.01 par value per share (Common Shares), are traded on the American Stock Exchange (the Exchange) under the symbol JRS. See Description of Shares. As of September 30, 2007, the Fund had 28,259,132 Common Shares outstanding, 8,880 preferred shares (referred to herein as FundPreferred Shares) and net assets applicable to Common Shares of $639,957,761.

Investment Objectives and Policies

The Fund s primary investment objective is to provide high current income. Capital appreciation is a secondary investment objective. The Fund s investment objectives and certain investment policies are considered fundamental and may not be changed without shareholder approval.

Under normal market conditions, the Fund will invest at least 90% of its total assets in income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies. The Fund s policy of investing at least 90% of its Managed Assets in income-producing securities issued by real estate companies is not considered to be fundamental by the Fund and can be changed without a vote of the Common Shareholders. However, this policy may only be changed by the Fund s Board following the provision of 60 days prior written notice to Common Shareholders. The Fund cannot assure you that it will achieve its investment objectives.

Under normal market conditions, the Fund will invest at least 90% of its total assets in income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as REITs and REICs. At least 80% of the Fund s total assets will be invested in income-producing equity securities issued by REITs, and substantially all of the equity securities of real estate companies in which the Fund intends to invest are traded on a national securities exchange or in the over-the-counter markets. The Fund may invest up to 20% of its total assets in debt securities, including convertible debt securities, issued or guaranteed by real estate companies.

The preferred stocks, convertible preferred stocks and debt securities in which the Fund may invest are sometimes collectively referred to in this Prospectus as Ratable Securities. The Fund will not invest more than 25% of its total assets in Ratable Securities of below investment grade quality. Investment grade quality Ratable Securities are those that have received a rating no lower than Baa or BBB by Moody s Investors Service, Inc. (Moody s), Standard & Poor s, a division of The McGraw-Hill Companies (S&P), or Fitch, Inc. (Fitch). The Fund will not invest more than 10% of its total assets in illiquid real estate securities. The Fund will not enter into short sales or invest in derivatives, except as described in this Prospectus in connection with interest rate swap or interest rate cap transactions. See The Fund s Investments Use of Leverage and Interest Rate Transactions. The Fund may invest up to 25% of its assets in non-dollar denominated REICs. The Fund will not invest more than 10% of its total assets in the securities of any one issuer.

A real estate company generally derives at least 50% of its revenue from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate (or that has at least 50% of its assets invested in such real estate). A common type of real estate company, a REIT, is a company that pools investors funds for investment primarily in income-producing real estate or in real estate related loans (such as mortgages) or other interests. Therefore, a REIT normally derives its income from rents or from interest payments, and may realize capital gains by selling properties that have appreciated in value. A REIT is not taxed on income distributed to shareholders if it complies with several requirements relating to its organization, ownership, assets and income and a requirement that it distribute to its shareholders at least 90% of its taxable income (other than net capital gains) for each taxable year and otherwise complies with the requirements of the Internal Revenue Code of 1986, as amended (the Code). As a result, REITs generally pay relatively high dividends (as compared to other types of companies) and the Fund intends to use these REIT dividends in an effort to meet its primary objective of high current income.

See The Fund s Investments. See The Fund s Investments and Risk Factors.

Investment Adviser and Sub-Adviser Nuveen Asset Management (NAM) is the Fund s investment adviser and Security Capital Research & Management Incorporated (Security Capital) is the Fund s sub-adviser. NAM is located at 333 West Wacker Drive, Chicago, IL 60606. NAM is a wholly-owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $170.4 billion in assets under management or supervision, as of September 30, 2007. Nuveen Investments is a publicly-traded company. On June 20, 2007, Nuveen Investments announced that it had entered into a definitive Agreement and Plan of Merger (Merger Agreement) to be acquired by investors led by Madison Dearborn Partners, LLC. For more information regarding the Merger Agreement see Investment Adviser and Sub-Adviser.

Security Capital is a wholly-owned subsidiary of J.P. Morgan Chase & Co. Security Capital is a registered investment adviser with approximately $5.7 billion in assets under management as of September 30, 2007, all of which were real estate securities. Security Capital has been investing in public real estate securities since 1995, through the open market purchase of real estate securities as well as through the negotiation and structuring of private placements of convertible preferred real estate securities. See Investment Adviser and Sub-adviser.

The Fund pays NAM an annual management fee, payable monthly, in a maximum amount equal to 0.90% of the Fund s average daily assets, including assets attributable to FundPreferred Shares and principal amount of borrowings (Managed Assets). This maximum fee is equal to the sum of a fund-level fee and a complex-level fee. The fund-level fee is a maximum of 0.70% of the Fund s daily Managed Assets, with lower fee levels for fund-level assets that exceed $500 million. The complex-level fee is a maximum of 0.20% of the Fund s daily Managed Assets based on the daily Managed Assets of all Nuveen-branded closed-end and open-end registered investment companies organized in the U.S., with lower fee levels for complex-level assets that exceed $55 billion. As of September 30, 2007, the complex-level fee rate was 0.1831% of the Fund s Managed Assets.

NAM has contractually agreed to reimburse the Fund for fees and expenses in the amount of 0.25% of the Fund s daily Managed Assets (through November 30, 2007), and for a declining amount for an additional four years (through November 30, 2011). Pursuant to a sub-advisory agreement, NAM pays Security Capital a percent of the annual management fee based on Managed Assets.

For more information on fees and expenses, including fees attributable to Common Shares, see Management of the Fund Investment Management Agreements.

Use of Leverage

The fund uses leverage through the issuance of preferred shares, called FundPreferred Shares, commercial paper or notes and/or borrowings in an aggregate amount of approximately 30% of the Fund s capital after such issuance or borrowing.

As of September 30, 2007, there were $222 million in FundPreferred Shares outstanding and approximately $70 million in borrowings. FundPreferred Shares have seniority over the Common Shares. The FundPreferred Shares, as well as the issuance of commercial paper, notes and borrowings, (collectively, Borrowings) leverage the Common Shares. Following an additional offering of Common Shares from time to time, the Fund may offer additional FundPreferred Shares, or incur additional Borrowings, to maintain the Fund s desired leverage ratio. Leverage involves special risks. There is no assurance that the Fund s leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future FundPreferred Share offerings, or Borrowings, in a manner consistent with the Fund s investment objectives and policies. See Use of Leverage.

Offering Methods

The Fund may offer shares using one or more of the following methods: (i) at-the-market transactions through one or more broker-dealers that have entered into a selected dealer agreement with Nuveen Investments, LLC (Nuveen), one of the Fund s underwriters; (ii) through an underwriting syndicate; and (iii) through privately negotiated transactions between the Fund and specific investors. See Plan of Distribution.

Distribution Through At-the-Market Transactions. The Fund from time to time may offer its Common Shares through Nuveen, to certain broker-dealers that have entered into selected dealer agreements with Nuveen (the ATM Program). Common Shares will only be sold on such days as shall be agreed to by the Fund and Nuveen. Common Shares will be sold at market prices, which shall be determined with reference to trades on the Exchange, subject to a minimum price to be established each day by the Fund. The minimum price on any day will not be less than the current net asset value per share plus the per share amount of the commission to be paid to Nuveen. The Fund and Nuveen will suspend the sale of Common Shares if the per share price of the shares is less than the minimum price.

The Fund will compensate Nuveen with respect to sales of the Common Shares at a commission rate of up to 3% of the gross sales price per share of Common Shares sold. Nuveen will compensate broker-dealers participating in the offering at a fixed rate of up to 2.40% of the gross sales price per share of Common Shares sold by that broker-dealer. Nuveen may from time to time change the dealer re-allowance. In addition, out of its own assets, Nuveen may compensate broker-dealers for advice relating to the development, structuring and on-going operation of the ATM Program. Nuveen Investments intends to enter into an agreement with UBS Securities LLC (UBS) for the provision of such services and will compensate UBS at the rate of $10,000 per calendar quarter for each Nuveen fund in the ATM Program (the ATM Program Fee), up to a maximum amount of $200,000. The ATM Program Fee will be paid quarterly in arrears with respect to quarters during which there is fund activity under the ATM Program. The ATM Program Fee may be deemed by the Financial Industry Regulatory Authority (FINRA) to constitute compensation to UBS in connection with the ATM Program. Settlements of Common Share sales will occur on the third business day following the date of sale.

In connection with the sale of the Common Shares on behalf of the Fund, Nuveen may be deemed to be an underwriter within the meaning of the Securities Act of 1933 (the 1933 Act), and the compensation of Nuveen may be deemed to be underwriting commissions or discounts. Unless otherwise indicated in a further prospectus supplement, Nuveen will act as underwriter on a reasonable efforts basis.

The offering of Common Shares pursuant to the Distribution Agreement will terminate upon the earlier of (i) the sale of all Shares subject thereto or (ii) termination of the Distribution Agreement. The Fund and Nuveen each have the right to terminate the Distribution Agreement in its discretion at any time. See Plan of Distribution Distribution Through Agents.

The Fund currently intends to distribute the shares offered pursuant to this Prospectus primarily through at-the-market transactions, although from time to time it may also distribute shares through an underwriting syndicate or a privately negotiated transaction. To the extent shares are distributed other than through at-the-market transactions, the Fund will file a supplement to this Prospectus describing such transactions.

Distribution Through Underwriting Syndicates. The Fund from time to time may issue additional Common Shares through a syndicated secondary offering. In order to limit the impact on the market price of the Fund s Common Shares, Underwriters will market and price the offering on an expedited basis (*e.g.,* overnight or similarly abbreviated offering period). The Fund will launch a syndicated offering on a day, and upon terms, mutually agreed upon between the Fund, Nuveen and the underwriting syndicate.

