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NUVEEN REAL ESTATE INCOME FUND  
Form N-2/A  
October 30, 2001

As filed with the Securities and Exchange Commission on October 30, 2001

1933 Act File No. 333-68948  
1940 Act File No. 811-10491

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form N-2

(Check appropriate box or boxes)

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
 Pre-Effective Amendment No. 2  
 Post-Effective Amendment No. \_

and

- REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940  
 Amendment No. 2

Nuveen Real Estate Income Fund  
Exact Name of Registrant as Specified in Declaration of Trust  
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

Gifford R. Zimmerman  
Vice President and Secretary  
333 West Wacker Drive  
Chicago, Illinois 60606  
Name and Address (Number, Street, City, State, Zip Code) of Agent for Service  
Copies of Communications to:

Stacy H. Winick	Eric F. Fess	Sarah E. Cogan
Bell, Boyd & Lloyd LLC	Chapman and Cutler	Simpson Thacher & Bartlett
70 W. Madison St.	111 W. Monroe	425 Lexington Ave.
Chicago, IL 60602	Chicago, IL 60603	New York, NY 10017

Approximate Date of Proposed Public Offering:

As soon as practicable after the effective date of this Registration Statement

-----  
If any of the securities being registered on this form are 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. [ ]

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

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[X] when declared effective pursuant to section 8(c)

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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 (1)
Common Shares, \$0.01 par value	4,000,000 Shares	\$15.00	\$60,000,000

(1) Estimated solely for the purpose of calculating the registration fee.

(2) All of which has already been paid.

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 Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Pre-effective Amendment No. 2 to the Registrant's Registration Statement on Form N-2 amends Parts B and C to the Registration Statement and files exhibits. No changes to the Prospectus (Part A) included in Pre-effective Amendment No. 1 are affected hereby.

The information in this Statement of Additional information 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 Statement of Additional information is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED \_\_\_\_\_, 2001

Nuveen Real Estate Income Fund

STATEMENT OF ADDITIONAL INFORMATION

Nuveen Real Estate Income Fund (the "Fund") is a newly-organized, non-diversified closed-end management investment company.

This Statement of Additional Information relating to common shares of the Fund ("Common Shares") does not constitute a prospectus, but should be read in conjunction with the Fund's Prospectus relating thereto dated \_\_\_\_\_, 2001 (the "Prospectus"). This Statement of Additional information does not

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include all information that a prospective investor should consider before purchasing Common Shares, and investors should obtain and read the Fund's Prospectus prior to purchasing such shares. A copy of the Fund's Prospectus may be obtained without charge by calling (800) 257-8787 or by writing to the Fund at 333 West Wacker, Chicago, Illinois 60606. You may also obtain a copy of the Fund's Prospectus on the Securities and Exchange Commission's web site (<http://www.sec.gov>). Capitalized terms used but not defined in this Statement of Additional Information have the meanings ascribed to them in the Prospectus.

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This Statement of Additional Information is dated \_\_\_\_\_, 2001

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### USE OF PROCEEDS

The net proceeds of the offering of Common Shares of the Fund will be approximately: \$\_\_\_\_\_ (\$\_\_\_\_\_ if the Underwriters exercise the over-allotment option in full) after payment of organization and offering costs.

For the Fund, Nuveen has agreed to pay (i) all organizational expenses and (ii) offering costs (other than sales load) that exceed \$0.03 per Common Share.

Pending investment in real estate securities that meet the Fund's investment objectives and policies, the net proceeds of the offering will be invested in U.S. government securities or high quality, short-term money market

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instruments.

### INVESTMENT OBJECTIVES

The Fund's primary investment objective is high current income. The Fund's secondary investment objective is capital appreciation.

#### Investment Restrictions

Except as described below, the Fund, as a fundamental policy, may not, without the approval of the holders of a majority of the outstanding Common Shares and, if issued, Fund Preferred Shares (as hereinafter defined) voting together as a single class, and of the holders of a majority of the outstanding Fund Preferred Shares voting as a separate class:

(1) Issue senior securities, as defined in the Investment Company Act of 1940, other than (i) preferred shares which immediately after issuance will have asset coverage of at least 200%, (ii) indebtedness which immediately after issuance will have asset coverage of at least 300%, or (iii) the borrowings permitted by investment restriction (2) set forth below.

(2) Borrow money, except as permitted by the Investment Company Act of 1940.

(3) Act as underwriter of another issuer's securities, except to the extent that the Fund may be deemed to be an underwriter within the meaning of the Securities Act of 1933 in connection with the purchase and sale of portfolio securities;

(4) Purchase or sell real estate, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs, and securities secured by real estate or interests therein and the Fund may hold and sell real estate or mortgages on real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such securities;

(5) Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Fund from

purchasing or selling options, futures contracts, derivative instruments or from investing in securities or other instruments backed by physical commodities);

(6) Make loans, other than by entering into repurchase agreements and through the purchase of debt securities in accordance with its investment objectives, policies and limitations; and

(7) Purchase any securities (other than obligations issued or guaranteed by the United States Government or by its agencies or instrumentalities), if as a result more than 5% of the Fund's total assets would then be invested in securities of a single issuer or if as a result the Fund would hold more than 10% of the outstanding voting securities of any single issuer; provided that, with respect to 50% of the Fund's assets, the Fund may invest up to 25% of its assets in the securities of any one issuer.

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For purposes of the foregoing and "Description of Shares - Fund Preferred Shares - Voting Rights" below, "majority of the outstanding," when used with respect to particular shares of the Fund, 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.

Under the Investment Company Act of 1940, the Fund may invest only up to 10% of its total assets in the aggregate in shares of other investment companies and only up to 5% of its total assets in any one investment company, provided the investment does not represent more than 3% of the voting stock of the acquired investment company at the time such shares are purchased. As a stockholder in any investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's management, advisory and administrative fees with respect to assets so invested. Holders of Common Shares would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may also be leveraged and would therefore be subject to the same leverage risks described herein. As described in the Prospectus in the section entitled "Risks", the net asset value and market value of leveraged shares would be more volatile and the yield to shareholders would tend to fluctuate more than the yield generated by unleveraged shares.

In addition to the foregoing fundamental investment policies, the Fund is also subject to the following non-fundamental restrictions and policies, which may be changed by the Board of Trustees. The Fund may not:

(1) Sell securities short, unless the Fund owns or has the right to obtain securities equivalent in kind and amount to the securities sold at no added cost, and provided that transactions in options, futures contracts, options on futures contracts, or other derivative instruments are not deemed to constitute selling securities short.

(2) Purchase securities of open-end or closed-end investment companies except in compliance with the Investment Company Act of 1940 or any exemptive relief obtained thereunder.

(3) Purchase securities of companies for the purpose of exercising control.

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The restrictions and other limitations set forth above will apply only at the time of purchase of securities and will not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of an acquisition of securities.

The Fund intends to apply for ratings for its preferred shares (called "Fund Preferred Shares" herein) from a nationally recognized statistical rating organization ("NRSRO") (typically, Moody's, S&P or Fitch). In order to obtain and maintain the required ratings, the Fund may be required to comply with investment quality, diversification and other guidelines established by the NRSRO. Such guidelines will likely be more restrictive than the restrictions set forth above. The Fund may also be subject to certain restrictions and guidelines imposed by lenders if the Fund engages in Borrowings. The Fund does not anticipate that such guidelines would have a material adverse effect on its Common Shareholders or its ability to achieve its investment objectives. The

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Fund presently anticipates that any Fund Preferred Shares that it intends to issue would be initially given the highest ratings typically by Moody's ("Aaa"), S&P ("AAA") or Fitch ("AAA"), but no assurance can be given that such ratings will be obtained. NRSROs receive fees in connection with their ratings issuances.

### INVESTMENT POLICIES AND TECHNIQUES

The following information supplements the discussion of the Fund's investment objectives, policies, and techniques that are described in the Fund's Prospectus.

It is the Fund's fundamental policy to concentrate its investments in the U.S. real estate market and not in any other industry. Under normal market conditions, the Fund will invest at least 90% of its total assets in income producing common stocks, preferred stocks, convertible preferred stock and debt securities issued by real estate companies, such as real estate investment trusts ("REITs"). 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 will invest at least 40% of its total assets in common stocks. The Fund will not invest more than 25% of its total assets in below or non-investment grade preferred stocks, convertible preferred stocks and debt securities (commonly known as "junk bonds"). 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 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.

#### Real Estate Companies

For purposes of the Fund's investment policies, a real estate company is a company that securities, including:

- . 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)

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 distributes 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 current income goal of its

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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.

### Preferred Stocks

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. The Fund may invest in preferred stocks issued by real estate companies. It is the Fund's intention to initially invest approximately 40% of its total assets in preferred stocks issued by real estate companies. The actual percentage of preferred stocks in the Fund's portfolio may vary over time based on Security Capital's assessment of market conditions.

### Lower-Rated Securities

Securities of below grade investment 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 our shares. 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.

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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, CCC or higher by Fitch, or unrated securities determined by the Subadviser 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.

### 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.

### No Short Sales or Derivatives

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

### No Investments in Real Estate Securities Controlled by SCGI

The Fund will not invest in real estate securities that are controlled by SCGI, an affiliate of the Subadviser, or its affiliates.

### Short-Term Investments

For temporary defensive purposes or to keep cash on hand fully invested, the Fund may invest up to 100% of its net assets in cash equivalents and short-term fixed-income securities. Short-term taxable fixed income investments are defined to include, without limitation, the following:

(1) U.S. government securities, including bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities. U.S. government agency securities include securities issued by (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, and the Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks, and the Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association, whose securities are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, whose securities are supported only by its credit. While the U.S. government provides financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. government, its agencies, and instrumentalities do not guarantee the market value of their securities. Consequently, the value of such securities may fluctuate.

(2) Certificates of Deposit issued against funds deposited in a bank or a savings and loan association. Such certificates are for a definite



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period of time, earn a specified rate of return, and are normally negotiable. The issuer of a certificate of deposit agrees to pay the amount deposited plus interest to the bearer of the certificate on the date specified thereon. Under current FDIC regulations, the maximum insurance payable as to any one certificate of deposit is \$100,000; therefore, certificates of deposit purchased by the Fund may not be fully insured.

(3) Repurchase agreements, which involve purchases of debt securities. At the time the Fund purchases securities pursuant to a repurchase agreement, it

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simultaneously agrees to resell and redeliver such securities to the seller, who also simultaneously agrees to buy back the securities at a fixed price and time. This assures a predetermined yield for the Fund during its holding period, since the resale price is always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for the Fund to invest temporarily available cash. The Fund may enter into repurchase agreements only with respect to obligations of the U.S. government, its agencies or instrumentalities; certificates of deposit; or bankers, acceptances in which the Fund may invest. Repurchase agreements may be considered loans to the seller, collateralized by the underlying securities. The risk to the Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date; in the event of default, the repurchase agreement provides that the Fund is entitled to sell the underlying collateral. If the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, the Fund could incur a loss of both principal and interest. The investment adviser monitors the value of the collateral at the time the action is entered into and at all times during the term of the repurchase agreement. The investment adviser does so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to the Fund. If the seller were to be subject to a federal bankruptcy proceeding, the ability of the Fund to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

(4) Commercial paper, which consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations. Master demand notes are direct lending arrangements between the Fund and a corporation. There is no secondary market for such notes. However, they are redeemable by the Fund at any time. NIAC and Security Capital will consider the financial condition of the corporation (e.g., earning power, cash flow, and other liquidity ratios) and will continuously monitor the corporation's ability to meet all of its financial obligations, because the Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the highest categories by a major rating agency and which mature within one year of the date of purchase or carry a variable or floating rate of interest.

### Expected Initial Portfolio Composition by Industry Sector

The Fund expects its initial portfolio, after invest-up is completed, will represent a range of industry sectors.

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[PIE GRAPH APPEARS HERE]

### By Industry Sector

Office	27.5%
Retail	23.5%
Multifamily	23.0%
Industrial	16.0%
Health Care	5.5%
Storage	3.0%
Diversified	1.5%

The Industry Sector allocations shown here are estimates based on September 30, 2001 market conditions. Actual allocations may differ.

### INTEREST RATE TRANSACTIONS

In connection with the Fund's anticipated use of leverage through its sale of Fund Preferred Shares or Borrowings, the Fund may enter into interest rate swap or cap transactions. 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 Fund Preferred Shares or any variable rate Borrowings. The payment obligation would be based on the notional amount of the swap. The Fund may use an interest rate cap, 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

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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

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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 has no current intention of selling an interest rate swap or cap. 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 the Fund Preferred 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 counter-party that NIAC believes does not have the financial resources to honor its obligation under the interest rate swap or cap transaction. Further, NIAC 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 Fund's Common Shares.

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The Fund may choose or be required to redeem some or all of the Fund Preferred 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.

MANAGEMENT OF THE FUND

Trustees and Officers

The management of the Fund, including general supervision of the duties performed for the Fund under the Management Agreement, is the responsibility of the Board of Trustees of the Fund. The number of trustees of the Fund is currently set at seven, one of whom is an "interested" person (as the term "interested" persons is defined in the investment Company Act of 1940) and six of whom are not "interested" persons. None of the trustees who are not "interested" persons of the Fund has ever been a director or employee of, or consultant to, Nuveen, SCGI or its affiliates. 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 below, with those trustees who are "interested" persons of the Fund indicated by an asterisk.

