

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2  
Form DEF 14A  
June 20, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement.
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2)).
- Definitive Proxy Statement.
- Definitive Additional Materials.
- Soliciting Material Pursuant to Section 240.14A-11(c) or Section 240.14a-12

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2 (JQC)

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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IMPORTANT NOTICE  
TO FUND SHAREHOLDERS  
JUNE 21, 2005

Although we recommend that you read the complete Proxy Statement, for your convenience, we have provided a brief overview of the issues to be voted on.

Q. WHY AM I RECEIVING THIS PROXY STATEMENT?

A. Pursuant to an investment management agreement between your Fund and Nuveen Asset Management ("NAM"), NAM has served as your Fund's investment adviser and has been responsible for the overall investment strategy of your Fund. In addition, for certain Funds, NAM entered into an investment sub-advisory agreement pursuant to which a sub-adviser was retained to furnish investment advisory services to the Fund. NAM is a wholly-owned subsidiary of Nuveen Investments, Inc. ("Nuveen"). Nuveen is a publicly traded company and, until recently, was a majority-owned subsidiary of The St. Paul Travelers Companies, Inc. ("St. Paul Travelers").

As part of St. Paul Travelers' previously announced three-part program to sell its entire equity interest in Nuveen (the "Sale"), St. Paul Travelers sold 39.3 million shares of Nuveen through a secondary public offering on April 12, 2005. Nuveen also repurchased \$600 million of its shares from St. Paul Travelers. The repurchase of these shares is being completed through two steps--a \$200 million repurchase that closed on April 12, 2005, and a \$400 million forward purchase (plus interest) that will settle later this year. Finally, St. Paul Travelers also entered into an agreement with two other parties to sell approximately 12 million common shares of Nuveen for settlement later this year. After completion of the Sale, Nuveen will emerge as a fully independent public company.

Upon completion of the Sale, the investment management agreement between your Fund and NAM and the sub-advisory agreement between NAM and the sub-adviser of your Fund may be terminated. In order for NAM and the sub-advisers to continue to serve as investment adviser and sub-adviser after the completion of the Sale, the shareholders of your Fund must approve a new investment management agreement and a new sub-advisory

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agreement. The enclosed Proxy Statement gives you additional information on the proposed new investment management agreement and new sub-advisory agreement, as well as certain other matters. The Board of Trustees of each Fund (the "Board," and each Trustee, a "Board Member"), including those Board Members who are not affiliated with NAM or any sub-adviser, unanimously recommend that you vote FOR the approval of the new investment management agreement and new sub-advisory agreement, if applicable, for your Fund.

Please refer to the Proxy Statement for a detailed explanation of the items you are being asked to vote on.

- Q. WHY IS A VOTE ON THE PROPOSED NEW INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT REQUIRED?
- A. The completion of the Sale could be deemed to be an "assignment," as that term is defined in the Investment Company Act of 1940 ("1940 Act"), of the investment management agreement between each Fund and NAM and the sub-advisory agreement between NAM and your Fund's sub-adviser. As required by the 1940 Act, under its terms, each investment management agreement and sub-advisory agreement would automatically terminate in the event of its assignment. As a result, shareholder approval of a new investment management agreement and, if applicable, a new sub-advisory agreement will permit NAM and each sub-adviser to continue to serve your Fund.
- Q. WHAT WILL HAPPEN IF SHAREHOLDERS DO NOT APPROVE THE NEW INVESTMENT MANAGEMENT AGREEMENT OR SUB-ADVISORY AGREEMENT?
- A. If the new investment management agreement or sub-advisory agreement is not approved, your Fund's Board will take such actions as it deems to be in the best interests of your Fund. This is discussed in more detail in the Proxy Statement.
- Q. HOW WILL THE SALE AFFECT ME AS A FUND SHAREHOLDER?
- A. Your investment in your Fund will not change as a result of the Sale. You will still own the same shares in the Fund, and the value of your investment will not change as a result of the Sale. The new investment management agreement and sub-advisory agreement, if approved by shareholders, will still be with NAM and the same sub-adviser and the terms of the new investment management agreement and sub-advisory agreement are substantially identical to the terms of the original investment management agreement and sub-advisory agreement. In addition, the portfolio managers of your Fund will not change as a result of the new investment management agreement and sub-advisory agreement.
- Q. WILL THE INVESTMENT MANAGEMENT AND SUB-ADVISORY FEE RATES BE THE SAME UPON THE APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT?
- A. Yes, the investment management and sub-advisory fee rates will remain the same.
- Q. HOW DO THE BOARD MEMBERS SUGGEST THAT I VOTE IN CONNECTION WITH THE NEW INVESTMENT MANAGEMENT AGREEMENT AND SUB-ADVISORY AGREEMENT?
- A. After careful consideration, the Board of your Fund unanimously recommends

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that you vote "FOR" the approval of the new investment management agreement and sub-advisory agreement.

Q. WILL MY VOTE MAKE A DIFFERENCE?

A. Your vote is needed to ensure that the proposals can be acted upon. Additionally, your immediate response will help save on the costs of any future solicitations for these shareholder votes. We encourage all shareholders to participate in the governance of their Fund.

Q. WHO DO I CALL IF I HAVE QUESTIONS?

A. If you need any assistance, or have any questions regarding the proposals or how to vote your shares, please call your financial advisor. Alternatively, you may call Nuveen at (800) 257-8787 weekdays from 8:00 a.m. to 6:00 p.m. Central time.

Q. HOW DO I VOTE MY SHARES?

A. You can vote your shares by completing and signing the enclosed proxy card, and mailing it in the enclosed postage-paid envelope. Alternatively, you may vote by telephone by calling the toll-free number on the proxy card or by computer by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide.

Q. WILL ANYONE CONTACT ME?

A. You may receive a call to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to vote.

NOTICE OF SPECIAL MEETING  
OF SHAREHOLDERS  
JULY 26, 2005

333 West Wacker Drive  
Chicago, Illinois  
60606  
(800) 257-8787

JUNE 21, 2005

NUVEEN DIVERSIFIED DIVIDEND AND INCOME FUND (JDD)  
NUVEEN EQUITY PREMIUM INCOME FUND (JPZ)  
NUVEEN EQUITY PREMIUM OPPORTUNITY FUND (JSN)  
NUVEEN FLOATING RATE INCOME FUND (JFR)  
NUVEEN FLOATING RATE INCOME OPPORTUNITY FUND (JRO)  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND (JPC)  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2 (JQC)  
NUVEEN REAL ESTATE INCOME FUND (JRS)  
NUVEEN QUALITY PREFERRED INCOME FUND (JTP)  
NUVEEN QUALITY PREFERRED INCOME FUND 2 (JPS)  
NUVEEN QUALITY PREFERRED INCOME FUND 3 (JHP)  
NUVEEN SENIOR INCOME FUND (NSL)  
NUVEEN TAX-ADVANTAGED FLOATING RATE FUND (JFP)  
NUVEEN TAX-ADVANTAGED TOTAL RETURN STRATEGY FUND (JTA)

TO THE SHAREHOLDERS OF THE ABOVE FUNDS:

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Notice is hereby given that a Special Meeting of Shareholders (the "Meeting") of Nuveen Diversified Dividend and Income Fund ("Diversified Dividend"), Nuveen Equity Premium Income Fund ("Equity Premium"), Nuveen Equity Premium Opportunity Fund ("Equity Premium Opportunity"), Nuveen Floating Rate Income Fund ("Floating Rate"), Nuveen Floating Rate Income Opportunity Fund ("Floating Rate Income Opportunity"), Nuveen Preferred and Convertible Income Fund ("Preferred and Convertible"), Nuveen Preferred and Convertible Income Fund 2 ("Preferred and Convertible 2"), Nuveen Real Estate Income Fund ("Real Estate"), Nuveen Quality Preferred Income Fund ("Quality Preferred"), Nuveen Quality Preferred Income Fund 2 ("Quality Preferred 2"), Nuveen Quality Preferred Income Fund 3 ("Quality Preferred 3"), Nuveen Senior Income Fund ("Senior Income"), Nuveen Tax-Advantaged Floating Rate Fund ("Tax-Advantaged Floating Rate") and Nuveen Tax-Advantaged Total Return Strategy Fund ("Total Return"), each a Massachusetts business trust (individually, a "Fund" and collectively, the "Funds"), will be held (along with the meeting of shareholders of several other Nuveen funds) in the Assembly Room of The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60675, on Tuesday, July 26, 2005, at 10:30 a.m., Chicago time, for the following purposes and to transact such other business, if any, as may properly come before the Meeting:

### MATTERS TO BE VOTED ON BY SHAREHOLDERS:

1. To approve a new investment management agreement between each Fund and Nuveen Asset Management ("NAM"), each Fund's investment adviser.
2. To approve a new sub-advisory agreement between NAM and each sub-adviser below:
  - a. (For shareholders of Preferred and Convertible and Preferred and Convertible 2 only) to approve a new sub-advisory agreement between NAM and Froleys, Revy Investment Co.;
  - b. (For shareholders of Equity Premium and Equity Premium Opportunity only) to approve a new sub-advisory agreement between NAM and Gateway Investment Advisers, L.P.;
  - c. (For shareholders of Diversified Dividend and Total Return only) to approve a new sub-advisory agreement between NAM and NWQ Investment Management Company, LLC;
  - d. (For shareholders of Diversified Dividend and Real Estate only) to approve a new sub-advisory agreement between NAM and Security Capital Research & Management Incorporated;
  - e. (For shareholders of Preferred and Convertible, Preferred and Convertible 2, Quality Preferred, Quality Preferred 2, Quality Preferred 3 and Tax-Advantaged Floating Rate only) to approve a new sub-advisory agreement between NAM and Spectrum Asset Management, Inc.;
  - f. (For shareholders of Diversified Dividend, Floating Rate, Floating Rate Income Opportunity, Preferred and Convertible, Preferred and Convertible 2, Senior Income and Total Return only) to approve a new sub-advisory agreement between NAM and Symphony Asset Management LLC; and
  - g. (For shareholders of Diversified Dividend only) to approve a new sub-advisory agreement between NAM and Wellington Management Company, LLP.