The Fund will offer its shares at a price equal to a specified discount of up to 2% from the closing market price of the Fund s Common Shares on the day prior to the offering date. The applicable discount will be negotiated by the Fund and Nuveen in consultation with the underwriting syndicate on a transaction-by-transaction basis. The Fund will compensate the underwriting syndicate out of the proceeds of the offering based upon a sales load of up to 4% of the gross per share offering price. The minimum net proceeds per share to the Fund will not be less than the greater of (i) the Fund s latest net asset value per Common Share or (ii) 94% of the closing market price of the Fund s Common Shares on the day prior to the offering date. See Plan of Distribution Distribution Through Underwriters.

Distribution Through Privately Negotiated Transactions. The Fund, through Nuveen, from time to time may sell directly to, and solicit offers from, institutional and other sophisticated investors, who may be deemed to be underwriters as defined in the 1933 Act for any resale of Common Shares.

The terms of such privately negotiated transactions will be subject to the discretion of the management of the Fund. In determining whether to sell Common Shares through a privately negotiated transaction, the Fund will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the investor seeking to purchase the Common Shares.

Common Shares issued by the Fund through privately negotiated transactions will be issued at a price equal to the greater of (i) the net asset value per Common Share of the Fund s Common Shares or (ii) at a discount ranging from 0% to 5% of the average daily closing market price of the Fund s Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The applicable discount will be determined by the Fund on a transaction-by-transaction basis. See Plan of Distribution Distribution Through Privately Negotiated Transactions.

Special Risk Considerations

Risk is inherent in all investing. Therefore, before investing in the Fund you should consider certain risks carefully. The primary risks of investing in Common Shares are:

Anti-Takeover Provisions Risk. The Fund s Declaration of Trust (the Declaration) includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. The provisions of the Declaration could have the effect of depriving the Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust and Risks Anti-Takeover Provisions.

Foreign Currency Risk. Although the Fund will report its net asset value and pay dividends in U.S. dollars, Foreign Securities often are purchased with and make interest payments in foreign currencies. Therefore, when the Fund invests in Foreign Securities, it will be subject to foreign currency risk, which means that the Fund s net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. Dollar. Certain foreign countries may impose restrictions on the ability of issuers of Foreign Securities to make payment of principal and interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

General U.S. Real Estate Risk. Because the Fund concentrates its assets in the real estate industry, your investment in the Fund will be closely linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and poor management. Many REITs utilize leverage which increases investment risk and could adversely affect a REIT s operations and market value in periods of rising interest rates as well as risks normally associated with debt financing. There are special risks associated with particular sectors of real estate investments. For more information, see Risk Factors.

Foreign Securities Risk. The Fund may invest up to 25% of its total assets in REICs or other real estate securities of non-U.S. issuers or that are denominated in various foreign currencies or multinational currency units (Foreign Securities). Such investments involve certain risks not involved in domestic investments. Securities markets in certain foreign countries are not as developed, efficient or liquid as securities markets in the United States. Therefore, the prices of Foreign Securities often are more volatile than other domestic securities. In addition, the Fund will be subject to risks associated with adverse political and economic developments in foreign countries, which could cause the Fund to lose money on its investments in Foreign Securities.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline and the dividend payments on FundPreferred Shares, if any, or interest payments on any Borrowings may increase. See Risk-Inflation Risk.

Investment Risk. An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount that you invest.

Interest Rate Transaction Risk. The Fund may enter into a swap or cap transaction to attempt to protect itself from increasing dividend or interest rate expenses resulting from increasing short-term interest rates. A decline in interest rate may result in a decline in the value of the swap or cap which may result in a decline in the net assets value of the Fund. A sudden and dramatic decline in interest rates may result in a significant decline in the net asset value of the Fund. See Interest Rate Transactions.

Leverage Risk. The use of leverage through the issuance of FundPreferred Shares creates an opportunity for increased Common Share net income and returns, but also creates special risks for Common Shareholders. There is no assurance that the Fund s leveraging strategy will be successful.

Leverage creates two major types of risks for Common Shareholders:

- the likelihood of greater volatility of net asset value and market price of Common Shares because changes in the value of the Fund s portfolio investments, including investments purchased with the proceeds of the issuance of Fund Preferred Shares or Borrowings, are borne entirely by the Common Shareholders; and

- the possibility either that Common Share income will fall if the dividend rate on Fund Preferred Shares or the interest rate on any Borrowings rises, or that Common Share income will fluctuate because the dividend rate on Fund Preferred Shares or the interest rate on any Borrowings varies.

See Risk Factors Leverage Risk and Use of Leverage.

Lower-Rated Securities Risk. The Fund may invest up to 25% of its total assets in securities of below grade investment quality (Ba/BB or below), commonly referred to as junk bonds. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal. See Risks Risks of Investment in Lower-Rated Securities.

Market Discount from Net Asset Value and Expected Reductions in Net Asset Value. Shares of closed-end investment companies like the Fund frequently trade at prices lower than their net asset value, which creates a risk of loss for investors when they sell shares purchased in the offering. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by shareholder transaction costs (if applicable, which vary depending on the offering method used). Depending on the premium of the Common Shares at the time of any offering of Common Shares hereunder, the Fund s net asset value may be reduced by an amount up to the offering costs borne by the Fund (estimated to be an additional 0.27% of the offering price assuming a Common Share offering price of $22.60 (the Fund s closing price on the Exchange on September 28, 2007)). The net asset value per Common Share also will be reduced by costs associated with any future issuances of FundPreferred shares. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

Non-Diversification. Because the Fund is classified as non-diversified under the 1940 Act, it can invest a greater portion of its assets in obligations of a single issuer than a diversified fund. As a result, the Fund is more susceptible than a more widely diversified fund to any single corporate, economic, political or regulatory occurrence. See The Fund s Investments and Risks Non-Diversified Status.

Stock Market and Interest Rate Risk. Your investment in Common Shares represents an indirect investment in REIT shares or other real estate securities owned by the Fund, substantially all of which are traded on a national securities exchange or in the over-the-counter markets. The value of the securities, like other stock market investments, may move up or down, sometimes rapidly and unpredictably. Interest rate risk is the risk that fixed-income investments such as preferred stocks and debt securities, and to a lesser extent dividend-paying common stocks such as REIT common stocks, will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. The Fund s investment in such securities means that the net asset value and market price of Common Shares will tend to decline if market interest rates rise.

Your Common Shares at any point in time may be worth less than what you invested, even after taking into account the reinvestment of Fund dividends and distributions. The Fund intends to utilize leverage, which magnifies the stock market and interest rate risks. See Use of Leverage.

Distributions

The Fund will pay quarterly distributions stated in terms of fixed cents per Common Share dividend rate that would be composed of, in addition to payments received from portfolio companies (REITs), supplemental amounts generally representing realized capital gains or, possibly, returns of capital representing unrealized capital gains. Quarterly distributions, including such supplemental amounts, are sometimes referred to as managed distributions. The Fund will seek to establish a distribution rate that roughly corresponds to NAM s projections of the total return that could reasonably be expected to be generated by the Fund over an extended period of time, although the distribution rate will not be solely dependent on the amount of income earned or capital gains realized by the Fund. NAM, in making such projections, may consider long-term historical returns and a variety of other factors.

Distributions can only be made after paying any interest and required principal payments on Borrowings, if any, and any accrued dividends to FundPreferred Shares shareholders, if any. The distribution policy recognizes that many investors are willing to accept the potentially higher asset value volatility of the Fund s equity investments compared to fixed-income investments, preferring that a consistent level of cash distributions be available each month for reinvestment or other purposes of their choosing.

If, for any quarterly distribution, net investment income and net realized capital gains were less than the amount of the distribution, the difference would be distributed from the Fund s assets. In addition, in order to make such distributions, the Fund might have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action. The Fund s final distribution for each calendar year would include any remaining net investment income and net realized capital gains undistributed during the year. The Fund s actual financial performance will likely vary significantly from month-to-month and from year-to-year, and there may be extended periods of up to several years, when the distribution rate will exceed the Fund s actual total returns. The Fund s projected or actual distribution rate is not a prediction of what the Fund s actual total returns will be over any specific future period.

As portfolio and market conditions change, the rate of distributions on the Common Shares and the Fund s distribution policy could change. To the extent that the total return of the Fund s overall strategy exceeds the distribution rate for an extended period, the Fund may be in a position to increase the distribution rate or distribute supplemental amounts to shareholders. Conversely, if the total return of the Fund s overall strategy is less than the distribution rate for an extended period of time, the Fund will effectively be drawing upon its net asset value to meet payments prescribed by its distribution policy. Similarly, for tax purposes such distributions by the Fund may consist in part of a return of capital to Common Shareholders. The exact tax characteristics of the Fund s distributions will not be known until after the Fund s fiscal year-end. Common Shareholders should not confuse a return of capital distribution with dividend yield or total return. See Distributions for additional information.

At the same time that it pays a quarterly distribution, the Fund will post on its website (www.nuveen.com/etf), and make available in written form to holders of its Common Shares a notice of the estimated sources and tax characteristics of the Fund s distributions (*i.e.*, what percentage of the distributions is estimated to constitute ordinary income, short-term capital gains, long-term capital gains, and/or a non-taxable return of capital) on a year-to-date basis, in compliance with a federal securities law requirement that any fund paying a distribution from sources other than net investment income disclose to shareholders the respective portion attributable to such other sources. These estimates may be based on certain assumptions about the Fund s expected investment returns and the realization of net gains, if any, over the remaining course of the year. These estimates may, and likely will, vary over time based on the activities of the Fund and changes in the value of portfolio investments. The Fund expects that it will provide this type of information primarily on a tax basis, instead of on a generally accepted accounting principles (GAAP) basis, because experience has shown that fund shareholders are most concerned about the tax character of their distributions, and because the Fund expects that the distributions tax characteristics will fairly reflect the economic basis of the funds distributions and returns. The final determination of the source and tax characteristics of all distributions will be made after December 31 in each year, and reported to Common Shareholders on Form 1099-DIV early the following year.