Name and Address	Birthdate	Positions and Offices with the Fund	Principal Occupations During Past Five Years
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Timothy R. Schwertfeger* 333 West Wacker Drive Chicago, IL 60606	3/28/49	Chairman of the Board, President and Trustee	Chairman and Director (since Ju The John Nuveen Company, Nuveen Investments, Nuveen Advisory Co Nuveen Institutional Advisory C thereto, Executive Vice Preside Director of The John Nuveen Com Nuveen Investments; Director (s and Chairman (since 1996) of Nu Advisory Corp. and Nuveen Insti Advisory Corp.; Chairman and Di (since January 1997) of Nuveen Management, Inc.; Director (sin Institutional Capital Corporati and Director of Rittenhouse Fin Services Inc. (since 1999); Chi Executive officer (since Septem Nuveen Senior Loan Asset Manage
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Name and Address -----	Birthdate -----	Positions and Offices with the Fund -----	Principal Occupations During Years -----
James E. Bacon 114 W. 47th St. New York, NY 10036	2/27/31	Trustee	Business consultant and T of St. John the Devine (N formerly (1992-1999), Dir Industries, Inc.; previou Executive Vice President Corporation and Trustee o Trust Company of New York
William E. Bennett 55 W. Monroe Chicago, IL 60606	10/16/46	Trustee	Private Investor; previou Chief Executive Officer, (September 1995 - August
Jack B. Evans 115 Third Street, S.E. Cedar Rapids, IA 52401	10/22/48	Trustee	President, The Hall-Perri private philanthropic co 1996); Director, Alliant Vice Chairman United Fire formerly President and Ch Officer, SCI Financial Gr regional financial servic
William L. Kissick University of Pennsylvania 224 NEB/2L Philadelphia, PA 19104	7/29/32	Trustee	Professor, School of Medi Wharton School of Managem Chairman, Leonard Davis I Health Economics, Univers Pennsylvania.
Thomas E. Leafstrand 412 W. Franklin Wheaton, IL 60187	11/11/31	Trustee	Retired; previously, Vice charge of Municipal Under Dealer Sales at The North Company.

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Sheila W. Wellington 250 Park Avenue New York, NY 10003	2/24/32	Trustee	President (since 1993) of not-for-profit organization women's leadership development business and the professi
Alan G. Berkshire 333 West Wacker Drive Chicago, IL 60606	12/28/60	Vice President and Assistant Secretary	Senior Vice President and (since September 1997) and May 1998) of The John Nuve Investments, Nuveen Advisory Nuveen Institutional Advisory Vice President and Secretary (September 1999) of Nuveen Management Inc.; prior to the law firm of Kirkland
Peter H. D'Arrigo 333 West Wacker Drive Chicago, IL 60606	11/28/67	Vice President and Treasurer	Vice President (since January previously Assistant Vice (from January 1997) of Nu Associate prior thereto; Treasurer (since September Senior Loan Asset Management Financial Analyst.

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Name and Address -----	Birthdate -----	Positions and Offices with the Fund -----	Principal Occupations During Past Five Years -----
Lorna C. Ferguson 333 West Wacker Drive Chicago, IL 60606	10/24/45	Vice President	Vice President of Nuveen Investments Vice President (since January 1998) Nuveen Advisory and Nuveen Institutional Advisory Corp.
William M. Fitzgerald 333 West Wacker Drive Chicago, IL 60606	3/2/64	Vice President	Vice President (since December 1999 previously Assistant Vice President (September 1992 to December 1995), Advisory Corp., Chartered Financial
Stephen D. Foy 333 West Wacker Drive Chicago, IL 60606	5/31/54	Vice President and Controller	Vice President (since May 1998) of Investments; Vice President (since of Nuveen Senior Loan Asset Management Public Accountant.
David Lamb 333 West Wacker Drive Chicago, IL 60606	3/22/63	Vice President	Vice President (since March 2000) Investments, previously Assistant (since January 1999); prior thereto Nuveen Investments; Certified Public

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Name and Address -----	Birthdate -----	Positions and Offices with the Fund -----	Principal Occupations During Pa Five Years -----
Larry W. Martin 333 West Wacker Drive Chicago, IL 60606	7/27/51	Vice President and Assistant Secretary	Vice President, Assistant Secret Assistant General Counsel of Nuve Investments; Vice President an Assistant Secretary of Nuveen Ad Corp. and Nuveen Institutional A Corp.; Assistant Secretary of th Nuveen Company and (since Januar Nuveen Asset Management, Inc.; V and Assistant Secretary (since S of Nuveen Senior Loan Asset Mana
Edward F. Neild, IV 333 West Wacker Drive Chicago, IL 60606	7/7/65	Vice President	Vice President (since September previously Assistant Vice Presid (since December 1993) of Nuveen Corp., Portfolio Manager prior t Vice President (since September previously Assistant Vice Presid (since May 1995), of Nuveen Inst Advisory Corp.; Chartered Financ

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Name and Address -----	Birthdate -----	Positions and Offices with the Fund -----	Principal Occupations During Pa Five Years -----
Gifford R. Zimmerman 333 West Wacker Drive Chicago, IL 60606	9/9/56	Vice President and Secretary	Vice President, Assistant Secre Associate General Counsel, form General Counsel, of Nuveen Inve Vice President, General Counsel of Nuveen Advisory Corp. and Nu Institutional Advisory Corp.; V Secretary (since September 1999 Management, Inc.; Assistant Sec Company (since May 1994); Chart

William L. Kissick and Timothy R. Schwertfeger serve as members of the Executive Committee of the Board of Trustees of the Fund. The Executive Committee, which meets between regular meetings of the Board of Trustees, is authorized to exercise all of the powers of the Board of Trustees. In addition to the Fund, the Trustees are trustees of 14 Nuveen open-end and closed-end funds advised by NIAC and two funds advised by Nuveen Senior Loan Asset Management Inc. Mr. Schwertfeger is also a director or trustee, as the case may be, of 30 Nuveen open-end funds and 66 Nuveen closed-end funds advised by Nuveen Advisory Corp.

The Common Shareholders of the Fund will elect trustees at the next annual meeting of Common Shareholders, unless any Fund Preferred Shares are

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outstanding at that time, in which event holders of Fund Preferred Shares, voting as a separate class, will elect two trustees and the remaining trustees shall be elected by Common Shareholders and holders of Fund Preferred Shares, voting together as a single class. Holders of Fund Preferred Shares will be entitled to elect a majority of the Fund's trustees under certain circumstances. See "Description of Shares - Fund Preferred Shares - Voting Rights."

The following table sets forth estimated compensation to be paid by the Fund projected during the Fund's first full fiscal year after commencement of operation. The Fund does not have a retirement or pension plan. The officers and trustees affiliated with Nuveen serve without any compensation from the Fund. The Fund has a deferred compensation plan (the "Plan") that permits any trustee who is not an "interested person" of the Fund to elect to defer receipt of all or a portion of his or her compensation as a trustee. The deferred compensation of a participating trustee is credited to a book reserve account of the Trust when the compensation would otherwise have been paid to the trustee. The value of the trustee's deferral account at any time is equal to the value that the account would have had if contributions to the account had been invested and reinvested in shares of one or more of the eligible Nuveen funds. At the time for commencing distributions from a trustee's deferral account, the trustee may elect to receive distributions in a lump sum or over a period of five years. The Fund will not be liable for any other fund's obligations to make distributions under the Plan.

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Name of Trustee -----	Estimated Aggregate Compensation From Fund* -----	Total Compensation from Fund and Fund Complex ** -----	Amount of Compensation That Has Been Deferred -----
James E. Bacon	\$ 6,720	\$ 45,500	\$ 20,000
William E. Bennett***	\$ 6,720	N/A	N/A
Jack B. Evans	\$ 6,720	\$ 45,500	\$ 20,448
William L. Kissick	\$ 6,720	\$ 45,500	\$ 18,000
Thomas E. Leafstrand	\$ 7,720	\$ 47,100	\$ 20,996
Sheila W. Wellington	\$ 6,720	\$ 45,500	\$ 40,895

\* Based on the estimated compensation to be earned by the independent trustees for the period from inception through the end of the Fund's first full fiscal year for services to the Fund.

\*\* Based on the total compensation paid to the trustees for the one year period ending December 31, 2000 for services to the open-end and closed-end funds advised by NIAC and Nuveen Senior Loan Asset Management Inc.

\*\*\*Mr. Bennett was appointed to the Board in January 2001 and therefore received no compensation in calendar year 2000.

The Fund has no employees. Its officers are compensated by NIAC or Nuveen.

### INVESTMENT ADVISERS

NIAC acts as investment adviser to the Fund, with responsibility for the

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overall management of the Fund. Its address is 333 West Wacker Drive, Chicago, Illinois 60606. NIAC is responsible for the selection of the sub-adviser, managing the Fund's business affairs and providing day-to-day administrative services to the Fund. For additional information regarding the management services performed by NIAC, see "Management of the Fund" in the Fund's Prospectus.

NIAC is a wholly owned subsidiary of Nuveen, which is also a co-managing underwriter of the Fund's shares. Nuveen is sponsor of the Nuveen Defined Portfolios, registered unit investment trusts, is the principal underwriter for the Nuveen Mutual Funds, and has served as co-managing underwriter for the shares of the Nuveen Exchange-Traded Funds. Over 1,300,000 individuals have invested to date in Nuveen's funds and trusts. Founded in 1898, Nuveen brings over a century of expertise to the municipal bond market. According to data from CDA Weisenberger, Nuveen is a leading sponsor of exchange-traded funds as measured by number of funds (78) and fund assets under management (\$30 billion) as of September 30, 2001. Overall, Nuveen and its affiliates have over \$75 billion in assets under management or surveillance. Nuveen, like NIAC, is a subsidiary of The John Nuveen Company which, in turn, is approximately 78% owned by The St. Paul Companies, Inc. ("St. Paul"). St. Paul is a publicly-traded company located in St. Paul, Minnesota, and is principally engaged in providing property-liability insurance through subsidiaries.

Security Capital, 11 South LaSalle Street, 2nd Floor, Chicago, Illinois 60603, is the subadviser to the Fund. Security Capital is an indirect, wholly owned subsidiary of SCGI, a publicly traded company that is one of the country's leading real estate investors and operators, with interests in companies having a total market capitalization of \$19 billion as of September 30, 2001.

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Security Capital, which is registered as an investment adviser with the Securities and Exchange Commission, commenced operations in January 1995 and had assets under management of approximately \$2.4 billion as of September 30, 2001.

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 the Chief Investment Officer of Security Capital, and Chairman of Security Capital Real Estate Mutual Funds Incorporated and Security Capital Preferred Growth Incorporated. He is a member of the Portfolio Management Committee and responsible for overseeing all of the investment activities for Security Capital. 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 in 1974 at the First National Bank of Chicago. He received his MBA in Finance with honors 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 CPA and was awarded an Elijah Watt Sells Honorable Mention.

Kenneth D. Statz is a Managing Director and Senior Market Strategist of Security Capital and is a member of the Portfolio Management Committee, where he is responsible for the development and implementation of portfolio investment strategy. Prior to joining Security Capital in 1995, Mr. Statz was the Senior REIT Analyst for Goldman, Sachs & Co. concentrating on research and underwriting for the REIT industry. Previously, Mr. Statz was



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the REIT Portfolio Manager and a Managing Director of Chancellor Capital Management and has 15 years of experience in the real estate securities industry. Mr. Statz received his MBA and BBA in Finance from the University of Wisconsin.

Kevin W. Bedell is a Senior Vice President of Security Capital and a member of the Portfolio Management Committee where he directs the Investment Analysis Team, which provides in-depth proprietary research on publicly traded 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 received his MBA in Finance from the University of Chicago and his BA from Kenyon College.

David E. Rosenbaum is a Senior Vice President of Security Capital with primary responsibility for origination and structuring of privately negotiated investments. Prior to joining Security Capital in 1997, Mr. Rosenbaum was a Vice President at Lazard Freres & Co., LLC, where he structured investments in real estate operating companies. Previously, he was an Associate in the New York and Chicago offices of Lazard Freres & Co., LLC, where he executed merger and acquisition transactions for real estate and hotel companies. Mr. Rosenbaum holds a BA from Yale University.

See "The Fund's Investments-Investment Process" in the Fund's Prospectus for more information.

Pursuant to an investment management agreement between NIAC and the Fund, the Fund has agreed to pay for the services and facilities provided by Nuveen Advisory an annual management fee, payable on a monthly basis, according to the following schedule:

Average Daily Managed Assets(1)	Management Fee
-----	-----
Up to \$500 million	.9000%
\$500 million to \$1 billion	.8750%
\$1 billion to \$1.5 billion	.8500%
\$1.5 billion to \$2 billion	.8200%
\$2 billion and over	.8000%

(1) Net assets including assets attributable to Fund Preferred Shares and the principal amount of Borrowings.

Security Capital will receive from NIAC, a percent of the management fee (net of the reimbursement described below) according to the following schedule:

Average Daily Managed Assets(1)	Percentage of 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%
\$200 million and over	40.0%

(1) Net assets including assets attributable to Fund Preferred Shares and the principal amount of Borrowings.

