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NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSR
March 07, 2008

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21137

Nuveen Quality Preferred Income Fund 2

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: December 31

Date of reporting period: December 31, 2007

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO SHAREHOLDERS

Annual Report
DECEMBER 31, 2007

Nuveen Investments
CLOSED-END FUNDS

NUVEEN QUALITY
PREFERRED INCOME
FUND
JTP

NUVEEN QUALITY
PREFERRED INCOME
FUND 2
JPS

NUVEEN QUALITY
PREFERRED INCOME
FUND 3
JHP

High Current Income from a Portfolio of
Investment-Grade Preferred Securities

NUVEEN INVESTMENTS LOGO

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Chairman's
LETTER TO SHAREHOLDERS

(TIMOTHY
SCHWERTFEGER
PHOTO)

Timothy R. Schwertfeger

Chairman of the Board

Dear Shareholder:

Once again, I am pleased to report that over the twelve-month period covered by this report your Fund continued to provide you with attractive income. For more details about the management strategy and performance of your Fund, please read the Portfolio Managers' Comments, the Distribution and Share Price Information, and the Performance Overview sections of this report.

With the recent volatility in the stock market, many have begun to wonder which way the market is headed, and whether they need to adjust their holdings of investments. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that investments like your Nuveen Investments Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

We are grateful that you have chosen us as a partner as you pursue your financial goals and we look forward to continuing to earn your trust in the months and years ahead. At Nuveen Investments, our mission continues to be to assist you and your financial advisor by offering investment services and products that can help you to secure your financial objectives.

Sincerely,

(TIMOTHY SCHWERTFEGER SIG)

Timothy R. Schwertfeger
Chairman of the Board
February 15, 2008

Portfolio Managers' COMMENTS

NUVEEN INVESTMENTS CLOSED-END FUNDS JTP, JPS, JHP

The Nuveen Quality Preferred Income Funds are sub-advised by a team of specialists at Spectrum Asset Management, an affiliate of Principal Capital (SM). Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 50 years of combined experience in the preferred securities markets, lead the team and have managed the Funds since their inceptions in 2002. Here Mark, Bernie and Phil talk about market conditions, their management strategy and the performance of each Fund for the twelve-month period ended December 31, 2007.

WHAT WERE THE GENERAL ECONOMIC CONDITIONS AND MARKET TRENDS DURING THE ANNUAL REPORTING PERIOD ENDED DECEMBER 31, 2007?

During the first part of the period, equities generally performed well as favorable corporate earnings and export-driven economic growth were sufficient to offset some growing anxiety over the deteriorating housing and mortgage

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markets. The second half of the period was dominated by concerns about the impact of sub-prime mortgage defaults and fears of a recession, especially as the sub-prime market's impact began to spread beyond mortgage lenders to international and domestic money center banks and other financial institutions. When August data began to show the potential for a severely weakening economy, the Federal Reserve cut the widely followed short-term fed funds rate by a half a percentage point in September, by another quarter of a point in October and yet another quarter point in December. (On January 22 and 29, 2008, after the close of this reporting period, the Federal Reserve cut the fed funds rate by a combined 1.25%, bringing the rate to 3.00%.)

Discussions of specific investments are for illustrative purposes only and are not intended as recommendations of individual investments. The views expressed in this commentary represent those of the portfolio managers as of the date of this report and are subject to change at any time, based on market conditions and other factors. The Funds disclaim any obligation to advise shareholders of such changes.

The financial services sector volatility caused by the sub-prime mortgage crisis severely impacted the preferred securities market, especially in the second half of the year. With over 70% of preferred securities coming from issuers in the financial service sector, the fourth quarter of 2007 was the worst quarter on record for the \$25 par market. These securities, as well as \$1000 par capital market preferreds, experienced heavy selling (exacerbated by year-end tax loss selling) late in 2007, as the Merrill Lynch Preferred Stock Hybrid Securities Index fell by more than 9% in the fourth quarter alone. Fannie Mae sold \$7 billion of a \$25 par issue, Freddie Mac offered \$6 billion of a similar structure, and Citigroup issued \$3.5 billion of \$1000 par preferred securities. Given the total size and number of all the transactions and the negative market environment in which they were offered, new issues needed to be "priced to sell." While this ensured that most of the issuance was well received, it caused large price declines among existing securities in the secondary market as yields needed to adjust to reflect the new reality created by the most recent offerings. Overall there was about

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\$40 billion of new supply in the fourth quarter. Preferred issuance reached \$120.6 billion in 2007, a new record.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE FUNDS DURING THIS REPORTING PERIOD?

Although all the Funds had to contend with a relatively heavy number of calls during this period, we strove to maintain an approximate 60/40 portfolio mix between the \$25 par (retail driven) sector and the \$1000 par capital securities (institutionally driven) sector. We started 2007 buying mainly \$25 par securities, but six months later we were purchasing more capital securities as the relative attractiveness between the two sectors had shifted.

Beginning in August, the sub-prime mortgage crisis began to take its toll on the preferred market. In particular, the \$25 par market experienced an unusually high sell-off. With approximately 55% of the each Fund allocated to \$25 par securities, our management options were constrained by the near breakdown of the market. In addition, with over 70% of all preferreds issued by firms in the financial service sector, securities that seemed to present attractive buying opportunities saw their immediate-term prospects overwhelmed by the massive selling pressure affecting the entire market.

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While we did have some opportunities to buy attractively priced preferred stock issued by certain U.S. government agencies, we were disappointed by what we considered to be their relatively weak call protection. We felt that too many non-traditional preferred securities buyers were willing to give up call protection at the very time that the issuers had no choice but to provide it if buyers insisted. As a result, when the new issues were announced the secondary markets experienced large price declines. We were able to buy some agency issues at discounts, which we believed would benefit the Funds' earnings and returns in the future. We also had one of our busiest days on the last trading day of 2007 when the availability of some deep discounts allowed the Funds to buy at bargain prices.

HOW DID THE FUNDS PERFORM OVER THIS TWELVE-MONTH PERIOD?

The performance of JTP, JPS and JHP, as well as their comparative indices and benchmarks, are presented in the accompanying table.

Average Annual Total Returns on Net Asset Value
For the periods ended 12/31/07

| | 1-Year ----- | 5-Year ----- |
|--|-----------------|-----------------|
| JTP | -15.32% | 3.80% |
| JPS | -14.32% | 4.02% |
| JHP | -16.01% | 3.04% |
| Lehman Brothers Aggregate Bond Index(1) | 6.97% | 4.42% |
| Comparative Benchmark(2) | -8.6% | 3.12% |

Past performance does not guarantee future results. Current performance may be higher or lower than the data shown.
Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. For additional information, see the individual Performance Overview for your Fund in this report.

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For the twelve months ended December 31, 2007, the total returns on net asset value for all three Funds underperformed the unleveraged, unmanaged Lehman Brothers Aggregate Bond Index and their comparative benchmark. The comparative benchmark's negative return shows clearly that 2007 presented a very challenging and unforgiving market environment. The Fund's underperformance relative to the benchmark was primarily due to their use of financial leverage. Over the past year, leverage tended to exacerbate the price declines suffered by the Funds' holdings. However, leverage is a strategy the Funds have used since their inception and, as the five-year returns show, has made a positive contribution to net performance over time. We believe this strategy will continue to provide opportunities for enhanced distributions and total returns in the future.

In addition to leverage, the Funds were all negatively affected by the heavy

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selling of financial services sector securities in the third and fourth quarters of 2007. As noted, the fourth quarter was the worst quarter on record for \$25 par securities, and the Funds' exposure to this retail-oriented market hurt their absolute and relative performance as the \$25 par market significantly underperformed the institutionally oriented \$1000 par market.

1 The Lehman Brothers Aggregate Bond Index is an unmanaged index that includes all investment-grade, publicly issued, fixed-rate, dollar denominated, nonconvertible debt issues and commercial mortgage backed securities with maturities of at least one year and outstanding par values of \$150 million or more. Index returns do not include the effects of any sales charges or management fees. It is not possible to invest directly in an index.

2 Comparative benchmark performance is a blended return consisting of: 1) 55% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange traded preferred stocks with outstanding market values of at least \$30 million and at least one year to maturity; and 2) 45% of the Lehman Tier 1 Capital Securities Index, an unmanaged index that includes securities that can generally be viewed as hybrid fixed-income securities that either receive regulatory capital treatment or a degree of "equity credit" from a rating agency.

RECENT DEVELOPMENTS IN THE AUCTION RATE PREFERRED MARKETS

During February 2008, after the close of this reporting period, regularly scheduled auctions for the FundPreferred(R) shares issued by your Fund began attracting more shares for sale than offers to buy. This meant that these auctions "failed to clear," and that many FundPreferred shareholders who wanted to sell their shares in these auctions were unable to do so. It is important to note this decline in liquidity did not lower the credit quality of these shares, and that FundPreferred shareholders unable to sell their shares received distributions at the "maximum rate" calculated in accordance with the pre-established terms of the FundPreferred stock. At the time this report was prepared, the Funds' managers could not predict when future auctions might succeed in attracting sufficient buyers for the shares offered. The Funds' managers are working diligently to develop mechanisms designed to improve the liquidity of the FundPreferred shares, but at present there is no assurance that those efforts will succeed.

These developments do not affect the management or investment policies of the Funds. However, one implication of these auction failures for common shareholders is that the Funds' cost of leverage will be higher than it otherwise would have been had the auctions been successful. As a result, the Funds' future common share earnings may be marginally lower than they otherwise might have been.

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Common Share

Distribution and Share Price

INFORMATION

The Funds employ financial leverage through the issuance of FundPreferred shares. Financial leverage provides the potential for higher earnings (net investment income), total returns and distributions over time, but -as noted earlier- also increases the variability of common shareholders' net asset value per share in response to changing market conditions. Financial leverage contributed positively to the Funds' common share net earnings over the

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reporting period, but detracted from the Funds' overall common share net total return.

All three Funds declared monthly common share distributions over the course of the period, including two common share distribution decreases in March and September. In addition, JPS declared a long-term capital gains distribution in April of \$0.0437 per share.

During certain periods, the Funds may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Funds during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of earnings, the excess constitutes negative UNII that is likewise reflected in a Funds's NAV. As of December 31, 2007, JPS had a negative UNII balance for financial statement purposes and a zero balance for tax purposes, while JTP and JHP had positive UNII balances for financial statement purposes and zero balances for tax purposes.

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The following table provides information regarding each Fund's common share distributions and total return performance for the fiscal year ended December 31, 2007. The distribution information is presented on a tax basis rather than on a generally accepted accounting principles (GAAP) basis. This information is intended to help you better understand whether the Funds' returns for the specified time period were sufficient to meet each Funds' distributions.

| As of 12/31/07 (Common Shares) | JTP | JPS | JHP |
|-------------------------------------|---------------|---------------|---------------|
| Inception date | 6/25/02 | 9/24/02 | 12/18/02 |
| Calendar year: | | | |
| Per share distribution: | | | |
| From net investment income | \$0.93 | \$1.04 | \$0.93 |
| From short-term capital gains | -- | -- | -- |
| From long-term capital gains | -- | 0.04 | -- |
| From return of capital | 0.09 | 0.04 | 0.10 |
| Total per share distribution | \$1.02 | \$1.12 | \$1.03 |
| Distribution rate on NAV | 9.22% | 9.68% | 9.53% |
| Annualized total returns: | | | |
| 1-year on NAV | -15.32% | -14.32% | -16.01% |
| 5-year on NAV | 3.80% | 4.02% | 3.04% |
| Since inception on NAV | 3.30% | 4.39% | 3.02% |

As of December 31, 2007, the Funds' shares were trading relative to their NAVs as shown in the accompanying table:

| | 12/31/07 Discount | 12-Month Average Discount |
|-------|----------------------|------------------------------|
| ----- | | |

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| | | |
|-----|--------|--------|
| JTP | -6.60% | -2.16% |
| JPS | -6.57% | -2.08% |
| JHP | -4.63% | -0.80% |

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JTP
PERFORMANCE
OVERVIEW

Nuveen Quality
Preferred Income
Fund

as of December 31, 2007

PORTFOLIO ALLOCATION (AS A % OF TOTAL INVESTMENTS) (2)
(PIE CHART)

| | |
|--|-------|
| U.S. Government and Agency Obligations | 0.10 |
| Corporate Bonds | 0.80 |
| Short-Term Investments | 1.60 |
| Investment Companies | 3.50 |
| Capital Preferred Securities | 41.40 |
| \$25 Par (or similar) Preferred Securities | 52.60 |