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3. To transact such other business as may properly come before the Meeting.

Shareholders of record at the close of business on May 31, 2005 are entitled to notice of and to vote at the Meeting.

ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. IN ORDER TO AVOID DELAY AND ADDITIONAL EXPENSE, AND TO ASSURE THAT YOUR SHARES ARE REPRESENTED, PLEASE VOTE AS PROMPTLY AS POSSIBLE, REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. YOU MAY VOTE BY MAIL, TELEPHONE OR OVER THE INTERNET. TO VOTE BY MAIL, PLEASE MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. TO VOTE BY TELEPHONE, PLEASE CALL THE TOLL-FREE NUMBER LOCATED ON YOUR PROXY CARD AND FOLLOW THE RECORDED INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE. TO VOTE OVER THE INTERNET, GO TO THE INTERNET ADDRESS PROVIDED ON YOUR PROXY CARD AND FOLLOW THE INSTRUCTIONS, USING YOUR PROXY CARD AS A GUIDE.

Jessica R. Droeger  
Vice President and Secretary

JOINT PROXY STATEMENT

333 West Wacker Drive  
Chicago, Illinois  
60606  
(800) 257-8787

JUNE 21, 2005

NUVEEN DIVERSIFIED DIVIDEND AND INCOME FUND (JDD)  
NUVEEN EQUITY PREMIUM INCOME FUND (JPZ)  
NUVEEN EQUITY PREMIUM OPPORTUNITY FUND (JSN)  
NUVEEN FLOATING RATE INCOME FUND (JFR)  
NUVEEN FLOATING RATE INCOME OPPORTUNITY FUND (JRO)  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND (JPC)  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2 (JQC)  
NUVEEN REAL ESTATE INCOME FUND (JRS)  
NUVEEN QUALITY PREFERRED INCOME FUND (JTP)  
NUVEEN QUALITY PREFERRED INCOME FUND 2 (JPS)  
NUVEEN QUALITY PREFERRED INCOME FUND 3 (JHP)  
NUVEEN SENIOR INCOME FUND (NSL)  
NUVEEN TAX-ADVANTAGED FLOATING RATE FUND (JFP)  
NUVEEN TAX-ADVANTAGED TOTAL RETURN STRATEGY FUND (JTA)

### GENERAL INFORMATION

This Joint Proxy Statement is furnished in connection with the solicitation by the Board of Trustees (each a "Board" and collectively, the "Boards," and each Trustee, a "Board Member" and collectively, the "Board Members") of Nuveen Diversified Dividend and Income Fund ("Diversified Dividend"), Nuveen Equity Premium Income Fund ("Equity Premium"), Nuveen Equity Premium Opportunity Fund ("Equity Premium Opportunity"), Nuveen Floating Rate Income Fund ("Floating Rate"), Nuveen Floating Rate Income Opportunity Fund ("Floating Rate Income Opportunity"), Nuveen Preferred and Convertible Income Fund ("Preferred and Convertible"), Nuveen Preferred and Convertible Income Fund 2 ("Preferred and Convertible 2"), Nuveen Real Estate Income Fund ("Real Estate"), Nuveen Quality Preferred Income Fund ("Quality Preferred"), Nuveen Quality Preferred Income Fund 2 ("Quality Preferred 2"), Nuveen Quality Preferred Income Fund 3 ("Quality Preferred 3"), Nuveen Senior Income Fund ("Senior Income"), Nuveen

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Tax-Advantaged Floating Rate Fund ("Tax-Advantaged Floating Rate") and Nuveen Tax-Advantaged Total Return Strategy Fund ("Total Return"), each a Massachusetts business trust (each, a "Fund" and collectively, the "Funds"), of proxies to be voted at a Special Meeting of Shareholders to be held (along with the meeting of shareholders of several other Nuveen funds) in the Assembly Room of The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60675, on Tuesday, July 26, 2005, at 10:30 a.m., Chicago time, (for each Fund, a "Meeting" and collectively, the "Meetings"), and at any and all adjournments thereof.

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On the matters coming before each Meeting as to which a choice has been specified by shareholders on the proxy, the shares will be voted accordingly. If a proxy is returned and no choice is specified, the shares will be voted FOR approval of the new investment management agreement and FOR the approval of the new sub-advisory agreement. Shareholders who execute proxies may revoke them at any time before they are voted by filing with that Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the Meeting and voting in person.

This Joint Proxy Statement is first being mailed to shareholders on or about June 21, 2005.

The Board of each Fund has determined that the use of this Joint Proxy Statement for each Meeting is in the best interest of each Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders.

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The following table indicates which shareholders are solicited with respect to each matter:

MATTER	COMMON SHARES	PREFERRED SHARES (1)
1. To approve a new investment management agreement for the Fund	X	X
2. To approve a new sub-advisory agreement between NAM and each sub-adviser below:	X	X
a. (For shareholders of Preferred and Convertible and Preferred and Convertible 2 only) to approve a new sub-advisory agreement between NAM and Froley, Revy Investment Co. ("Froley");	X	X
b. (For shareholders of Equity Premium and Equity Premium Opportunity only) to approve a new sub-advisory agreement between NAM and Gateway Investment Advisers, L.P. ("Gateway");	X	N/A
c. (For shareholders of Diversified Dividend and Total Return only) to approve a new	X	X

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sub-advisory agreement between NAM and NWQ Investment Management Company, LLC ("NWQ");

d. (For shareholders of Diversified Dividend and Real Estate only) to approve a new sub-advisory agreement between NAM and Security Capital Research & Management Incorporated ("SCRM");	X	X
e. (For shareholders of Preferred and Convertible, Preferred and Convertible 2, Quality Preferred, Quality Preferred 2, Quality Preferred 3 and Tax-Advantaged Floating Rate only) to approve a new sub-advisory agreement between NAM and Spectrum Asset Management, Inc. ("Spectrum");	X	X
f. (For shareholders of Diversified Dividend, Floating Rate, Floating Rate Income Opportunity, Preferred and Convertible, Preferred and Convertible 2, Senior Income and Total Return only) to approve a new sub-advisory agreement between NAM and Symphony Asset Management LLC ("Symphony"); and	X	X
g. (For shareholders of Diversified Dividend only) to approve a new sub-advisory agreement between NAM and Wellington Management Company, LLP ("Wellington Management")	X	X

(1) Taxable Auctioned Preferred and FundPreferred shares are referred to as "Preferred Shares."

A quorum of shareholders is required to take action at each Meeting. A majority of the shares entitled to vote at each Meeting, represented in person or by proxy, will constitute a quorum of shareholders at that Meeting. Votes cast by proxy or in person at each Meeting will be tabulated by the inspectors of election appointed for that Meeting. The inspectors of

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election will determine whether or not a quorum is present at the Meeting. The inspectors of election will treat abstentions and "broker non-votes" (i.e., shares held by brokers or nominees, typically in "street name," as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

For purposes of determining the approval of the new investment management agreement and sub-advisory agreement, abstentions and broker non-votes will be treated as shares voted against the proposal. The details of the proposals to be voted on by the shareholders of each Fund and the vote required for approval of the proposals are set forth under the description of the proposals below.



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Preferred Shares held in "street name" as to which voting instructions have not been received from the beneficial owners or persons entitled to vote as of one business day before the Meeting, or, if adjourned, one business day before the day to which the Meeting is adjourned, and that would otherwise be treated as "broker non-votes" may, pursuant to Rule 452 of the New York Stock Exchange, be voted by the broker on the proposal in the same proportion as the votes cast by all Preferred shareholders as a class who have voted on the proposal or in the same proportion as the votes cast by all Preferred shareholders of the Fund who have voted on that item. Rule 452 permits proportionate voting of Preferred Shares with respect to a particular item if, among other things, (i) a minimum of 30% of the Preferred Shares or shares of a series of Preferred Shares outstanding has been voted by the holders of such shares with respect to such item and (ii) less than 10% of the Preferred Shares or shares of a series of Preferred Shares outstanding has been voted by the holders of such shares against such item. For the purpose of meeting the 30% test, abstentions will be treated as shares "voted" and for the purpose of meeting the 10% test, abstentions will not be treated as shares "voted" against the item.