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In addition to the fee of NIAC, the Fund pays all other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with NIAC), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of issuing any Fund Preferred Shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

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All fees and expenses are accrued daily and deducted before payment of dividends to investors. The investment management agreement has been approved by a majority of the disinterested trustees of the Fund and the sole shareholder of the Fund.

For the first ten years of the Fund's operation, NIAC has contractually agreed to reimburse the Fund for fees and expenses in the amounts, and for the time periods, set forth below:

Year Ending November 30	Percentage Reimbursed (as a percentage of Average Daily Managed Assets) (1)	Year Ending November 30	Percentage Reimbursed (as a percentage of Average Daily Managed Assets) (1)
2001(2)	.30%	2007	.25%
2002	.30%	2008	.20%
2003	.30%	2009	.15%
2004	.30%	2010	.10%
2005	.30%	2011	.05%
2006	.30%		

(1) Net assets including assets attributable to Fund Preferred Shares and the principal amount of Borrowings.

(2) From the commencement of operations.

Reducing Fund expenses in this manner will tend to increase the amount of income available for the Common Shareholders. NIAC has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

The Fund, NIAC, Security Capital, Nuveen, Salomon Smith Barney Inc. and other related entities have adopted codes of ethics which essentially prohibit certain of their personnel, including the Fund's portfolio management team, from engaging in personal investments which compete or interfere with, or attempt to take advantage of a client's, including the Fund's, anticipated or actual portfolio transactions, and are designed to assure that the interests of clients, including Fund shareholders, are placed before the interests of personnel in connection with personal investment transactions. Text-only versions of the codes of ethics can be viewed online or downloaded from the EDGAR Database on the SEC's internet web site at [www.sec.gov](http://www.sec.gov). You may also review and copy those documents by visiting the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 202-942-8090. In addition, copies of the codes of ethics may be obtained, after mailing the appropriate duplicating fee, by writing to the SEC's Public Reference Section, 450 5th Street, N.W., Washington, DC 20549-0102 or by e-mail request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

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### PORTFOLIO TRANSACTIONS AND BROKERAGE

Subject to the supervision of the Board of Trustees, decisions to buy and sell securities for the Fund and brokerage commission rates are made by Security Capital. Transactions on stock exchanges involve the payment by the Fund of brokerage commissions. There is generally no stated commission in the case of securities traded in the over-the-counter market but the price

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paid by the Funds usually includes an undisclosed dealer commission or mark-up. In certain instances, the Fund may make purchases of underwritten issues at prices which include underwriting fees.

In selecting a broker to execute each particular transaction, Security Capital will take the following into consideration: the best net price available; the reliability, integrity and financial condition of the broker; the size and difficulty in executing the order; and the value of the expected contribution of the broker to the investment performance of a Fund on a continuing basis. Accordingly, the cost of the brokerage commissions to the Fund in any transaction may be greater than that available from other brokers if the difference is reasonably justified by other aspects of the portfolio execution services offered. Subject to such policies and procedures as the trustees may determine, Security Capital shall not be deemed to have acted unlawfully or to have breached any duty solely by reason of it having caused the Fund to pay a broker that provides research services an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction if Security Capital determines in good faith that such amount of commission was reasonable in relation to the value of the research service provided by such broker viewed in terms of either that particular transaction or Security Capital's ongoing responsibilities with respect to the Fund. Research and investment information may be provided by these and other brokers at no cost to Security Capital and is available for the benefit of other accounts advised by Security Capital and its affiliates, and not all of the information will be used in connection with the Fund. While this information may be useful in varying degrees and may tend to reduce Security Capital's expenses, it is not possible to estimate its value and in the opinion of Security Capital it does not reduce Security Capital's expenses in a determinable amount. The extent to which Security Capital makes use of statistical, research and other services furnished by brokers is considered by Security Capital in the allocation of brokerage business but there is no formula by which such business is allocated. Security Capital does so in accordance with their judgment of the best interests of the Fund and its shareholders. Security Capital may also take into account payments made by brokers effecting transactions for the Fund to other persons on behalf of the Fund for services provided to it for which it would be obligated to pay (such as custodial and professional fees). In addition, consistent with the Conduct Rules of the National Association of Securities Dealers, Inc., and subject to seeking best price and execution, Security Capital may consider sales of shares of the Fund as a fact in the selection of brokers and dealers to enter into portfolio transactions with the Fund.

Certain other clients of Security Capital may have investment objectives and policies similar to those of the Fund. Security Capital may, from time to time, make recommendations which result in the purchase or sale of a particular security by its other clients simultaneously with the Fund. If transactions on behalf of more than one client during the same period increase the demand for securities being sold, there may be an adverse effect on the price of such securities. It is the policy of Security Capital to allocate advisory recommendations and the placing of orders in a manner which is deemed

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equitable to Security Capital to the accounts involved, including the Fund. When two or more of the clients of Security Capital (including the Fund) are purchasing or selling the same security on a given day through the same broker-dealer, such transactions may be averaged as to price.

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Under the 1940 Act, the Fund may not purchase portfolio securities from any underwriting syndicate of which Nuveen is a member except under certain limited conditions set forth in Rule 10f-3. The rule sets forth requirements relating to, among other things, the terms of an issue of municipal bonds purchased by the Fund, the amount of municipal bonds which may be purchased in any one issue and the assets of the Fund that may be invested in a particular issue. In addition, purchases of securities made pursuant to the terms of the Rule must be approved at least quarterly by the Board of Trustees of the Fund, including a majority of the members thereof who are not interested persons of the Fund.

### DISTRIBUTIONS

#### Level Rate Dividend Policy

Subject to the determination of the Board of Trustees to implement a Managed Dividend Policy, as discussed below, commencing with the Fund's first dividend, the Fund intends to make regular monthly cash distributions to Common Shareholders at a level rate based on the projected performance of the Fund, which rate may be adjusted from time to time. The Fund's ability to maintain a Level Rate Dividend Policy will depend on a number of factors, including the stability of income received from its investments and dividends payable on Fund Preferred Shares, if any, and interest and required principal payments on Borrowings, if any. Over time, all the net investment income of the Fund will be distributed. At least annually, the Fund intends to distribute all of its net capital gain and ordinary taxable income after paying any accrued dividends on, or redeeming or liquidating, any Fund Preferred Shares, if any, or making interest and required principal payments on Borrowings, if any. Initial distributions to Common Shareholders are expected to be declared approximately 45 days, and paid approximately 60 to 90 days, from the commencement of this offering, depending upon market conditions. The net income of the Fund consists of all interest income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. In addition, the Fund currently expects that a portion of its distributions will consist of amounts in excess of investment company taxable income and net capital gain derived from the non-taxable components of the cash flow from the real estate underlying the Fund's portfolio investments. These amounts would be considered a return of capital and thus would reduce the basis in a shareholder's Common Shares; any amounts in excess of such basis would be treated as a gain from the sale of such shares.

To permit the Fund to maintain a more stable monthly distribution, the Fund will initially distribute less than the entire amount of net investment income earned in a particular period. The undistributed net investment income would be available to supplement future distributions. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of net investment income actually earned by the Fund during the period. Undistributed net investment income will be added to the Fund's net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from the Fund's net asset value.

#### Managed Dividend Policy

As soon as practicable following the commencement of this offering, the

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Fund intends to file an exemptive application with the Securities and Exchange Commission seeking an order under the 1940 Act facilitating the implementation of a Managed Dividend Policy. If, and when, the Fund receives the requested relief, the Fund may, subject to the determination of its Board of Trustees, implement a Managed Dividend Policy.

Under a Managed Dividend Policy, the Fund would intend to distribute a monthly fixed amount to Common Shareholders. As with the Level Dividend Rate Policy, distributions would be made only after paying dividends on Fund Preferred Shares, if any, and interest and required principal payments on Borrowings, if any. Under a Managed Dividend Policy, if for any monthly distribution, net investment income and net realized capital gain were less than the amount of the distribution, the difference would be distributed from the Fund's assets. The Fund's final distribution for each calendar year would include any remaining net investment income undistributed during the year, as well as all net capital gain realized during the year. If, for any calendar year, the total distributions exceeded net investment income and net realized capital gain (the "Excess"), the Excess, distributed from the Fund's assets, would generally be treated as a tax-free return of capital up to the amount of the Common Shareholder's tax basis in Common Shares, with any amounts exceeding such basis treated as gain from the sale of Common Shares. The Excess, however, would be treated as ordinary dividend income to the extent of the Fund's current and accumulated earnings and profits. Pursuant to the requirements of the 1940 Act and other applicable laws, a notice would accompany each monthly distribution with respect to the estimated source of the distribution made.

In the event the Fund distributed the Excess, such distribution would decrease the Fund's total assets and, therefore, have the likely effect of increasing the Fund's expense ratio. There is a risk that the Fund would not eventually realize capital gains in an amount corresponding to a distribution of the Excess. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment might not dictate such action.

There is no guarantee that the Fund will receive an exemptive order facilitating the implementation of a Managed Dividend Policy or, if received, that the Board of Trustees will determine to implement a Managed Dividend Policy. The Board of Trustees reserves the right to change the dividend policy from time to time.

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### DESCRIPTION OF SHARES

#### Common Shares

The Fund's Declaration of Trust (the "Declaration") authorizes the issuance of an unlimited number of Common Shares, par value \$0.01 per share. All Common Shares of the Fund have equal rights as to the payment of dividends and the distribution of assets upon liquidation of the Fund. Common Shares will, when issued, be fully paid and, subject to matters discussed in "Certain Provisions in the Declaration of Trust," non-assessable, and will have no pre-emptive or conversion rights or rights to cumulative voting. Whenever Fund Preferred Shares are outstanding, Common Shareholders will not be entitled to receive any distributions from the Fund unless all accrued dividends on Fund Preferred Shares have been paid, and unless asset coverage (as defined in the 1940 Act) with respect to Fund Preferred Shares would be at least 200% after giving effect to such distributions. See "Fund Preferred Shares" below.

The Common Shares have been approved for listing on the American Stock

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Exchange, subject to notice of issuance. The Fund intends to hold annual meetings of shareholders so long as the Common Shares are listed on a national securities exchange and such meetings are required as a condition to such listing.

Shares of closed-end investment companies may frequently trade at prices lower than net asset value. This characteristic is separate and distinct from the risk that net asset value could decrease as a result of investment activities and may be a greater risk to investors expecting to sell their shares in a relatively short period following completion of this offering. Net asset value will be reduced immediately following the offering after payment of the sales load and organization and offering expenses. Net asset value generally increases when interest rates decline, and decreases when interest rates rise, and these changes are likely to be greater in the case of a fund having a leveraged capital structure. Whether investors will realize gains or losses upon the sale of Common Shares will not depend upon the Fund's net asset value but will depend entirely upon whether the market price of the Common Shares at the time of sale is above or below the original purchase price for the shares. Since the market price of the Fund's Common Shares will be determined by factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, below, or above net asset value or at, below or above the initial public offering price. Accordingly, the Common Shares are designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes. See "Repurchase of Fund Shares; Conversion to Open-End Fund" and the Fund's Prospectus under "Use of Leverage" and "The Fund's Investments."

### Fund Preferred Shares

The Declaration authorizes the issuance of an unlimited number of Fund Preferred Shares, par value \$0.01 per share, in one or more classes or series, with rights as determined by the Board of Trustees of the Fund, by action of the Board of Trustees without the approval of the Common Shareholders.

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The Fund's Board of Trustees has indicated its intention to authorize an offering of Fund Preferred Shares (representing approximately 30% of the Fund's capital immediately after the time the Fund Preferred Shares are issued) within approximately one to three months after completion of the offering of Common Shares, subject to market conditions and to the Board's continuing belief that leveraging the Fund's capital structure through the issuance of Fund Preferred Shares is likely to achieve the benefits to the Common Shareholders described in this Statement of Additional Information. Although the terms of the Fund Preferred Shares, including their dividend rate, voting rights, liquidation preference and redemption provisions, will be determined by the Board of Trustees (subject to applicable law and the Fund's Declaration) if and when it authorizes a Fund Preferred Shares offering, the Board has stated that the initial series of Fund Preferred Shares would likely pay cumulative dividends at relatively shorter-term periods (such as 7 days); by providing for the periodic redetermination of the dividend rate through an auction or remarketing procedure. The Board of Trustees of the Fund has indicated that the liquidation preference, preference on distribution, voting rights and redemption provisions of the Fund Preferred Shares will likely be as stated below.

### Limited Issuance of Fund Preferred Shares

Under the 1940 Act, the Fund could issue Fund Preferred Shares with an aggregate liquidation value of up to one-half of the value of the Fund's total net assets, measured immediately after issuance of the Fund Preferred Shares.

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"Liquidation value" means the original purchase price of the shares being liquidated plus any accrued and unpaid dividends. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless the liquidation value of the Fund Preferred Shares is less than one-half of the value of the Fund's total net assets (determined after deducting the amount of such dividend or distribution) immediately after the distribution. If the Fund sells all the Common Shares and Fund Preferred Shares discussed in the Prospectus, the liquidation value of the Fund Preferred Shares is expected to be approximately 30% of the value of the Fund's total net assets. The Fund intends to purchase or redeem Fund Preferred Shares, if necessary, to keep that fraction below one-half.