2007 MONTHLY DISTRIBUTIONS PER COMMON SHARE
(GRAPH)

| | |
|-----|-------|
| Jan | 0.090 |
| Feb | 0.090 |
| Mar | 0.086 |
| Apr | 0.086 |
| May | 0.086 |
| Jun | 0.086 |
| Jul | 0.086 |
| Aug | 0.086 |
| Sep | 0.081 |
| Oct | 0.081 |
| Nov | 0.081 |
| Dec | 0.081 |

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE
(GRAPH)

| | |
|---------|-------|
| 1/01/07 | 14.80 |
| | 14.69 |
| | 14.23 |
| | 14.05 |
| | 13.93 |
| | 14.08 |
| | 14.42 |

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| | |
|----------|-------|
| | 14.16 |
| | 14.31 |
| | 14.22 |
| | 14.06 |
| | 13.85 |
| | 14.14 |
| | 14.08 |
| | 14.18 |
| | 14.14 |
| | 14.08 |
| | 14.03 |
| | 14.04 |
| | 14.05 |
| | 13.98 |
| | 13.94 |
| | 14.16 |
| | 13.48 |
| | 13.35 |
| | 13.11 |
| | 13.12 |
| | 13.05 |
| | 12.86 |
| | 12.60 |
| | 12.33 |
| | 12.40 |
| | 12.06 |
| | 11.29 |
| | 12.13 |
| | 12.28 |
| | 12.45 |
| | 12.07 |
| | 12.07 |
| | 11.97 |
| | 12.11 |
| | 11.79 |
| | 11.53 |
| | 11.66 |
| | 11.46 |
| | 10.70 |
| | 10.32 |
| | 10.60 |
| | 11.16 |
| | 11.18 |
| | 10.58 |
| | 10.17 |
| | 10.32 |
| 12/31/07 | 10.33 |

FUND SNAPSHOT

| | |
|--|---------|
| ----- Common Share Price ----- | \$10.33 |
| Common Share Net Asset Value ----- | \$11.06 |
| Premium/(Discount) to NAV ----- | -6.60% |

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| | |
|---|-----------|
| Current Distribution Rate(1) | 9.41% |
| <hr style="border-top: 1px dashed black;"/> | |
| Net Assets Applicable to Common Shares (\$000) | \$713,945 |
| <hr style="border-top: 1px dashed black;"/> | |

AVERAGE ANNUAL TOTAL RETURN (INCEPTION 6/25/02)

| | ON SHARE PRICE | ON NAV |
|---|----------------|---------|
| <hr style="border-top: 1px dashed black;"/> | | |
| 1-Year | -24.60% | -15.32% |
| <hr style="border-top: 1px dashed black;"/> | | |
| 5-Year | 0.79% | 3.80% |
| <hr style="border-top: 1px dashed black;"/> | | |
| Since Inception | 1.38% | 3.30% |
| <hr style="border-top: 1px dashed black;"/> | | |

INDUSTRIES (AS A % OF TOTAL INVESTMENTS) (2)

| | |
|---|-------|
| Commercial Banks | 31.2% |
| <hr style="border-top: 1px dashed black;"/> | |
| Insurance | 19.1% |
| <hr style="border-top: 1px dashed black;"/> | |
| Real Estate/Mortgage | 12.8% |
| <hr style="border-top: 1px dashed black;"/> | |
| Diversified Financial Services | 9.8% |
| <hr style="border-top: 1px dashed black;"/> | |
| Capital Markets | 9.1% |
| <hr style="border-top: 1px dashed black;"/> | |
| Media | 3.7% |
| <hr style="border-top: 1px dashed black;"/> | |
| Investment Companies | 3.5% |
| <hr style="border-top: 1px dashed black;"/> | |
| Short-Term Investments | 1.6% |
| <hr style="border-top: 1px dashed black;"/> | |
| Other | 9.2% |
| <hr style="border-top: 1px dashed black;"/> | |

TOP FIVE ISSUERS (3) (AS A % OF TOTAL INVESTMENTS)

| | |
|----------------|------|
| ING Groep N.V. | 3.1% |
|----------------|------|

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| | |
|--------------------------------------|------|
| Banco Santander Finance | 2.9% |
| Deutsche Bank AG | 2.9% |
| HSBC Holdings Public Limited Company | 2.4% |
| AgFirst Farm Credit Bank | 2.4% |

1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

2 Excluding derivative transactions.

3 Excluding short-term investments and derivative transactions.

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JPS
PERFORMANCE
OVERVIEW

Nuveen Quality
Preferred Income
Fund 2

as of December 31, 2007

PORTFOLIO ALLOCATION (AS A % OF TOTAL INVESTMENTS) (2) (PIE CHART)

| | |
|--|-------|
| U.S. Government and Agency Obligations | 0.00 |
| Corporate Bonds | 0.40 |
| Short-Term Investments | 1.60 |
| Investment Companies | 3.30 |
| Capital Preferred Securities | 41.10 |
| \$25 Par (or similar) Preferred Securities | 53.60 |

2007 MONTHLY DISTRIBUTIONS PER COMMON SHARE (BAR CHART)

| | |
|-----|-------|
| Jan | 0.093 |
| Feb | 0.093 |
| Mar | 0.091 |
| Apr | 0.091 |
| May | 0.091 |
| Jun | 0.091 |
| Jul | 0.091 |
| Aug | 0.091 |
| Sep | 0.086 |
| Oct | 0.086 |
| Nov | 0.086 |

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Dec

0.086

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE
(LINE GRAPH)

1/01/07

15.12
14.89
14.55
14.57
14.45
14.47
14.83
14.67
14.95
14.66
14.52
14.52
14.86
14.78
14.82
14.81
14.70
14.72
14.62
14.60
14.60
14.49
14.71
13.94
13.90
13.65
13.79
13.58
13.41
13.10
12.78
12.95
12.55
11.90
12.69
12.76
12.91
12.52
12.63
12.50
12.68
12.37
12.09
12.14
11.97
11.05
10.76
10.90
11.59
11.70
11.22
10.70
10.91
10.81

12/31/07

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FUND SNAPSHOT

| | |
|---|-------------|
| Common Share Price | \$10.81 |
| Common Share Net Asset Value | \$11.57 |
| Premium/(Discount) to NAV | -6.57% |
| Current Distribution Rate(1) | 9.55% |
| Net Assets Applicable to Common Shares (\$000) | \$1,386,125 |

AVERAGE ANNUAL TOTAL RETURN
(INCEPTION 9/24/02)

| | ON SHARE PRICE | ON NAV |
|--------------------|----------------|---------|
| 1-Year | -22.24% | -14.32% |
| 5-Year | 2.35% | 4.02% |
| Since Inception | 2.51% | 4.39% |

INDUSTRIES
(AS A % OF TOTAL INVESTMENTS) (2)

| | |
|--------------------------------|-------|
| Commercial Banks | 31.7% |
| Insurance | 18.9% |
| Real Estate/Mortgage | 12.4% |
| Diversified Financial Services | 9.6% |
| Capital Markets | 8.1% |
| Media | 3.4% |

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| | |
|------------------------|-------|
| Investment Companies | 3.3% |
| ----- | |
| Short-Term Investments | 1.6% |
| ----- | |
| Other | 11.0% |
| ----- | |

TOP FIVE ISSUERS (3)
(AS A % OF TOTAL INVESTMENTS)

| | |
|-------------------------|------|
| Wachovia Corporation | 3.5% |
| ----- | |
| ING Groep N.V. | 3.0% |
| ----- | |
| Deutsche Bank AG | 2.5% |
| ----- | |
| Banco Santander Finance | 2.4% |
| ----- | |
| Aegon N.V. | 2.3% |
| ----- | |

- 1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.
- 2 Excluding derivative transactions.
- 3 Excluding short-term investments and derivative transactions.

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JHP
PERFORMANCE
OVERVIEW

Nuveen Quality
Preferred Income
Fund 3

as of December 31, 2007

PORTFOLIO ALLOCATION (AS A % OF TOTAL INVESTMENTS)
(PIE CHART)

| | |
|--|-------|
| Corporate Bonds | 0.40 |
| Short-Term Investments | 1.60 |
| Investment Companies | 4.00 |
| Capital Preferred Securities | 32.30 |
| \$25 Par (or similar) Preferred Securities | 61.70 |

2007 MONTHLY DISTRIBUTIONS PER COMMON SHARE

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(GRAPH)

| | |
|-----|--------|
| Jan | 0.0910 |
| Feb | 0.0910 |
| Mar | 0.0885 |
| Apr | 0.0885 |
| May | 0.0885 |
| Jun | 0.0885 |
| Jul | 0.0885 |
| Aug | 0.0885 |
| Sep | 0.0835 |
| Oct | 0.0835 |
| Nov | 0.0835 |
| Dec | 0.0835 |

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE
(GRAPH)

| | |
|---------|---------|
| 1/01/07 | 14.9200 |
| | 15.0000 |
| | 14.6700 |
| | 14.6500 |
| | 14.6000 |
| | 14.6600 |
| | 14.7100 |
| | 14.4300 |
| | 14.5300 |
| | 14.5400 |
| | 14.2800 |
| | 14.0200 |
| | 14.2600 |
| | 14.5100 |
| | 14.4200 |
| | 14.1700 |
| | 14.3400 |
| | 14.4300 |
| | 14.2900 |
| | 14.1600 |
| | 14.1200 |
| | 14.0600 |
| | 14.3900 |
| | 13.5900 |
| | 13.7400 |
| | 13.3300 |
| | 13.3500 |
| | 13.5100 |
| | 13.1600 |
| | 13.0800 |
| | 12.4100 |
| | 12.6499 |
| | 12.4000 |
| | 11.7700 |
| | 12.2600 |
| | 12.4300 |
| | 12.7100 |
| | 12.4500 |
| | 12.1500 |

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| | |
|----------|---------|
| | 12.4000 |
| | 12.3000 |
| | 12.0500 |
| | 11.6500 |
| | 11.7100 |
| | 11.5300 |
| | 10.8400 |
| | 10.3200 |
| | 10.6600 |
| | 11.6800 |
| | 12.0400 |
| | 10.8400 |
| | 10.7500 |
| | 10.6600 |
| 12/31/07 | 10.5100 |

FUND SNAPSHOT

| | |
|---|-----------|
| Common Share Price | \$10.51 |
| Common Share Net Asset Value | \$11.02 |
| Premium/(Discount) to NAV | -4.63% |
| Current Distribution Rate(1) | 9.53% |
| Net Assets Applicable to Common Shares (\$000) | \$261,081 |

AVERAGE ANNUAL TOTAL RETURN
(INCEPTION 12/18/02)

| | ON SHARE PRICE | ON NAV |
|--------------------|----------------|---------|
| 1-Year | -23.61% | -16.01% |
| 5-Year | 1.31% | 3.04% |
| Since Inception | 1.30% | 3.02% |

INDUSTRIES
(AS A % OF TOTAL INVESTMENTS) (2)

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| | |
|--------------------------------|-------|
| Commercial Banks | 26.2% |
| Insurance | 18.3% |
| Real Estate/Mortgage | 12.8% |
| Capital Markets | 12.2% |
| Diversified Financial Services | 10.6% |
| Investment Companies | 4.0% |
| Media | 3.4% |
| Short-Term Investments | 1.6% |
| Other | 10.9% |

TOP FIVE ISSUERS (3)
(AS A % OF TOTAL INVESTMENTS)

| | |
|-----------------------------|------|
| Wachovia Corporation | 3.5% |
| ING Groep N.V. | 3.4% |
| Deutsche Bank AG | 2.9% |
| Protective Life Corporation | 2.3% |
| Public Storage Inc. | 2.2% |

- 1 Current Distribution Rate is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.
- 2 Excluding derivative transactions.
- 3 Excluding short-term investments and derivative transactions.

SHAREHOLDER MEETING REPORT

The special meeting of shareholders was held in the offices of Nuveen Investments on October 12, 2007; the meeting for Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 was subsequently adjourned to October 22, 2007.