As explained more fully below in Tax Matters, the Fund intends to distribute to Common Shareholders any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) through its managed distributions or, alternatively, to retain all or a portion of the year s net capital gain and pay federal income tax on the retained gain. As provided under federal tax law, Common Shareholders of record as of the end of the Fund s taxable year will include their attributable share of the retained gain in their income for the year as a long-term capital gain, and will be entitled to an income tax credit or refund for the tax deemed paid on their behalf by the Fund. The Fund will treat the retained capital gain amount as a substitute for equivalent cash distributions. In addition, the Fund may make total distributions during a given calendar year in an amount that exceeds the Fund s net investment income and net realized long-term capital gains for that calendar year, in which case the excess would normally be treated by shareholders as return of capital (non-taxable distribution) for tax purposes. The distributions paid by the Fund should not be viewed solely as income.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time.

Custodian and Transfer Agent

State Street Bank and Trust Company serves as custodian and transfer agent of the Fund s assets. See Custodian and Transfer Agent.

Special Tax Considerations

Because the Fund s portfolio income consists principally of dividend income from REITs, capital gain and interest income, the Fund does not expect a significant portion of its distributions to consist of qualified dividend income or to be eligible for the 70% dividends received deduction. The Internal Revenue Service (IRS) currently requires that a regulated investment company, which has two or more classes of stock, allocate to each such class proportionate amounts of each type of its income (such as ordinary income and capital gain) based upon the percentage of total dividends distributed to each class for the tax year. Accordingly, the Fund intends each year to allocate ordinary income dividends, capital gain dividends and other dividends between its Common Shares and the FundPreferred Shares in proportion to the total dividends paid to each class during or with respect to such year. See Tax Matters.

Voting Rights

The holders of FundPreferred Shares, voting as a separate class, have the right to elect at least two trustees at all times and to elect a majority of the trustees in the event two full years dividends on the FundPreferred Shares are unpaid. In each case, the remaining trustees will be elected by holders of Common Shares and preferred shares, including FundPreferred Shares, voting together as a single class. The holders of shares of preferred shares, including FundPreferred Shares, will vote as a separate class or classes on certain other matters as required under the Declaration, the Investment Company Act of 1940, as amended (the 1940 Act) and Massachusetts law. See Description of FundPreferred Shares Voting Rights and Certain Provisions in the Declaration of Trust.

SUMMARY OF FUND EXPENSES

The cost you pay to invest in the Fund includes the expenses incurred by the Fund. The table below shows the expenses of the Fund as a percentage of the average net assets applicable to Common Shares, and not as a percentage of total assets or Managed Assets.

Shareholder Transaction Expenses (as a percentage of offering price)	
At-the-Market Transaction Fees	3.00%
Underwriting Syndicate Transaction Fees	4.00%
Privately Negotiated Transaction Fees	
Offering Costs Borne by the Fund(1)	0.27%
Annual Expenses (as a percentage of net assets attributable to Common Shares)(2)	
Management Fees	
Fund-Level Fees	0.96%
Complex-Level Fees	0.25%
Other Expenses	0.19%
Interest Expense from Borrowings	0.51%
Total Annual Expenses	1.91%
Less: Fee and Expense Reimbursement	(0.28)%(3)
Net Annual Expenses	1.63%
Dividends on FundPreferred Shares	1.51%
Net Annual Expenses and Dividends on FundPreferred Shares	3.14%

(1) Assuming a Common Share offering price of $22.60 (the Fund s closing price on the Exchange on September 28, 2007).

(2) Stated as a percentage of average net assets attributable to Common Shares for the six month period ended June 30, 2007. The annualized expenses reported above better reflect the ongoing operating expense levels of the Fund than the annual expenses as of December 31, 2006, because the Fund issued $50,000,000 of FundPreferred shares on May 25, 2006. The table above also reflects the decreased Fee and Expense Reimbursement that the Common Shareholders will experience beginning on December 1, 2007. The Annual Expenses for the fiscal year ended December 31, 2006 stated as percentages of average net assets attributable to Common Shares for the fiscal year ended December 31, 2006 would be lower.

(3) NAM has contractually agreed to reimburse the Fund, as a percentage of managed assets (net assets including net assets attributable to FundPreferred Shares and principal amount of Borrowings), for fees and expenses in the following amounts:

Year Ending November 30,		**Year Ending November 30,**	
2007	0.25%	2010	0.10%
2008	0.20%	2011	0.05%
2009	0.15%		

NAM has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

The purpose of the table above is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. See Management of the Fund Investment Adviser and Sub-Adviser.

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Examples

The following examples illustrate the expenses (including the applicable transaction fees, if any, and estimated offering costs of $2.70) that a shareholder would pay on a $1,000 investment that is held for the time periods provided in the table. Each example assumes that all dividends and other distributions are reinvested in the Fund and that the Fund s Net Annual Expenses and Dividends on FundPreferred Shares, with the applicable expense limitations, as provided above, remain the same. The examples also assume a 5% annual return.(1)

Example # 1 (At-the-Market Transaction)

The following example assumes a transaction fee of 3.00%, as a percentage of the offering price.

1 Year	3 Years	5 Years	10 Years
$63	$128	$199	$386

Example # 2 (Underwriting Syndicate Transaction)

The following example assumes a transaction fee of 4.00%, as a percentage of the offering price.

1 Year	3 Years	5 Years	10 Years
$73	$137	$207	$392

Example # 3 (Privately Negotiated Transaction)

The following example assumes there is no transaction fee.

1 Year	3 Years	5 Years	10 Years
$34	$101	$174	$367

The examples should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown above.

(1) The examples assume that all dividends and distributions are reinvested at Common Share net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example. Each example also applies the relevant expense limitations described in footnote 3 above. See Summary of Fund Expenses.

FINANCIAL HIGHLIGHTS

Information contained in the table below under the headings Per Share Operating Performance and Ratios/Supplemental Data shows the operating performance of the Fund from the commencement of the Fund s investment operations on November 15, 2001 until June 30, 2007.

Selected data for a Common share outstanding throughout each period:

		Year Ended December 31,				Year Ended October 31,	
PER SHARE OPERATING PERFORMANCE	**2007(f)**	**2006**	**2005**	**2004(c)**	**2003(d)**	**2003**	**2002(e)**
Beginning Common Share Net Asset Value	$ 26.44	$ 22.38	$ 22.46	$ 18.57	$ 17.30	$ 13.56	$ 14.33
Investment Operations:							
Net Investment Income(a)	0.41	1.01	0.84	0.88	0.12	0.85	1.02
Net Realized/Unrealized Gain (Loss)(b)	(2.17)	5.40	0.93	4.56	1.38	4.38	(0.46)
Distributions from Net Investment Income to FundPreferred Shareholders	(0.20)****	(0.14)	(0.03)	(0.05)	(0.01)	(0.05)	(0.07)
Distributions from Capital Gains to FundPreferred Shareholders		(0.21)	(0.16)	(0.04)		(0.02)	(0.02)
Total	(1.96)	6.06	1.58	5.35	1.49	5.16	0.47
Less Distributions:							
Net Investment Income to Common Shareholders	(1.14)****	(1.35)	(0.29)	(0.69)	(0.01)	(0.97)	(0.89)
Capital Gains to Common Shareholders		(0.62)	(1.37)	(0.63)	(0.08)	(0.41)	(0.25)
Tax Return of Capital				(0.14)	(0.13)	(0.04)	
Total	(1.14)	(1.97)	(1.66)	(1.46)	(0.22)	(1.42)	(1.14)
Offering Costs and FundPreferred Share Underwriting Discounts		(0.03)					(0.10)
Ending Common Share Net Asset Value	$ 23.34	$ 26.44	$ 22.38	$ 22.46	$ 18.57	$ 17.30	$ 13.56
Ending Market Value	$ 24.05	$ 28.48	$ 19.99	$ 20.75	$ 18.73	$ 17.81	$ 14.40
Total Returns:							
Based on Market Value**	(11.73)%	54.49%	4.75%	19.80%	6.49%	35.40%	3.30%
Based on Common Share Net Asset Value**	(7.66)%	27.87%	7.42%	30.12%	8.69%	39.80%	2.09%
Ratios/Supplemental Data							
Ending Net Assets Applicable to Common Shares (000)	$ 658,494	$ 745,119	$ 629,649	$ 631,979	$ 522,576	$ 486,814	$ 381,290
Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement:							
Expenses	1.91%*	1.54%	1.28%	1.34%	2.31%*	2.51%	2.12%*
Net Investment Income	2.80%*	3.74%	3.46%	4.13%	4.07%*	5.17%	6.71%*

Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement***:							
Expenses	1.56%*	1.15%	0.90%	0.94%	1.91%*	2.09%	1.72%*
Net Investment Income	3.15%*	4.13%	3.85%	4.52%	4.47%*	5.59%	7.11%*
Portfolio Turnover Rate	24%	25%	13%	14%	2%	26%	37%
Cumulative FundPreferred at End of Period:							
Aggregate Amount Outstanding (000)	$ 222,000	$ 222,000	$ 172,000	$ 172,000	$ 172,000	$ 172,000	$ 172,000
Liquidation and Market Value Per Share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset Coverage Per Share	$ 99,155	$ 108,910	$ 116,519	$ 116,857	$ 100,956	$ 95,758	$ 80,420
Borrowings at End of Period:							
Aggregate Amount Outstanding (000)	$ 70,000	$ 70,000					
Asset Coverage Per $1,000	$ 13,578	$ 14,816					

* Annualized.

** Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the fund s market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

The Fund elected to retain a portion of its realized long-term capital gains for the tax year ended December 31, 2006, and pay required federal corporate income taxes on these gains. As reported on Form 2439, Common shareholders of record on December 29, 2006, must include their pro-rata share of these gains on their 2006 federal tax returns, and will receive a corresponding credit toward their taxes, or a tax refund, for their pro-rata share of the taxes paid by the Fund. The standardized total returns shown above do not include the economic benefit to Common shareholders of record of this tax credit/refund. The Fund s corresponding 2006 total returns on market value and net asset value when this benefit is included are 57.50% and 30.56%, respectively.