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Those persons who were shareholders of record at the close of business on May 31, 2005 will be entitled to one vote for each share held. As of May 31, 2005, the shares of the Funds were issued and outstanding as follows:

FUND	TICKER SYMBOL*	COMMON SHARES	PREFERRED SHARES
Diversified Dividend	JDD	20,145,123	Series T 2,400 Series W 2,400
Equity Premium	JPZ	37,880,726	N/A
Equity Premium Opportunity	JSN	64,783,744	N/A
Floating Rate	JFR	47,286,920	Series M 4,000 Series T 4,000 Series W 4,000 Series F 4,000
Floating Rate Income Opportunity	JRO	28,397,051	Series M 3,200 Series TH 3,200 Series F 3,200
Preferred and Convertible	JPC	100,123,177	Series M 4,720 Series T 4,720 Series W 4,720 Series TH 4,720 Series F 4,720 Series F2 4,720
Preferred and Convertible 2	JQC	141,007,000	Series M 3,860 Series M2 3,860 Series T 3,860 Series T2 3,860 Series W 3,860 Series W2 3,860

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			Series TH	3,860
			Series TH2	3,860
			Series F	3,860
			Series F2	3,860
Real Estate	JRS	28,136,413	Series M	1,720
			Series T	1,720
			Series W	1,720
			Series F	1,720
Quality Preferred	JTP	64,462,104	Series M	3,520
			Series T	3,520
			Series W	3,520
			Series TH	3,520
			Series F	3,520
Quality Preferred 2	JPS	119,541,842	Series M	4,800
			Series T	4,800
			Series T2	4,000
			Series W	4,800
			Series TH	4,800
			Series TH2	4,000
			Series F	4,800

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FUND	TICKER SYMBOL*	COMMON SHARES	PREFERRED SHARES
Quality Preferred 3	JHP	23,642,721	Series M 3,320 Series TH 3,320
Senior Income	NSL	29,798,480	Series TH 1,840
Tax-Advantaged Floating Rate	JFP	13,842,000	Series TH 3,120
Total Return	JTA	13,855,240	Series W 1,800 Series F 3,120

\* The Common Shares of all of the Funds are listed on the New York Stock Exchange, except JRS, which is listed on the American Stock Exchange.

The number of shares of each Fund beneficially owned by each Board Member and by the Board Members and officers of the Funds as a group as of December 31, 2004 is set forth in Appendix A. On December 31, 2004, Board Members and executive officers as a group beneficially owned 1,196,807 shares of all funds managed by Nuveen Asset Management ("NAM" or the "Adviser") (includes shares held by Board Members through the Deferred Compensation Plan for Independent Board Members and by executive officers in Nuveen's 401(k)/profit sharing plan). Each Board Member's individual beneficial shareholdings of each Fund constituted less than

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1% of the outstanding shares of each Fund. As of May 31, 2005, the Board Members and executive officers as a group beneficially owned less than 1% of the outstanding Common Shares of each Fund. As of May 31, 2005, no shareholder beneficially owned more than 5% of any class of shares of any Fund.

### 1. APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENTS

#### BACKGROUND

Under an investment management agreement between the Adviser and each Fund (each, an "Original Investment Management Agreement" and collectively, the "Original Investment Management Agreements"), NAM has served as each Fund's investment adviser and has been responsible for each Fund's overall investment strategy and its implementation. The date of each Fund's Original Investment Management Agreement and the date on which it was last approved by shareholders and approved for continuance by the Board is provided in Appendix B. NAM is a wholly-owned subsidiary of Nuveen Investments, Inc. ("Nuveen"). Nuveen is a publicly traded company and, until recently, was a majority-owned subsidiary of The St. Paul Travelers Companies, Inc. ("St. Paul Travelers"), 385 Washington Street, St. Paul, Minnesota 55102. St. Paul Travelers is a publicly-traded company that is principally engaged in providing property-liability insurance through subsidiaries.

On March 25, 2005, Nuveen and St. Paul Travelers announced that St. Paul Travelers planned to implement a three-part program to sell its equity interest in Nuveen (the "Sale"). As part of St. Paul Travelers' previously announced three-part divestiture program, St. Paul Travelers sold 39.3 million shares of Nuveen's approximately 94 million outstanding common shares through a secondary public offering on April 12, 2005. Nuveen also repurchased \$600 million of its common shares from St. Paul Travelers at a price of \$32.98 per share, or approximately 18.2 million shares. The repurchase of these shares is being completed through two steps--a \$200 million repurchase that closed on April 12, 2005, and a \$400 million forward purchase (plus interest) that will settle later this year. St. Paul Travelers also entered into an agreement with two other parties to sell approximately 12 million common shares of Nuveen for settlement later this year. Upon the closing of the secondary offering and the initial

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repurchase by Nuveen as well as the closing for the forward sale transactions later this year, Nuveen will emerge as a fully independent public company.

Each Original Investment Management Agreement, as required by Section 15 of the Investment Company Act of 1940, as amended (the "1940 Act"), provides for its automatic termination in the event of its "assignment" (as defined in the 1940 Act). Any change in control of the Adviser is deemed to be an assignment. The consummation of the Sale may be deemed a change in control of the Adviser and therefore cause the automatic termination of each Original Investment Management Agreement, as required by the 1940 Act.

In anticipation of the Sale, each Board met in person at a joint meeting of each Fund's Board on May 10-12, 2005 for purposes of, among other things, considering whether it would be in the best interests of each Fund and its shareholders to approve a new investment management agreement between the Fund and NAM (each, a "New Investment Management Agreement" and collectively, the "New Investment Management Agreements").

The 1940 Act requires that each New Investment Management Agreement be approved

by the Fund's shareholders in order for it to become effective. At the Board meeting, and for the reasons discussed below (see "Board Considerations in Approving New Investment Management Agreements and New Sub-Advisory Agreements" after Proposal 2), each Board, including a majority of the Board Members who are not parties to the Original Investment Management Agreements, New Investment Management Agreements or any sub-advisory agreement entered into by the Adviser with respect to any Fund or who are not "interested persons" of the Funds or the Adviser as defined in the 1940 Act (the "Independent Board Members"), unanimously approved the New Investment Management Agreement and unanimously recommended its approval by shareholders in order to assure continuity of investment advisory services to the Fund after the Sale. In the event shareholders of a Fund do not approve the New Investment Management Agreement, the Board will take such action as it deems to be in the best interests of the Fund and its shareholders. The form of the New Investment Management Agreement is attached hereto as Appendix C.

#### COMPARISON OF ORIGINAL INVESTMENT MANAGEMENT AGREEMENT AND NEW INVESTMENT MANAGEMENT AGREEMENT

The terms of each New Investment Management Agreement, including fees payable to the Adviser by the Fund thereunder, are substantially identical to those of the Original Investment Management Agreement, except for the date of effectiveness. There is no change in the fee rate payable by each Fund to the Adviser. If approved by shareholders of a Fund, the New Investment Management Agreement for the Fund will expire on August 1, 2006, unless continued. Each New Investment Management Agreement will continue in effect from year to year thereafter if such continuance is approved for the Fund at least annually in the manner required by the 1940 Act and the rules and regulations thereunder. Below is a comparison of certain terms of the Original Investment Management Agreement to the terms of the New Investment Management Agreement.

INVESTMENT MANAGEMENT SERVICES. The investment management services to be provided by the Adviser to each Fund under the New Investment Management Agreements will be identical to those services currently provided by the Adviser to each Fund under the Original Investment Management Agreements. Both the Original Investment Management Agreements and New Investment Management Agreements provide that the Adviser shall manage

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the investment and reinvestment of the Fund's assets in accordance with the Fund's investment objective and policies and limitations and administer the Fund's affairs to the extent requested by and subject to the supervision of the Fund's Board. In addition, the investment management services will be provided by the same Adviser personnel under the New Investment Management Agreements as under the Original Investment Management Agreements. The Adviser does not anticipate that the Sale will have any adverse effect on the performance of its obligations under the New Investment Management Agreements.

FEES. Under each Original Investment Management Agreement and New Investment Management Agreement, the Fund pays to the Adviser an investment management fee that consists of two components--a fund-level component, based only on the amount of assets within each individual Fund, and a complex-level component, based on the aggregate managed assets (which includes assets attributable to all types of leverage used in leveraged funds) of all Nuveen-branded closed-end and open-end registered investment companies organized in the United States. The investment management fee paid by each Fund equals the sum of the fund-level component and complex-level component.

The fee schedules for the fund-level component and complex-level component to be

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paid to the Adviser under the New Investment Management Agreements are identical to the fund-level component and complex-level component paid to the Adviser under the Original Investment Management Agreements. The annual fund-level component for each Fund under the Original Investment Management Agreements and the New Investment Management Agreements, the fees paid by each Fund to the Adviser during each Fund's last fiscal year and the Fund's net assets as of May 1, 2005 are set forth in Appendix D to this Proxy Statement. The fee schedule for the complex-level component is the same for each Fund under both the Original Investment Management Agreements and New Investment Management Agreements and is also set forth in Appendix D.

**PAYMENT OF EXPENSES.** Under each Original Investment Management Agreement and each New Investment Management Agreement, the Adviser shall furnish office facilities and equipment and clerical, bookkeeping and administrative services (other than such services, if any, provided by the Fund's transfer agent) for the Fund.

**LIMITATION ON LIABILITY.** The Original Investment Management Agreements and New Investment Management Agreements provide that the Adviser will not be liable for any loss sustained by reason of the purchase, sale or retention of any security, whether or not such purchase, sale or retention shall have been based upon the investigation and research made by any other individual, firm or corporation, if such recommendation shall have been selected with due care and in good faith, except loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its obligations and duties, or by reason of its reckless disregard of its obligations and duties under the Agreement.