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| | JTP | JPS |
|--|--|--|
| | Common and Preferred shares voting together as a class | Common and Preferred shares voting together as a class |
| ----- | | |
| TO APPROVE A NEW INVESTMENT MANAGEMENT AGREEMENT: | | |
| For | 32,722,345 | 59,354,289 |
| Against | 1,589,151 | 3,549,189 |
| Abstain | 1,363,047 | 2,339,856 |
| Broker Non-Votes | 11,219,988 | 21,097,586 |
| ----- | | |
| Total | 46,894,531 | 86,340,920 |
| ----- | | |
| TO APPROVE A NEW SUB-ADVISORY AGREEMENT BETWEEN NUVEEN ASSET MANAGEMENT AND SPECTRUM ASSET MANAGEMENT, INC.: | | |
| For | 32,521,263 | 58,987,728 |
| Against | 1,733,887 | 3,773,081 |
| Abstain | 1,419,393 | 2,482,525 |
| Broker Non-Votes | 11,219,988 | 21,097,586 |
| ----- | | |
| Total | 46,894,531 | 86,340,920 |
| ----- | | |
| TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE CURRENT FISCAL YEAR: | | |
| For | 45,171,196 | 83,084,829 |
| Against | 803,757 | 1,531,120 |
| Abstain | 919,578 | 1,724,971 |
| ----- | | |
| Total | 46,894,531 | 86,340,920 |
| ----- | | |

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Report of INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF TRUSTEES AND SHAREHOLDERS
 NUVEEN QUALITY PREFERRED INCOME FUND
 NUVEEN QUALITY PREFERRED INCOME FUND 2
 NUVEEN QUALITY PREFERRED INCOME FUND 3

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Quality Preferred Income Fund, Nuveen Quality Preferred Income Fund 2 and Nuveen Quality Preferred Income Fund 3 (the "Funds") as of December 31, 2007, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan

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and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2007, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Quality Preferred Income Fund, Nuveen Quality Preferred Income Fund 2 and Nuveen Quality Preferred Income Fund 3 at December 31, 2007, the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for the periods indicated therein in conformity with U.S. generally accepted accounting principles.

(ERNST & YOUNG LLP LOGO)

Chicago, Illinois
February 26, 2008

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JTP

Nuveen Quality Preferred Income Fund
Portfolio of INVESTMENTS

as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON |
|-----------|---|--------|
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 84.7% (52.7% OF TOTAL INVESTMENTS) | |
| | CAPITAL MARKETS - 9.7% | |
| 40,358 | Bear Stearns Capital Trust III | 7.800% |
| 252,247 | BNY Capital Trust V, Series F | 5.950% |
| 1,258,400 | Deutsche Bank Capital Funding Trust II | 6.550% |
| 5,000 | Goldman Sachs Capital I (CORTS) | 6.000% |
| 15,700 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% |
| 7,400 | Goldman Sachs Group Inc. (SATURNS) | 5.750% |
| 1,200 | Goldman Sachs Group Inc., Series 2003-06 (SATURNS) | 6.000% |
| 14,000 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% |
| 19,200 | Goldman Sachs Group | 6.000% |

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| | | |
|---------|--|---------|
| | Inc., Series 2004-06 (SATURNS) | |
| 26,500 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% |
| 4,600 | Goldman Sachs Group Inc., Series GSC-4 Class A (PPLUS) | 6.000% |
| 6,500 | Goldman Sachs Group Inc., Series GSG-1 (PPLUS) | 6.000% |
| 108,649 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% |
| 85,700 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% |
| 10,900 | Lehman Brothers Holdings Capital Trust V, Series M | 6.000% |
| 84,920 | Lehman Brothers Holdings Capital Trust VI, Series N | 6.240% |
| 122,413 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 94,500 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 178,400 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 169,526 | Morgan Stanley Capital Trust III | 6.250% |
| 167,669 | Morgan Stanley Capital Trust IV | 6.250% |
| 515,305 | Morgan Stanley Capital Trust VI | 6.600% |
| 144,324 | Morgan Stanley Capital Trust VII | 6.600% |
| <hr/> | | |
| | Total Capital Markets | |
| <hr/> | | |
| | COMMERCIAL BANKS - 12.5% | |
| 121,050 | ABN AMRO Capital Fund Trust V | 5.900% |
| 105,400 | ASBC Capital I | 7.625% |
| 18,900 | BAC Capital Trust VIII | 6.000% |
| 8,400 | BAC Capital Trust X | 6.250% |
| 83,021 | Banco Santander Finance | 6.410% |
| 190,081 | Banco Santander Finance, 144A | 6.500% |
| 206,386 | Banco Santander Finance, 144A | 6.800% |
| 7,700 | BancorpSouth Capital Trust I | 8.150% |
| 84,500 | Banesto Holdings, Series A, 144A | 10.500% |
| 64,300 | Bank One Capital Trust VI | 7.200% |
| 178,900 | Barclays Bank PLC | 7.750% |
| 57,600 | Barclays Bank PLC | 7.100% |
| 5,817 | Barclays Bank PLC | 6.625% |
| 189,400 | Citizens Funding Trust I | 7.500% |
| 116,800 | Cobank ABC, 144A | 7.000% |

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| | | |
|---------|--|--------|
| 252,500 | Fifth Third Capital Trust VI | 7.250% |
| 13,000 | Fleet Capital Trust VIII | 7.200% |
| 4,400 | HSBC Finance Corporation | 6.875% |
| 91,915 | KeyCorp Capital Trust IX | 6.750% |
| 859,900 | National City Capital Trust II | 6.625% |
| 12,300 | National City Capital Trust III | 6.625% |
| 200,000 | PFCI Capital Corporation | 7.750% |
| 6,750 | PNC Capital Trust | 6.125% |
| 80,633 | Royal Bank of Scotland Group PLC, Series L | 5.750% |
| 224,762 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 88,739 | Royal Bank of Scotland Group PLC, Series T | 7.250% |
| 10,000 | Royal Bank of Scotland Group PLC | 6.600% |
| 23,600 | USB Capital Trust XI | 6.600% |
| 29,760 | VNB Capital Trust I | 7.750% |
| 85,000 | Wachovia Capital Trust IX | 6.375% |
| 20,000 | Wachovia Corporation | 8.000% |
| 238,800 | Wells Fargo Capital Trust V | 7.000% |

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| SHARES | DESCRIPTION (1) | COUPON |
|---------|---|--------|
| ----- | | |
| | COMMERCIAL BANKS (continued) | |
| 18,925 | Wells Fargo Capital Trust VII | 5.850% |
| 382,750 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| | COMPUTERS & PERIPHERALS - 0.0% | |
| 2,996 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| 1,500 | IBM Trust IV (CORTS) | 7.000% |
| ----- | | |
| | Total Computers & Peripherals | |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 11.7% | |
| 42,600 | Allied Capital Corporation | 6.875% |
| 599,640 | BAC Capital Trust XII | 6.875% |
| 321,730 | Citigroup Capital Trust VIII | 6.950% |
| 4,000 | Citigroup Capital Trust IX | 6.000% |
| 11,500 | Citigroup Capital XIV | 6.875% |
| 418,650 | Citigroup Capital XV | 6.500% |

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| | | |
|-----------|---|--------|
| 30,900 | Citigroup Capital XVI | 6.450% |
| 370,100 | Citigroup Capital XIX | 7.250% |
| 295,700 | Deutsche Bank Capital Funding Trust VIII | 6.375% |
| 4,100 | General Electric Capital Corporation | 6.450% |
| 5,100 | General Electric Capital Corporation | 6.100% |
| 100 | General Electric Capital Corporation | 5.875% |
| 1,006,258 | ING Groep N.V. | 7.200% |
| 569,000 | ING Groep N.V. | 7.050% |
| 8,741 | ING Groep N.V. | 6.375% |
| 8,800 | JPMorgan Chase Capital Trust XI | 5.875% |
| 127,185 | Royal Bank of Scotland Group PLC, Series R | 6.125% |
| 31,815 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% |

Total Diversified
Financial Services

DIVERSIFIED TELECOMMUNICATION SERVICES - 0.6%

| | | |
|--------|--|--------|
| 99,000 | AT&T Inc. | 6.375% |
| 13,300 | BellSouth Capital Funding (CORTS) | 7.100% |
| 74,635 | BellSouth Corporation (CORTS) | 7.000% |
| 2,200 | Verizon Communications (CORTS) | 7.625% |
| 12,200 | Verizon Communications, Series 2004-1 (SATURNS) | 6.125% |
| 1,100 | Verizon Global Funding Corporation Trust III, Series III (CORTS) | 6.250% |

Total Diversified
Telecommunication
Services

ELECTRIC UTILITIES - 2.1%

| | | |
|---------|--|--------|
| 77,740 | DTE Energy Trust I | 7.800% |
| 109,205 | Entergy Louisiana LLC | 7.600% |
| 2,000 | Entergy Mississippi Inc. | 7.250% |
| 78,400 | FPL Group Capital Inc. | 6.600% |
| 400 | Georgia Power Company | 5.750% |
| 36,500 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 15,125 | National Rural Utilities Cooperative Finance Corporation | 5.950% |
| 111,500 | PPL Energy Supply LLC | 7.000% |
| 191,400 | Virginia Power Capital Trust | 7.375% |

Total Electric Utilities

FOOD PRODUCTS - 0.4%

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| | | |
|-----------|---|--------|
| 29,900 | Dairy Farmers of America Inc., 144A, | 7.875% |
| ----- | | |
| 173,624 | HOUSEHOLD DURABLES - 0.5% Pulte Homes Inc. | 7.375% |
| ----- | | |
| | INSURANCE - 17.8% | |
| 642,200 | Ace Ltd., Series C | 7.800% |
| 14,840 | Aegon N.V. | 6.875% |
| 1,161,650 | Aegon N.V. | 6.375% |
| 75,053 | AMBAC Financial Group Inc. | 5.950% |
| 44,000 | AMBAC Financial Group Inc. | 5.875% |
| 354,600 | American International Group | 7.700% |
| 15,500 | Arch Capital Group Limited, Series B | 7.785% |
| 513,512 | Arch Capital Group Limited | 8.000% |

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JTP
Nuveen Quality Preferred Income Fund (continued)
Portfolio of INVESTMENTS as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON |
|---------|---|--------|
| ----- | | |
| | INSURANCE (continued) | |
| 382,400 | Berkley WR Corporation, Capital Trust II | 6.750% |
| 216,600 | Delphi Financial Group, Inc. | 8.000% |
| 229,900 | Delphi Financial Group, Inc. | 7.376% |
| 466,600 | EverestRe Capital Trust II | 6.200% |
| 4,000 | Financial Security Assurance Holdings | 6.875% |
| 4,600 | Financial Security Assurance Holdings | 6.250% |
| 34,500 | Lincoln National Capital Trust VI | 6.750% |
| 265,920 | Markel Corporation | 7.500% |
| 296,700 | PartnerRe Limited, Series C | 6.750% |
| 77,700 | PartnerRe Limited, Series D | 6.500% |
| 80,700 | PLC Capital Trust III | 7.500% |
| 414,700 | PLC Capital Trust IV | 7.250% |
| 7,900 | PLC Capital Trust V | 6.125% |
| 20,200 | Protective Life Corporation | 7.250% |
| 8,300 | Prudential Financial Inc. (CORTS) | 6.000% |
| 264,265 | Prudential PLC | 6.750% |

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| | | |
|---------|---|--------|
| 284,502 | RenaissanceRe Holdings Limited | 6.600% |
| 65,100 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | IT SERVICES - 0.1% | |
| 31,500 | Vertex Industries Inc. (PPLUS) | 7.625% |
| ----- | | |
| | MEDIA - 6.0% | |
| 110,600 | CBS Corporation | 7.250% |
| 167,800 | CBS Corporation | 6.750% |
| 96,609 | Comcast Corporation | 7.000% |
| 735,519 | Comcast Corporation | 7.000% |
| 16,400 | Comcast Corporation | 6.625% |
| 828,932 | Viacom Inc. | 6.850% |
| ----- | | |
| | Total Media | |
| ----- | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.7% | |
| 532,932 | Nexen Inc. | 7.350% |
| ----- | | |
| | PHARMACEUTICALS - 0.1% | |
| 20,500 | Bristol-Myers Squibb Company (CORTS) | 6.250% |
| 14,300 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% |
| ----- | | |
| | Total Pharmaceuticals | |
| ----- | | |
| | REAL ESTATE/MORTGAGE - 17.0% | |
| 41,158 | AMB Property Corporation, Series M | 6.750% |
| 196,300 | AMB Property Corporation, Series P | 6.850% |
| 12,500 | AvalonBay Communities, Inc., Series H | 8.700% |
| 30,100 | Developers Diversified Realty Corporation | 7.500% |
| 47,300 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 406,800 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 155,700 | Duke Realty Corporation, Series L | 6.600% |
| 51,700 | Duke Realty Corporation, Series N | 7.250% |
| 279,400 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 577,039 | HRPT Properties Trust, Series B | 8.750% |
| 600,300 | Kimco Realty Corporation, Series G | 7.750% |
| 3,600 | Prologis Trust, Series F | 6.750% |
| 107,400 | Prologis Trust, Series G | 6.750% |
| 455,900 | PS Business Parks, Inc. | 7.000% |
| 57,970 | PS Business Parks, Inc., Series I | 6.875% |