*** After custodian fee credit and expense reimbursement, where applicable.

**** Represents distributions paid From and in excess of net investment income for the six months ended June 30, 2007.

The amounts shown are based on Common share equivalents.

Ratios do not reflect the effect of dividend payments to FundPreferred shareholders.

Income ratios reflect income earned on assets attributable to FundPreferred shares and borrowings, where applicable.

For periods ended prior to December 31, 2004, each ratio included the effect of the net interest expense incurred on interest rate swap transactions as follows:

Year Ended 12/31:	
2003(d)	.91*
Year Ended 10/31:	
2003	1.03
2002(e)	.68*

Each ratio includes the effect of the interest expense paid on borrowings as follows:

	Ratio of Borrowing Interest Expense to Average Net Assets Applicable to Common Shares
Year Ended 12/31:	
2007(f)	.51%*
2006	.21%
2005	
2004(c)	
2003(d)	
Year Ended 10/31:	
2003	
2002(e)	

(a) Per share Net Investment Income is calculated using the average daily shares method.

(b) Net of federal corporate income taxes on long-term capital gains retained by the Fund of $0.56 per share for the fiscal year ended December 31, 2006.

(c) For the fiscal year ended December 31, 2004, the Fund changed its method of presentation for net interest expense on interest rate swap transactions. The effect of this reclassification was to increase Net Investment Income by $0.15 per share with a corresponding decrease in Net Realized/Unrealized Gain (Loss), a decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares by 0.77% with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares.

(d) For the period November 1, 2003 through December 31, 2003.

(e) For the period November 15, 2001 (commencement of operations) through October 31, 2002.

(f) For the six months ended June 30, 2007.

TRADING AND NET ASSET VALUE INFORMATION

The following table shows for the periods indicated: (i) the high and low sales prices for the Common Shares as reported on the Exchange, (ii) the net asset value represented by each of the high and low closing prices as reported on the Exchange, and (iii) the discount or premium to net asset value (expressed as a percentage) represented by the closing prices.

	Price		Net Asset Value		Premium/Discount to Net Asset Value	
Calendar Quarter Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
September 30, 2007	24.43	19.50	24.15	20.36	4.29	-6.43
June 30, 2007	27.30	22.80	26.78	22.99	4.59	-2.76
March 31, 2007	30.31	25.43	29.00	25.58	6.21	-2.38
December 31, 2006	29.12	24.77	27.80	25.41	8.59	-3.47
September 30, 2006	26.44	23.08	25.52	23.36	4.18	-2.04
June 30, 2006	23.09	21.29	24.18	22.23	-1.71	-7.37
March 31, 2006	23.26	20.19	24.84	22.76	-4.72	-11.94
December 31, 2005	20.56	19.09	23.14	21.09	-7.58	-14.43
September 30, 2005	21.23	19.02	23.95	21.96	-9.68	-14.57
June 30, 2005	20.39	18.11	22.70	20.15	-4.18	-11.32
March 31, 2005	20.58	17.60	22.19	20.09	-4.62	-12.39
December 31, 2004	20.99	18.96	22.57	20.23	-2.82	-9.46

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on August 27, 2001, pursuant to a Declaration of Trust (the Declaration) governed by the laws of the Commonwealth of Massachusetts. On November 20, 2001, the Fund issued an aggregate of 24,700,000 Common Shares of beneficial interest, par value $0.01 per share, pursuant to the initial public offering thereof. On December 7, 2001, the Fund issued an additional 3,400,000 Common Shares in connection with partial exercises by the underwriters of their over-allotment option. The Fund s Common Shares are listed on the Exchange under the symbol JRS. On January 11, 2002, the Fund issued 1,720 shares of each of Series M, Series T, Series W and Series F of FundPreferred Shares and on May 22, 2006, the Fund Issued 2,000 shares of Series TH (8,880 shares in the aggregate), liquidation preference $25,000 per share ($222,000,000 in the aggregate). The Fund s principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

The following provides information about the Fund s outstanding shares as of September 30, 2007:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY THE FUND OR FOR ITS ACCOUNT	AMOUNT OUTSTANDING
Common	unlimited	0	28,259,132
FundPreferred	unlimited		
Series M	1,720	0	1,720
Series T	1,720	0	1,720
Series W	1,720	0	1,720
Series TH	2,000	0	2,000
Series F	1,720	0	1,720

USE OF PROCEEDS

The Fund will invest 100% of the net proceeds of an offering in accordance with the Fund s investment objectives and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in securities that meet the Fund s investment objective and policies within three months from the month in which the proceeds from an offering are received by the Fund. Pending such investment, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. Government and its agencies or instrumentalities or in high quality, short-term money market instruments. Investors should expect, therefore, that before the Fund has fully invested the proceeds of the offering in accordance with its investment objective and policies, the Fund s net asset value would be subject to less fluctuation than would be the case at such time as the Fund is fully invested.

THE FUND S INVESTMENTS

Investment Objectives

The Fund s primary investment objective is to provide high current income. Capital appreciation is a secondary investment objective. The Fund has a policy of concentrating its investments in the U.S. real estate industry and not in any other industry. There can be no assurance that the Fund s investment objectives will be achieved.

Under normal market conditions, the Fund:

- will invest at least 90% of its total assets in income producing equity and debt securities of real estate companies. These equity securities can consist of (i) common stocks, (ii) preferred stocks, (iii) rights or warrants to purchase common stocks and preferred stocks, and (iv) convertible preferred stocks;

- will invest at least 80% of its total assets in income producing equity securities issued by REITs;

- will invest at least 40% of its total assets in common stocks;

- may invest up to 25% of its total assets in non-dollar denominated REICs; and

- may invest up to 20% of its total assets in debt securities, including convertible debt securities, issued or guaranteed by real estate companies.

Substantially all of the equity securities of real estate companies in which the Fund intends to invest are traded on a national securities exchange or in the over-the-counter markets.

The actual percentage of common, preferred and convertible preferred stocks, rights and warrants and debt securities in the Fund s portfolio may vary over time based on Security Capital s assessment of market conditions.

The Fund will not invest more than 25% of its total assets in non-investment grade Ratable Securities. Investment grade quality Ratable Securities are those that have received a rating no lower than Baa or BBB by Moody s, S&P or Fitch. See Appendix B in the SAI for a description of security ratings.

The Fund will not invest more than 10% of its total assets in illiquid real estate securities and will not invest more than 10% of its total assets in the securities of any one issuer.

The Fund will not enter into short sales or invest in derivatives, except as described in this Prospectus in connection with the interest rate swap or interest rate cap transactions. See Use of Leverage and Interest Rate Transactions.

The Fund cannot change its investment objectives without the approval of the holders of a majority of the outstanding Common Shares and FundPreferred Shares voting together as a single class, and of the holders of a majority of the outstanding FundPreferred Shares voting as a separate class. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. See Description of FundPreferred Shares Voting Rights for additional information with respect to the voting rights of holders of Common Shares.

Investment Process

The organization and investment processes of Security Capital reflect its belief that superior investment results are achieved through a dedication to proprietary, fundamental research. Its investment process focuses on three fundamental research disciplines that it believes play an important role in the performance and pricing of real estate companies:

- real estate research;
- company analysis; and
- market strategy.

These are highly specialized disciplines and each impacts the performance of real estate companies and the ultimate pricing of their securities. The investment process integrates these three disciplines under the broad direction of Security Capital s Portfolio Management Committee, the decision-making body for investment strategies.

Real Estate Research. Research analysts focus on understanding the market pressures and factors that affect rent growth, occupancy and development. This understanding provides perspectives on future supply and demand trends for property types in various markets and the relative impact for different companies.

Company Analysis. Investment analysts focus on analyzing real estate companies within Security Capital s defined universe of investments and modeling their cash flow potential. They form a complete assessment of the company s assets, operating management team and strategies through company and property visits, careful scrutiny of regulatory filings and fieldwork. The recurring output of the investment analysts includes a detailed five-year cash flow forecast, an analysis of net asset value and a detailed qualitative assessment of a company.

Market Strategy. Market strategy focuses on establishing appropriate cost of capital thresholds for pricing real estate companies in Security Capital s coverage universe of the companies. This effort requires consideration of the risks underlying securities as well as the appetite for and pricing of risk in the broader equity and capital markets. With this understanding, discount rates and terminal multiples are set that govern the key discounted cash flow models and other valuation models employed. The definition and execution of trading strategies is also an important part of market strategy.

Portfolio Construction. All investment decisions are directed by a committee of senior investment professionals the Portfolio Management Committee. The Committee meets formally on a weekly basis and informally throughout the week to evaluate emerging real estate research and company analysis, as well as key recurring reports, to create price forecasts to produce a target portfolio for the Fund. This target portfolio integrates the critical real estate and capital market expertise that helps to identify the most attractive investment opportunities.

PORTFOLIO COMPOSITION

The Fund s portfolio is composed principally of the following investments. A more detailed description of the Fund s investment policies and restrictions and more detailed information about the Fund s portfolio investments are contained in the SAI.

Real Estate Companies. Under normal market conditions, the Fund will invest at least 90% of its total assets in income producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as REITs. For purposes of the Fund s investment policies, a real estate company is a company that:

- derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial, industrial or residential real estate; or

- has at least 50% of its assets in such real estate.

Real Estate Investment Trusts (REITs). Under normal market conditions, the Fund will invest at least 80% of its total assets in income producing equity securities issued by REITs. A REIT is a real estate company that pools investors funds for investment primarily in income producing real estate or in real estate related loans (such as mortgages) or other interests. Therefore, a REIT normally derives its income from rents or from interest payments, and may realize capital gains by selling properties that have appreciated in value. A REIT is not taxed on income distributed to shareholders if it complies with several requirements relating to its organization, ownership, assets and income and a requirement that it distribute to its shareholders at least 90% of its taxable income (other than net capital gains) for each taxable year and otherwise complies with the requirements of the Code. As a result, REITs tend to pay relatively higher dividends than other types of companies, and the Fund intends to use these REIT dividends in an effort to meet the high current income goal of its investment objectives.