**CONTINUANCE.** The Original Investment Management Agreement of each Fund originally was in effect for an initial term and could be continued thereafter for successive one-year periods if such continuance was specifically approved at least annually in the manner required by the 1940 Act. If the shareholders of a Fund approve the New Investment Management Agreement for that Fund, the New Investment Management Agreement will expire on August 1, 2006, unless continued. The New Investment Management Agreement may be continued for successive one-year periods if approved at least annually in the manner required by the 1940 Act.

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**TERMINATION.** The Original Investment Management Agreement and New Investment Management Agreement for each Fund provide that the Agreement may be terminated at any time without the payment of any penalty by the Fund or the Adviser on sixty (60) days' written notice to the other party. A Fund may effect termination by action of the Board or with respect to any Fund by vote of a majority of the outstanding voting securities of the Fund, accompanied by appropriate notice.

### INFORMATION ABOUT THE ADVISER

NAM, a registered investment adviser, is a wholly-owned subsidiary of Nuveen. Founded in 1898, Nuveen and its affiliates had approximately \$119 billion in assets under management as of March 31, 2005. Nuveen is a publicly traded company and is listed on the New York Stock Exchange and trades under the symbol "JNC."

The principal occupation of the officers and directors of NAM is shown in Appendix E. The business address of NAM, Nuveen and each principal executive officer and director of NAM is 333 West Wacker Drive, Chicago, Illinois 60606.

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Board Member Schwertfeger sold 285,950 shares of Class A Stock of Nuveen on the New York Stock Exchange since August 1, 2003. Mr. Schwertfeger received \$8,224,821 in exchange for his shares of Nuveen sold.

### SHAREHOLDER APPROVAL

To become effective with respect to a particular Fund, the New Investment Management Agreement must be approved by a vote of a majority of the outstanding voting securities of the Fund, with the Common and Preferred shareholders voting together as a single class. The "vote of a majority of the outstanding voting securities" is defined in the 1940 Act as the lesser of the vote of (i) 67% or more of the shares of the Fund entitled to vote thereon present at the meeting if the holders of more than 50% of such outstanding shares are present in person or represented by proxy; or (ii) more than 50% of such outstanding shares of the Fund entitled to vote thereon. Each New Investment Management Agreement was approved by the Board of the respective Fund on behalf of the Funds after consideration of all factors which it determined to be relevant to its deliberations, including those discussed below. The Board of each Fund also determined to submit the Fund's New Investment Management Agreement for consideration by the shareholders of the Fund.

THE BOARD OF EACH FUND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS OF THE FUND VOTE FOR APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENT.

### 2. APPROVAL OF THE NEW SUB-ADVISORY AGREEMENTS

#### BACKGROUND

NAM entered into investment sub-advisory agreements (each, an "Original Sub-Advisory Agreement" and collectively, the "Original Sub-Advisory Agreements") with various

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sub-advisers (each, a "Sub-Adviser" and collectively, the "Sub-Advisers") for each Fund as set forth below:

FUND	SUB-ADVISER
Diversified Dividend	NWQ(1), SCRM(2), Symphony(3) and Wellington Management(4)
Equity Premium	Gateway(5)
Equity Premium Opportunity	Gateway
Floating Rate	Symphony
Floating Rate Income Opportunity	Symphony
Preferred and Convertible	Froley(6), Spectrum(7) and Symphony(3)
Preferred and Convertible 2	Froley(6), Spectrum(7) and Symphony(3)
Real Estate	SCRM
Quality Preferred	Spectrum
Quality Preferred 2	Spectrum
Quality Preferred 3	Spectrum
Senior Income	Symphony
Tax-Advantaged Floating Rate	Spectrum
Total Return	NWQ(1) and Symphony(3)

- (1) NWQ Investment Management Company, LLC ("NWQ") is the sub-adviser only with respect to the Fund's dividend paying equity securities.
- (2) Security Capital Research & Management Incorporated ("SCRM") is the sub-adviser only with respect to the Fund's REIT preferred and common stock and convertible securities investments.
- (3) Symphony Asset Management LLC ("Symphony") is the sub-adviser only with respect to the Fund's senior loans and other debt instruments.
- (4) Wellington Management Company, LLP ("Wellington Management") is the sub-adviser only with respect to the Fund's emerging markets and sovereign debt.
- (5) Gateway Investment Advisers, L.P. ("Gateway")
- (6) Froley, Revy Investment Co. ("Froley") is the sub-adviser only with respect to the Fund's convertible securities.
- (7) Spectrum Asset Management LLC ("Spectrum") is the sub-adviser only with respect to the Fund's preferred securities.

The date of each Original Sub-Advisory Agreement and the date it was last approved by shareholders and approved for continuance by the Board is provided in Appendix F.

As with the Original Investment Management Agreements, each Original Sub-Advisory Agreement, as required by Section 15 of the 1940 Act, provides for its automatic termination in the event of its assignment. A change in control of the investment adviser or sub-adviser is deemed to be an assignment. The completion of the Sale may be deemed a change in control of NAM and therefore may be deemed an assignment of each Original Sub-Advisory Agreement resulting in its automatic termination, as required by the 1940 Act. In addition, for NWQ and Symphony, which are wholly-owned by Nuveen, the completion of the Sale may be deemed a change in control of NWQ and Symphony and therefore may be deemed an assignment of each Original Sub-Advisory Agreement resulting in its automatic termination, as required by the 1940 Act.

In anticipation of the Sale, the Board of each Fund met in person on May 10-12, 2005 for purposes of considering whether it would be in the best interests of each Fund and its shareholders to approve a new sub-advisory agreement between NAM and the respective Sub-Adviser (each a "New Sub-Advisory Agreement" and collectively, the "New Sub-Advisory

Agreements"). At the Board meeting, and for the reasons discussed below (see "Board Considerations in Approving New Investment Management Agreements and New Sub-Advisory Agreements"), the Board of each Fund, including a majority of the Independent Board Members, unanimously determined that the Fund's New Sub-Advisory Agreement was in the best interests of the Fund and its shareholders and approved the Fund entering into the New Sub-Advisory Agreement, subject to the consummation of the Sale and approval by shareholders.

The 1940 Act requires that each New Sub-Advisory Agreement be approved by that Fund's shareholders in order for it to become effective. The Board of each Fund unanimously recommends that shareholders approve the New Sub-Advisory Agreement. In the event shareholders of a Fund do not approve the New Sub-Advisory Agreement, the Board will take such action as it deems to be in the best interests of the Fund and its shareholders. The form of the New Sub-Advisory Agreement is attached hereto as Appendix G.

#### COMPARISON OF ORIGINAL SUB-ADVISORY AGREEMENT AND NEW SUB-ADVISORY AGREEMENT

The terms of each New Sub-Advisory Agreement, including fees payable to the Sub-Adviser by NAM thereunder, are substantially identical to those of the Original Sub-Advisory Agreement, except for the date of effectiveness. There is no change in the fee rate payable by NAM to the Sub-Adviser. If approved by shareholders of a Fund, the New Sub-Advisory Agreement for the Fund will expire on August 1, 2006, unless continued. Each New Sub-Advisory Agreement will continue in effect from year to year thereafter if such continuance is approved for the Fund at least annually in the manner required by the 1940 Act and the rules and regulations thereunder. Below is a comparison of certain terms of the Original Sub-Advisory Agreements to the terms of the New Sub-Advisory Agreements.

**ADVISORY SERVICES.** The advisory services to be provided by the Sub-Adviser to each Fund under the New Sub-Advisory Agreements will be identical to those advisory services currently provided by the Sub-Adviser to each Fund under the Original Sub-Advisory Agreements. Both the Original Sub-Advisory Agreements and New Sub-Advisory Agreements provide that the Sub-Adviser will furnish an investment program in respect of, make investment decisions for and place all orders for the purchase and sale of securities for the portion of the Fund's investment portfolio allocated by the Adviser to the Sub-Adviser, all on behalf of the Fund and subject to supervision of the Fund's Board and the Adviser. In performing its duties under both the Original Sub-Advisory Agreements and the New Sub-Advisory Agreements, the Sub-Adviser will monitor the Fund's investments and will comply with the provisions of the Fund's Declaration of Trust and By-Laws and the stated investment objectives, policies and restrictions of the Fund. It is not anticipated that the Sale will have any adverse effect on the performance of a Sub-Adviser's obligations under the New Sub-Advisory Agreements.

**BROKERAGE.** Both the Original Sub-Advisory Agreements and New Sub-Advisory Agreements authorize the Sub-Adviser to select the brokers or dealers that will execute the purchases and sales of portfolio securities for the Funds, subject to its obligation to obtain best execution under the circumstances, which may take account of the overall quality of brokerage and research services provided to the Sub-Adviser.

Preferred and Convertible, Preferred and Convertible 2, Quality Preferred, Quality Preferred 2 and Quality Preferred 3 paid affiliated brokerage commissions within the last fiscal year to

Spectrum, which is also the Sub-Adviser to each Fund. The affiliated brokerage commission paid by each Fund is shown in Appendix H.

**FEES.** Under both the Original Sub-Advisory Agreements and New Sub-Advisory



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Agreements, the Adviser pays the Sub-Adviser a portfolio management fee out of the investment management fee it receives from the Fund. The rate of the portfolio management fees payable by the Adviser to the Sub-Adviser under the New Sub-Advisory Agreements is identical to the rate of the fees paid under the Original Sub-Advisory Agreements. The annual rate of portfolio management fees payable to the Sub-Adviser under the Original Sub-Advisory Agreements and the New Sub-Advisory Agreements and the fees paid by the Adviser to the Sub-Adviser with respect to each Fund during each Fund's last fiscal year is set forth in Appendix I to this Proxy Statement. Appendix I also includes the advisory fee rates and net assets of Funds not included in this Proxy Statement advised by each Sub-Adviser with similar investment objectives as the Funds the Sub-Adviser sub-advises.