### Distribution Preference

The Fund Preferred Shares have complete priority over the Common Shares as to distribution of assets.

### Liquidation Preference

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Fund, holders of Fund Preferred Shares will be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends thereon, whether or not earned or declared) before any distribution of assets is made to holders of Common Shares. After payment of the full amount of the liquidating distribution to which they are entitled, holders of Fund Preferred Shares will not be entitled to any further participation in any distribution of assets by the Fund. A consolidation or merger of the Fund with or into any Massachusetts business trust or corporation or a sale of all or substantially all of the assets of the Fund shall not be deemed to be a liquidation, dissolution or winding up of the Fund.

### Voting Rights

In connection with any issuance of Fund Preferred Shares, the Fund must comply with Section 18(i) of the 1940 Act which requires, among other things, that Fund Preferred Shares be voting shares and have equal voting rights with Common Shares. Except as otherwise indicated in this Statement of Additional Information and except as otherwise required

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by applicable law, holders of Fund Preferred Shares will vote together with Common Shareholders as a single class.

In connection with the election of the Fund's trustees, holders of Fund Preferred Shares, voting as a separate class, will be entitled to elect two of the Fund's trustees, and the remaining trustees shall be elected by Common Shareholders and holders of Fund Preferred Shares, voting together as a single class. In addition, if at any time dividends on the Fund's outstanding Fund Preferred Shares shall be unpaid in an amount equal to two full years' dividends thereon, the holders of all outstanding Fund Preferred Shares, voting as a separate class, will be entitled to elect a majority of the Fund's trustees until all dividends in arrears have been paid or declared and set apart for payment.

The affirmative vote of the holders of a majority of the Fund's outstanding Fund Preferred Shares of any class or series, as the case may be, voting as a separate class, will be required to, among other things (1) take certain actions which would affect the preferences, rights, or powers of such class or series or

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(2) authorize or issue any class or series ranking prior to the Fund Preferred Shares. Except as may otherwise be required by law, (1) the affirmative vote of the holders of at least two-thirds of the Fund's Fund Preferred Shares outstanding at the time, voting as a separate class, will be required to approve any conversion of the Fund from a closed-end to an open-end investment company and (2) the affirmative vote of the holders of at least two-thirds of the outstanding Fund Preferred Shares, voting as a separate class, shall be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares, provided however, that such separate class vote shall be a majority vote if the action in question has previously been approved, adopted or authorized by the affirmative vote of two-thirds of the total number of Trustees fixed in accordance with the Declaration or the By-laws. The affirmative vote of the holders of a majority of the outstanding Fund Preferred Shares, voting as a separate class, shall be required to approve any action not described in the preceding sentence requiring a vote of security holders under Section 13(a) of the 1940 Act including, among other things, changes in a Fund's investment objectives or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies - Investment Restrictions." The class or series vote of holders of Fund Preferred Shares described above shall in each case be in addition to any separate vote of the requisite percentage of Common Shares and Fund Preferred Shares necessary to authorize the action in question.

The foregoing voting provisions will not apply with respect to the Fund's Fund Preferred Shares if, at or prior to the time when a vote is required, such shares shall have been (1) redeemed or (2) called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

### Redemption, Purchase and Sale of Fund Preferred Shares by the Fund

The terms of the Fund Preferred Shares may provide that they are redeemable at certain times, in whole or in part, at the original purchase price per share plus accumulated dividends, that the Fund may tender for or purchase Fund Preferred Shares and that the Fund may subsequently resell any shares so tendered for or purchased. Any redemption or purchase of Fund Preferred Shares by the Fund will reduce the leverage applicable to Common Shares, while any resale of shares by the Fund will increase such leverage.

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### Borrowings

The Declaration authorizes the Fund, without prior approval of the Common Shareholders, to borrow money. In this connection, the Fund may issue notes or other evidence of indebtedness (including bank borrowings or commercial paper) ("Borrowings") and may secure any such borrowings by mortgaging, pledging or otherwise subjecting as security the Fund's assets. In connection with such borrowing, the Fund may be required to maintain average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of borrowing over the stated interest rate.

### Limitations

Under the requirements of the 1940 Act, the Fund, immediately after any Borrowings, must have an asset coverage of at least 300%. With respect to any Borrowings, 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 (as defined in the 1940 Act), bears to the aggregate amount of such Borrowings represented by senior securities issued by the Fund. Certain types of Borrowings may result in the Fund being subject to covenants in credit



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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.

### Distribution Preference

The rights of lenders to the Fund to receive interest on and repayment of principal of any such Borrowings will be senior to those of the Common Shareholders, and the terms of any such Borrowings may contain provisions which limit certain activities of the Fund, including the payment of dividends to Common Shareholders in certain circumstances.

### Voting Rights

The 1940 Act does (in certain circumstances) grant to the lenders to the Fund certain voting rights in the event of default in the payment of interest on or repayment of principal. In the event that such provisions would impair the Fund's status as a regulated investment company under the Code, the Fund, subject to its ability to liquidate its relatively illiquid portfolio, intends to repay the Borrowings. Any Borrowings will likely be ranked senior or equal to all other existing and future borrowings of the Fund.

The discussion above describes the Fund's Board of Trustees' present intention with respect to a possible offering of Fund Preferred Shares or Borrowings. If the Board of Trustees determines to authorize any of the foregoing, the terms may be the same as, or different from, the terms described above, subject to applicable law and the Fund's Declaration.

### CERTAIN PROVISIONS IN THE DECLARATION OF TRUST

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Fund. However, the Declaration contains an express disclaimer of shareholder liability for debts or obligations of the Fund and requires that notice of such limited liability be given in each agreement, obligation or instrument entered into or executed by the Fund or the trustees. The Declaration further provides for indemnification out of the assets and property of the Fund for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on

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account of shareholder liability is limited to circumstances in which the Fund would be unable to meet its obligations. The Fund believes that the likelihood of such circumstances is very remote.

The Declaration includes provisions that could limit the ability of other entities or persons to acquire control of the Fund. Specifically, the Declaration requires a vote by holders of at least two-thirds of the Common Shares and Fund Preferred Shares outstanding at the time, voting together as a single class, except as described below, to authorize (1) a conversion of the Fund from a closed-end to an open-end investment company, (2) a merger or consolidation of the Fund, or a series or class of the Fund, with any corporation, association, trust or other organization or a reorganization or recapitalization of the Fund, or a series or class of the Fund, (3) a sale, lease or transfer of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), (4) in certain circumstances, a termination of the Fund, or a series or class of the Fund or

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(5) removal of trustees, and then only for cause, unless, with respect to (1) through (4), such transaction has already been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Declaration or the By-laws, in which case the affirmative vote of the holders of at least a majority of the Fund's Common Shares and Fund Preferred Shares outstanding at the time, voting together as a single class, is required, provided, however, that where only a particular class or series is affected (or, in the case of removing a trustee, when the trustee has been elected by only one class), only the required vote by the applicable class or series will be required. Approval of shareholders is not required, however, for any transaction, whether deemed a merger, consolidation, reorganization or otherwise whereby the fund issues shares in connection with the acquisition of assets (including those subject to liabilities) from any other investment company or similar entity. None of the foregoing provisions may be amended except by the vote of at least two-thirds of the Common Shares and Fund Preferred Shares outstanding at the time, voting together as a single class. In the case of the conversion of the Fund to an open-end investment company, or in the case of any of the foregoing transactions constituting a plan of reorganization which adversely affects the holders of Fund Preferred Shares, the action in question will also require the affirmative vote of the holders of at least two-thirds of the Fund's Fund Preferred Shares outstanding at the time, voting as a separate class, or, if such action has been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Declaration or the By-laws, the affirmative vote of the holders of at least a majority of the Fund's Fund Preferred Shares outstanding at the time, voting as a separate class. The votes required to approve the conversion of the Fund from a closed-end to an open-end investment company or to approve transactions constituting a plan of reorganization which adversely affects the holders of Fund Preferred Shares are higher than those required by the 1940 Act. The Board of Trustees believes that the provisions of the Declaration relating to such higher votes are in the best interest of the Fund and its shareholders.

The provisions of the Declaration described above could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over market value by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of a Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objectives and policies. The Board of Trustees of the Fund has considered the

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foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund and its Common Shareholders.

Reference should be made to the Declaration on file with the Securities and Exchange Commission for the full text of these provisions.

The Declaration provides that the obligations of the Fund are not binding upon the trustees of the Fund individually, but only upon the assets and property of the Fund, and that the trustees shall not be liable for errors of judgment or mistakes of fact or law. Nothing in the Declaration, however, protects a trustee against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

REPURCHASE OF FUND SHARES; CONVERSION TO OPEN-END FUND

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The Fund is a closed-end investment company and as such its shareholders will not have the right to cause the Fund to redeem their shares. Instead, the Fund's Common Shares will trade in the open market at a price that will be a function of several factors, including dividend levels (which are in turn affected by expenses), net asset value, call protection, price, dividend stability, relative demand for and supply of such shares in the market, general market and economic conditions and other factors. Because shares of a closed-end investment company may frequently trade at prices lower than net asset value, the Fund's Board of Trustees has currently determined that, at least annually, it will consider action that might be taken to reduce or eliminate any material discount from net asset value in respect of Common shares, which may include the repurchase of such shares in the open market or in private transactions, the making of a tender offer for such shares at net asset value, or the conversion of the Fund to an open-end investment company. There can be no assurance, however, that the Board of Trustees will decide to take any of these actions, or that share repurchases or tender offers, if undertaken, will reduce market discount.

Notwithstanding the foregoing, at any time when the Fund's Fund Preferred Shares are outstanding, the Fund may not purchase, redeem or otherwise acquire any of its Common Shares unless (1) all accrued Fund Preferred Shares dividends have been paid and (2) at the time of such purchase, redemption or acquisition, the net asset value of the Fund's portfolio (determined after deducting the acquisition price of the Common Shares) is at least 200% of the liquidation value of the outstanding Fund Preferred Shares (expected to equal the original purchase price per share plus any accrued and unpaid dividends thereon). The staff of the Securities and Exchange Commission currently requires that any tender offer made by a closed-end investment company for its shares must be at a price equal to the net asset value of such shares on the close of business on the last day of the tender offer. Any service fees incurred in connection with any tender offer made by the Fund will be borne by the Fund and will not reduce the stated consideration to be paid to tendering shareholders.

Subject to its investment limitations, the Fund may borrow to finance the repurchase of shares or to make a tender offer. Interest on any borrowings to finance share repurchase transactions or the accumulation of cash by the Fund in anticipation of share repurchases or tenders will reduce the Fund's net income. Any share repurchase, tender offer or borrowing that

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might be approved by the Board of Trustees would have to comply with the Securities Exchange Act of 1934, as amended, and the 1940 Act and the rules and regulations thereunder.

Although the decision to take action in response to a discount from net asset value will be made by the Board of the Fund at the time it considers such issue, it is the Board's present policy, which may be changed by the Board, not to authorize repurchases of Common Shares or a tender offer for such shares if (1) such transactions, if consummated, would (a) result in the delisting of the Common Shares from the American Stock Exchange, or (b) impair the Fund's status as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code") (which would make the Fund a taxable entity, causing the Fund's income to be taxed at the corporate level in addition to the taxation of shareholders who receive dividends from the Fund) or as a registered closed-end investment company under the 1940 Act; (2) the Fund would not be able to liquidate portfolio securities in an orderly manner and consistent with the Fund's investment objectives and policies in order to repurchase shares; or (3) there is, in the Board's judgment, any (a) material legal action or proceeding

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instituted or threatened challenging such transactions or otherwise materially adversely affecting the Fund, (b) general suspension of or limitation on prices for trading securities on the American Stock Exchange, (c) declaration of a banking moratorium by Federal or state authorities or any suspension of payment by United States or state banks in which the Fund invests, (d) material limitation affecting the Fund or the issuers of its portfolio securities by Federal or state authorities on the extension of credit by lending institutions or on the exchange of foreign currency, (e) commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States, or (f) other event or condition which would have a material adverse effect (including any adverse tax effect) on the Fund or its shareholders if shares were repurchased. The Board of Trustees of the Fund may in the future modify these conditions in light of experience.

Conversion to an open-end company would require the approval of the holders of at least two-thirds of the Fund's Common Shares and Fund Preferred Shares outstanding at the time, voting together as a single class, and of the holders of at least two-thirds of the Fund's Fund Preferred Shares outstanding at the time, voting as a separate class, provided however, that such separate class vote shall be a majority vote if the action in question has previously been approved, adopted or authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Declaration or By-laws. See the Prospectus under "Certain Provisions in the Declaration of Trust" for a discussion of voting requirements applicable to conversion of the Fund to an open-end company. If the Fund converted to an open-end company, it would be required to redeem all Fund Preferred Shares then outstanding, and the Fund's Common Shares would no longer be listed on the American Stock Exchange. Shareholders of an open-end investment company may require the company to redeem their shares on any business day (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of redemption. In order to avoid maintaining large cash positions or liquidating favorable investments to meet redemptions, open-end companies typically engage in a continuous offering of their shares. Open-end companies are thus subject to periodic asset in-flows and out-flows that can complicate portfolio management. The Board of Trustees of the Fund may at any time propose conversion of the Fund to an open-end company depending upon their judgment as to the advisability of such action in light of circumstances then prevailing.