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| | | |
|---------|--------------------------------------|--------|
| 240,000 | PS Business Parks, Inc., Series L | 7.600% |
| 1,700 | PS Business Parks, Inc., Series O | 7.375% |
| 4,000 | Public Storage, Inc. | 7.125% |
| 17,100 | Public Storage, Inc. | 6.750% |
| 64,800 | Public Storage, Inc., Series C | 6.600% |
| 5,200 | Public Storage, Inc., Series E | 6.750% |
| 59,400 | Public Storage, Inc., Series F | 6.450% |
| 367,196 | Public Storage, Inc., Series K | 7.250% |
| 95,200 | Public Storage, Inc., Series M | 6.625% |
| 347,600 | Public Storage, Inc., Series V | 7.500% |

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| SHARES | DESCRIPTION (1) | COUPON |
|---------|---|--------|
| ----- | | |
| | REAL ESTATE/MORTGAGE (continued) | |
| 3,371 | Public Storage, Inc., Series X | 6.450% |
| 107,100 | Public Storage, Inc., Series Y | 6.850% |
| 83,500 | Realty Income Corporation | 7.375% |
| 110,400 | Realty Income Corporation, Series E | 6.750% |
| 47,500 | Regency Centers Corporation | 7.450% |
| 22,600 | Regency Centers Corporation | 7.250% |
| 323,633 | Vornado Realty Trust, Series G | 6.625% |
| 40,200 | Vornado Realty Trust, Series H | 6.750% |
| 91,500 | Vornado Realty Trust, Series I | 6.625% |
| 579,400 | Wachovia Preferred Funding Corporation | 7.250% |
| 2,300 | Weingarten Realty Trust, Series E | 6.950% |
| ----- | | |
| | Total Real Estate/Mortgage | |
| ----- | | |
| | THRIFTS & MORTGAGE FINANCE - 2.7% | |
| 13,400 | Countrywide Capital Trust III (PPLUS) | 8.050% |
| 717,384 | Countrywide Capital Trust IV | 6.750% |
| 792,505 | Countrywide Capital Trust V | 7.000% |

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| | | |
|---------|--|--------|
| 60,800 | Harris Preferred Capital Corporation, Series A | 7.375% |
| ----- | | |
| | Total Thrifts & Mortgage Finance | |
| ----- | | |
| 19,300 | U.S. AGENCY - 1.2% Federal Home Loan Mortgage Corporation | 6.550% |
| 77,000 | Federal Home Loan Mortgage Corporation | 8.375% |
| 125,000 | Federal National Mortgage Association | 7.000% |
| ----- | | |
| | Total U.S. Agency | |
| ----- | | |
| 159,700 | WIRELESS TELECOMMUNICATION SERVICES - 0.6% United States Cellular Corporation | 8.750% |
| ----- | | |
| | TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$715,539,654) | |
| ===== | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|--|--------|----------|
| | CORPORATE BONDS - 1.3% (0.8% OF TOTAL INVESTMENTS) | | |
| | COMMERCIAL BANKS - 1.3% | | |
| \$ 8,600 | Swedbank ForeningsSparbanken AB, 144A | 7.500% | 9/27/49 |
| ----- | | | |
| \$ 8,600 | TOTAL CORPORATE BONDS (COST \$9,387,889) | | |
| ===== | | | |

| PRINCIPAL AMOUNT (000) / SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------------|---|--------|----------|
| | CAPITAL PREFERRED SECURITIES - 66.4% (41.3% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 4.9% | | |
| 2,500 | Bank of New York Capital I, Series B | 7.970% | 12/31/26 |
| 2,250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 8,250 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 11,400 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 |
| 1,900 | MUFG Capital Finance 2 | 4.850% | 7/25/56 |
| 2,000 | Schwab Capital Trust I | 7.500% | 11/15/37 |
| 5,500 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| 4,000 | COMMERCIAL BANKS - 36.6% AB Svensk Exportkredit, | 6.375% | 10/27/49 |

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| | | | |
|--------|--|--------|----------|
| 19,850 | 144A Abbey National Capital Trust I | 8.963% | 6/30/50 |
| 23,000 | AgFirst Farm Credit Bank | 8.393% | 12/15/16 |
| 3,000 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 2,500 | Bank One Capital III | 8.750% | 9/01/30 |
| 1,500 | BanPonce Trust I, Series A | 8.327% | 2/01/27 |
| 7,200 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 2,000 | Barclays Bank PLC | 7.434% | 12/15/57 |
| 6,000 | BBVA International Preferred S.A., Unipersonal | 5.919% | 10/18/49 |
| 2,000 | BNP Paribas | 7.195% | 12/25/57 |

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JTP
Nuveen Quality Preferred Income Fund (continued)
Portfolio of INVESTMENTS as of December 31, 2007

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|--|---------|----------|
| | COMMERCIAL BANKS (continued) | | |
| 7,500 | Capital One Capital IV Corporation | 6.745% | 2/17/37 |
| 2,000 | CBG Florida REIT Corporation | 7.114% | 11/15/49 |
| 3,000 | Centura Capital Trust I, 144A | 8.845% | 6/01/27 |
| 2,000 | Corestates Capital Trust I, 144A | 8.000% | 12/15/26 |
| 1,700 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 11,500 | Den Norske Bank, 144A | 7.729% | 6/29/49 |
| 1,500 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 4,700 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 |
| 15,400 | HBOS PLC, Series, 144A | 6.413% | 4/01/49 |
| 5,750 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 |
| 17,150 | HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 |
| 3,000 | HT1 Funding, GmbH | 6.352% | 6/30/57 |
| 13,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 2,000 | KeyCorp Capital III | 7.750% | 7/15/29 |
| 3,390 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 |
| 12,000 | Mizuho Financial Group | 8.375% | 4/27/49 |
| 7,755 | Nordbanken AB, 144A | 8.950% | 11/29/49 |
| 700 | Northgroup Preferred Capital Corporation, 144A | 6.378% | 10/15/57 |

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| | | | |
|--------|--|--------|----------|
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 17,500 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 |
| 1,500 | Royal Bank of Scotland Group PLC, Series U | 7.640% | 3/31/49 |
| 9,400 | Shinsei Finance II Cayman Limited, Perpetual Maturity, 144A | 7.160% | 7/25/49 |
| 5,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 |
| 2,600 | Standard Chartered PLC, 144A | 6.409% | 1/30/57 |
| 3,600 | Standard Chartered PLC, 144A | 7.014% | 1/30/58 |
| 6,100 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| 4,700 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 |
| 800 | Union Bank of Norway | 7.068% | 11/19/49 |
| 4,000 | Wachovia Capital Trust I, Capital Securities, 144A | 7.640% | 1/15/27 |
| 14,900 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 4.1% | | |
| 1,500 | BNP Paribas Capital Trust, 144A | 9.003% | 12/29/49 |
| 3,500 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 7,400 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 |
| 8,000 | MBNA Corporation, Capital Trust A | 8.278% | 12/01/26 |
| 1,809 | MM Community Funding Trust I Limited | 8.030% | 6/15/31 |
| 8,100 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 1.8% | | |
| 11 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | INSURANCE - 12.8% | | |
| 7,570 | Ace Capital Trust II | 9.700% | 4/01/30 |
| 2,000 | American General Capital II | 8.500% | 7/01/30 |
| 19,000 | AXA S.A., 144A | 6.463% | 12/14/49 |
| 5,800 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 |
| 5,000 | MetLife Capital Trust IV | 7.880% | 12/15/67 |

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| | | | |
|--------|--|--------|----------|
| 3,500 | MetLife Inc. | 6.400% | 12/15/66 |
| 1,400 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 |
| 4,100 | Nationwide Financial Services Inc. | 6.750% | 5/15/67 |
| 6,500 | Oil Insurance Limited, 144A | 7.558% | 12/30/49 |
| 6,100 | Progressive Corporation | 6.700% | 6/15/37 |
| 2,000 | Prudential PLC | 6.500% | 6/29/49 |
| 10,200 | QBE Capital Funding Trust II, 144A | 6.797% | 6/01/49 |
| 22,000 | XL Capital, Limited | 6.500% | 10/15/57 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| 5,860 | OIL, GAS & CONSUMABLE FUELS - 0.7% KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|--------|----------|
| | REAL ESTATE - 3.6% | | |
| 19 | Firststar Realty LLC, 144A | 8.875% | 12/31/50 |
| ----- | | | |
| | ROAD & RAIL - 1.0% | | |
| 7,600 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.9% | | |
| 3,000 | Caisse Nationale Des Caisses d'Epargne et de Prevoyance | 6.750% | 1/27/49 |
| 800 | Onbank Capital Trust I | 9.250% | 2/01/27 |
| 4,600 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |
| ----- | | | |
| | Total Thrifts & Mortgage Finance | | |
| ----- | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$503,417,626) | | |
| ===== | | | |
| SHARES | DESCRIPTION (1) | | |
| ----- | | | |
| | INVESTMENT COMPANIES - 5.6% (3.5% OF TOTAL INVESTMENTS) | | |

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| | |
|---------|---|
| 251,398 | Blackrock Preferred and Corporate Income Strategies Fund |
| 601,789 | Blackrock Preferred Income Strategies Fund |
| 100,221 | Blackrock Preferred Opportunity Trust |
| 643,692 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. |
| 216,228 | Flaherty and Crumrine/Claymore Total Return Fund Inc. |
| 48,147 | John Hancock Preferred Income Fund |
| 52,729 | John Hancock Preferred Income Fund II |
| 497,219 | John Hancock Preferred Income Fund III |

TOTAL INVESTMENT
COMPANIES (COST
\$49,277,335)
=====

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| | U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 0.1% (0.1% OF TOTAL INVESTMENTS) | | |
| \$ 1,000 | United States of America Treasury Notes | 3.625% | 10/31/09 |
| \$ 1,000 | TOTAL U.S. GOVERNMENT AND AGENCY OBLIGATIONS (COST \$1,010,765) | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|---|--------|----------|
| | SHORT-TERM INVESTMENTS - 2.6% (1.6% OF TOTAL INVESTMENTS) | | |
| \$ 18,321 | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/07, repurchase price \$18,322,155, collateralized by \$13,400,000 U.S. Treasury Bonds, 7.625%, due 2/15/25, value \$18,693,000 | 1.000% | 1/02/08 |
| | TOTAL SHORT-TERM INVESTMENTS (COST \$18,321,137) | | |

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=====

TOTAL INVESTMENTS (COST
\$1,296,954,406) -- 160.7%

OTHER ASSETS LESS
LIABILITIES - 0.9%

=====

FUNDPREFERRED SHARES, AT
LIQUIDATION
VALUE -- (61.6)% (3)

NET ASSETS APPLICABLE TO
COMMON SHARES -- 100%

=====

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2007:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY |
|----------------|--------------------|--------------------------------------|------------------------|----------------------------|------------------------------------|
| Citigroup Inc. | \$110,000,000 | Receive | 1-Month USD-LIBOR | 4.350% | Monthly |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

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JTP
Nuveen Quality Preferred Income Fund (continued)
Portfolio of INVESTMENTS as of December 31, 2007

- (1) All percentages shown in the Portfolio of Investments are based on net assets ap
to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting f
Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Inv
Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa
are considered to be below investment grade.
- (3) FundPreferred Shares, at Liquidation Value as a percentage of total investments
(38.3)%.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of
amended. These investments may only be resold in transactions exempt from regist
which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