**PAYMENT OF EXPENSES.** Under each Original Sub-Advisory Agreement and New Sub-Advisory Agreement, the Sub-Adviser agrees to pay all expenses it incurs in connection with its activities under the Agreement other than the cost of securities (including brokerage commissions) purchased for the Fund.

**LIMITATION ON LIABILITY.** The Original Sub-Advisory Agreements and New Sub-Advisory Agreements provide that the Sub-Adviser will not be liable for, and the Adviser will not take any action against the Sub-Adviser to hold the Sub-Adviser liable for, any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the performance of the Sub-Adviser's duties under the Agreement, except for a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Sub-Adviser in the performance of duties under the Agreement, or by reason of its reckless disregard of its obligations and duties under the Agreement.

**CONTINUANCE.** The Original Sub-Advisory Agreement of each Fund originally was in effect for an initial term and could be continued thereafter for successive one-year periods if such continuance was specifically approved at least annually in the manner required by the 1940 Act. If the shareholders of a Fund approve the New Sub-Advisory Agreement for that Fund, the New Sub-Advisory Agreement will expire on August 1, 2006, unless continued. Thereafter, the New Sub-Advisory Agreement may be continued for successive one-year periods if approved at least annually in the manner required by the 1940 Act.

**TERMINATION.** The Original Sub-Advisory Agreement and New Sub-Advisory Agreement for each Fund provide that the Agreement may be terminated at any time without the payment of any penalty by NAM on sixty (60) days' written notice to the Sub-Adviser. The Original Sub-Advisory Agreement and New Sub-Advisory Agreement may also be terminated by a Fund with respect to that Fund by action of the Fund's Board or by a vote of a majority of the outstanding voting securities of that Fund, accompanied by 60 days' written notice.

The Original Sub-Advisory Agreement and New Sub-Advisory Agreement for each Fund is also terminable with respect to that Fund at any time without the payment of any penalty, by the Adviser, the Board or by vote of a majority of the outstanding voting securities of that Fund in the event that it is established by a court of competent jurisdiction that the Sub-Adviser or any of its officers or directors has taken any action that results in a breach of the representations of the Sub-Adviser set forth in the Agreement.

FROLEY. Frolely manages the investment portfolios of Preferred and Convertible and Preferred and Convertible 2. Frolely specializes in the management of convertible securities. Frolely, a registered investment adviser, commenced operations in 1975. As of April 30, 2005, Frolely managed over \$3.77 billion in assets. Frolely is an independently managed wholly-owned subsidiary of First Republic Bank, which is a publicly-traded commercial bank and wealth management firm. The principal occupation of the officers and directors of Frolely is shown in Appendix J. The business address of Frolely and each officer and director of Frolely is 10900 Wilshire Boulevard, Los Angeles, California 90024.

GATEWAY. Gateway manages the investment portfolios of Equity Premium and Equity Premium Opportunity. Gateway specializes in the management of index option-based strategies for managing risk in equity portfolios. Gateway is the investment adviser or sub-adviser to two mutual funds that invest in integrated equity index option strategies. Gateway also manages index option-based strategies for, employee benefit plans, high net worth individuals, endowments, foundations and other institutions. Gateway, a registered investment adviser, and its predecessor commenced operations in 1977. Gateway is a limited partnership and its majority-owner and general partner is Gateway Investment Advisers, Inc. As of April 30, 2005, Gateway managed over \$4.9 billion in assets. The principal occupation of the officers and directors of Gateway is shown in Appendix J. The business address of Gateway and each officer and director of Gateway is Rookwood Tower, 3805 Edwards Road, Suite 600, Cincinnati, Ohio 45209.

NWQ. NWQ manages the investment portfolios of Diversified Dividend and Total Return. Nuveen purchased NWQ on August 1, 2002. NWQ is organized as a member-managed limited liability company, and its sole managing member is Nuveen. NWQ has provided investment management services to institutions and high net worth individuals since 1982. As of March 31, 2005, NWQ managed approximately \$32 billion in assets. The principal occupation of the officers and directors of NWQ is shown in Appendix J. The business address of NWQ and each officer and director of NWQ is 2409 Century Park East, 4th Floor, Los Angeles, California 90067.

SCRM. SCRM manages the investment portfolios of Diversified Dividend and Real Estate. As of July 1, 2004, SCRM is an indirect wholly-owned subsidiary of JPMorgan Chase. As of March 31, 2005, SCRM managed over \$5.2 billion in assets. The principal occupation of the officers and directors of SCRM is shown in Appendix J. The business address of SCRM and each officer and director of SCRM is 10 South Dearborn, Suite 1400, Chicago, Illinois 60603.

SPECTRUM. Spectrum manages the investment portfolios of Preferred and Convertible, Preferred and Convertible 2, Quality Preferred, Quality Preferred 2, Quality Preferred 3, and Tax-Advantaged Floating Rate. Spectrum specializes in the management of diversified preferred security portfolios for institutional investors, including Fortune 500 companies, pension funds, insurance companies and foundations. Spectrum, a registered investment adviser, commenced operations in 1987. Spectrum is an independently managed wholly-owned subsidiary of Principal Global Investors, LLC, which is part of Principal Financial Group Inc., a publicly traded, diversified, insurance and financial services company. As of May 31, 2005, Spectrum managed over \$13 billion in assets. The principal occupation of the officers

and directors of Spectrum is shown in Appendix J. The business address of Spectrum and each officer and director of Spectrum is 2 High Ridge Park, Stamford, Connecticut 06905.

SYMPHONY. Symphony manages the investment portfolios of Diversified Dividend, Floating Rate, Floating Rate Income Opportunity, Preferred and Convertible, Preferred and Convertible 2, Senior Income, and Total Return. Symphony specializes in the management of market neutral equity and debt strategies and senior loan and other debt portfolios. Symphony, a registered investment adviser, commenced operations in 1994. Symphony is an indirect wholly-owned subsidiary of Nuveen. As of March 31, 2005, Symphony managed over \$5.6 billion in assets. The principal occupation of the officers and directors of Symphony is shown in Appendix J. The business address of Symphony and each officer and director of Symphony is 555 California Street, San Francisco, California 94104.

WELLINGTON MANAGEMENT. Wellington Management manages the investment portfolio of Diversified Dividend. Wellington Management provides services to investment companies, employee benefit plans, endowments, foundations and other institutions. Wellington Management manages assets for clients using a broad range of equity and fixed-income approaches. Wellington Management, a registered investment adviser, and its predecessor organizations commenced operations in 1928. Wellington Management is a Massachusetts limited liability partnership owned by its 87 partners, all of whom are active in the business. As of April 30, 2005, Wellington Management managed over \$468 billion in assets. A listing of the partners of Wellington Management is shown in Appendix J. The business address of Wellington and each partner of Wellington Management is 75 State Street, Boston, Massachusetts 02109.

#### SHAREHOLDER APPROVAL

To become effective, each New Sub-Advisory Agreement must be approved by a vote of a majority of the outstanding voting securities of the Fund, with the Common and Preferred shareholders voting together as a single class. The "vote of a majority of the outstanding voting securities" is defined in the 1940 Act as the lesser of the vote of (i) 67% or more of the shares of the Fund entitled to vote thereon present at the meeting if the holders of more than 50% of such outstanding shares are present in person or represented by proxy; or (ii) more than 50% of such outstanding shares of the Fund entitled to vote thereon. Each New Sub-Advisory Agreement was approved by the Board after consideration of all factors which it determined to be relevant to its deliberations, including those discussed below. The Board also determined to submit the New Sub-Advisory Agreement for consideration by the shareholders of the Fund.

THE BOARD OF EACH SUB-ADVISED FUND UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS OF THE FUND VOTE FOR APPROVAL OF THE FUND'S NEW SUB-ADVISORY AGREEMENT.

#### BOARD CONSIDERATIONS IN APPROVING NEW INVESTMENT MANAGEMENT AGREEMENTS AND NEW SUB-ADVISORY AGREEMENTS

At a meeting held on May 10-12, 2005, the Board of each Fund, including the Independent Board Members, unanimously approved the New Investment Management Agreement between each Fund and NAM and the New Sub-Advisory Agreement between

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NAM and a Fund's respective sub-adviser (NAM and the Sub-Advisers are each, a "Fund Adviser").

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To assist the Board in its evaluation of an advisory contract with a Fund Adviser, the Independent Board Members received a report in adequate time in advance of their meeting which outlined, among other things, the services provided by the Fund Adviser; the organization of the Fund Adviser, including the responsibilities of various departments and key personnel; the Fund's past performance as well as the Fund's performance compared to funds of similar investment objectives compiled by an independent third party (a "Peer Group") as described below and if available, with recognized or, in certain cases, customized benchmarks; the profitability of the Fund Adviser and certain industry profitability analyses for advisers to unaffiliated investment companies; the expenses of the Fund Adviser in providing the various services; the advisory fees of the Fund Adviser, including comparisons of such fees with the management fees of comparable funds in its Peer Group as well as comparisons of the Fund Adviser's management fees with the fees the Fund Adviser assesses to other types of investment products or accounts, if any; the soft dollar practices of the Fund Adviser; and the expenses of each Fund, including comparisons of the Fund's expense ratios (after any fee waivers) with the expense ratios of its Peer Group. This information supplements that received by the Board throughout the year regarding Fund performance, expense ratios, portfolio composition, trade execution and sales activity.