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The repurchase by the Fund of its shares at prices below net asset value will result in an increase in the net asset value of those shares that remain outstanding. However, there can be no assurance that share repurchases or tenders at or below net asset value will result in the Fund's shares trading at a price equal to their net asset value. Nevertheless, the fact that the Fund's shares may be the subject of repurchase or tender offers at net asset value from time to time, or that the Fund may be converted to an open-end company, may reduce any spread between market price and net asset value that might otherwise exist.

In addition, a purchase by the Fund of its Common Shares will decrease the Fund's total assets which would likely have the effect of increasing the Fund's expense ratio. Any purchase by the Fund of its Common Shares at a time when Fund Preferred Shares are outstanding will increase the leverage applicable to the outstanding Common Shares then remaining. See the Fund's Prospectus under "Risks - Leverage Risk."

Before deciding whether to take any action if the Fund's Common Shares trade below net asset value, the Board of the Fund would consider all relevant

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factors, including the extent and duration of the discount, the liquidity of the Fund's portfolio, the impact of any action that might be taken on the Fund or its shareholders and market considerations. Based on these considerations, even if the Fund's shares should trade at a discount, the Board of Trustees may determine that, in the interest of the Fund and its shareholders, no action should be taken.

### TAX MATTERS

The following discussion of federal income tax matters is based upon the advice of Bell, Boyd & Lloyd LLC, special counsel to the Fund.

Set forth below is a discussion of certain U.S. federal income tax issues concerning the Fund and the purchase, ownership and disposition of Fund shares. This discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to shareholders in light of their particular circumstances. Unless otherwise noted, this discussion assumes you are a U.S. shareholder and that you hold your shares as a capital asset. This discussion is based upon present provisions of the Code, the regulations promulgated thereunder, and judicial and administrative ruling authorities, all of which are subject to change, which change may be retroactive. Prospective investors should consult their own tax advisers with regard to the federal tax consequences of the purchase, ownership, or disposition of Fund shares, as well as the tax consequences arising under the laws of any state, foreign country, or other taxing jurisdiction.

The Fund intends to qualify annually and to elect to be treated as a regulated investment company under the Code.

To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, the Fund must, among other things, (a) derive in each taxable year at least 90% of its gross income from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of stock, securities or foreign currencies or other income derived with respect to its business of investing in such stock, securities or currencies; (b) diversify its holding so that, at end of each quarter of the taxable year, (i) at least 50% of the market value of the Fund's assets is represented by cash and cash items (including receivables), U.S. Government securities, the securities of other regulated investment companies and other securities, with such other securities of any one issuer limited for the purposes of this calculation to an amount not greater than 5% of the value of the Fund's total assets and not greater than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25%

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of the value of its total assets is invested in the securities (other than U.S. Government securities or the securities of other regulated investment companies) of a single issuer, or two or more issuers which the Fund controls and are engaged in the same, similar or related trades or businesses; and (c) distribute at least 90% of its investment company taxable income (which includes, among other items, dividends, interest and net short-term capital gains in excess of net long-term capital losses) each taxable year.

As a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on its investment company taxable income (as that term is defined in the Code, but without regard to the deduction for dividends paid) and net capital gain (the excess of net long-term capital gain over net short-term capital loss), if any, that it distributes to shareholders. The Fund

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intends to distribute to its shareholders, at least annually, substantially all of its investment company taxable income and net capital gain. Amounts not distributed on a timely basis in accordance with a calendar year distribution requirement are subject to a nondeductible 4% excise tax. To prevent imposition of the excise tax, the Fund must distribute during each calendar year an amount equal to the sum of (1) at least 98% of its ordinary income (not taking into account any capital gains or losses) for the calendar year, (2) at least 98% of its capital gains in excess of its capital losses (adjusted for certain ordinary losses) for the one-year period ending October 31 of the calendar year, and (3) any ordinary income and capital gains for previous years that were not distributed during those years. To prevent application of the excise tax, the Fund intends to make its distributions in accordance with the calendar year distribution requirement. A distribution will be treated as paid on December 31 of the current calendar year if it is declared by the Fund in October, November or December with a record date in such a month and paid by the Fund during January of the following calendar year. Such distributions will be taxable to shareholders in the calendar year in which the distributions are declared, rather than the calendar year in which the distributions are received.

If the Fund failed to qualify as a regulated investment company or failed to satisfy the 90% distribution requirement in any taxable year, the Fund would be taxed as an ordinary corporation on its taxable income (even if such income were distributed to its shareholders) and all distributions out of earnings and profits would be taxed to shareholders as ordinary income.

### Distributions

Dividends paid out of the Fund's investment company taxable income will be taxable to a shareholder as ordinary income to the extent of the Fund's earnings and profits, whether paid in cash or reinvested in additional shares. If a portion of the Fund's income consists of dividends paid by U.S. corporations (not including corporations qualifying as REITs), a portion of the dividends paid by the Fund to corporate shareholders may be eligible for the corporate dividends received deduction. Distributions of net capital gain (the excess of net long-term capital gain over net short-term capital loss), if any, designated as capital gain dividends are taxable to a shareholder as long-term capital gains, regardless of how long the shareholder has held Fund shares. Shareholders receiving distributions in the form of additional shares, rather than cash, generally will have a cost basis in each such share equal to the net asset value of a share of the Fund on the reinvestment date. A distribution of an amount in excess of the Fund's current and accumulated earnings and profits will be treated by a shareholder as a return of capital which is applied against and reduces the shareholder's basis in his or her shares. To the extent that the amount of

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any such distribution exceeds the shareholder's basis in his or her shares, the excess will be treated by the shareholder as gain from a sale or exchange of the shares.

Shareholders will be notified annually as to the U.S. federal tax status of distributions, and shareholders receiving distributions in the form of additional shares will receive a report as to the net asset value of those shares.

### Sale or Exchange of Fund Shares

Upon the sale or other disposition of shares of the Fund, which a shareholder holds as a capital asset, such a shareholder may realize a capital

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gain or loss which will be long-term or short-term, depending upon the shareholder's holding period for the shares. Generally, a shareholder's gain or loss will be a long-term gain or loss if the shares have been held for more than one year.

Any loss realized on a sale or exchange will be disallowed to the extent that shares disposed of are replaced (including through reinvestment of dividends) within a period of 61 days beginning 30 days before and ending 30 days after disposition of shares. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized by a shareholder on a disposition of Fund shares held by the shareholder for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gain received by the shareholder with respect to such shares.

### Nature of Fund's Investments

Certain of the Fund's investment practices are subject to special and complex federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain into higher taxed short-term capital or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur and (vi) adversely alter the characterization of certain complex financial transactions.

### Original Issue Discount Securities

Investments by the Fund in zero coupon or other discount securities will result in income to the Fund equal to a portion of the excess of the face value of the securities over their issue price (the "original issue discount") each year that the securities are held, even though the receives no cash interest payments. This income is included in determining the amount of income which the Fund must distribute to maintain its status as a regulated investment company and to avoid the payment of federal income tax and the 4% excise tax. Because such income may not be matched by a corresponding cash distribution to the Fund, the Fund may be required to borrow money or dispose of other securities to be able to make distributions to its shareholders.

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### Investments in Real Estate Investment Trusts

The Fund may invest in REITs that hold residual interests in real estate mortgage investment conduits ("REMICs"). Under Treasury regulations that have not yet been issued, but may apply retroactively, a portion of the Fund's income from a REIT that is attributable to the REIT's residual interest in a REMIC (referred to in the Code as an "excess inclusion") will be subject to federal income tax in all events. These regulations are also expected to provide that excess inclusion income of a regulated investment company, such as the Fund, will be allocated to shareholders of the regulated investment company in proportion to the dividends received by such shareholders, with the same consequences as if the shareholders held the related REMIC residual interest directly. In general, excess inclusion income allocated to shareholders (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) will constitute unrelated business taxable income to entities (including a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity) subject to tax

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on unrelated business income, thereby potentially requiring such an entity that is allocated excess inclusion income, and otherwise might not be required to file a tax return, to file a tax return and pay tax on such income, and (iii) in the case of a foreign shareholder, will not qualify for any reduction in U.S. federal withholding tax. In addition, if at any time during any taxable year a "disqualified organization" (as defined in the Code to include governmental units, tax-exempt entities and certain cooperatives) is a record holder of a share in a regulated investment company, then the regulated investment company will be subject to a tax equal to that portion of its excess inclusion income for the taxable year that is allocable to the disqualified organization, multiplied by the highest federal income tax rate imposed on corporations. The Investment Manager does not intend on behalf of the Fund to invest in REITs, a substantial portion of the assets of which consists of residual interests in REMICs.

### Backup Withholding

The Fund may be required to withhold U.S. federal income tax from all taxable distributions and redemption proceeds payable to shareholders who fail to provide the Fund with their correct taxpayer identification number or to make required certifications, or who have been notified by the Internal Revenue Service that they are subject to backup withholding. The withholding percentage is currently 30.5% and will decrease to 30% in 2002 and 2003, 29% in 2004 and 2005, and 28% thereafter until 2011, when the percentage will revert to 31% unless amended by Congress. Corporate shareholders and certain other shareholders specified in the Code generally are exempt from such backup withholding. This withholding is not an additional tax. Any amounts withheld may be credited against the shareholder's U.S. federal income tax liability.

### Foreign Shareholders

U.S. taxation of a shareholder who, as to the United States, is a nonresident alien individual, a foreign trust or estate, a foreign corporation or foreign partnership ("foreign shareholder") depends on whether the income of the Fund is "effectively connected" with a U.S. trade or business carried on by the shareholder.

### Income not Effectively Connected

If the income from the Fund is not "effectively connected" with a U.S. trade or business carried on by the foreign shareholder, distributions of investment company taxable income will be subject to a U.S. tax of 30% (or lower treaty rate, except in the case of any excess inclusion

income allocated to the shareholder (see "Taxation - Investments in Real Estate Investment Trusts" above)), which tax is generally withheld from such distributions.

Distributions of capital gain dividends and any amounts retained by the Fund which are designated as undistributed capital gains will not be subject to U.S. tax at the rate of 30% (or lower treaty rate) unless the foreign shareholder is a nonresident alien individual and is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements. However, this 30% tax on capital gains of nonresident alien individuals who are physically present in the United States for more than the 182 day period only applies in exceptional cases because any individual present in the United States for more than 182 days during the taxable year is generally treated as resident for U.S. income tax purposes; in that case, he or she would



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be subject to U.S. income tax on his or her worldwide income at the graduated rates applicable to U.S. citizens, rather than the 30% U.S. tax. In the case of a foreign shareholder who is a nonresident alien individual, the Fund may be required to withhold U.S. income tax from distributions of net capital gain unless the foreign shareholder certifies his or her non-U.S. status under penalties of perjury or otherwise establishes an exemption. See "Taxation-Backup Withholding," above. If a foreign shareholder is a nonresident alien individual, any gain such shareholder realizes upon the sale or exchange of such shareholder's shares of the Fund in the United States will ordinarily be exempt from U.S. tax unless (i) the gain is U.S. source income and such shareholder is physically present in the United States for more than 182 days during the taxable year and meets certain other requirements, or is otherwise considered to be a resident alien of the United States, or (ii) at any time during the shorter of the period during which the foreign shareholder held shares of the Fund and the five year period ending on the date of the disposition of those shares, the Fund was a "U.S. real property holding corporation" and the foreign shareholder held more than 5% of the shares of the Fund, in which event the gain would be taxed in the same manner as for a U.S. shareholder as discussed above and a 10% U.S. withholding tax would be imposed on the amount realized on the disposition of such shares to be credited against the foreign shareholder's U.S. income tax liability on such disposition. A corporation is a "U.S. real property holding corporation" if the fair market value of its U.S. real property interests equals or exceeds 50% of the fair market value of such interests plus its interests in real property located outside the United States plus any other assets used or held for use in a business. In the case of the Fund, U.S. real property interests include interests in stock in U.S. real property holding corporations (other than the stock of a REIT controlled by U.S. persons and holdings of 5% or less in the stock of publicly traded U.S. real property holding corporations) and certain participating debt securities.

### Income Effectively Connected

If the income from the Fund is "effectively connected" with a U.S. trade or business carried on by a foreign shareholder, then distributions of investment company taxable income and capital gain dividends, any amounts retained by the Fund which are designated as undistributed capital gains and any gains realized upon the sale or exchange of shares of the Fund will be subject to U.S. income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. Foreign corporate shareholders may also be subject to the branch profits tax imposed by the Code.

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The tax consequences to a foreign shareholder entitled to claim the benefits of an applicable tax treaty may differ from those described herein. Foreign shareholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in the Fund.

### Other Transactions

Fund shareholders may be subject to state, local and foreign taxes on their Fund distributions. Shareholders are advised to consult their own tax advisers with respect to the particular tax consequences to them of an investment in the Fund.