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JPS

Nuveen Quality Preferred Income Fund 2
Portfolio of INVESTMENTS

as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON | RATINGS (2) |
|-----------|---|--------|-------------|
| | \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 83.8% (53.6% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 5.8% | | |
| 51,724 | Bear Stearns Capital Trust III | 7.800% | A2 |
| 18,700 | BNY Capital Trust IV, Series E | 6.875% | Aa3 |
| 31,993 | BNY Capital Trust V, Series F | 5.950% | Aa3 |
| 1,306,900 | Deutsche Bank Capital Funding Trust II | 6.550% | Aa3 |
| 10,700 | Goldman Sachs Capital I (CORTS) | 6.000% | A1 |
| 14,000 | Goldman Sachs Capital I, Series A (CORTS) | 6.000% | A1 |
| 4,800 | Goldman Sachs Group Inc. (SATURNS) | 5.750% | AA- |
| 1,900 | Goldman Sachs Group Inc., Series 2003-06 (SATURNS) | 6.000% | AA- |
| 6,600 | Goldman Sachs Group Inc., Series 2003-11 (SATURNS) | 5.625% | Aa3 |
| 35,900 | Goldman Sachs Group Inc., Series 2004-04 (SATURNS) | 6.000% | A1 |
| 7,000 | Goldman Sachs Group Inc., Series 2004-06 (SATURNS) | 6.000% | A1 |
| 10,200 | Goldman Sachs Group Inc., Series 2004-4 (CORTS) | 6.000% | A1 |
| 16,800 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% | A1 |
| 12,700 | Goldman Sachs Group Inc., Series GSC-4 Class A (PPLUS) | 6.000% | A1 |
| 14,800 | Goldman Sachs Group Inc., Series GSG-1 (PPLUS) | 6.000% | AA- |
| 7,400 | Goldman Sachs Group Inc., Series GSG-2 (PPLUS) | 5.750% | AA- |
| 3,200 | JPMorgan Chase Capital Trust XIX, Series S | 6.625% | Aa3 |
| 228,000 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% | A2 |
| 103,600 | Lehman Brothers Holdings Capital Trust IV, Series L | 6.375% | A2 |
| 56,200 | Lehman Brothers Holdings Capital Trust V, Series M | 6.000% | A2 |
| 5,400 | Lehman Brothers Holdings Capital Trust VI, Series N | 6.240% | A2 |

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| | | | |
|-----------|---|---------|------|
| 197,781 | Merrill Lynch Preferred Capital Trust III | 7.000% | A2 |
| 144,200 | Merrill Lynch Preferred Capital Trust IV | 7.120% | A2 |
| 253,200 | Merrill Lynch Preferred Capital Trust V | 7.280% | A2 |
| 417,664 | Morgan Stanley Capital Trust III | 6.250% | A1 |
| 268,757 | Morgan Stanley Capital Trust IV | 6.250% | A1 |
| 36,579 | Morgan Stanley Capital Trust V | 5.750% | A+ |
| 500,400 | Morgan Stanley Capital Trust VI | 6.600% | A1 |
| 126,797 | Morgan Stanley Capital Trust VII | 6.600% | A2 |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| | COMMERCIAL BANKS - 14.1% | | |
| 47,100 | ABN AMRO Capital Fund Trust V | 5.900% | A1 |
| 1,600 | ABN AMRO Capital Trust Fund VII | 6.080% | A1 |
| 162,960 | ASBC Capital I | 7.625% | A3 |
| 5,200 | BAC Capital Trust IV | 5.875% | Aa2 |
| 3,800 | BAC Capital Trust V | 6.000% | Aa3 |
| 3,000 | BAC Capital Trust VIII | 6.000% | Aa2 |
| 141,100 | BAC Capital Trust X | 6.250% | Aa2 |
| 82,334 | Banco Santander Finance | 6.410% | Aa3 |
| 77,879 | Banco Santander Finance, 144A | 6.500% | A |
| 202,057 | Banco Santander Finance, 144A | 6.800% | Aa3 |
| 18,600 | BancorpSouth Capital Trust I | 8.150% | Baa1 |
| 731,000 | Banesto Holdings, Series A, 144A | 10.500% | A1 |
| 100,000 | Bank of America Corporation | 6.625% | Aa3 |
| 206,700 | Bank One Capital Trust VI | 7.200% | Aa3 |
| 100,000 | Barclays Bank PLC | 7.750% | Aa3 |
| 100,000 | Barclays Bank PLC | 7.100% | Aa3 |
| 22,412 | Barclays Bank PLC | 6.625% | Aa3 |
| 408,300 | Capital One Capital II Corporation | 7.500% | Baa1 |
| 481,100 | Citizens Funding Trust I | 7.500% | Baa2 |
| 225,500 | Cobank ABC, 144A | 7.000% | A |
| 659,300 | Fifth Third Capital Trust VI | 7.250% | A1 |
| 3,000 | Fleet Capital Trust IX | 6.000% | Aa2 |
| 374,795 | HSBC Finance Corporation | 6.875% | AA- |
| 150,300 | HSBC Finance Corporation | 6.000% | Aa3 |
| 51,398 | KeyCorp Capital Trust IX | 6.750% | Baa1 |
| 4,500 | KeyCorp Capital Trust V | 5.875% | A3 |
| 5,300 | KeyCorp Capital VI | 6.125% | A3 |
| 58,962 | KeyCorp Capital VIII | 7.000% | A3 |
| 1,162,900 | National City Capital Trust II | 6.625% | A3 |

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JPS
 Nuveen Quality Preferred Income Fund 2 (continued)
 Portfolio of INVESTMENTS as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON | RATINGS (2) |
|---------|---|--------|-------------|
| | COMMERCIAL BANKS (continued) | | |
| 92,100 | National City Capital Trust IV | 8.000% | A2 |
| 1,800 | National Westminster Bank PLC | 7.760% | Aa3 |
| 289,600 | PFCI Capital Corporation | 7.750% | A- |
| 4,600 | PNC Capital Trust | 6.125% | A2 |
| 97,900 | Royal Bank of Scotland Group PLC | 6.600% | Aa3 |
| 50,000 | Royal Bank of Scotland Group PLC, Series L | 5.750% | A1 |
| 598,076 | Royal Bank of Scotland Group PLC, Series N | 6.350% | A1 |
| 8,900 | Royal Bank of Scotland Group PLC, Series P | 6.250% | A1 |
| 229,400 | Royal Bank of Scotland Group PLC, Series T | 7.250% | Aa3 |
| 3,500 | SunAmerica (CORTS) | 6.700% | AA |
| 7,600 | USB Capital Trust VI | 5.750% | Aa3 |
| 21,900 | USB Capital Trust VII | 5.875% | Aa3 |
| 2,000 | USB Capital Trust VIII | 6.350% | Aa3 |
| 2,000 | USB Capital Trust X | 6.500% | Aa3 |
| 530,050 | USB Capital Trust XI | 6.600% | A1 |
| 74,740 | VNB Capital Trust I | 7.750% | A3 |
| 9,715 | Wachovia Capital Trust IX | 6.375% | A1 |
| 179,416 | Wachovia Trust IV | 6.375% | A1 |
| 2,800 | Wells Fargo Capital Trust IX | 5.625% | Aa2 |
| 301,700 | Wells Fargo Capital Trust V | 7.000% | Aa2 |
| 34,481 | Wells Fargo Capital Trust VII | 5.850% | Aa2 |
| 3,100 | Wells Fargo Capital Trust VIII | 5.625% | Aa2 |
| 590,350 | Zions Capital Trust B | 8.000% | BBB- |
| | Total Commercial Banks | | |
| | COMPUTERS & PERIPHERALS - 0.0% | | |
| 7,200 | IBM Corporation, Class A (CORTS) | 5.625% | A+ |
| 11,310 | IBM Inc., Trust Certificates, Series 2001-2 | 7.100% | A+ |
| 1,500 | IBM Trust VI (CORTS) | 6.375% | A+ |
| | Total Computers & Peripherals | | |
| | DIVERSIFIED FINANCIAL SERVICES - 11.1% | | |
| 6,300 | Allied Capital | 6.875% | BBB+ |

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| | | | |
|-----------|---|--------|------|
| | Corporation | | |
| 3,900 | American International Group, (CORTS) | 6.125% | Aa3 |
| 393,960 | BAC Capital Trust XII | 6.875% | Aa3 |
| 558,725 | Citigroup Capital Trust VIII | 6.950% | A+ |
| 95,990 | Citigroup Capital Trust IX | 6.000% | A+ |
| 17,700 | Citigroup Capital X | 6.100% | A+ |
| 32,300 | Citigroup Capital Trust XI | 6.000% | A+ |
| 163,075 | Citigroup Capital XIV | 6.875% | A+ |
| 851,188 | Citigroup Capital XV | 6.500% | Aa3 |
| 35,900 | Citigroup Capital XVI | 6.450% | A+ |
| 118,600 | Citigroup Capital XVII | 6.350% | A+ |
| 71,900 | Citigroup Capital XIX | 7.250% | A+ |
| 241,800 | Citigroup Capital XX | 7.875% | Aa3 |
| 1,246,000 | Deutsche Bank Capital Funding Trust VIII | 6.375% | A |
| 127,912 | General Electric Capital Corporation | 6.450% | AAA |
| 19,228 | General Electric Capital Corporation | 6.100% | AAA |
| 5,000 | General Electric Capital Corporation | 6.050% | AAA |
| 3,200 | General Electric Capital Corporation | 5.875% | AAA |
| 1,509,600 | ING Groep N.V. | 7.200% | A1 |
| 1,432,255 | ING Groep N.V. | 7.050% | A |
| 25,800 | ING Groep N.V. | 6.375% | A1 |
| 2,700 | ING Groep N.V. | 6.200% | A1 |
| 3,200 | JPMorgan Chase Capital Trust XI | 5.875% | Aa3 |
| 11,900 | JPMorgan Chase Capital Trust XIV | 6.200% | Aa3 |
| 158,000 | Merrill Lynch Capital Trust I | 6.450% | A |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 0.3% | | |
| 87,100 | AT&T Inc. | 6.375% | A |
| 17,500 | BellSouth Capital Funding (CORTS) | 7.100% | A |
| 43,200 | BellSouth Corporation (CORTS) | 7.000% | A |
| 28,800 | Verizon Communications (CORTS) | 7.625% | A |
| ----- | | | |
| | Total Diversified Telecommunication Services | | |
| ----- | | | |
| | ELECTRIC UTILITIES - 3.9% | | |
| 27,400 | DTE Energy Trust I | 7.800% | Baa3 |
| 4,200 | Entergy Arkansas Inc. | 6.700% | AAA |

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| SHARES | DESCRIPTION (1) | COUPON | RATINGS (2) |
|-----------|--|--------|-------------|
| | ELECTRIC UTILITIES (continued) | | |
| 4,900 | Entergy Arkansas Inc. | 6.000% | AAA |
| 57,650 | Entergy Louisiana LLC | 7.600% | A- |
| 1,299,100 | Entergy Mississippi Inc. | 7.250% | A- |
| 1,400 | Entergy Mississippi Inc. | 6.000% | AAA |
| 110,392 | FPL Group Capital Inc. | 6.600% | A3 |
| 6,500 | FPL Group Capital Trust I | 5.875% | A3 |
| 4,600 | Georgia Power Company | 6.375% | AAA |
| 1,600 | National Rural Utilities Cooperative Finance Corporation | 6.750% | A3 |
| 9,000 | National Rural Utilities Cooperative Finance Corporation | 6.100% | A3 |
| 25,600 | National Rural Utilities Cooperative Finance Corporation | 5.950% | A3 |
| 13,600 | PPL Capital Funding, Inc. | 6.850% | Baa2 |
| 356,600 | PPL Energy Supply LLC | 7.000% | BBB |
| 265,500 | Virginia Power Capital Trust | 7.375% | BBB |
| | Total Electric Utilities | | |
| | FOOD PRODUCTS - 0.4% | | |
| 56,900 | Dairy Farmers of America Inc., 144A | 7.875% | BBB- |
| | HOUSEHOLD DURABLES - 0.4% | | |
| 255,156 | Pulte Homes Inc. | 7.375% | BB+ |
| | INSURANCE - 16.7% | | |
| 1,214,900 | Ace Ltd., Series C | 7.800% | BBB |
| 1,000 | Aegon N.V., Series 1 | 5.915% | A- |
| 77,018 | Aegon N.V. | 6.875% | A- |
| 6,000 | Aegon N.V. | 7.250% | A- |
| 2,463,950 | Aegon N.V. | 6.375% | A- |
| 2,100 | AIG Capital Securities, Series 2002-11 (SATURNS) | 6.000% | Aa3 |
| 67,190 | AMBAC Financial Group Inc. | 5.950% | AA |
| 11,000 | American International Group, Inc. | 6.450% | Aa3 |
| 315,000 | American International Group, Inc. | 7.700% | Aa3 |
| 989,983 | Arch Capital Group Limited | 8.000% | BBB- |
| 10,500 | Arch Capital Group Limited, Series B | 7.785% | BBB- |
| 711,246 | Berkley WR Corporation, Capital Trust II | 6.750% | BBB- |
| 659,307 | Delphi Financial Group, Inc. | 8.000% | BBB+ |
| 425,300 | Delphi Financial Group, Inc. | 7.376% | BBB- |
| 149,150 | EverestRe Capital Trust | 6.200% | Baa1 |