REITs can generally be classified as Equity REITs, Mortgage REITs and Hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both Equity REITs and Mortgage REITs. The Fund does not currently intend to invest more than 10% of its total assets in Mortgage REITs or Hybrid REITs.

Non-U.S. Real Estate Companies (REICs). The Fund will invest in global real estate companies outside the U.S. These companies include, but are not limited to, companies with similar characteristics to the REIT structure, in which revenue primarily consists of rent derived from owned, income-producing real estate properties, dividend distributions as a percentage of taxable net income are high (generally greater than 80%), debt levels are generally conservative and income derived from development activities is generally limited.

Preferred Stocks. The Fund may invest in preferred stocks issued by real estate companies. Preferred stocks pay fixed or floating rate dividends to investors, and have a preference over common stock in the payment of dividends and the liquidation of a company s assets. This means that a company must pay dividends on preferred stock before paying any dividends on its common stock. Preferred stockholders usually have no right to vote for corporate directors or on other matters.

Debt Securities. The Fund may invest up to 20% of its total assets in debt securities, including convertible debt securities, issued or guaranteed by real estate companies.

Foreign Securities. The Fund may invest up to 25% of its total assets in Foreign Securities, including securities denominated in foreign currencies or in multinational currency units. Foreign securities markets generally are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in most

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foreign securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States. Because evidence of ownership of such securities usually is held outside the United States, the Fund will be subject to additional risks which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the Foreign Securities to investors located outside the country of the issuer, whether from currency blockage or otherwise.

Since Foreign Securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Lower-Rated Securities. The Fund will not invest more than 25% of its total assets in Ratable Securities of below investment grade quality. Securities of below investment grade quality (Ba/BB or below) are commonly referred to as junk bonds. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal. The Fund may only invest in high yield securities that are rated CCC or higher by S&P, rated Caa or higher by Moody s, or rated CCC or higher by Fitch, or unrated securities determined by Security Capital to be of comparable quality. The issuers of these securities have a currently identifiable vulnerability to default as to payment of principal and interest and such issues may be in default or there may be present elements of danger with respect to principal or interest. The Fund will not invest in securities which are in default as to payment of principal and interest at the time of purchase. For a description of security ratings, see Appendix B of the SAI.

Illiquid Securities. The Fund will not invest more than 10% of its total assets in illiquid real estate securities (*i.e.,* securities that are not readily marketable). For purposes of this restriction, illiquid securities include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may only be resold pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), but that are deemed to be illiquid, and repurchase agreements with maturities in excess of seven days. The Board of Trustees or its delegate has the ultimate authority to determine, to the extent permissible under the federal securities laws, which securities are liquid or illiquid for purposes of this 10% limitation. The Board of Trustees has delegated to Security Capital and NAM the day-to-day determination of the illiquidity of any security held by the Fund, although it has retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Board of Trustees has directed Security Capital and NAM to look for such factors as (i) the nature of the market for a security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (*e.g*., certain repurchase obligations and demand instruments), and (iii) other permissible relevant factors.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Trustees or its delegate. If, through the appreciation of illiquid securities or the depreciation of liquid securities, the Fund should be in a position where more than 10% of the value of its net assets are invested in illiquid securities, including restricted securities which are not readily marketable, the Fund will take such steps as is deemed advisable, if any, to protect liquidity.

Defensive Position. Upon Security Capital s recommendation, during temporary defensive periods and in order to keep the Fund s cash fully invested, including the period during which the net proceeds of an offering are being invested, the Fund may deviate from its investment objectives and invest all or any portion of its net assets in investment grade debt securities, without regard to whether the issuer is a real estate company. In such a case, the Fund may not pursue or achieve its investment objectives.

Other Investments. The Fund s cash reserves, held to provide sufficient flexibility to take advantage of new opportunities for investments and for other cash needs, are invested in money market instruments. Money market instruments in which the Fund may invest its cash reserves will generally consist of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and such obligations which are subject to repurchase agreements and commercial paper. See Investment Policies and Techniques in the SAI.

Portfolio Turnover. The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund s investment objectives. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is not expected to exceed 50% under normal circumstances. However, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of Security Capital, investment considerations warrant such action. A higher turnover rate results in correspondingly greater brokerage commissions and other transactional expenses which are borne by the Fund. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. See Tax Matters.

USE OF LEVERAGE

The Fund may use leverage through the issuance of FundPreferred Shares, commercial paper or notes and/or borrowing in an aggregate amount of approximately 30% of the Fund s capital after such issuance and/or borrowing. The Fund employs financial leverage for the purpose of acquiring additional income-producing investments when Security Capital and NAM believe that such use of proceeds will enhance the Fund s net income. The amount of outstanding financial leverage may vary with prevailing market or economic conditions. As of September 30, 2007, there were $222 million in FundPreferred Shares outstanding and Borrowings in an amount equal to $70 million.

Following an offering of additional Common Shares, the Fund may offer additional FundPreferred Shares, or incur additional Borrowings, to maintain its desired leverage ratio. Leverage involves special risks. There is no assurance that the Fund s leveraging strategy will be successful. The Fund will seek to invest the proceeds of any future FundPreferred Shares offerings, or Borrowings, in long-term municipal securities, in accordance with the Fund s investment objectives and policies.

The FundPreferred Shares pay dividends at rates based on short -term periods (ranging from seven days to five years) (which are reset periodically pursuant to an auction). So long as the Fund s portfolio is invested in securities that provide a higher rate of return than the dividend rate of the FundPreferred Shares and/or the interest rate paid on Borrowings (after taking expenses into consideration), you will receive a higher current rate of return than if the Fund were not leveraged.

Changes in the value of the Fund s portfolio securities (including costs attributable to FundPreferred Shares or Borrowings) will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Fund s investment portfolio, the leverage will decrease (or increase) the net asset value per Common Share to a greater extent than if the Fund were not leveraged.

The Fund pays NAM and NAM pays Security Capital, a percentage of NAM s management fee which is based on a percentage of Managed Assets. Managed Assets include the proceeds realized from the Fund s use of leverage. NAM will base its decision whether and how much to leverage the Fund based solely on its assessment of whether such use of leverage will advance the Fund s investment objective. NAM will be responsible for

using leverage to achieve the Fund s investment objective. However, the fact that a decision to increase the Fund s leverage will have the effect of increasing Managed Assets and therefore NAM s and Security Capital s management fee means that NAM may have an incentive to increase the Fund s use of leverage. NAM and Security Capital will seek to manage that incentive by only increasing the Fund s use of leverage when they determine that such increase is consistent with the Fund s investment objective, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

For tax purposes, the Fund is currently required to allocate net capital gain and other taxable income, if any, between the Common Shares and FundPreferred Shares in proportion to total dividends paid to each class for the year in which the net capital gain or other taxable income is realized. If net capital gain or other taxable income is allocated to FundPreferred Shares (instead of solely tax-exempt income), the Fund will likely have to pay higher total dividends to FundPreferred Shareholders or make special payments to FundPreferred Shareholders to compensate them for the increased tax liability. This would reduce the total amount of dividends paid to the Common Shareholders, but would increase the portion of the dividend that is tax-exempt. On an after-tax basis, Common Shareholders may still be better off than if they had been allocated all of the Fund s net capital gain or other taxable income (resulting in a higher amount of total dividends), but received a lower amount of tax-exempt income. If the increase in dividend payments or the special payments to FundPreferred Shareholders are not entirely offset by a reduction in the tax liability of, and an increase in the tax-exempt dividends received by, the Common Shareholders, the advantage of the Fund s leveraged structure to Common Shareholders will be reduced.

Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance, the value of the Fund s asset coverage is at least 200% of the liquidation value of the outstanding preferred shares (*i.e.*, such liquidation value may not exceed 50% of the Fund s asset coverage). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the value of the Fund s asset coverage is at least 200% of such liquidation value. If FundPreferred Shares are issued, the Fund intends, to the extent possible, to purchase or redeem FundPreferred Shares from time to time to the extent necessary in order to maintain coverage of any FundPreferred Shares of at least 200%. When the Fund has FundPreferred Shares outstanding, two of the Fund s trustees will be elected by the holders of FundPreferred Shares, voting separately as a class. The remaining trustees of the Fund are elected by holders of Common Shares and FundPreferred Shares voting together as a single class. In the event the Fund fails to pay dividends on FundPreferred Shares for two years, FundPreferred Shareholders would be entitled to elect a majority of the trustees of the Fund.

The Fund may be subject to certain restrictions imposed by guidelines of one or more rating agencies that may issue ratings for FundPreferred Shares issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. It is not anticipated that these covenants or guidelines will impede NAM and Security Capital from managing the Fund s portfolio in accordance with the Fund s investment objectives and policies.

The Fund may also borrow money for repurchase of its shares or as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of investments held in the Fund s portfolio) at the assumed portfolio return rates provided in the table. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns expected to be experienced by the Fund.

The table further reflects the use of Borrowings and the issuance of FundPreferred shares representing, in the aggregate, 30% of the Fund s Managed Assets, and the current annual weighted average dividend rate on the Fund s $222 million of FundPreferred as well as the cost of its $70 million in Borrowings outstanding as of September 30, 2007 of 5.713%. See Risk Factors Leverage Risk and Use of Leverage.

Assumed Portfolio Total Return	-10.00%	-5.00%	0.00%	5.00%	10.00%
Common Share Total Return	(16.73)%	(9.59)%	(2.45)%	4.69%	11.84%

Common Share total return is composed of two elements the Common Share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying dividends on FundPreferred Shares or interest on Borrowings) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation.

RISK FACTORS

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing you should consider carefully the following risks that you assume when you invest in the Fund.