### PERFORMANCE RELATED AND COMPARATIVE INFORMATION

The Fund may quote certain performance-related information and may compare certain aspects of its portfolio and structure to other substantially similar closed-end funds. In reports or other communications to shareholders of

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the Fund or in advertising materials, the Fund may compare its performance with that of (i) other investment companies listed in the rankings prepared by Lipper, Inc., Morningstar Inc. or other independent services; publications such as Barrons, Business Week, Forbes, Fortune, Institutional Investor, Kiplinger's Personal Finance, Money, Morningstar Mutual Fund Values, The New York Times, The Wall Street Journal and USA Today; or other industry or financial publications or (ii) the Standard and Poor's Index of 500 Stocks, the Dow Jones Industrial Average, Dow Jones Utility Index, the National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index, the Salomon Brothers Broad Investment Grade Bond Index (BIG), Morgan Stanley Capital International Europe Australia Far East (MSCI EAFE) Index, the NASDAQ Composite Index, and other relevant indices and industry publications. The Fund may also compare the historical volatility of its portfolio to the volatility of such indices during the same time periods. (Volatility is a generally accepted barometer of the market risk associated with a portfolio of securities and is generally measured in comparison to the stock market as a whole - the beta - or in absolute terms - the standard deviation.) Comparison of the Fund to an alternative investment should be made with consideration of differences in features and expected performance. The Fund may obtain data from sources or reporting services, such as Bloomberg Financial ("Bloomberg") and Lipper, that the Fund believes to be generally accurate.

From time to time, the Fund may quote the Fund's total return, aggregate total return or yield in advertisements or in reports and other communications to shareholders. The Fund's performance will vary depending upon market conditions, the composition of its portfolio and its operating expenses. Consequently any given performance quotation should not be considered representative of the Fund's performance in the future. In addition, because performance will fluctuate, it may not provide a basis for comparing an investment in the Fund with certain bank deposits or other investments that pay a fixed yield for a stated period of time. Investments comparing the Fund's performance with that of other investment companies should give consideration to the quality and maturity of the respective investment companies' portfolio securities.

The Fund's "average annual total return" is computed according to a formula prescribed by the Securities and Exchange Commission. The formula can be expressed as follows:

$$ERV = P(1+T)^n/n/$$

Where P = a hypothetical initial payment of \$1,000

T = average annual total return

n = number of years

ERV = Ending Redeemable Value of a hypothetical \$1,000

investment made at the beginning of a 1-, 5-, or 10-year period at the end of a 1-, 5-, or 10-

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year period (or fractional portion thereof), assuming reinvestment of all dividends and distributions.

Quotations of yield for the Fund will be based on all investment income per share earned during a particular 30-day period (including dividends and interest), less expenses accrued during the period ("net investment income") and are computed by dividing net investment income by the maximum offering price per share on the last day of the period, according to the following formula:

a-b

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$$\text{Yield} = \frac{2 [(a - b) / c] / d}{1}$$

Where a = dividends and interest earned during the period,  
b = expenses accrued for the period (net of reimbursements),  
c = the average daily number of shares outstanding during the period that were entitled to receive dividends, and  
d = the maximum offering price per share on the last day of the period.

Past performance is not indicative of future results. At the time Common Shareholders sell their shares, they may be worth more or less than their original investment. See Appendix B for additional performance related and comparative information.

### EXPERTS

The Financial Statements of the Fund as of October 29, 2001, appearing in this Statement of Additional Information have been audited by Arthur Andersen LLP, 33 West Monroe Street, Chicago, Illinois 60603, independent auditors, as set forth in their report thereon

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appearing elsewhere herein, and is included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. Arthur Andersen LLP provides accounting and auditing services to the Fund.

### CUSTODIAN

The custodian of the assets of the Fund is The Chase Manhattan Bank, P.O. Box 660086, Dallas, Texas 75266-0086. The custodian performs custodial, fund accounting and portfolio accounting services.

### ADDITIONAL INFORMATION

A Registration Statement on Form N-2, including amendments thereto, relating to the shares of the Fund offered hereby, has been filed by the Fund with the Securities and Exchange Commission (the "Commission"), Washington, D.C. The Fund's Prospectus and this Statement of Additional Information do not contain all of the information set forth in the Registration Statement, including any exhibits and schedules thereto. For further information with respect to the Fund and the shares offered hereby, reference is made to the Fund's Registration Statement. Statements contained in the Fund's Prospectus and this Statement of Additional Information as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. Copies of the Registration Statement may be inspected without charge at the Commission's principal office in Washington, D.C., and copies of all or any part thereof may be obtained from the Commission upon the payment of certain fees prescribed by the Commission.

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Shareholder of  
Nuveen Real Estate Income Fund

We have audited the statement of net assets for the Nuveen Real Estate Income Fund (the "Fund") as of October 29, 2001 and the related statement of operations for the period from August 27, 2001 (date of organization) through October 29, 2001. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Fund as of October 29, 2001, and the results of its operations for the period from August 27, 2001 (date of organization) through October 29, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois  
October 30, 2001

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NUVEEN REAL ESTATE INCOME FUND  
FINANCIAL STATEMENTS

Nuveen Real Estate Income Fund  
Statement of Net Assets  
October 29, 2001

Assets:

Cash.....	\$100,275
Offering costs.....	600,000

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Receivable from adviser.....	15,000
	-----
Total assets.....	715,275
	-----
Liabilities:	
Accrued offering costs.....	600,000
Payable for organization costs.....	15,000
	-----
Total liabilities.....	615,000
	-----
Net assets.....	\$100,275
	=====
Net asset value per Common Share outstanding (\$100,275 divided by 7,000 Common Shares outstanding).....	\$ 14.325
	=====
Net Assets Represent:	
Cumulative Preferred Shares, \$25,000 liquidation value; unlimited number of shares authorized, no shares outstanding.....	\$ -
Common Shares, \$.01 par value; unlimited number of shares authorized, 7,000 shares outstanding.....	70
Paid-in surplus.....	100,205
	-----
	\$100,275
	=====

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Nuveen Real Estate Income Fund  
Statement of Operations  
Period from August 27, 2001 (date of organization) through October 29, 2001

Investment income.....	\$ -
	-----
Expenses:	
Organization costs.....	\$ 15,000
Expense reimbursement.....	(15,000)
	-----
Total expenses.....	-
	-----
Net investment income.....	\$ -
	=====

Note 1: Organization

The Fund was organized as a Massachusetts business trust on August 27, 2001, and has been inactive since that date except for matters relating to its organization and registration as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended, and the Securities Act of 1933, as amended, and the sale of 7,000 Common Shares to Nuveen Institutional Advisory Corp., the Fund's investment adviser (the

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"Adviser"), a wholly owned subsidiary of The John Nuveen Company.

Nuveen Investments, also a wholly owned subsidiary of The John Nuveen Company, has agreed to reimburse all organization expenses (approximately \$15,000) and pay all offering costs (other than the sales load) that exceed \$.03 per Common Share.

The Fund is authorized by its Declaration of Trust to issue Preferred Shares having a liquidation value of \$25,000 per share in one or more classes or series, with dividend, liquidation preference and other rights as determined by the Fund's Board of Trustees without approval of the Common Shareholders.

### Note 2: Accounting Policies

The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States which require the use of management estimates. Actual results may differ from those estimates.

The Fund's share of offering costs will be recorded as a reduction of the proceeds from the sale of Common Shares upon the commencement of Fund operations. The offering costs reflected above assume the sale of 20,000,000 Common Shares.

### Note 3: Investment Management Agreement

Pursuant to an investment management agreement between the Adviser and the Fund, the Fund has agreed to pay a management fee, payable on a monthly basis, at an annual rate ranging from 0.9000% of the first \$500 million of the average daily net assets (including net assets attributable to Fund Preferred Shares and the principal amount of borrowings ("managed assets")) to 0.8000% of the average daily managed assets in excess of \$2 billion.

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In addition to the reimbursement and waiver of organization and offering costs discussed in Note 1, the Adviser has contractually agreed to reimburse the Fund for fees and expenses during the first 10 years of operations. These reductions range from 0.3000% of the average daily managed assets during the first year of operations, declining to 0.0500% of the average daily managed assets during the tenth year. The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

### Note 4: Income Taxes

The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its tax-exempt net investment income, in addition to any significant amounts of net realized capital gains and/or market discount realized from investment transactions.

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APPENDIX A

Ratings of Investments

Standard & Poor's Corporation -- A brief description of the applicable Standard & Poor's Corporation ("Standard & Poor's" or "S&P") rating symbols and their meanings (as published by S&P) follows:

A Standard & Poor's issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation. The issue credit rating is not a recommendation to purchase, sell, or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor.

Issue credit ratings are based on current information furnished by the obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any credit rating and may, on occasion, rely on unaudited financial information. Credit ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Issue credit ratings can be either long term or short term. Short-term ratings are generally assigned to those obligations considered short term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days - including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term ratings address the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Long-term Issue Credit Ratings

Issue credit ratings are based in varying degrees, on the following considerations:

1. Likelihood of payment - capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation; and
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

The issue ratings definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above.

A-1

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's.

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The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, And C

Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB

An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B

An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC

An obligation rated 'CCC' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic

A-2

conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC



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An obligation rated 'CC' is currently highly vulnerable to nonpayment.

C

The 'C' rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.

D

An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Plus (+) or minus (-) The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

c The 'c' subscript is used to provide additional information to investors that the bank may terminate its obligation to purchase tendered bonds if the long-term credit rating of the issuer is below an investment-grade level and/or the issuer's bonds are deemed taxable.

p The letter 'p' indicates that the rating is provisional. A provisional rating assumes the successful completion of the project financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful, timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of or the risk of default upon failure of such completion. The investor should exercise his own judgment with respect to such likelihood and risk.

\* Continuance of the ratings is contingent upon Standard & Poor's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flows.

r The 'r' highlights derivative, hybrid, and certain other obligations that Standard & Poor's believes may experience high volatility or high variability in expected returns as a result of noncredit risks. Examples of such obligations are securities with principal or interest return indexed to equities, commodities, or currencies; certain swaps and options; and interest-only and principal-only mortgage securities. The absence of an 'r' symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

N.R. Not rated.

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Debt obligations of issuers outside the United States and its territories are rated on the same basis as domestic corporate and municipal issues. The ratings measure the creditworthiness of the obligor but do not take into account currency exchange and related uncertainties.

Bond Investment Quality Standards Under present commercial bank regulations

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issued by the Comptroller of the Currency, bonds rated in the top four categories ('AAA', 'AA', 'A', 'BBB', commonly known as investment-grade ratings) generally are regarded as eligible for bank investment. Also, the laws of various states governing legal investments impose certain rating or other standards for obligations eligible for investment by savings banks, trust companies, insurance companies, and fiduciaries in general.

### Short-Term Issue Credit Ratings

#### Notes

A Standard & Poor's note ratings reflects the liquidity factors and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

- . Amortization schedule -- the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and
- . Source of payment -- the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

- SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation
- SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.
- SP-3 Speculative capacity to pay principal and interest.

A note rating is not a recommendation to purchase, sell, or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information or based on other circumstances.

#### Commercial Paper

An S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days.

A-4

Ratings are graded into several categories, ranging from 'A-1' for the highest quality obligations to 'D' for the lowest. These categories are as follows:

- A-1 A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

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- A-2 A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.
- A-3 A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.
- B A short-term obligation rated 'B' is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligors inadequate capacity to meet its financial commitment on the obligation.
- C A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.
- D A short-term obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

A commercial rating is not a recommendation to purchase, sell, or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information or based on other circumstances.

Moody's Investors Service, Inc. -- A brief description of the applicable Moody's Investors Service, Inc. ("Moody's") rating symbols and their meanings (as published by Moody's) follows:

- Aaa Bonds which are rated 'Aaa' are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edged." Interest payments

A-5

are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

- Aa Bonds which are rated 'Aa' are judged to be of high quality by all standards. Together with the 'Aaa' group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in 'Aaa' securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the

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long-term risks appear somewhat larger than in 'Aaa' securities.

- A Bonds which are rated 'A' possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.
- Baa Bonds which are rated 'Baa' are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba Bonds which are rated 'Ba' are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
- B Bonds which are rated 'B' generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
- Caa Bonds which are rated 'Caa' are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.
- Ca Bonds which are rated 'Ca' represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
- C Bonds which are rated 'C' are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Issues that are secured by escrowed funds held in trust, reinvested in direct, non-callable U.S. government obligations or non-callable obligations unconditionally guaranteed by the U.S. Government or Resolution Funding Corporation are identified with a # (hatchmark) symbol, e.g., #Aaa.

Con. (...): Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by

A-6

(a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. The parenthetical rating denotes probable credit stature upon completion of construction or elimination of the basis of the condition.

Note: Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the

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modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

### Short-Term Loans

- MIG 1/VMIG 1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.
- MIG 2/VMIG 2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.
- MIG 3/VMIG 3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.
- SG This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

### Commercial Paper

Issuers rated Prime-1 (or related supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will normally be evidenced by the following characteristics:

- Leading market positions in well-established industries.
- High rates of return on funds employed.
- Conservative capitalization structures with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well-established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated Prime-2 (or related supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the

A-7

characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Issuers rated Prime-3 (or related supporting institutions) have an acceptable ability for repayment of senior short-term debt obligations. The effect of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

Issuers rated Not Prime do not fall within any of the Prime rating categories.