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| | | | | |
|-----------|--|--------|--|------|
| | II | | | |
| 63,800 | Financial Security Assurance Holdings | 6.875% | | AA |
| 714,000 | Financial Security Assurance Holdings | 6.250% | | AA |
| 2,800 | Financial Security Assurance Holdings | 5.600% | | AA |
| 54,300 | Lincoln National Capital Trust VI | 6.750% | | A- |
| 14,900 | Lincoln National Corporation | 6.750% | | A- |
| 531,600 | Markel Corporation | 7.500% | | BBB- |
| 651,620 | PartnerRe Limited, Series C | 6.750% | | BBB+ |
| 27,400 | PartnerRe Limited, Series D | 6.500% | | BBB+ |
| 109,000 | PLC Capital Trust III | 7.500% | | BBB+ |
| 462,240 | PLC Capital Trust IV | 7.250% | | BBB+ |
| 26,100 | PLC Capital Trust V | 6.125% | | BBB+ |
| 122,700 | Protective Life Corporation | 7.250% | | BBB |
| 9,400 | Prudential Financial Inc. (CORTS) | 6.000% | | A+ |
| 380,900 | Prudential PLC | 6.750% | | A |
| 32,000 | Prudential PLC | 6.500% | | A- |
| 358,200 | RenaissanceRe Holdings Limited | 6.600% | | BBB |
| 156,100 | RenaissanceRe Holdings Limited, Series B | 7.300% | | BBB |
| 12,300 | RenaissanceRe Holdings Limited, Series C | 6.080% | | BBB+ |
| 10,400 | Torchmark Capital Trust III | 7.100% | | BBB+ |
| ----- | | | | |
| | Total Insurance | | | |
| ----- | | | | |
| | IT SERVICES - 0.0% | | | |
| 16,500 | Vertex Industries Inc. (PPLUS) | 7.625% | | A |
| ----- | | | | |
| | MEDIA - 5.3% | | | |
| 171,400 | CBS Corporation | 7.250% | | BBB |
| 864,700 | CBS Corporation | 6.750% | | BBB |
| 5,500 | Comcast Corporation | 7.000% | | BBB+ |
| 1,372,514 | Comcast Corporation | 7.000% | | BBB+ |
| 3,700 | Comcast Corporation | 6.625% | | BBB+ |
| 1,000,840 | Viacom Inc. | 6.850% | | BBB |

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JPS
Nuveen Quality Preferred Income Fund 2 (continued)
Portfolio of INVESTMENTS as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON | RATINGS (2) |
|--------|-------------------|--------|-------------|
| ----- | | | |
| | MEDIA (continued) | | |

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| | | | |
|-----------|---|--------|------|
| 3,600 | Walt Disney Company (CORTS) | 6.875% | A |
| ----- | | | |
| | Total Media | | |
| ----- | | | |
| 908,311 | OIL, GAS & CONSUMABLE FUELS - 1.5% Nexen Inc. | 7.350% | Baa3 |
| ----- | | | |
| | PHARMACEUTICALS - 0.0% | | |
| 7,600 | Bristol-Myers Squibb Company (CORTS) | 6.250% | A+ |
| 7,500 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% | A+ |
| ----- | | | |
| | Total Pharmaceuticals | | |
| ----- | | | |
| | REAL ESTATE/MORTGAGE - 19.4% | | |
| 40,000 | AMB Property Corporation, Series O | 7.000% | Baa2 |
| 212,979 | AMB Property Corporation, Series P | 6.850% | Baa2 |
| 95,400 | AvalonBay Communities, Inc., Series H | 8.700% | BBB |
| 105,805 | BRE Properties, Series C | 6.750% | BBB- |
| 32,635 | BRE Properties, Series D | 6.750% | BBB- |
| 42,167 | Developers Diversified Realty Corporation | 7.500% | BBB- |
| 639,813 | Developers Diversified Realty Corporation, Series G | 8.000% | BBB- |
| 191,323 | Developers Diversified Realty Corporation, Series H | 7.375% | BBB- |
| 231,300 | Duke Realty Corporation, Series K | 6.500% | BBB |
| 302,600 | Duke Realty Corporation, Series L | 6.600% | BBB |
| 2,200 | Duke Realty Corporation, Series N | 7.250% | BBB |
| 154,846 | Duke-Weeks Realty Corporation | 6.950% | BBB |
| 5,600 | Duke-Weeks Realty Corporation | 6.625% | BBB |
| 289,100 | First Industrial Realty Trust, Inc., Series J | 7.250% | BBB- |
| 1,066,465 | HRPT Properties Trust, Series B | 8.750% | BBB- |
| 71,980 | HRPT Properties Trust, Series C | 7.125% | BBB- |
| 173,200 | Kimco Realty Corporation, Series F | 6.650% | BBB+ |
| 905,801 | Kimco Realty Corporation, Series G | 7.750% | BBB+ |
| 1,300 | Prologis Trust, Series F | 6.750% | BBB |
| 95,328 | Prologis Trust, Series G | 6.750% | BBB |
| 13,100 | PS Business Parks, Inc. | 6.700% | BBB- |
| 774,970 | PS Business Parks, Inc. | 7.000% | BBB- |
| 108,900 | PS Business Parks, Inc., Series I | 6.875% | BBB- |
| 110,700 | PS Business Parks, Inc., Series K | 7.950% | BBB- |
| 401,000 | PS Business Parks, Inc., | 7.600% | BBB- |

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| | | | |
|-----------|-----------------------------------|--------|------|
| | Series L | | |
| 6,300 | PS Business Parks, Inc., | 7.375% | BBB- |
| | Series O | | |
| 43,400 | Public Storage, Inc. | 6.750% | BBB+ |
| 4,800 | Public Storage, Inc. | 7.125% | BBB+ |
| 234,600 | Public Storage, Inc., | 6.600% | BBB+ |
| | Series C | | |
| 41,400 | Public Storage, Inc., | 6.750% | BBB+ |
| | Series E | | |
| 73,666 | Public Storage, Inc., | 6.450% | BBB+ |
| | Series F | | |
| 17,130 | Public Storage, Inc., | 6.950% | BBB+ |
| | Series H | | |
| 401,300 | Public Storage, Inc., | 7.250% | BBB+ |
| | Series I | | |
| 381,020 | Public Storage, Inc., | 7.250% | BBB+ |
| | Series K | | |
| 711,570 | Public Storage, Inc., | 6.625% | BBB+ |
| | Series M | | |
| 148,000 | Public Storage, Inc., | 7.500% | BBB+ |
| | Series V | | |
| 5,300 | Public Storage, Inc., | 6.450% | BBB+ |
| | Series X | | |
| 67,600 | Public Storage, Inc., | 6.850% | BBB+ |
| | Series Y | | |
| 4,000 | Public Storage, Inc., | 6.250% | BBB+ |
| | Series Z | | |
| 159,400 | Realty Income Corporation | 7.375% | BBB- |
| 474,358 | Realty Income | 6.750% | BBB- |
| | Corporation, Series E | | |
| 325,223 | Regency Centers | 7.450% | BBB- |
| | Corporation | | |
| 245,800 | Regency Centers | 7.250% | BBB- |
| | Corporation | | |
| 26,900 | Vornado Realty Trust, | 6.750% | BBB- |
| | Series F | | |
| 213,940 | Vornado Realty Trust, | 6.625% | BBB- |
| | Series G | | |
| 122,800 | Vornado Realty Trust, | 6.750% | BBB- |
| | Series H | | |
| 220,250 | Vornado Realty Trust, | 6.625% | BBB- |
| | Series I | | |
| 2,296,200 | Wachovia Preferred | 7.250% | A2 |
| | Funding Corporation | | |
| 2,100 | Weingarten Realty | 6.500% | BBB |
| | Investors Series F | | |
| 158,600 | Weingarten Realty Trust, | 6.950% | A- |
| | Series E | | |
| <hr/> | | | |
| | Total Real | | |
| | Estate/Mortgage | | |
| <hr/> | | | |
| | THRIFTS & MORTGAGE FINANCE - 1.7% | | |
| 971,765 | Countrywide Capital Trust | 6.750% | BBB- |
| | IV | | |
| 1,072,275 | Countrywide Capital Trust | 7.000% | BBB- |
| | V | | |
| 22,300 | Harris Preferred Capital | 7.375% | A1 |
| | Corporation, Series A | | |
| <hr/> | | | |
| | Total Thrifts & Mortgage | | |
| | Finance | | |

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| SHARES | DESCRIPTION (1) | COUPON | RATINGS (2) |
|--|---|--------|-------------|
| 67,200 | U.S. AGENCY - 1.5% Federal Home Loan Mortgage Corporation | 6.550% | AA- |
| 289,000 | Federal Home Loan Mortgage Corporation | 8.375% | AA- |
| 238,000 | Federal National Mortgage Association | 7.000% | AA- |
| ----- | | | |
| | Total U.S. Agency | | |
| ----- | | | |
| 939,840 | WIRELESS TELECOMMUNICATION SERVICES - 1.7% United States Cellular Corporation | 8.750% | A- |
| ----- | | | |
| TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$1,351,225,257) | | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY | RATINGS (2) |
|---------------------------|--|--------|----------|-------------|
| | CORPORATE BONDS - 0.7% (0.4% OF TOTAL INVESTMENTS) | | | |
| | COMMERCIAL BANKS - 0.7% | | | |
| \$ 5,000 | Credit Agricole S.A. | 6.637% | 5/29/49 | Aa3 |
| 4,400 | Swedbank ForeningsSparbanken AB, 144A | 7.500% | 9/27/49 | Aa2 |
| 9,400 | Total Commercial Banks | | | |
| ----- | | | | |
| \$ 9,400 | TOTAL CORPORATE BONDS (COST \$9,683,419) | | | |

| PRINCIPAL AMOUNT (000) / SHARES | DESCRIPTION (1) | COUPON | MATURITY | RATINGS (2) |
|---------------------------------------|---|--------|----------|-------------|
| | CAPITAL PREFERRED SECURITIES - 64.4% (41.1% OF TOTAL INVESTMENTS) | | | |
| | CAPITAL MARKETS - 6.9% | | | |
| 1,465 | Bank of New York Capital I, Series B | 7.970% | 12/31/26 | Aa3 |
| 5,000 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 | A1 |
| 10,300 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 | A1 |
| 21,190 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 | A1 |
| 17,095 | First Union Capital Trust | 7.950% | 11/15/29 | A1 |