General Risks Of Investing In The Fund

Investment Risk and Interest Rate Risk. The prices of the common stocks of real estate companies, including REITs, and other securities in which the Fund invests, will fluctuate from day to day and may in either the near term or over the long run decline in value. Preferred stocks and debt securities are generally more sensitive to changes in interest rates than common stocks.

Interest rate risk is the risk that fixed-income investments such as preferred stocks and debt securities, and to a lesser extent dividend-paying common stocks such as REIT common stocks, will decline in value because of changes in market interest rates. When interest rates rise, the market value of such securities generally will fall. The Fund s investment in such securities means that the net asset value of the Fund will tend to decline if market interest rates rise.

General Risks of Securities Linked to the Real Estate Market. The Fund will not invest in real estate directly, but only in securities issued by real estate companies, including REITs and REICs. However, because of the Fund s policy of concentration in the securities of companies in the real estate industry, it is also subject to the risks associated with the direct ownership of real estate. These risks include:

- declines in the value of real estate
- risks related to general and local economic conditions
- possible lack of availability of mortgage funds
- overbuilding
- extended vacancies of properties
- increased competition
- increases in property taxes and operating expenses
- changes in zoning laws

losses due to costs resulting from the clean-up of environmental problems

liability to third parties for damages resulting from environmental problems

casualty or condemnation losses

limitations on rents

changes in neighborhood values and the appeal of properties to tenants

changes in interest rates

Thus, the value of the Fund s portfolio may change at different rates compared to the value of the portfolio of a registered investment company with investments in a mix of different industries and will depend on the general condition of the economy. An economic downturn could have a material adverse effect on the real estate markets and on real estate companies in which the Fund invests, which in turn could result in the Fund not achieving its investment objectives.

General U.S. Real Estate Risks. Real property investments are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as applicable laws (*e.g.*, Americans with Disabilities Act and tax laws), interest rate levels, and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants. The performance of the economy in each of the regions in which the real estate owned by the portfolio company is located affects occupancy, market rental rates and expenses and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited. A real estate company may also have joint venture investments in certain of its properties, and consequently, its ability to control decisions relating to such properties may be limited.

Real Property. Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing.

Retail Properties. Retail properties are affected by the overall health of the economy. A retail property may be adversely affected by the growth of alternative forms of retailing, bankruptcy, decline in drawing power, a shift in consumer demand due to demographic changes and/or changes in consumer preference (for example, to discount retailers) and spending patterns. A retail property may also be adversely affected if an anchor or significant tenant ceases operation at such location, voluntarily or otherwise. Certain tenants at retail properties may be entitled to terminate their leases if an anchor tenant ceases operations at such property.

Office Properties. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus non-competitive. Office properties may also be adversely affected if there is an economic decline in the businesses operated by their tenants. The risks of such an adverse effect is increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

Hotel Properties. The risks of hotel properties include, among other things, the necessity of a high level of continuing capital expenditures to keep necessary furniture, fixtures and equipment updated, competition from other hotels, increases in operating costs (which increases may not necessarily be offset in the future by increased room rates), dependence on business and commercial travelers and tourism, increases in fuel costs and other expenses of travel, changes to regulation of operating liquor and other licenses, and adverse effects of general and local economic conditions. Due to the fact that hotel rooms are generally rented for short periods of time, hotel properties tend to be more sensitive to adverse economic conditions and competition than many other commercial properties.

Also, hotels may be operated pursuant to franchise, management and operating agreements that may be terminable by the franchiser, the manager or the operator. Contrarily, it may be difficult to terminate an ineffective operator of a hotel property subsequent to a foreclosure of such property.

Healthcare Properties. Healthcare properties and healthcare providers are affected by several significant factors, including federal, state and local laws governing licenses, certification, adequacy of care, pharmaceutical distribution, rates, equipment, personnel and other factors regarding operations; continued availability of revenue from government reimbursement programs (primarily Medicaid and Medicare); and competition in terms of appearance, reputation, quality and cost of care with similar properties on a local and regional basis.

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These governmental laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. Changes may also be applied retroactively and the timing of such changes cannot be predicted. The failure of any healthcare operator to comply with governmental laws and regulations may affect its ability to operate its facility or receive government reimbursement. In addition, in the event that a tenant is in default on its lease, a new operator or purchaser at a foreclosure sale will have to apply in its own right for all relevant licenses if such new operator does not already hold such licenses. There can be no assurance that such new licenses could be obtained, and consequently, there can be no assurance that any healthcare property subject to foreclosure will be disposed of in a timely manner.

Multifamily Properties. The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of management to provide adequate maintenance and insurance, types of services provided by the property, the level of mortgage rates, presence of competing properties, the relocation of tenants to new projects with better amenities, adverse economic conditions in the locale, the amount of rent charged, and oversupply of units due to new construction. In addition, multifamily properties may be subject to rent control laws or other laws affecting such properties, which could impact the future cash flows of such properties.

Other factors may contribute to the riskiness of real estate investments.

Development Issues. Certain real estate companies may engage in the development or construction of real estate properties. These portfolio companies are exposed to a variety of risks inherent in real estate development and construction, such as the risk that there will be insufficient tenant demand to occupy newly-developed properties, and the risk that prices of construction materials or construction labor may rise materially during the development process.

Insurance Issues. Certain of the real estate companies may, in connection with the issuance of securities, have disclosed that they carry comprehensive liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. However such insurance is not uniform among the portfolio companies. Moreover, there are certain types of extraordinary losses that may be uninsurable, or not economically insurable. Certain of the properties may be located in areas that are subject to earthquake activity for which insurance may not be maintained. Should a property sustain damage as a result of an earthquake, even if the portfolio company maintains earthquake insurance, the portfolio company may incur substantial losses due to insurance deductibles, co-payments on insured losses or uninsured losses. Should any type of uninsured loss occur, the portfolio company could lose its investment in, and anticipated profits and cash flows from, a number of properties and as a result, would impact the Fund s investment performance.

Financial Leverage. Real estate companies, including REITs, may be highly leveraged and financial covenants may affect the ability of those companies to operate effectively. The portfolio companies are subject to risks normally associated with debt financing. If the principal payments of a real estate company s debt cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, the real estate company s cash flow may not be sufficient to repay all maturing debt outstanding.

In addition, a portfolio company s obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict a REIT s range of operating activity. A portfolio company, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions which may be beneficial to the operation of the REIT.

Foreign Risk

Under current market conditions, the Fund may invest up to 25% of its total assets in Foreign Securities. Investing in Foreign Securities involves certain risks not involved in domestic investments, including, but not limited to:

- future foreign economic, financial, political and social developments;
- different legal systems;
- the possible imposition of exchange controls or other foreign governmental laws or restrictions;
- lower trading volume;
- much greater price volatility and illiquidity of certain foreign securities markets;
- different trading and settlement practices;
- less governmental supervision;
- regulatory changes;
- changes in currency exchange rates;
- high and volatile rates of inflation;
- fluctuating interest rates;
- less publicly available information; and
- different accounting, auditing and financial record-keeping standards and requirements.

Investments in Foreign Securities will expose the Fund to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Certain countries in which the Fund may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing external debt will generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates which are adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of:

- the possibility of expropriation of assets;
- confiscatory taxation;
- difficulty in obtaining or enforcing a court judgment;
- economic, political or social instability;
- the possibility that an issuer may not be able to make payments to investors outside of the issuer s country; and
- diplomatic developments that could affect investments in those countries.

In addition, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as:

- growth of gross domestic product;
- rates of inflation;
- capital reinvestment;
- resources;
- self-sufficiency;

balance of payments position; and

the tax treatment of the Fund s investments, which may result in certain investments in Foreign Securities being subject to foreign withholding taxes, or being subject to U.S. federal income tax rules that may cause a U.S. holder to recognize taxable income without a corresponding receipt of cash, to incur an interest charge on taxable income that is deemed to have been deferred and/or to recognize ordinary income that would have otherwise been treated as capital gain. See Federal Income Tax Matters in the Statement of Additional Information.

Foreign Currency Risk

Because the Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the Fund and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Fund s net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar.

Environmental Issues

In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, a portfolio company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such portfolio company and, as a result, the amount available to make distributions on the shares could be reduced.

Smaller Companies

Even the larger REITs and REICs in the industry tend to be small to medium-sized companies in relation to the equity markets as a whole. There may be less trading in a smaller company s stock, which means that buy and sell transactions in that stock could have a larger impact on the stock s price than is the case with larger company stocks. Smaller companies also may have fewer lines of business so that changes in any one line of business may have a greater impact on a smaller company s stock price than is the case for a larger company. Further, smaller company stocks may perform in different cycles than larger company stocks. Accordingly, REIT and REIC shares can be more volatile than and at times will perform differently from large company stocks such as those found in the Dow Jones Industrial Average.

As of September 30, 2007, based upon the Dow Jones Wilshire Real Estate Securities Index, the market capitalization of REITs ranged from approximately $228 million to approximately $22 billion.

Tax Issues

REITs are subject to a highly technical and complex set of provisions in the Code. It is possible that the Fund may invest in a real estate company which purports to be a REIT but which fails to qualify as a REIT. In the event of any such unexpected failure to qualify as a REIT, the company would be subject to corporate-level taxation, significantly reducing the return to the Fund on its investment in such company. REITs could possibly fail to qualify for tax-free pass-through of income under the Code, or to maintain their exemptions from registration under the 1940 Act.

The above factors may also adversely affect a borrower s or a lessee s ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a creditor or lessor and may incur substantial costs associated with protecting its investments.

Interest Rate Transactions Risk

The Fund may enter into a swap or cap transaction to attempt to protect itself from increasing dividend or interest expenses resulting from increasing short-term interest rates. A decline in interest rates may result in a decline in the value of the swap or cap, which may result in a decline in the net asset value of the Fund. See The Fund s Investments Interest Rate Transactions.

Risks of Investment in Lower-Rated Securities

Fixed-income securities of below investment grade quality (Ba/BB or below) are commonly referred to as junk bonds. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal.

Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. Yields on lower-rated securities will fluctuate. If the issuer of lower-rated securities defaults, the Fund may incur additional expenses to seek recovery.

The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which the Fund could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the net asset value of the Fund. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities.

It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of such securities, and adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon. New laws and proposed new laws may adversely impact the market for lower-rated securities.

The Fund may only invest in high yield securities that are rated CCC or higher by S&P, rated Caa or higher by Moody s, or rated CCC or higher by Fitch, or unrated securities determined by Security Capital to be of comparable quality. The issuers of these securities have a currently identifiable vulnerability to default and such issues may be in default or there may be present elements of danger with respect to principal or interest. The Fund will not invest in securities which are in default at the time of purchase.

Non-Diversified Status

Because the Fund is classified as non-diversified under the 1940 Act, it can invest a greater portion of its assets in obligations of a single issuer. As a result, the Fund is more susceptible than a more widely diversified fund to any single corporate, economic, political or regulatory occurrence. See The Fund s Investments.

Market Disruption Risk

Certain events have a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the United States on September 11, 2001), war and other geopolitical events, earthquakes, storms and other disasters. The Fund can not predict the effects of similar events in the future on the markets or economy of the U.S. or other countries. Disruptions of the financial markets could impact interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors affecting the Fund. In addition, the potential adverse impact on Fund service providers may affect the Fund s operations, although the Fund is not aware at this time of significant operating difficulties at its service providers.

Decline in Net Asset Value Risk

Any decline in the net asset value of the Fund s investments will be borne entirely by Common Shareholders. Therefore, if the market value of the Fund s portfolio declines, the leverage will result in a greater decrease in net asset value to Common Shareholders than if the Fund were not leveraged. Such greater net asset value decrease will also tend to cause a greater decline in the market price for the Common Shares. To the extent that the Fund is required or elects to redeem any FundPreferred Shares or prepay any Borrowings, the Fund may need to liquidate investments to fund such redemptions or prepayments. Liquidation at times of adverse economic conditions may result in capital loss and reduce returns to Common Shareholders.

In addition, such redemption or prepayment would likely result in the Fund seeking to terminate early all or a portion of any interest rate swap or cap transaction. Early termination of the interest rate swap could result in a termination payment by or to the Fund. Early termination of a cap could result in a termination payment to the Fund. See Interest Rate Transactions.

Leverage Risk

The Fund uses financial leverage for investment purposes in an amount currently representing approximately 30% of its total assets (including the proceeds from such financial leverage). In addition to issuing FundPreferred Shares, the Fund may make further use of financial leverage through borrowing, including the issuance of commercial paper or notes. The Fund currently engages in such financial leverage by borrowing money under a credit agreement with a commercial bank. The Fund may also borrow funds (a) in connection with a loan made by a bank or other party that is privately arranged and not intended to be publicly distributed or (b) in an amount equal to up to 5% of its total assets for temporary purposes only.

In respect of Borrowings, under the requirements of the 1940 Act, the value of the Fund s total assets, less all liabilities and indebtedness of the Fund not represented by such senior securities, must be at least equal, immediately after issuance of any such senior securities representing indebtedness, to 300% of the aggregate value of such senior securities, including any Borrowings. In respect of FundPreferred Shares, the value of the Fund s total assets, less all liabilities and indebtedness of the Fund not represented by senior securities must be at least equal, immediately after the issuance of FundPreferred Shares, to 200% of the aggregate value of any senior securities, including any Borrowings, and FundPreferred Shares.

If the Fund seeks an investment grade rating from one or more nationally recognized statistical rating organizations for any commercial paper and notes (which the Fund expects to do if it issues any such commercial paper or notes), asset coverage or portfolio composition provisions in addition to and more stringent than those required by the 1940 Act may be imposed in connection with the issuance of such a rating. In addition, restrictions may be imposed on certain investment practices in which the Fund may otherwise engage. Any lender with respect to Borrowings by the Fund may require additional asset coverage and portfolio composition provisions as well as restrictions on the Fund s investment practices.

The Fund reserves the right at any time, if it believes that market conditions are appropriate, to increase its level of debt or other senior securities to maintain or increase the Fund s current level of leverage to the extent permitted by the 1940 Act and existing agreements between the Fund and third parties.

Because the fee paid to NAM and Security Capital will be calculated on the basis of total managed assets, the fee will be higher when leverage is utilized, giving NAM and Security Capital an incentive to utilize leverage.

Market Discount from Net Asset Value and Expected Reductions in Net Asset Value.

Shares of closed-end investment companies like the Fund frequently trade at prices lower than their net asset value, which creates a risk of loss for investors when they sell shares purchased in the initial public offering. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. The Fund cannot predict whether Common Shares will trade at, above or below net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by shareholder transaction costs (if applicable, which vary depending on the offering method used). The net asset value per Common Share will also be reduced by the amount of offering costs borne by the Fund and by costs associated with any future issuances of FundPreferred Shares or Borrowings. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. In addition, during any periods of rising inflation, dividend rates of FundPreferred Shares would likely increase, which would tend to further reduce returns to Common Shareholders.

Impact of Offering Methods Risk

The issuance of Common Shares through the various methods described in the prospectus may have an adverse effect on prices in the secondary market for the Fund s Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Fund.

Certain Affiliations

Certain broker-dealers may be considered to be affiliated persons of the Fund, NAM, Nuveen Investments and/or Nuveen. Absent an exemption from the SEC or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund s ability to engage in securities transactions, purchase certain adjustable rate senior loans, if applicable, and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of the Common Shares, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate.

Anti-Takeover Provisions

The Fund s Declaration includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust.

INTEREST RATE TRANSACTIONS

In connection with the Fund s use of leverage through its sale of FundPreferred Shares or Borrowings, the Fund may enter into interest rate swap transactions that are intended to hedge the Fund s dividend payment obligations under the currently outstanding FundPreferred Shares. Interest rate swaps involve the Fund s agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on FundPreferred Shares or any variable rate borrowing. The payment obligation is based on the notional amount of the swap.

The Fund may also enter into interest rate cap transaction, which would require it to pay a premium to the cap counterparty and would entitle it, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount. The Fund would use interest rate swaps or caps only with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on Common Share net earnings as a result of leverage.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to maintain in a segregated account with its custodian cash or liquid securities having a value at least equal to the Fund s net payment obligations under any swap transaction, marked-to-market daily.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on the state of interest rates in general, the Fund s use of interest rate swaps or caps could enhance or harm the overall performance on the Common Shares. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of the Common Shares. In addition, if short-term interest rates are lower than the Fund s fixed rate of payment on the interest rate swap, the swap will reduce Common Share net earnings. If, on the other hand, short-term interest rates are higher than the fixed rate of payment on the interest rate swap, the swap will enhance Common Share net earnings. Buying interest rate caps could enhance the performance of the Common Shares by providing a maximum leverage expense. Buying interest rate caps could also decrease the net earnings of the Common Shares in the event that the premium paid by the Fund to the counterparty exceeds the additional amount the Fund would have been required to pay had it not entered into the cap agreement. The Fund would not enter into interest rate swap or cap transactions in an aggregate notional amount that exceeds the outstanding amount of the Fund s leverage.

Interest rate swaps and caps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the counterparty defaults, the Fund would not be able to use the anticipated net receipts under the swap or cap to offset the dividend payments on FundPreferred Shares or interest payments on Borrowings. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the Common Shares.

Although this will not guarantee that the counterparty does not default, the Fund will not enter into an interest rate swap or cap transaction with any counterparty that NAM believes does not have the financial resources to honor its obligation under the interest rate swap or cap transaction. Further, NAM will continually monitor the financial stability of a counterparty to an interest rate swap or cap transaction in an effort to proactively protect the Fund s investments.

In addition, at the time the interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of the Common Shares.

The Fund may choose or be required to redeem some or all FundPreferred Shares or prepay any Borrowings. This redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Such early termination of a swap could result in termination payment by or to the Fund. An early termination of a cap could result in a termination payment to the Fund.

HOW THE FUND MANAGES RISK

Investment Limitations

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. These limitations are fundamental and may not be changed without the approval of the holders of a majority of the outstanding Common Shares and FundPreferred Shares voting together as a single class, and the approval of the holders of a majority of the outstanding FundPreferred Shares voting as a separate class. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less.

The Fund may become subject to guidelines which are more limiting than the investment limitations referred to above in order to obtain and maintain ratings from Moody s, S&P or Fitch on the FundPreferred Shares, including with respect to the Fund s hedging strategies described below. The Fund does not anticipate that such guidelines would have a material adverse effect on the Fund s Common Shareholders or the Fund s ability to achieve its investment objectives. See Investment Objectives in the SAI for information about these guidelines and a complete list of the fundamental and non-fundamental investment policies of the Fund.

Limited Issuance of FundPreferred Shares

Under the 1940 Act, the Fund could issue FundPreferred Shares having a total liquidation value (original purchase price of the shares being liquidated plus any accrued and unpaid dividends) of up to one-half of the value of the total assets including Borrowings of the Fund. If the total liquidation value of FundPreferred Shares was ever more than one-half of the value of the Fund s total assets including Borrowings, the Fund would not be able to declare dividends on the Common Shares until the liquidation value, as a percentage of the Fund s assets, was reduced**.** As of September 30, 2007, the FundPreferred Shares represented approximately 24% of the Fund s total capital. This higher than required margin of net asset value provides a cushion against later fluctuations in the value of the Fund s portfolio and will subject Common Shareholders to less income and net asset value volatility than if the Fund were more leveraged. The Fund intends to purchase or redeem FundPreferred Shares, if necessary, to keep the liquidation value of FundPreferred Shares below one-half of the value of the Fund s asset coverage.