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Fitch IBCA, Inc. -- A brief description of the applicable Fitch IBCA, Inc. ("Fitch") ratings symbols and meanings (as published by Fitch) follows:

### Long-Term Credit Ratings

#### Investment Grade

- AAA Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA Very high credit quality. 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- A High credit quality. 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
- BBB Good credit quality. 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

#### Speculative Grade

- BB Speculative. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.
- B Highly speculative. 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met;

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however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

- CCC, CC, C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. A 'CC' rating indicates that default of some kind appears probable. 'C' ratings signal imminent default.
- DDD, DD, and D Default. The ratings of obligations in this category are based on their prospects for achieving partial or full recovery in a reorganization or liquidation of the obligor. While expected recovery values are highly speculative and cannot be estimated with any precision, the following serve as general guidelines. 'DDD' obligations have the highest potential for recovery, around 90%-100% of outstanding amounts and accrued interest. 'DD' indicates potential recoveries in the range of 50%-90%, and 'D' the lowest recovery potential, i.e., below 50%. Entities rated in this category have

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defaulted on some or all of their obligations. Entities rated 'DDD' have the highest prospect for resumption of performance or continued operation with or without a formal reorganization process. Entities rated 'DD' and 'D' are generally undergoing a formal reorganization or liquidation process; those rated 'DD' are likely to satisfy a higher portion of their outstanding obligations, while entities rated 'D' have a poor prospect for repaying all obligations.

### Short-Term Credit Ratings

A short-term rating has a time horizon of less than 12 months for most obligations, or up to three years for U.S. public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

- F1 Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
- F2 Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
- F3 Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.
- B Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near-term adverse changes in financial and economic conditions.
- C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.
- D Default. Denotes actual or imminent payment default.

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### Notes:

"+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' long-term rating category, to categories below 'CCC,' or to short-term ratings other than 'F1.'

'NR' indicates that Fitch does not rate the issuer or issue in question.

'Withdrawn': A rating is withdrawn when Fitch deems the amount of information available to be inadequate for rating purposes, or when an obligation matures, is called, or refinanced.

Rating Watch: Ratings are placed on RatingWatch to notify investors that there is a reasonable probability of a rating change and the likely direction of such change. These are designated as "Positive", indicating a potential upgrade, "Negative," for a potential downgrade, or "Evolving," if ratings may be raised, lowered or maintained. Rating Watch is typically resolved over a relatively short period.

A Rating Outlook indicates the direction a rating is likely to move over a one to two year period. Outlooks may be positive, stable, or negative. A positive or

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negative Rating Outlook does not imply a rating change is inevitable. Similarly, companies whose outlooks are stable' could be downgraded before an outlook moves to positive or negative if circumstances warrant such an action. Occasionally, Fitch may be unable to identify the fundamental trend. In these cases, the Rating Outlook may be described as evolving.

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### APPENDIX B

#### Performance Related and Comparative Information

Past performance is not indicative of future results. At the time Common Shareholders sell their shares, they may be worth more or less than their original investment.

The Fund will be sub-advised by Security Capital, which is a leading international real-estate operating and investment management company dedicated exclusively to the real estate industry. Security Capital's managed account and mutual fund assets under management have grown by more than 60% per year from January 1996 through September 2001. Security Capital's portfolio management committee consists of four senior professionals with 70 years of cumulative real estate experience. They are supported by 13 research analysts. They use a bottom up approach to identify REITs that they believe have:

- o Stable cash flows with the potential for growth
- o Favorable business and location dynamics
- o Geographic diversification
- o Commercial use diversification

Many investors have found exchange-traded closed-end funds to be a versatile addition to their overall portfolios.

Features of exchange-traded closed-end funds include:

- o Monthly dividends
- o Enhanced income potential through leverage
- o Automatic dividend reinvestment
- o Exchange-listing
- o Widespread price visibility
- o Intra-day liquidity
- o Professional management
- o Low minimum investment

REITs Historically Have Shown a Low Correlation with Other Asset Classes

The chart below shows that the historical correlation of REITs with other types of investments has been relatively low.



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[BAR CHART APPEARS HERE]

REITs	1
DJ Utility Index	0.3
20-yr. Gov't Bonds	0.16
International Stocks	0.22
Nasdaq Composite Index	0.16

Correlation coefficients are based on monthly return data from September 1991 through September 2001. Past performance is no guarantee of future results.

REITs are represented by the National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index, an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. DJ Utility Index is a price-weighted average of 15 utility companies that are listed on the New York Stock Exchange and are involved in the production of electrical energy. Bonds are represented by the then-current U.S. Government Bond with a term of approximately 20 years. International Stocks are represented by the MSCI EAFE Index (Morgan Stanley Capital International Europe, Australasia, Far East), which is a market value-weighted average of more than 900 securities listed on the stock exchanges of countries in Europe, Australasia and the Far East. Nasdaq Composite Index is a broad based capitalization weighted index of all NASDAQ national market and small-cap stocks. It is not possible to invest directly in one of these indexes.

B-1

Over the past 29 years, portfolios combining stocks, bonds, T-bills and real estate investments produced greater returns with less risk than a portfolio without a real estate component. The chart below shows the risk and return histories for portfolios with different asset allocations.

### Adding REITs Historically Has Reduced Risk and Increased Return

[CHART APPEARS HERE]

Stocks and Bonds	With 10% REITs	With 20% REITs
Cash 10%	REITs 10%	REITs 20%
Bonds 40%	Cash 10%	Cash 10%
Stocks 50%	Bonds 35%	Bonds 30%
	Stocks 45%	Stocks 40%
Risk 9.87%	9.57%	9.43%
Return 10.63%	10.85%	11.07%

Based on average annual returns and the monthly standard deviation of returns from January 1, 1972 (the inception of the NAREIT Equity REIT Index) through September 30, 2001. Stocks are represented by the S&P 500, an unmanaged index of 500 large capitalization, publicly traded stocks representing various industries. Bonds are represented by the then-current 20-year U.S. Government Bond. Cash is represented by the then-current U.S. 30-Day Treasury Bill. REITs are represented by the NAREIT Equity REIT Index, an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. Past performance is no guarantee of future results. The Fund will invest a portion of its assets in REIT securities other than equity REITs. Standard deviation (the risk measure) is a commonly used statistical measure of the historical range of a portfolio's returns. It is not possible to invest in an index. Past performance is no

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guarantee of future results.

The chart below shows the historical dividend growth of equity REITs vs. the Consumer Price Index.

### REIT Dividends Historically Have Grown Faster Than Inflation

[BAR CHART APPEARS HERE]

	REIT Dividend Per Share Growth	Growth in Inflation
1991	0.0262	0.0306
1992	0.0541	0.029
1993	0.0702	0.0275
1994	0.0598	0.0267
1995	0.0676	0.0254
1996	0.0488	0.0332
1997	0.0739	0.017
1998	0.0797	0.0161
1999	0.0765	0.0268
2000	0.0662	0.0339

The chart shows the annual year-over-year growth of REIT dividends and the actual increase in the Consumer Price Index. REITs are represented by NAREIT Equity REIT Index, an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. The dividend growth shown is not necessarily indicative of expected Fund performance. Past performance is no guarantee of future results.

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As of September 30, 2001, REIT investments offered attractive yields when compared with alternative income investments.

[BAR CHART APPEARS HERE]

	Current Yield
NAREIT Equity REIT Index	7.43%
Corporate Bond Index	6.09%
30-yr T-Bonds	5.42%
90-day T-bills	2.86%

Source: NAREIT, Bloomberg and Lehman Brothers

All yields shown are as of September 30, 2001. The NAREIT Equity REIT Index is an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. Corporate bonds are represented by the Lehman Brothers U.S. Credit Index, which includes all publicly-issued, fixed-rate, non-convertible, investment-grade, dollar-denominated SEC-registered corporate debt having at least one year to maturity and an outstanding par value of at least \$100 million. 30-yr. U.S. Treasury bonds and 90 day U.S. Treasury bills are represented by the respective on-the-run securities for September 30, 2001. U.S. Treasury bonds and bills are backed by the full faith and credit of the U.S. government. You cannot invest directly in the NAREIT Equity REIT Index or the Lehman Brothers U.S. Credit Index. The Nuveen Real Estate Income Fund differ in

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several significant respects from the NAREIT Equity REIT Index. The Nuveen Fund expects to employ leverage, although there is no assurance leverage will be employed. Unlike an index, the Nuveen Fund will charge management fees and expenses. None of the yields shown here are intended to be predictive of the yield of the Nuveen Real Estate Income Fund. Past performance does not guarantee future results.

Historically, the long-term returns of real estate investments have been generally attractive. The chart below shows the average annual total returns for REITs over the past 1, 5, 10 and 20 year periods.

[BAR CHART APPEARS HERE]

### REITs Have Shown Relatively Stable Total Returns (for periods ended 9/30/01)

	Average Annual Total Return
1-year	12.56%
5-year	9.05%
10-year	11.67%
20-year	13.03%

Returns are historical and include changes in share price, and annual reinvestment of dividends and capital gains for the respective time periods ended September 30, 2001. REITs are represented by the National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index, an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. This is not the Fund's performance and the Fund will not seek to replicate any index. You cannot invest directly in the index. There is no guarantee the Fund performance will equal or exceed Equity REIT Index performance.

Historically, real estate investments have provided some protection during periods of down equity markets. The chart below shows the performance of REITs versus the S&P 500 during the S&P 500's up and down quarters from 1/1/72 through 9/30/01.

[BAR CHART APPEARS HERE]

### Real Estate Often Performs Better in Down Markets 1/1/72 -- 9/30/01

	Up Markets	Down Markets
REITs	5.48%	-1.96%
S&P 500	7.33%	-6.31%

Based on data from 1/1/72 through 9/30/01. "Up Markets" were defined by quarters when the S&P 500 return was positive. "Down Markets" were defined by quarters when the S&P 500 return was negative. There were 83 Up Markets and 30 Down Markets over this period. Stocks are represented by the S&P 500, an unmanaged index of 500 large capitalization, publicly traded stocks representing various industries. REITs are represented by the National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index, an unmanaged index of publicly-traded U.S. tax-qualified REITs that have 75% or more of their invested book assets invested in the equity ownership of real estate. This is not the Fund's performance and the Fund will not seek to replicate any index. You cannot invest directly in the index. There is no guarantee the Fund performance will equal or exceed Equity REIT Index performance.

Nuveen Real Estate Income Fund 4,000,000 Shares

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STATEMENT OF ADDITIONAL INFORMATION  
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\_\_\_\_\_, 2001

PART C - OTHER INFORMATION

Item 24: Financial Statements and Exhibits

1. Financial Statements:

Registrant has not conducted any business as of the date of this filing, other than in connection with its organization. Financial Statements indicating that the Registrant has met the net worth requirements of Section 14(a) of the 1940 Act are filed with this Pre-effective Amendment to the Registration Statement.

2. Exhibits:

- a. Declaration of Trust dated August 27, 2001. Filed on September 5, 2001 as Exhibit a to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- b. By-Laws of Registrant. Filed on September 5, 2001 as Exhibit b to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- c. None.
- d. Form of Share Certificate. Filed on October 17, 2001 as Exhibit d to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- e. Terms and Conditions of the Dividend Reinvestment Plan. Filed on October 17, 2001 as Exhibit e to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- f. None.
- g.1 Investment Management Agreement between Registrant and Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*

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- g.2 Investment Sub-Advisory Agreement between Nuveen Institutional Advisory Corp. and Security Capital Research & Management Incorporated dated \_\_\_\_\_, 2001.\*\*
- h.1 Form of Underwriting Agreement.\*\*
- h.2 Form of Master Selected Dealer Agreement.\*\*
- h.3 Form of Master Agreement Among Underwriters.\*\*
- h.4 Form of Dealer Letter Agreement.\*\*
- i. Nuveen Open-End and Closed-End Funds Deferred Compensation Plan for Independent Directors and Trustees. Filed on October 17, 2001 as Exhibit i to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- j. Form of Exchange Traded Fund Custody Agreement between Registrant and The Chase Manhattan Bank dated \_\_\_\_\_, 2001.\*\*
- k.1 Form of Shareholder Transfer Agency Agreement between Registrant and Chase Manhattan Bank dated \_\_\_\_\_, 2001.\*\*
- k.2 Form of Expense Reimbursement Agreement between Registrant and Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*

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- l.1 Opinion and consent of Bell, Boyd & Lloyd LLC. Filed on October 17, 2001 as Exhibit l.1 to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- l.2 Opinion and consent of Bingham Dana LLP. Filed on October 17, 2001 as Exhibit l.2 to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- l.3 Consent of Bell, Boyd & Lloyd LLC.
- l.4 Consent of Bingham Dana LLP.
- m. None.
- n. Consent of Arthur Andersen LLP.
- o. None.
- p. Subscription Agreement of Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*
- q. None.
- r.1 Code of Ethics of Nuveen Institutional Advisory Corp. Filed on September 5, 2001 as Exhibit r.1 to Registrant's Registration Statement on Form N-2

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(File No. 333-68948) and incorporated herein by reference.\*

- r.2 Code of Ethics of Security Capital Research & Management Incorporated. Filed on October 17, 2001 as Exhibit r.2 to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- r.3 Code of Ethics of Salomon Smith Barney Inc. Filed on October 17, 2001 as Exhibit r.3 to Pre-effective Amendment No. 1 to Registrant's Registration Statement on Form N-2 (File No. 333-68948) and incorporated herein by reference.\*
- s. Powers of Attorney.