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| II, Series A | | | | |
|--------------------------|---|---------|----------|------|
| 10,000 | Mizuho JGB Investment | 9.870% | 6/30/48 | A1 |
| 3,600 | MUFG Capital Finance 2 | 4.850% | 7/25/56 | BBB+ |
| 3,000 | Schwab Capital Trust I | 7.500% | 11/15/37 | A3 |
| 19,800 | UBS Preferred Funding Trust I | 8.622% | 10/29/49 | Aa2 |
| ----- | | | | |
| Total Capital Markets | | | | |
| ----- | | | | |
| COMMERCIAL BANKS - 34.9% | | | | |
| 10,000 | AB Svensk Exportkredit, 144A | 6.375% | 10/27/49 | AA- |
| 36,650 | Abbey National Capital Trust I | 8.963% | 6/30/50 | A+ |
| 29,000 | AgFirst Farm Credit Bank | 8.393% | 12/15/16 | A- |
| 7,100 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 | A- |
| 6,500 | Bank One Capital III | 8.750% | 9/01/30 | Aa3 |
| 4,300 | BankAmerica Institutional Capital Trust, Series B, 144A | 7.700% | 12/31/26 | Aa2 |
| 4,500 | BanPonce Trust I, Series A | 8.327% | 2/01/27 | Baa1 |
| 36,000 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 | Aa3 |
| 1,000 | Barclays Bank PLC | 7.434% | 12/15/57 | Aa3 |
| 6,900 | BBVA International Preferred S.A., Unipersonal | 5.919% | 10/18/49 | A1 |
| 1,000 | BNP Paribas | 7.195% | 12/25/57 | AA- |
| 5,000 | Capital One Capital III Corporation | 7.686% | 8/15/36 | Baa1 |
| 6,920 | Capital One Capital IV Corporation | 6.745% | 2/17/37 | Baa1 |
| 15,000 | CBG Florida REIT Corporation | 7.114% | 11/15/49 | Baa3 |
| 2,000 | Corestates Capital Trust I, 144A | 8.000% | 12/15/26 | A+ |
| 3,700 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 | Aa3 |
| 11,700 | Den Norske Bank, 144A | 7.729% | 6/29/49 | Aa3 |
| 1,500 | First Empire Capital Trust I | 8.234% | 2/01/27 | A3 |
| 1,500 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 | Baa1 |
| 6,310 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 | A1 |
| 24,200 | HBOS PLC, Series, 144A | 6.413% | 4/01/49 | A1 |
| 2,400 | HSBC Capital Funding LP, 144A | 9.547% | 12/31/49 | A1 |
| 6,250 | HSBC Capital Funding LP, Debt | 10.176% | 6/30/50 | A1 |
| 6,000 | HTI Funding, GmbH | 6.352% | 6/30/57 | A- |
| 32,000 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 | A1 |
| 8,000 | KeyCorp Capital III | 7.750% | 7/15/29 | A3 |
| 12,500 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 | Aa2 |
| 14,000 | Mizuho Financial Group | 8.375% | 4/27/49 | Aa3 |
| 14,000 | Nordbanken AB, 144A | 8.950% | 11/29/49 | Aa3 |
| 8,000 | North Fork Capital Trust II | 8.000% | 12/15/27 | Baa1 |

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JPS
 Nuveen Quality Preferred Income Fund 2 (continued)
 Portfolio of INVESTMENTS as of December 31, 2007

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY | RATINGS (2) |
|--------------------------------------|--|--------|----------|-------------|
| | COMMERCIAL BANKS (continued) | | | |
| 10,000 | Northgroup Preferred Capital Corporation, 144A | 6.378% | 10/15/57 | A1 |
| 2,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 | Baa1 |
| 8,000 | Reliance Capital Trust I, Series B | 8.170% | 5/01/28 | N/R |
| 17,500 | Royal Bank of Scotland Group PLC | 9.118% | 3/31/49 | Aa3 |
| 3,300 | Royal Bank of Scotland Group PLC, Series U | 7.640% | 3/31/49 | A1 |
| 22,700 | Shinsei Finance II Cayman Limited, Perpetual Maturity, 144A | 7.160% | 7/25/49 | Baa2 |
| 5,000 | Sparebanken Rogaland, Notes, 144A | 6.443% | 5/01/49 | A2 |
| 6,900 | Standard Chartered PLC, 144A | 7.014% | 1/30/58 | BBB+ |
| 13,600 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 | Aa3 |
| 9,000 | Unicredito Italiano Capital Trust, 144A | 9.200% | 4/05/51 | A1 |
| 1,500 | Union Bank of Norway | 7.068% | 11/19/49 | A2 |
| -- (3) | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 | A2 |
| 36,700 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 | BBB |
| | Total Commercial Banks | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 4.0% | | | |
| 1,000 | BNP Paribas Capital Trust, 144A | 9.003% | 12/29/49 | AA- |
| 6,800 | Fulton Capital Trust I | 6.290% | 2/01/36 | A3 |
| 15,300 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 | Aa3 |
| 13,400 | MBNA Corporation, Capital Trust A | 8.278% | 12/01/26 | Aa2 |
| 1,805 | MM Community Funding Trust I Limited | 8.030% | 6/15/31 | Aaa |
| 19,300 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 | Baa2 |
| | Total Diversified Financial Services | | | |

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| | | | | | |
|--------|---|--------|----------|--|------|
| | ----- | | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 2.5% | | | | |
| 30 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 | | BBB |
| ----- | | | | | |
| | INSURANCE - 12.9% | | | | |
| 14,280 | Ace Capital Trust II | 9.700% | 4/01/30 | | Baa1 |
| 28,000 | American General Institutional Capital, 144A | 8.125% | 3/15/46 | | Aa3 |
| 12,900 | AXA S.A., 144A | 6.463% | 12/14/49 | | BBB+ |
| 10,700 | AXA-UAP | 8.600% | 12/15/30 | | A- |
| 9,600 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 | | A- |
| 1,000 | Liberty Mutual Group | 7.800% | 3/15/37 | | Baa3 |
| 8,000 | MetLife Capital Trust IV | 7.880% | 12/15/67 | | BBB+ |
| 5,500 | MetLife Inc. | 6.400% | 12/15/66 | | BBB+ |
| 1,200 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 | | Baa1 |
| 6,400 | Nationwide Financial Services Inc. | 6.750% | 5/15/67 | | Baa1 |
| 12,300 | Oil Insurance Limited, 144A | 7.558% | 12/30/49 | | Baa1 |
| 15,600 | Progressive Corporation | 6.700% | 6/15/37 | | A2 |
| 2,850 | Prudential PLC | 6.500% | 6/29/49 | | A |
| 18,100 | QBE Capital Funding Trust II, 144A | 6.797% | 6/01/49 | | BBB |
| 28,900 | XL Capital, Limited | 6.500% | 10/15/57 | | BBB |
| ----- | | | | | |
| | Total Insurance | | | | |
| ----- | | | | | |
| | OIL, GAS & CONSUMABLE FUELS - 0.7% | | | | |
| 10,750 | KN Capital Trust III | 7.630% | 4/15/28 | | B1 |
| ----- | | | | | |
| | ROAD & RAIL - 1.0% | | | | |
| 14,400 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 | | BBB |
| ----- | | | | | |
| | THRIFTS & MORTGAGE FINANCE - 1.5% | | | | |
| 12,811 | Countrywide Capital Trust III, Series B | 8.050% | 6/15/27 | | BBB- |
| 1,300 | MM Community Funding Trust I Limited | 9.480% | 6/15/31 | | Baa2 |
| 18,100 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 | | BBB |
| ----- | | | | | |
| | Total Thrifts & Mortgage Finance | | | | |
| ----- | | | | | |
| | TOTAL CAPITAL PREFERRED SECURITIES (COST \$962,916,913) | | | | |
| ===== | | | | | |

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| SHARES | DESCRIPTION (1) |
|-----------|--|
| | INVESTMENT COMPANIES - 5.2% (3.3% OF TOTAL INVESTMENTS) |
| 306,317 | Blackrock Preferred and Corporate Income Strategies Fund |
| 1,126,886 | Blackrock Preferred Income Strategies Fund |
| 347,135 | Blackrock Preferred Opportunity Trust |
| 1,217,312 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. |
| 216,222 | Flaherty and Crumrine/Claymore Total Return Fund Inc. |
| 107,237 | John Hancock Preferred Income Fund |
| 90,920 | John Hancock Preferred Income Fund II |
| 884,701 | John Hancock Preferred Income Fund III |
| | TOTAL INVESTMENT COMPANIES (COST \$88,111,171) |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|---|--------|----------|
| | U.S. GOVERNMENT AND AGENCY OBLIGATIONS - 0.1% (0.0% OF TOTAL INVESTMENTS) | | |
| \$ 1,000 | United States of America Treasury Notes | 3.125% | 11/30/09 |
| \$ 1,000 | TOTAL U.S. GOVERNMENT AND AGENCY OBLIGATIONS (COST \$1,004,141) | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|---|--------|----------|
| | SHORT-TERM INVESTMENTS - 2.5% (1.6% OF TOTAL INVESTMENTS) | | |
| \$ 35,101 | Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/07, repurchase price \$35,102,837, collateralized by \$33,190,000 U.S. Treasury Notes, 4.875%, due 8/15/16, value \$35,803,713 | 1.000% | 1/02/08 |
| | TOTAL SHORT-TERM INVESTMENTS (COST | | |

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\$35,100,887)

=====

TOTAL INVESTMENTS (COST
\$2,448,041,788) - 156.7%

OTHER ASSETS LESS
LIABILITIES - 1.0%

=====

FUNDPREFERRED SHARES, AT
LIQUIDATION
VALUE - (57.7)% (4)

NET ASSETS APPLICABLE TO
COMMON SHARES - 100%

=====

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2007:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY |
|----------------|--------------------|--------------------------------------|------------------------|----------------------------|------------------------------------|
| Citigroup Inc. | \$200,000,000 | Receive | 1-Month USD-LIBOR | 3.910% | Monthly |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

- (1) All percentages shown in the Portfolio of Investments are based on net assets applied to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting firm) are based on the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investment Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa3 by Moody's are considered to be below investment grade.
- (3) Principal Amount (000)/Shares rounds to less than \$1,000.
- (4) FundPreferred Shares, at Liquidation Value as a percentage of total investments (36.8)%.
- N/R Not rated.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

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Portfolio of INVESTMENTS

as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON |
|--|--|---------|
| ----- | | |
| \$25 PAR (OR SIMILAR) PREFERRED SECURITIES - 100.0% (61.6% OF TOTAL INVESTMENTS) | | |
| CAPITAL MARKETS - 11.5% | | |
| 21,206 | Bear Stearns Capital Trust III | 7.800% |
| 725 | BNY Capital Trust V, Series F | 5.950% |
| 560,800 | Deutsche Bank Capital Funding Trust II | 6.550% |
| 5,800 | Goldman Sachs Group Inc. (SATURNS) | 5.750% |
| 11,900 | Goldman Sachs Group Inc., Series GSC-3 (PPLUS) | 6.000% |
| 12,000 | Goldman Sachs Group Inc., Series GSC-4 Class A (PPLUS) | 6.000% |
| 357,800 | Lehman Brothers Holdings Capital Trust III, Series K | 6.375% |
| 70,800 | Merrill Lynch Preferred Capital Trust III | 7.000% |
| 21,200 | Merrill Lynch Preferred Capital Trust IV | 7.120% |
| 88,000 | Merrill Lynch Preferred Capital Trust V | 7.280% |
| 176,623 | Morgan Stanley Capital Trust III | 6.250% |
| 1,400 | Morgan Stanley Capital Trust IV | 6.250% |
| 21,100 | Morgan Stanley Capital Trust V | 5.750% |
| 75,700 | Morgan Stanley Capital Trust VI | 6.600% |
| 29,718 | Morgan Stanley Capital Trust VII | 6.600% |
| ----- | | |
| Total Capital Markets | | |
| ----- | | |
| COMMERCIAL BANKS - 17.2% | | |
| 38,300 | ASBC Capital I | 7.625% |
| 3,600 | BAC Capital Trust IV | 5.875% |
| 12,200 | BAC Capital Trust VIII | 6.000% |
| 3,800 | BAC Capital Trust X | 6.250% |
| 1,359 | Banco Santander Finance | 6.410% |
| 17,612 | Banco Santander Finance, 144A | 6.500% |
| 204,784 | Banco Santander Finance, 144A | 6.800% |
| 25,800 | BancorpSouth Capital Trust I | 8.150% |
| 246,100 | Banesto Holdings, Series A, 144A | 10.500% |
| 33,200 | Bank One Capital Trust VI | 7.200% |