In addition to the foregoing materials, independent legal counsel to the Independent Board Members provided, in advance of the meeting, a legal memorandum outlining, among other things, the duties of the Board Members under the 1940 Act as well as the general principles of relevant state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; an adviser's fiduciary duty with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards of directors have fulfilled their duties and factors to be considered by the board in voting on advisory agreements.

At the Board meeting, NAM made a presentation to and responded to questions from the Board. In addition, the Independent Board Members noted that each Sub-Adviser also previously made written or oral presentations to the Board providing the respective Sub-Adviser with the opportunity to explain its investment strategies, discuss market conditions, and highlight any material issues. Many of these presentations were part of site visits by the Board throughout the year. After the presentations and after reviewing the written materials, the Independent Board Members met privately with their legal counsel to review the Board's duties in reviewing advisory contracts and consider the renewal of the advisory contract. It is with this background that the Board Members considered each advisory contract (which includes sub-advisory contracts) with a Fund Adviser. The Independent Board Members, in consultation with independent counsel, reviewed the factors set out in judicial decisions and Securities and Exchange Commission directives relating to the renewal of advisory contracts. As outlined in more detail below, the Board Members considered all factors they believed relevant with respect to each Fund, including the following: (a) the nature, extent and quality of the services to be provided by the Fund Adviser; (b) the investment performance of the Fund and the Fund Adviser; (c) the costs of the services to be provided and profits to be realized by the Fund Adviser and its affiliates from the relationship with the Fund; (d) the extent to which economies of scale would be realized as the Fund grows; and (e) whether fee levels reflect these economies of scale for the benefit of Fund investors.

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A. NATURE, EXTENT AND QUALITY OF SERVICES

In evaluating the nature, extent and quality of the respective Fund Adviser's services, the Board Members reviewed information concerning the types of services that a Fund Adviser or its affiliates provide and are expected to provide to the Nuveen Funds; narrative and statistical information concerning the Fund's performance record and how such performance compares to the Fund's Peer Group and, if available, recognized benchmarks or, in certain cases, customized benchmarks (as described in further detail in Section B below); information describing the Fund Adviser's organization and its various departments, the experience and responsibilities of key personnel, and available resources. In the discussion of key personnel, the Board Members received materials regarding the changes or additions in personnel of the applicable Fund Adviser. The Board Members further noted the willingness of the personnel of NAM to engage in open, candid discussions with the Board. The Board Members further considered the quality of the Fund Adviser's investment process in making portfolio management decisions, including any refinements or improvements to the portfolio management processes, enhancements to technology and systems that are available to portfolio managers, and any additions of new personnel which may strengthen or expand the research and investment capabilities of the Fund Adviser. In their review, the Board Members also noted that Nuveen won the Lipper Award for Best Fund Family: Fixed Income-Large Asset Class, for 2004. Given the Board Members' experience with the Funds, other Nuveen funds and the Fund Advisers, the Board Members noted that they were familiar with and continue to have a good understanding of the organization, operations and personnel of the Fund Advisers.

In addition to advisory services, the Independent Board Members considered the quality of the administrative or non-advisory services provided. In this regard, NAM provides the Fund with such administrative and other services (exclusive of, and in addition to, any such services provided by others for the Funds) and officers and other personnel as are necessary for the operations of the respective Fund. In addition to investment management services, NAM and its affiliates provide each Fund with a wide range of services, including: preparing shareholder reports; providing daily accounting; providing quarterly financial statements; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal support (such as helping to prepare registration statements, amendments thereto and proxy statements and responding to regulatory inquiries); and performing other Fund administrative tasks necessary for the operation of the respective Fund (such as tax reporting and fulfilling regulatory filing requirements). In addition, in evaluating the administrative services, the Board Members considered, in particular, a Fund Adviser's policies and procedures for assuring compliance with applicable laws and regulations in light of the new Securities and Exchange Commission regulations governing compliance. The Board Members noted NAM's focus on compliance and its compliance systems. In their review, the Board Members considered, among other things, the additions of experienced personnel to NAM's compliance group and modifications and other enhancements to NAM's computer systems. In addition to the foregoing, the Board Members also noted that NAM outsources certain services that cannot be replicated without significant costs or at the same level of expertise. Such outsourcing has been a beneficial and efficient use of resources by keeping expenses low while obtaining quality services. Further, as the Funds utilize Sub-Advisers, the Board Members considered NAM's ability and procedures to monitor the respective Sub-Adviser's performance, business practices and compliance policies and procedures. In this regard, the

Board Members noted the role of NAM's investment oversight committee, including its increased personnel, the responsibilities and experience of the staff, and procedures to monitor Sub-Advisers, including the use of site visits.

In addition to the above, in reviewing the variety of additional services that NAM or its affiliates must provide to closed-end funds, such as the Funds, the Independent Board Members determined that Nuveen's commitment to supporting the secondary market for the common shares of its closed-end funds is particularly noteworthy. In this regard, the Board Members noted Nuveen's efforts to sponsor numerous forums for analysts and specialists regarding the various Nuveen closed-end funds, its creation of a new senior position dedicated to providing secondary market support services and enhancing communications with investors and analysts, and its advertising and media relations efforts designed to raise investor and analyst awareness of the closed-end funds.

In evaluating the services of the various Sub-Advisers, the Independent Board Members noted that the Sub-Advisory Agreements were essentially agreements for portfolio management services only and the respective Sub-Adviser was not expected to supply other significant administrative services to the Funds.

Based on their review, the Board Members found that, overall, the nature, extent and quality of services provided (and expected to be provided) to the Fund under the Investment Management Agreement or Sub-Advisory Agreement, as applicable, were of a high level and were quite satisfactory.

#### B. THE INVESTMENT PERFORMANCE OF THE FUND AND FUND ADVISERS

As previously noted, the Board received a myriad of performance information regarding each Fund and its Peer Group, if available. Among other things, the Board received materials reflecting a Fund's historic performance, the Fund's performance compared to its Peer Group (as available), its performance compared to recognized and, in certain cases, customized benchmarks (as applicable). The Board Members reviewed performance information including, among other things, total return information compared with a Fund's Peer Group as well as recognized and, in some cases, customized benchmarks for the one-, three- and five-year periods (as applicable) ending December 31, 2004, subject to certain exceptions. Certain Funds (e.g., Diversified Dividend) may not have comparable peers in which case their performance was measured against custom benchmarks for applicable periods during the life of the Fund. This information supplements the Fund performance information provided to the Board at each of their quarterly meetings. Based on their review, the Board Members determined that the respective Fund's absolute and relative investment performance over time had been satisfactory.

#### C. FEES, EXPENSES AND PROFITABILITY

FEES AND EXPENSES. In evaluating the management fees and expenses that a Fund is expected to bear, the Board Members considered the Fund's current management fee structure, the sub-advisory fee arrangements and the Fund's expected expense ratios in absolute terms as well as compared with the fees and expense ratios of the unaffiliated funds in its Peer Group. The Board Members reviewed the financial information of the respective Fund Adviser, including its respective revenues, expenses and profitability. In reviewing fees, the Board Members, among other things, reviewed comparisons of the Fund's

but before reimbursement and fee waivers), net management fees (after breakpoints and reimbursements and fee waivers) and total expense ratios (before and after waivers) with those of the unaffiliated funds in its Peer Group and peer averages. In this regard, the Board Members noted that the relative ranking of the Nuveen Funds on fees and expenses was aided by the significant level of fee reductions provided by the fund-level and complex-wide breakpoint schedules, and the fee waivers and reimbursements provided by Nuveen for certain Funds launched since 1999. The complex-wide breakpoint schedule was instituted in 2004 and is described in further detail below in Section D entitled "Economies of Scale and Whether Fee Levels Reflect these Economies of Scale." In its review, the Board Members noted that all taxable closed-end exchange-traded Funds had net expense ratios below or within an acceptable range compared to peers.

COMPARISONS WITH THE FEES OF OTHER CLIENTS. The Board Members further compared the fees of NAM to the fees NAM or an affiliate thereof assessed for other types of clients (such as separate managed accounts as well as fees charged on funds that are not offered by Nuveen but are sub-advised by one of Nuveen's investment management teams). With respect to separately managed accounts, the advisory fees to such separate managed accounts are generally lower than those charged to the comparable Fund. The Board Members noted, however, the additional services that are provided and the costs incurred by Nuveen in managing and operating registered investment companies, such as the Funds, compared to individually managed separate accounts. For instance, as described above, NAM and its affiliates provide numerous services to the Funds including, but not limited to, preparing shareholder reports; providing daily accounting; preparing quarterly financial statements; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal support; and administering all other aspects of the Fund's operations. Further, the Board Members noted the increased compliance requirements for funds in light of new Securities and Exchange Commission regulations and other legislation. These services are generally not required to the same extent, if at all, for separate accounts. In addition to the differences in services, the Board Members also considered, among other things, the differences in product distribution, investor profiles and account sizes. Accordingly, the Board Members believe that the nature and number of services provided to operate a Fund merit the higher fees than those to separate managed accounts.