\* Previously filed.

\*\* To be filed by amendment.

### Item 25: Marketing Arrangements

See Sections 2, 3 and 5(n) of the Underwriting Agreement to be filed as Exhibit h.1 to this Registration Statement.

See the Introductory Paragraph of the Form of Master Selected Dealer Agreement to be filed as Exhibit h.2 to this Registration Statement.

See Introductory Paragraphs and Sections 1, 3, 5, 6 and 7 of the Form of Master Agreement Among Underwriters to be filed as Exhibit h.3 to this Registration Statement.

See Paragraph e of the Form of Dealer Letter Agreement between Nuveen and the Underwriters to be filed as Exhibit h.4 to this Registration Statement.

### Item 26: Other Expenses of Issuance and Distribution

Securities and Exchange Commission fees	\$15,000*
National Association of Securities Dealers, Inc. fees	6,500*
Printing and engraving expenses	*
Legal Fees	*
American Stock Exchange listing fees	*
Accounting expenses	*
Blue Sky filing fees and expenses	*
Transfer agent fees	*
Miscellaneous expenses	*
	-----
Total	*
	=====

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\*To be completed by amendment. NIAC has contractually agreed to reimburse the Fund for fees and expenses in the amount of .30% of average daily net assets for the first 5 full years of the Fund's operations, .25% of average daily net assets in year 6, .20% in year 7, .15% in year 8, .10% in year 9 and .05% in year 10. Without the reimbursement, "Total Net Annual Expenses" would be estimated to be 1.38% of average daily net assets attributable to Common Shares and .90% of average daily net assets. Nuveen has agreed to pay (i) all organizational expenses and (ii) offering costs (other than sales load) that exceed \$0.03 per Common Share (.20% of offering price).

Item 27: Persons Controlled by or under Common Control with Registrant

Not applicable.

Item 28: Number of Holders of Securities

At October 30, 2001

Title of Class -----	Number of Record Holders -----
Common Shares, \$0.01 par value	1

Item 29: Indemnification

Section 4 of Article XII of the Registrant's Declaration of Trust provides as follows:

Subject to the exceptions and limitations contained in this Section 4, every person who is, or has been, a Trustee, officer, employee or agent of the Trust, including persons who serve at the request of the Trust as directors, trustees, officers, employees or agents of another organization in which the Trust has an interest as a shareholder, creditor or otherwise (hereinafter referred to as a "Covered Person"), shall be indemnified by the Trust to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been such a Trustee, director, officer, employee or agent and against amounts paid or incurred by him in settlement thereof.

No indemnification shall be provided hereunder to a Covered Person:

- (a) against any liability to the Trust or its Shareholders by reason of a final adjudication by the court or other body before which the proceeding was brought that he engaged in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office;
- (b) with respect to any matter as to which he shall have been finally adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interests of the Trust; or

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(c) in the event of a settlement or other disposition not involving a final adjudication (as provided in paragraph (a) or (b)) and resulting in a payment by a Covered Person, unless there has been either a determination that such Covered Person did not engage in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office by the court or other body approving the settlement or other disposition or a reasonable determination, based on a review of readily available facts (as opposed to a full trial-type inquiry), that he did not engage in such conduct:

(i) by a vote of a majority of the Disinterested Trustees acting on the matter (provided that a majority of the Disinterested Trustees then in office act on the matter); or

(ii) by written opinion of independent legal counsel.

The rights of indemnification herein provided may be insured against by policies maintained by the Trust, shall be severable, shall not affect any other rights to which any Covered Person may now or hereafter be entitled, shall continue as to a person who has ceased to be such a Covered Person and shall inure to the benefit of the heirs, executors and administrators of such a person. Nothing contained herein shall affect any rights to indemnification to which Trust personnel other than Covered Persons may be entitled by contract or otherwise under law.

Expenses of preparation and presentation of a defense to any claim, action, suit or proceeding subject to a claim for indemnification under this Section 4 shall be advanced by the Trust prior to final disposition thereof upon receipt of an undertaking by or on behalf of the recipient to repay such amount if it is ultimately determined that he is not entitled to indemnification under this Section 4, provided that either:

(a) such undertaking is secured by a surety bond or some other appropriate security or the Trust shall be insured against losses arising out of any such advances; or

(b) a majority of the Disinterested Trustees acting on the matter (provided that a majority of the Disinterested Trustees then in office act on the matter) or independent legal counsel in a written opinion shall determine, based upon a review of the readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the recipient ultimately will be found entitled to indemnification.

As used in this Section 4, a "Disinterested Trustee" is one (x) who is not an Interested Person of the Trust (including anyone, as such Disinterested Trustee, who has been exempted from being an Interested Person by any rule, regulation or order of the Commission), and (y) against whom none of such actions, suits or other proceedings or another action, suit or other proceeding on the same or similar grounds is then or has been pending.

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As used in this Section 4, the words "claim," "action," "suit" or "proceeding" shall apply to all claims, actions, suits, proceedings (civil, criminal, administrative or other, including appeals), actual or threatened; and the words "liability" and "expenses" shall include without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.



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The trustees and officers of the Registrant are covered by Investment Trust Errors and Omission policies in the aggregate amount of \$20,000,000 (with a maximum deductible of \$500,000) against liability and expenses of claims of wrongful acts arising out of their position with the Registrant, except for matters which involve willful acts, bad faith, gross negligence and willful disregard of duty (i.e., where the insured did not act in good faith for a purpose he or she reasonably believed to be in the best interest of Registrant or where he or she had reasonable cause to believe this conduct was unlawful).

Section 8 of the Underwriting Agreement to be filed as Exhibit h.1 to this Registration Statement provides for each of the parties thereto, including the Registrant and the Underwriters, to indemnify the others, their trustees, directors, certain of their officers, trustees, directors and persons who control them against certain liabilities in connection with the offering described herein, including liabilities under the federal securities laws.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

### Item 30: Business and Other Connections of Investment Adviser

Nuveen Institutional Advisory Corp. serves as investment adviser to the following open-end and closed-end management type investment companies: Nuveen Investment Trust, Nuveen Investment Trust II, Nuveen Investment Trust III, Nuveen Select Tax-Free Income Portfolio, Nuveen Select Tax-Free Income Portfolio 2, Nuveen Insured California Select Tax-Free Income, Nuveen Insured New York Select Tax-Free Income Portfolio, and Nuveen Select Tax-Free Income Portfolio 3.

Security Capital Research & Management Incorporated ("Security Capital") serves as investment adviser to Security Capital Real Estate Mutual Funds Inc., an open-end management type investment company and subadvises 5 other open-end funds.

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Nuveen Institutional Advisory Corp. has no other clients or business at the present time. Security Capital also offers separate account management for certain institutional and high net worth clients. For a description of other business, profession, vocation or employment of a substantial nature in which any director or officer of the investment adviser who serve as officers or Trustees of the Registrant has engaged during the last two years for his or her account or in the capacity of director, officer, employee, partner or trustee, see the descriptions under "Management of the Fund" in Part B of this Registration Statement. Such information for the remaining senior officers of NIAC appears below:

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Name and Position with NIAC -----	Other Business Profession, Vocation or Employment During Past Two Years -----
John P. Amboian, President.....	President, formerly Executive Vice President, of The John Nuveen Company, Nuveen Investments Nuveen Advisory Corp., Nuveen Asset Management, Inc. and Nuveen Senior Loan Asset Management Inc. and Executive Vice President and Director of Rittenhouse Financial Services, Inc.
Margaret E. Wilson, Vice President and Controller.....	Vice President and Controller of the John Nuveen Company, Nuveen Investments and Nuveen Advisory Corp. and Senior Vice President and Controller of Nuveen Senior Loan Asset Management Inc.; formerly CFO of Sara Lee Corp., Bakery Division.

Set forth below is a list of each director and officer of Security Capital indicating each business profession, vocation or employment of a substantial nature in which such person has been, at any time during the past two fiscal years, engaged for his or her own account or in the capacity of director, officer, partner or trustee.

Name and Position with Security Capital -----	Other Business Profession, Vocation or Employment During Past Two Years -----
Anthony R. Manno, Jr., President and Managing Director.....	Chairman of the Board, Managing Director and President Security Capital Real Estate Mutual Funds Incorporated
Kenneth D. Statz, Managing Director.....	Managing Director, Security Capital Real Estate Mutual Funds Incorporated.
Russell C. Platt, Managing Director.....	--
Kevin Bedell, Senior Vice President.....	Senior Vice President, Security Capital Real Estate Mutual Funds Incorporated.
David E. Rosenbaum, Senior Vice President.....	--
Jeffrey C. Nellessen, Vice President, Treasurer, and Assistant Secretary.....	Vice President, Treasurer and Assistant Secretary, Security Capital Real Estate Mutual Funds Incorporated.

Item 31: Location of Accounts and Records

Nuveen Institutional Advisory Corp., 333 West Wacker Drive, Chicago, Illinois 60606, maintains the Declaration of Trust, By-Laws, minutes of trustees and shareholders meetings and contracts of the Registrant and all advisory material of the investment adviser.

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Security Capital Research & Management Incorporated, 11 South LaSalle Street, 2nd Floor, Chicago, Illinois 60606, maintains certain advisory material of the subadviser.

The Chase Manhattan Bank, P.O. Box 660086, Dallas, Texas 75266-0086 maintains all general and subsidiary ledgers, journals, trial balances, records of all portfolio purchases and sales, and all other required records not maintained by Nuveen Institutional Advisory Corp.

### Item 32: Management Services

Not applicable.

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### Item 33: Undertakings

1. Registrant undertakes to suspend the offering of its shares until it amends its prospectus if (1) subsequent to the effective date of its Registration Statement, the net asset value declines more than 10 percent from its net asset value as of the effective date of the Registration Statement, or (2) the net asset value increases to an amount greater than its net proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Not applicable.

5. The Registrant undertakes that:

a. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant under Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

b. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

6. The Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information.

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### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in this City of Chicago, and State of Illinois, on the 30th day of

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October, 2001.

NUVEEN REAL ESTATE INCOME FUND

/s/ Gifford R. Zimmerman

\_\_\_\_\_  
Gifford R. Zimmerman, Vice President and  
Secretary

Pursuant to the requirements of the Securities Act of 1933, this  
Registration Statement has been signed below by the following persons in the  
capacities and on the date indicated.

Signature -----	Title -----	Date ----
/s/ Stephen D. Foy ----- Stephen D. Foy	Vice President and Controller (Principal Financial and Accounting Officer)	October 30, 2001
Timothy R. Schwertfeger*	Chairman of the Board and Trustee (Principal Executive Officer)	By: /s/ Gifford R. Zimmerman ----- Gifford R. Zimmerman Attorney-In-Fact October 30, 2001
James E. Bacon*	Trustee	
William E. Bennett*	Trustee	
Jack B. Evans*	Trustee	
William L. Kissick*	Trustee	
Thomas E. Leafstrand*	Trustee	
Sheila W. Wellington*	Trustee	

\*Original powers of attorney authorizing Nicholas Dalmaso and Gifford  
R. Zimmerman, among others, to execute this Registration Statement, and  
Amendments thereto, for each of the trustees of Registrant on whose behalf this  
Registration Statement is filed, have been executed and filed as an exhibit.

INDEX TO EXHIBITS

- a. Declaration of Trust dated August 27, 2001.\*
- b. By-Laws of Registrant.\*

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- c. None.
- d. Form of Share Certificate.\*
- e. Terms and Conditions of the Dividend Reinvestment Plan.\*
- f. None.
- g.1 Investment Management Agreement between Registrant and Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*
- g.2 Investment Sub-Advisory Agreement between Nuveen Institutional Advisory Corp. and Security Capital Research & Management Incorporated dated \_\_\_\_\_, 2001.\*\*
- h.1 Form of Underwriting Agreement.\*\*
- h.2 Form of Master Selected Dealer Agreement.\*\*
- h.3 Form of Master Agreement Among Underwriters.\*\*
- h.4 Form of Dealer Letter Agreement.\*\*
- i. Nuveen Open-End and Closed-End Funds Deferred Compensation Plan for Independent Directors and Trustees.\*
- j. Form of Exchange Traded Fund Custody Agreement between Registrant and The Chase Manhattan Bank dated \_\_\_\_\_, 2001.\*\*
- k.1 Form of Shareholder Transfer Agency Agreement between Registrant and The Chase Manhattan Bank dated \_\_\_\_\_, 2001.\*\*
- k.2 Expense Reimbursement Agreement between Registrant and Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*
- l.1 Opinion and consent of Bell, Boyd & Lloyd LLC.\*
- l.2 Opinion and consent of Bingham Dana LLP.\*
- l.3 Consent of Bell, Boyd & Lloyd LLC.
- l.4 Consent of Bingham Dana LLP.
- m. None.
- n. Consent of Arthur Andersen LLP.
- o. None.
- p. Subscription Agreement of Nuveen Institutional Advisory Corp. dated \_\_\_\_\_, 2001.\*\*
- q. None.
- r.1 Code of Ethics of Nuveen Institutional Advisory Corp.\*
- r.2 Code of Ethics of Security Capital Research & Management Incorporated.\*
- r.3 Code of Ethics of Salomon Smith Barney Inc.\*
- s. Powers of Attorney.

-----  
\* Previously filed.

\*\* To be filed by amendment.