Limited Borrowings

Under the requirements of the 1940 Act, the Fund, immediately after issuance of any Borrowings that are senior securities representing indebtedness (as defined in the 1940 Act) must have an asset coverage of at least 300%. With respect to any Borrowings that are senior securities representing indebtedness, asset coverage means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities bears to the aggregate amount of such Borrowings that are senior securities representing indebtedness issued by the Fund. Certain types of Borrowings may result in the Fund being subject to covenants in credit agreements relating to asset coverages or portfolio composition or otherwise. In addition, the Fund may be subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for commercial paper or notes issued by the Fund. Such restrictions may be more stringent than those imposed by the 1940 Act.

Management of Investment Portfolio and Capital Structure to Limit Leverage Risk

The FundPreferred Shares pay dividends at rates based on short- term periods (ranging from seven days to five years), which are reset periodically pursuant to an auction. So long as the Fund s portfolio is invested in securities that provide a higher rate of return than the dividend rate of the FundPreferred Shares and/or the interest rate paid on Borrowings (after taking expenses into consideration), you will receive a higher current rate of return than if the Fund were not leveraged.

The Fund may take certain actions if short- or intermediate-term interest rates increase or market conditions otherwise change (or the Fund anticipates such an increase or change) and the Fund s leverage begins (or is expected) to adversely affect Common Shareholders. In order to attempt to offset such a negative impact of leverage on Common Shareholders, the Fund may shorten the average maturity of its investment portfolio (by investing in short-term, high quality securities) or may extend the dividend rate period of outstanding FundPreferred Shares.

The Fund may also attempt to reduce the leverage by redeeming or otherwise purchasing FundPreferred Shares. As explained above under Risk Factors Leverage Risk, the success of any such attempt to limit leverage risk depends on NAM s ability to accurately predict interest rate or other market changes. Because of the difficulty of making such predictions, the Fund may never attempt to manage its capital structure in the manner described above.

If market conditions suggest that additional leverage would be beneficial, the Fund may sell previously unissued FundPreferred Shares or FundPreferred Shares that the Fund previously issued but later repurchased.

MANAGEMENT OF THE FUND

Trustees and Officers

The Board of Trustees is responsible for the management of the Fund, including supervision of the duties performed by NAM and Security Capital. The names and business addresses of the trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under Management of the Fund in the SAI.

Investment Adviser and Sub-Adviser

Nuveen Asset Management (NAM), the Fund s investment adviser, offers advisory and investment management services to a broad range of mutual fund and closed-end fund clients. NAM is responsible for the selection and on-going monitoring of the securities in the funds investment portfolios, managing the funds business affairs and providing certain clerical, bookkeeping and other administrative services. NAM is located at 333 West Wacker Drive, Chicago, IL 60606.

NAM is a wholly-owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $170 billion in assets under management or supervision, as of September 30, 2007. Nuveen Investments is currently a publicly-traded company.

On June 20, 2007, Nuveen Investments announced that it had entered into a definitive Agreement and Plan of Merger (Merger Agreement) to be acquired by investors led by Madison Dearborn Partners, LLC. Madison Dearborn Partners, LLC is a private equity investment firm based in Chicago, Illinois. The merger is expected to be completed by the end of the year, subject to customary conditions, including obtaining necessary fund and client consents sufficient to satisfy the terms of the Merger Agreement. There can be no assurance that the merger described above will be consummated as contemplated or that necessary shareholder approvals will be obtained.

The consummation of the merger will be deemed to be an assignment (as defined in the 1940 Act) of the investment management agreement between the Fund and NAM, and the investment sub-advisory agreement between NAM and the sub-adviser, and will result in the automatic termination of each agreement. The Board of Trustees of the Fund has considered a new investment management agreement with NAM and a new investment sub-advisory agreement. The new ongoing agreements have been approved by the Fund s shareholders. The new ongoing agreements will take effect upon consummation of the merger.

The investors led by Madison Dearborn Partners, LLC include an affiliate of Merrill Lynch. Upon consummation of the merger, it is anticipated that Merrill Lynch will be an indirect affiliated person (as that term is defined in the 1940 Act) of the Fund. As a result, the Fund would then generally be prohibited from entering into principal transactions with Merrill Lynch and certain of its affiliates. NAM and the Fund do not believe that any such prohibition or limitation would have a materially adverse effect on the Fund s ability to pursue its investment objectives and policies.

There will be no change in the portfolio management of the Fund or in the Fund s investment objective or policies as a result of these transactions.

Security Capital, 10 South Dearborn Street, Suite 1400, Chicago, Illinois 60603, is the sub-adviser to the Fund. Security Capital is a wholly-owned subsidiary of J.P. Morgan Chase & Co. Security Capital, which is registered as an investment adviser with the Securities and Exchange Commission, commenced operations in January 1995 and had approximately $5.7 billion in assets under management as of September 30, 2007.

Portfolio Managers

A team of full-time Security Capital professionals, working together as the Fund s Portfolio Management Committee, is primarily responsible for overseeing the day-to-day operations of the Fund. The members of the Portfolio Management Committee are as follows:

Anthony R. Manno, Jr. is CEO, President and Chief Investment Officer of Security Capital Research & Management Incorporated. He is Chairman, President and Managing Director of SC-Preferred Growth LLC. Prior to joining Security Capital in 1994, Mr. Manno spent 14 years with LaSalle Partners Limited as a Managing Director, responsible for real estate investment banking activities. Mr. Manno began his career in real estate finance at The First National Bank of Chicago and has 34 years of experience in the real estate investment business. He received an MBA in Finance with honors (Beta Gamma Sigma) from the University of Chicago and graduated Phi Beta Kappa from Northwestern University with a BA and MA in Economics. Mr. Manno is also a Certified Public Accountant and was awarded an Elijah Watt Sells award.

Kenneth D. Statz is a Managing Director and Senior Market Strategist of Security Capital Research & Management Incorporated where he is responsible for the development and implementation of portfolio investment strategy. Prior to joining Security Capital in 1995, Mr. Statz was a Vice President in the Investment Research Department of Goldman, Sachs & Co., concentrating on research and underwriting for the REIT industry. Previously, he was a REIT Portfolio Manager and a Managing Director of Chancellor Capital Management. Mr. Statz has 26 years of experience in the real estate securities industry and received an MBA and a BBA in Finance from the University of Wisconsin.

Kevin W. Bedell is a Managing Director of Security Capital Research & Management Incorporated where he directs the Investment Analysis Team, which provides in-depth proprietary research on publicly listed companies. Prior to joining Security Capital in 1996, Mr. Bedell spent nine years with LaSalle Partners Limited where he was Equity Vice President and Portfolio Manager, with responsibility for strategic, operational and financial management of a private real estate investment trust with commercial real estate investments in excess of $1 billion. Mr. Bedell has 20 years of experience in the real estate securities industry and received an MBA in Finance from the University of Chicago and a BA from Kenyon College.

Additional information about the portfolio managers compensation, other accounts managed by the portfolio managers and the portfolio managers ownership of securities in the Fund is provided in the SAI. The SAI is available free of charge by calling (800) 257-8787 or by visiting Nuveen s website at http://www.nuveen.com/MF/resources/eReports.aspx.

Investment Management Agreements

Pursuant to an investment management agreement between NAM and the Fund, the Fund s management fee is separated into two components a complex-level component, based on the aggregate amount of all fund assets managed by NAM, and a fund-level component, based only on the amount of assets within the Fund. The pricing structure enables Fund shareholders to benefit from growth in assets within each individual fund as well as from growth of complex-wide assets managed by NAM.

The annual fund-level fee for the Fund is based upon the average daily managed assets (including assets attributable to FundPreferred Shares and principal amount of Borrowings) as follows:

Average Daily Managed Assets **(including assets attributable to FundPreferred Shares and principal amount of Borrowings)**	**Fund-Level** **Fee Rate**
For the first $500 million	0.7000%
For the next $500 million	0.6750
For the next $500 million	0.6500
For the next $500 million	0.6250
For Managed Assets over $2 billion	0.6000

The Fund also pays a complex-level fee to NAM, which is payable monthly and is in addition to the fund-level fee. The complex-level fee is based on the aggregate daily amount of total Managed Assets for all Nuveen-branded closed-end and open-end registered investment companies organized in the U.S., as stated in the table below. As of September 30, 2007, the complex-level fee rate was 0.1831%.

The complex-level fee rate is as follows:

Complex-Level Asset Breakpoint Level[(1)]	**Effective Rate at Breakpoint Level**
$55 billion	0.2000%
$56 billion	0.1996
$57 billion	0.1989
$60 billion	0.1961
$63 billion	0.1931
$66 billion	0.1900
$71 billion	0.1851
$76 billion	0.1806
$80 billion	0.1773
$91 billion	0.1691
$125 billion	0.1599
$200 billion	0.1505
$250 billion	0.1469
$300 billion	0.1445

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets (Managed Assets means the average daily net assets of each fund including assets attributable to preferred stock issued by or Borrowings by the Nuveen funds) of Nuveen sponsored funds in the U.S. Complex Managed Assets were approximately $73.1 billion as of September 30, 2007.

The management fee compensates NAM for overall investment advisory and administrative services and general office facilities. The Fund pays all other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with NAM), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of issuing any FundPreferred shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

Pursuant to a sub-advisory agreement between NAM and Security Capital, Security Capital manages the investment portfolio of the Fund. Security Capital receives from NAM a percent of the management fee (net of the reimbursements described below) according to the following schedule:

Average Daily Managed Assets (including assets attributable to FundPreferred Shares and Borrowings)	**Sub-Advisory Management Fee**
Up to $125 million	50.0%
$125 million to $150 million	47.5%
$150 million to $175 million	45.0%
$175 million to $200 million	42.5%
For assets over $2 billion	40.0%

NAM has contractually agreed to reimburse the Fund for fees and expenses in the amounts, and for the time periods, set forth below:

Years Ending November 30,	**Percentage Reimbursed (as a Percentage of Managed Assets)***	**Years Ending November 30,**	**Percentage Reimbursed (as a Percentage of Managed Assets)***
2007**	0.25%	2010	0.10%
2008	0.20%	2011	0