In considering the fees of the Sub-Adviser, the Board Members also considered the pricing schedule the Sub-Adviser charges for similar investment management services for other fund sponsors or clients (except for Wellington for which information was not made available). With respect to Symphony, the Board Members also compared the sub-advisory fees to the significantly higher fees assessed to hedge funds advised by Symphony. Generally, the sub-advisory fees were at the lower end of the Sub-Adviser's fee schedule. In addition, the Board Members noted that such sub-advisory fees and arrangements with the unaffiliated Sub-Advisers were established through arms-length negotiations between the respective Sub-Adviser and NAM.

PROFITABILITY OF FUND ADVISERS. In conjunction with its review of fees, the Board Members also considered the profitability of NAM (which incorporated Nuveen's wholly-owned subsidiaries--NWQ and Symphony) as well as the profitability of the other Sub-Advisers. The Board Members reviewed the respective Fund Adviser's revenues, expenses and

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profitability margins (on both a pre-tax and after-tax basis). In reviewing profitability, the Board Members recognized that one of the most difficult issues in determining profitability is establishing a method of allocating expenses. Accordingly, the Board Members reviewed a Fund Adviser's assumptions and methodology of allocating expenses. In this regard, the methods of

allocation used appeared reasonable but the Board noted the inherent limitations in allocating costs among various advisory products. The Board Members also recognized that individual fund or product line profitability of other advisers is generally not publicly available. Further, profitability may be affected by numerous factors including the types of funds managed, expense allocations, business mix, etc. and therefore comparability of profitability is somewhat limited. Nevertheless, to the extent available, the Board Members considered the respective Fund Adviser's profit margin compared to the profitability of various publicly-traded investment management companies and/or investment management companies that publicly disclose some or all of their financial results compiled by three independent third-party service providers. The Board Members also reviewed the revenues, expenses and profit margins of various unaffiliated advisory firms with similar amounts of assets under management for the last year prepared by NAM. Based on their review, the Board Members were satisfied that each Fund Adviser's level of profitability from its relationship with each Fund was reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Board Members also considered any other revenues paid to a Fund Adviser as well as any indirect benefits (such as soft dollar arrangements, if any) the Fund Adviser and its affiliates are expected to receive that are directly attributable to their management of the Funds, if any. See Section E below for additional information. Based on their review of the overall fee arrangements of the applicable Fund, the Board Members determined that the advisory fees and expenses of the respective Fund were reasonable.

D. ECONOMIES OF SCALE AND WHETHER FEE LEVELS REFLECT THESE ECONOMIES OF SCALE

In reviewing the compensation, the Board Members have long understood the benefits of economies of scale as the assets of a fund grows and have sought to ensure that shareholders share in these benefits. One method for shareholders to share in economies of scale is to include breakpoints in the advisory fee schedules that reduce fees as fund assets grow. Accordingly, the Board Members received and reviewed the schedules of advisory fees for each Fund, including fund-level breakpoints thereto. In addition, after lengthy negotiations with management, the Board in May 2004 approved a complex-wide fee arrangement pursuant to which fees of the funds in the Nuveen complex, including the Funds, are reduced as the assets in the fund complex reach certain levels. The complex-wide fee arrangement was introduced on August 1, 2004 and the Board Members reviewed data regarding the reductions of fees for the Funds for the period of August 1, 2004 to December 31, 2004. In evaluating the complex-wide fee arrangement, the Board Members considered, among other things, the historic and expected fee savings to shareholders as assets grow, the amount of fee reductions at various asset levels, and that the arrangement would extend to all Funds in the Nuveen complex. The Board Members also considered the impact, if any, the complex-wide fee arrangement may have on the level of services provided. Based on their review, the Board Members concluded that the breakpoint schedule and complex-wide fee arrangement currently was acceptable and desirable in providing benefits from economies of scale to shareholders.

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E. INDIRECT BENEFITS

In evaluating fees, the Board Members also considered any indirect benefits or profits the respective Fund Adviser or its affiliates may receive as a result of its relationship with each Fund. In this regard, the Board Members considered any benefits from soft dollar arrangements. The Board Members noted that although NAM manages a large amount of assets, it has very little, if any, brokerage to allocate. This is due to the fact that NAM typically manages the



portfolios of the municipal funds in the Nuveen complex and municipal bonds generally trade on a principal basis. Accordingly, NAM does not currently have any soft dollar arrangements and does not pay excess brokerage commissions (or spreads on principal transactions) in order to receive research services. The Board Members also considered the soft dollar arrangements of the Sub-Advisers. The Board Members noted that Frolely, Gateway, and NWQ have engaged in soft dollar arrangements. With respect to such Sub-Advisers, the Board Members considered that the respective Sub-Adviser benefits from its soft dollar arrangements pursuant to which such Sub-Adviser receives research from brokers that execute the applicable Fund's portfolio transactions. The Board Members received and reviewed materials concerning such Sub-Adviser's brokerage practices, including its broker allocation policies and procedures, the types of research and brokerage services received, the brokers providing such services, and the dollar amount of commissions allocated to brokers for soft dollar arrangements for the last calendar year. In considering the types of research received, the Board Members noted that each such Sub-Adviser either has already limited (or has agreed to modify its practices to limit) the use of soft dollars to research with intellectual content. The Board Members recognized that a Sub-Adviser's profitability may be lower if the Sub-Adviser was required to pay for this research with hard dollars. With respect to SCRM and Symphony, the Board Members noted that these Sub-Advisers do not use soft dollar arrangements. The Board Members also noted that Spectrum does not use soft dollar arrangements. However, the Board Members also received materials and considered any revenues received by Spectrum in executing trades through its internal broker-dealer. Finally, with respect to Wellington Management, the Board Members noted that while Wellington Management does have soft dollar arrangements with respect to some of its agency trades, the trades in fixed income securities held in Diversified Dividend are done on a principal basis and, therefore, do not generate soft dollar credits.

In addition to soft dollar arrangements, the Board Members also considered any other revenues, if any, received by NAM or its affiliates. In this regard, for Funds with outstanding preferred shares and new closed-end funds, the Board Members also considered revenues received by Nuveen for serving as agent for broker-dealers at its preferred trading desk and for acting as co-manager in the initial public offering of new closed-end exchange-traded funds.

#### F. OTHER CONSIDERATIONS

Nuveen, until recently, was a majority owned subsidiary of St. Paul Travelers. As noted, St. Paul Travelers earlier this year announced its intention to divest its equity stake in Nuveen. Nuveen is the parent of NAM. Pursuant to a series of transactions, St. Paul Travelers has begun to reduce its interest in Nuveen which will ultimately result in a change of control of Nuveen and therefore NAM. As mandated by the 1940 Act, such a change in control would result in an assignment of the Investment Management Agreement with NAM and the automatic termination of such agreement. Accordingly, the Board also considered the

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approval of a New Investment Management Agreement with each Fund in light of, and which would take effect upon, the anticipated change of control. More specifically, the Board considered for each Fund a New Investment Management Agreement on substantially identical terms to the existing Investment Management Agreement, to take effect after the change of control has occurred and the contract has been approved by Fund shareholders. In its review, the Board considered whether the various transactions necessary to divest St. Paul Travelers' interest will have an impact on the various factors they considered in approving NAM, such as the scope and quality of services to be provided following the change of control. In reviewing the St. Paul Travelers

transactions, the Board considered, among other things, the impact, if any, on the operations and organizational structure of NAM; the possible benefits and costs of the transactions to the respective Fund; the potential implications of any arrangements used by Nuveen to finance certain of the transactions; the ability of NAM to perform its duties after the transactions; whether a Fund's fee structure or expense ratio would change; any changes to the current practices of the respective Fund; any changes to the terms of the advisory agreement; and any anticipated changes to the operations of NAM. Based on its review, the Board determined that St. Paul Travelers' divestiture would not affect the nature and quality of services provided by NAM, the terms of the Investment Management Agreement, including the fees thereunder, and would not materially affect the organization or operations of NAM. Accordingly, the Board determined that their analysis of the various factors regarding their approval of NAM would continue to apply after the change of control.

In addition to the foregoing, a change in control of NAM may be deemed an assignment of the Sub-Advisory Agreement between NAM and the respective Sub-Adviser. Further, NWQ and Symphony are wholly-owned subsidiaries of Nuveen. Accordingly, the change of control of Nuveen would also result in a change of control of such Sub-Advisers resulting in the automatic termination of their existing Sub-Advisory Agreements. The Board therefore considered approval of a New Sub-Advisory Agreement with each Sub-Adviser in light of the anticipated change of control. More specially, the Board considered approval of each New Sub-Advisory Agreement on substantially identical terms as the respective Original Sub-Advisory Agreement, to take effect after the change of control has occurred and the agreement has been approved by Fund shareholders. In reviewing the impact of the St. Paul Travelers divestiture on the respective Sub-Adviser, the Board considered the same factors as outlined previously with respect to their review of NAM. As with NAM, the Board concluded that the St. Paul Travelers divestiture would not affect the nature and quality of services provided by the respective Sub-Adviser, the terms of the Sub-Advisory Agreement, including the fees paid thereunder, and would not materially affect the organization or operations of the Sub-Adviser. Accordingly, the Board determined that their analysis of the various factors regarding their review and approval of the respective Sub-Adviser would continue to apply following the change in control.

#### G. APPROVAL

The Board Members did not identify any single factor discussed previously as all-important or controlling. The Board Members, including a majority of Independent Board Members, concluded that the terms of the Investment Management and Sub-Advisory Agreements were fair and reasonable, that the respective Fund Adviser's fees are reasonable in light of the services provided to each Fund, that the renewal of the NAM Investment Management Agreement and each Sub-Advisory Agreement should be approved, and that the new,

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post-change of control NAM Investment Management Agreement and the Sub-Advisory Agreements be approved and recommended to shareholders.

#### ADDITIONAL INFORMATION

##### SHAREHOLDER PROPOSALS

To be considered for presentation at the annual meeting of shareholders of the Funds to be held in 2006, a shareholder proposal submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934 must be received at the offices of that Fund, 333 West Wacker Drive, Chicago, Illinois 60606, not later than October 20, 2005, (except for Equity Premium, Equity Premium Opportunity

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Floating Rate, Floating Rate Income Opportunity, Senior Income and Tax-Advantaged Floating Rate). A shareholder wishing to provide notice in the manner prescribed by Rule 14a-4(c)(1) of a proposal submitted outside of the process of Rule 14a-8 must submit such written notice to the Fund not later than January 3, 2006, (except for Equity Premium, Equity Premium Opportunity Floating Rate, Floating Rate Income Opportunity, Senior Income and Tax-Advantage Floating Rate). Floating Rate and Senior Income have yet to hold their 2005 annual meeting of shareholders. For their 2005 annual meeting, shareholder proposals submitted pursuant to Rule 14a-8 had to be received by June 20, 2005. Any notice of a shareholder proposal submitted pursuant to Rule 14-4(c)(1) and outside the process of Rule 14a-8 must be submitted in writing no later than September 3, 2005. Equity Premium, Equity Premium Opportunity, Floating Rate Income Opportunity and Tax-Advantaged Floating Rate have yet to hold an annual shareholders' meeting as these Funds were recently organized. The anticipated date of the first shareholders' meeting is not known at this time. To be considered for presentation at a meeting of the Funds' shareholders, proposals must be received a reasonable time before the Funds begins to print and mail its proxy materials for the meeting.

Timely submission of a proposal does not mean that such proposal will be included in a proxy statement.

### SHAREHOLDER COMMUNICATIONS

Shareholders who want to communicate with the Board or any individual Board Member should write their Fund to the attention of Lorna Ferguson, Manager of Fund Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606. The letter should indicate that you are a Fund shareholder. If the communication is intended for a specific Board Member and so indicates it will be sent only to that Board Member. If a communication does not indicate a specific Board Member it will be sent to the chair of the nominating and governance committee and the outside counsel to the Independent Board Members for further distribution as deemed appropriate by such persons.

### EXPENSES OF PROXY SOLICITATION

The cost of preparing, printing and mailing the enclosed proxy, accompanying notice and proxy statement and all other costs in connection with the solicitation of proxies will be paid by Nuveen. Solicitation may be made by letter or telephone by officers or employees of Nuveen or the Adviser, or by dealers and their representatives.

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### FISCAL YEAR

The last fiscal year end for each Fund, except Floating Rate, Floating Rate Income Opportunity, Senior Income, Equity Premium Opportunity and Tax-Advantaged Floating Rate, was December 31, 2004. The last fiscal year end for Floating Rate, Floating Rate Income Opportunity, and Senior Income was July 31, 2004. Equity Premium Opportunity and Tax-Advantaged Floating Rate have inception dates of January 26, 2005 and March 28, 2005, respectively, and have not completed a full fiscal year.

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### ANNUAL REPORT DELIVERY

Annual reports will be sent to shareholders of record of each Fund following each Fund's fiscal year end. Each Fund will furnish, without charge, a copy of its annual report and/or semi-annual report as available upon request. Such written or oral requests should be directed to such Fund at 333 West Wacker Drive, Chicago, Illinois 60606 or by calling 1-800-257-8787.

Please note that only one annual report or proxy statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or proxy statement, or for instructions as to how to request a separate copy of such documents or as to how to request a single copy if multiple copies of such documents are received, shareholders should contact the applicable Fund at the address and phone number set forth above.

### GENERAL

Management does not intend to present and does not have reason to believe that any other items of business will be presented at the Meetings. However, if other matters are properly presented to the Meetings for a vote, the proxies will be voted by the persons acting under the proxies upon such matters in accordance with their judgment of the best interests of the Fund.

A list of shareholders entitled to be present and to vote at each Meeting will be available at the offices of the Funds, 333 West Wacker Drive, Chicago, Illinois, for inspection by any shareholder during regular business hours beginning ten days prior to the date of the Meetings.

Failure of a quorum to be present at any Meeting will necessitate adjournment and will subject that Fund to additional expense. The persons named in the enclosed proxy may also move for an adjournment of any Meeting to permit further solicitation of proxies with respect to any of the proposals if they determine that adjournment and further solicitation is reasonable and in the best interests of the shareholders. Under each Fund's By-Laws, an adjournment of a meeting requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting.

IF YOU CANNOT BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

Jessica R. Droeger  
Vice President and Secretary

June 21, 2005

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APPENDIX A

NUMBER OF SHARES BENEFICIALLY OWNED

BY BOARD MEMBERS AND OFFICERS

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FUND SHARES OWNED BY BOARD MEMBERS AND OFFICERS (1)

BOARD MEMBER	DIVERSIFIED DIVIDEND	EQUITY PREMIUM	EQUITY PREMIUM OPPORTUNITY	FLOATING RATE	FLOATING RATE INCOME OPPORTUNITY
Robert P. Bremner.....	13,200	0	0	0	0
Lawrence H. Brown.....	0	0	0	0	0
Jack B. Evans.....	0	0	0	0	0
William C. Hunter.....	0	0	0	0	0
David J. Kundert.....	0	0	0	0	0
William J. Schneider.....	650	3,250	0	1,000	0
Timothy R. Schwertfeger.....	0	0	0	0	0
Judith M. Stockdale.....	585	0	0	0	0
Eugene S. Sunshine.....	0	0	0	0	0
ALL BOARD MEMBERS AND OFFICERS AS A GROUP.....	1,805	3,620	0	1,000	0

FUND SHARES OWNED BY BOARD MEMBERS AND OFFICERS (1)

BOARD MEMBER	REAL ESTATE	QUALITY PREFERRED	QUALITY PREFERRED 2	QUALITY PREFERRED 3	SENIOR INCOME
Robert P. Bremner.....	0	0	0	0	0
Lawrence H. Brown.....	1,000	1,000	1,000	1,000	1,000
Jack B. Evans.....	1,100	0	8,400	0	5,000
William C. Hunter.....	0	0	0	0	0
David J. Kundert.....	0	0	0	0	0
William J. Schneider.....	0	0	0	0	0
Timothy R. Schwertfeger.....	25,000	0	50,000	0	49,000
Judith M. Stockdale.....	0	0	0	0	0
Eugene S. Sunshine.....	0	2,000	2,000	0	0
ALL BOARD MEMBERS AND OFFICERS AS A GROUP.....	30,824	3,103	61,700	1,000	59,525

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan for Independent Board Members. The information as to beneficial ownership is based on statements furnished by each Board Member and officer.

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APPENDIX B

DATES RELATING TO ORIGINAL  
INVESTMENT MANAGEMENT AGREEMENTS (1)

FUND	DATE OF ORIGINAL INVESTMENT MANAGEMENT AGREEMENT	DATE ORIGINAL INVESTMENT MANAGEMENT AGREEMENT WAS LAST APPROVED BY SHAREHOLDERS	DATE ORIGINAL INVESTMENT MANAGEMENT AGREEMENT WAS LAST APPROVED FOR CONTINUANCE BY BOARD
Diversified Dividend	July 30, 2003	September 24, 2003	May 11, 2005
Equity Premium	October 25, 2004	October 22, 2004	N/A
Equity Premium Opportunity	January 26, 2005	January 21, 2005	N/A
Floating Rate	February 24, 2004	March 10, 2004	May 11, 2005
Floating Rate Income Opportunity	June 22, 2004	June 22, 2004	May 11, 2005
Preferred and Convertible	March 14, 2003	March 25, 2003	May 11, 2005
Preferred and Convertible 2	May 15, 2003	June 24, 2003	May 11, 2005
Real Estate	May 14, 2002	November 15, 2001	May 11, 2005
Quality Preferred	June 1, 2002	June 18, 2002	May 11, 2005
Quality Preferred 2	August 1, 2002	September 19, 2002	May 11, 2005
Quality Preferred 3	December 18, 2002	December 16, 2002	May 11, 2005
Senior Income	August 1, 2002	October 25, 1999	May 11, 2005
Tax-Advantaged Floating Rate	March 24, 2005	March 16, 2005	N/A
Total Return	November 20, 2003	January 12, 2004	May 11, 2005

(1) The Original Investment Management Agreements were between the Funds and Nuveen Institutional Advisory Corp. ("NIAC"). Effective January 1, 2005, NIAC was merged into NAM. As a result, NIAC became a part of NAM and ceased to exist separately. NAM assumed all of NIAC's obligations under the Original Investment Management Agreements. Like NIAC, NAM is a wholly-owned subsidiary of Nuveen. The merger did not constitute a change in control. There was no change in who manages the Funds or in the Funds' investment objectives or policies as a result of the merger.

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APPENDIX C

FORM OF INVESTMENT MANAGEMENT AGREEMENT

AGREEMENT made this [31st] day of [July, 2005], by and between