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| | | |
|---------|---|--------|
| 29,500 | Capital One Capital II Corporation | 7.500% |
| 40,500 | Citizens Funding Trust I | 7.500% |
| 44,500 | Cobank ABC, 144A | 7.000% |
| 349,600 | Fifth Third Capital Trust VI | 7.250% |
| 35,816 | Fleet Capital Trust VIII | 7.200% |
| 141,900 | HSBC Finance Corporation | 6.875% |
| 167,655 | KeyCorp Capital Trust IX | 6.750% |
| 245,800 | National City Capital Trust II | 6.625% |
| 8,100 | National City Capital Trust III | 6.625% |
| 13,600 | PNC Capital Trust | 6.125% |
| 1,744 | Royal Bank of Scotland Group PLC, Series L | 5.750% |
| 104,465 | Royal Bank of Scotland Group PLC, Series N | 6.350% |
| 16,100 | USB Capital Trust XI | 6.600% |
| 15,760 | VNB Capital Trust I | 7.750% |
| 4,000 | Wells Fargo Capital Trust IX | 5.625% |
| 51,000 | Wells Fargo Capital Trust V | 7.000% |
| 49,444 | Wells Fargo Capital Trust VII | 5.850% |
| 81,600 | Zions Capital Trust B | 8.000% |
| ----- | | |
| | Total Commercial Banks | |
| ----- | | |
| 2,804 | COMPUTERS & PERIPHERALS - 0.0% IBM Inc., Trust Certificates, Series 2001-2 | 7.100% |
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES - 13.6% | |
| 59,100 | Allied Capital Corporation | 6.875% |
| 370,815 | BAC Capital Trust XII | 6.875% |
| 10,000 | Citigroup Capital XIV | 6.875% |
| 55,729 | Citigroup Capital XV | 6.500% |
| 304,900 | Citigroup Capital XX | 7.875% |
| 108,000 | General Electric Capital Corporation | 6.050% |
| 497,300 | ING Groep N.V. | 7.200% |
| 142,600 | ING Groep N.V. | 7.050% |
| 11,000 | ING Groep N.V. | 6.125% |

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| SHARES | DESCRIPTION (1) | COUPON |
|--------|---|--------|
| ----- | | |
| | DIVERSIFIED FINANCIAL SERVICES (continued) | |
| 1,913 | Royal Bank of Scotland Public Limited Company, Series 2006Q | 6.750% |
| ----- | | |

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| | | |
|---------|--|--------|
| | Total Diversified Financial Services | |
| ----- | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 2.0% | |
| 179,200 | AT&T Inc. | 6.375% |
| 3,300 | BellSouth Capital Funding (CORTS) | 7.100% |
| 4,600 | BellSouth Corporation (CORTS) | 7.000% |
| 26,600 | Verizon Communications (CORTS) | 7.625% |
| ----- | | |
| | Total Diversified Telecommunication Services | |
| ----- | | |
| | ELECTRIC UTILITIES - 3.9% | |
| 55,200 | Entergy Louisiana LLC | 7.600% |
| 203,147 | Entergy Mississippi Inc. | 7.250% |
| 47,900 | FPL Group Capital Inc. | 7.450% |
| 23,800 | FPL Group Capital Inc. | 6.600% |
| 3,500 | National Rural Utilities Cooperative Finance Corporation | 6.100% |
| 33,018 | National Rural Utilities Cooperative Finance Corporation | 5.950% |
| 34,400 | PPL Energy Supply LLC | 7.000% |
| 8,900 | Virginia Power Capital Trust | 7.375% |
| ----- | | |
| | Total Electric Utilities | |
| ----- | | |
| | FOOD PRODUCTS - 0.4% | |
| 11,000 | Dairy Farmers of America Inc., 144A | 7.875% |
| ----- | | |
| | INSURANCE - 18.5% | |
| 194,400 | Ace Ltd., Series C | 7.800% |
| 15,686 | Aegon N.V. | 6.875% |
| 409,638 | Aegon N.V. | 6.375% |
| 41,700 | AMBAC Financial Group Inc. | 5.950% |
| 142,500 | American International Group | 7.700% |
| 195,649 | Arch Capital Group Limited | 8.000% |
| 54,100 | Berkley WR Corporation, Capital Trust II | 6.750% |
| 139,400 | Delphi Financial Group, Inc. | 8.000% |
| 92,100 | Delphi Financial Group, Inc. | 7.376% |
| 45,867 | EverestRe Capital Trust II | 6.200% |
| 146,200 | Financial Security Assurance Holdings | 6.250% |
| 174,900 | PartnerRe Limited, Series C | 6.750% |
| 3,100 | PartnerRe Limited, Series D | 6.500% |

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| | | |
|---------|--|--------|
| 57,100 | PLC Capital Trust III | 7.500% |
| 46,400 | PLC Capital Trust IV | 7.250% |
| 5,400 | PLC Capital Trust V | 6.125% |
| 332,700 | Protective Life Corporation | 7.250% |
| 80,844 | Prudential PLC | 6.750% |
| 3,300 | RenaissanceRe Holdings Limited | 6.600% |
| 73,466 | RenaissanceRe Holdings Limited, Series B | 7.300% |
| ----- | | |
| | Total Insurance | |
| ----- | | |
| | MEDIA - 5.6% | |
| 75,000 | CBS Corporation | 6.750% |
| 261,800 | Comcast Corporation | 7.000% |
| 25,400 | Comcast Corporation | 7.000% |
| 40,900 | Comcast Corporation | 6.625% |
| 259,800 | Viacom Inc. | 6.850% |
| ----- | | |
| | Total Media | |
| ----- | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.7% | |
| 195,200 | Nexen Inc. | 7.350% |
| ----- | | |
| | PHARMACEUTICALS - 0.2% | |
| 8,600 | Bristol-Myers Squibb Company (CORTS) | 6.250% |
| 4,800 | Bristol-Myers Squibb Company Trust (CORTS) | 6.800% |
| ----- | | |
| | Total Pharmaceuticals | |
| ----- | | |
| | REAL ESTATE/MORTGAGE - 20.7% | |
| 10,700 | AvalonBay Communities, Inc., Series H | 8.700% |
| 29,400 | BRE Properties, Series C | 6.750% |

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JHP
Nuveen Quality Preferred Income Fund 3 (continued)
Portfolio of INVESTMENTS as of December 31, 2007

| SHARES | DESCRIPTION (1) | COUPON |
|---------|---|--------|
| 8,029 | BRE Properties, Series D | 6.750% |
| 171,200 | Developers Diversified Realty Corporation, Series G | 8.000% |
| 32,000 | Developers Diversified Realty Corporation, Series H | 7.375% |
| 112,900 | Duke Realty Corporation, Series L | 6.600% |
| 136,700 | Duke Realty Corporation, Series N | 7.250% |

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| | | |
|---------|--|--------|
| 149,000 | Duke-Weeks Realty Corporation | 6.950% |
| 144,300 | First Industrial Realty Trust, Inc., Series J | 7.250% |
| 145,429 | HRPT Properties Trust, Series B | 8.750% |
| 131,111 | HRPT Properties Trust, Series C | 7.125% |
| 186,200 | Kimco Realty Corporation, Series G | 7.750% |
| 17,500 | Prologis Trust, Series G | 6.750% |
| 155,600 | PS Business Parks, Inc. | 7.000% |
| 115,800 | PS Business Parks, Inc., Series L | 7.600% |
| 3,000 | Public Storage, Inc. | 7.125% |
| 115,500 | Public Storage, Inc. | 6.750% |
| 16,500 | Public Storage, Inc., Series F | 6.450% |
| 194,262 | Public Storage, Inc., Series K | 7.250% |
| 32,500 | Public Storage, Inc., Series M | 6.625% |
| 15,000 | Public Storage, Inc., Series V | 7.500% |
| 77,300 | Public Storage, Inc., Series Y | 6.850% |
| 5,900 | Realty Income Corporation | 7.375% |
| 53,800 | Realty Income Corporation, Series E | 6.750% |
| 30,972 | Regency Centers Corporation | 7.450% |
| 76,000 | Regency Centers Corporation | 7.250% |
| 9,000 | Regency Centers Corporation | 6.700% |
| 61,800 | Vornado Realty Trust, Series G | 6.625% |
| 7,500 | Vornado Realty Trust, Series I | 6.625% |
| 262,800 | Wachovia Preferred Funding Corporation | 7.250% |
| 39,900 | Weingarten Realty Trust, Series E | 6.950% |
| <hr/> | | |
| | Total Real Estate/Mortgage | |
| <hr/> | | |
| | THRIFTS & MORTGAGE FINANCE - 2.3% | |
| 223,569 | Countrywide Capital Trust IV | 6.750% |
| 289,365 | Countrywide Capital Trust V | 7.000% |
| 3,300 | Harris Preferred Capital Corporation, Series A | 7.375% |
| <hr/> | | |
| | Total Thrifts & Mortgage Finance | |
| <hr/> | | |
| | U.S. AGENCY - 0.9% | |
| 13,200 | Federal Home Loan Mortgage Corporation | 6.550% |

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| | | |
|--|---|--------|
| 46,500 | Federal National Mortgage Association | 7.000% |
| ----- | | |
| | Total U.S. Agency | |
| ----- | | |
| 157,500 | WIRELESS TELECOMMUNICATION SERVICES - 1.5% United States Cellular Corporation | 8.750% |
| ----- | | |
| TOTAL \$25 PAR (OR SIMILAR) PREFERRED SECURITIES (COST \$304,820,823) | | |
| ===== | | |

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|---------------------------|--|--------|----------|
| ----- | | | |
| | CORPORATE BONDS - 0.7% (0.4% OF TOTAL INVESTMENTS) | | |
| | COMMERCIAL BANKS - 0.7% | | |
| \$ 2,000 | Credit Agricole S.A. | 6.637% | 5/29/49 |
| ----- | | | |
| \$ 2,000 | TOTAL CORPORATE BONDS (COST \$1,943,989) | | |
| ===== | | | |

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|--------|----------|
| ----- | | | |
| | CAPITAL PREFERRED SECURITIES - 52.7% (32.4% OF TOTAL INVESTMENTS) | | |
| | CAPITAL MARKETS - 8.3% | | |
| 1,000 | Bank of New York Capital I, Series B | 7.970% | 12/31/26 |
| 250 | C.A. Preferred Fund Trust II | 7.000% | 10/30/49 |
| 3,250 | C.A. Preferred Funding Trust | 7.000% | 1/30/49 |
| 4,300 | Dresdner Funding Trust I, 144A | 8.151% | 6/30/31 |
| 8,485 | First Union Capital Trust II, Series A | 7.950% | 11/15/29 |
| 3,000 | Mizuho JGB Investment | 9.870% | 6/30/48 |

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| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|---|--------|----------|
| ----- | | | |
| 700 | CAPITAL MARKETS (continued) MUFG Capital Finance 2 | 4.850% | 7/25/56 |
| ----- | | | |
| | Total Capital Markets | | |
| ----- | | | |
| 1,500 | COMMERCIAL BANKS - 24.7% AB Svensk Exportkredit, | 6.375% | 10/27/49 |

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| | | | |
|-------|--|--------|----------|
| | 144A | | |
| 1,800 | Abbey National Capital Trust I | 8.963% | 6/30/50 |
| 1,900 | AgFirst Farm Credit Bank | 7.300% | 12/15/53 |
| 6,200 | Barclays Bank PLC, 144A | 8.550% | 6/15/49 |
| 500 | Barclays Bank PLC | 7.434% | 12/15/57 |
| 1,900 | BBVA International Preferred S.A., Unipersonal | 5.919% | 10/18/49 |
| 5,000 | Capital One Capital IV Corporation | 6.745% | 2/17/37 |
| 3,000 | CBG Florida REIT Corporation | 7.114% | 11/15/49 |
| 900 | DBS Capital Funding Corporation, 144A | 7.657% | 3/15/49 |
| 4,400 | Den Norske Bank, 144A | 7.729% | 6/29/49 |
| 1,000 | First Empire Capital Trust I | 8.234% | 2/01/27 |
| 500 | First Midwest Bancorp Inc. | 6.950% | 12/01/33 |
| 1,600 | HBOS Capital Funding LP, Notes | 6.850% | 3/23/49 |
| 4,600 | HBOS PLC, Series, 144A | 6.413% | 4/01/49 |
| 1,430 | HSEC USA Capital Trust II, 144A | 8.380% | 5/15/27 |
| 1,000 | HTI Funding, GmbH | 6.352% | 6/30/57 |
| 2,500 | KBC Bank Fund Trust III, 144A | 9.860% | 5/02/50 |
| 1,000 | Lloyds TSB Bank PLC, Subordinated Note | 6.900% | 11/22/49 |
| 2,000 | Mizuho Financial Group | 8.375% | 4/27/49 |
| 2,000 | Northgroup Preferred Capital Corporation, 144A | 6.378% | 10/15/57 |
| 1,000 | Popular North American Capital Trust I | 6.564% | 9/15/34 |
| 1,500 | Royal Bank of Scotland Group PLC, Series U | 7.640% | 3/31/49 |
| 3,300 | Shinsei Finance II Cayman Limited, Perpetual Maturity, 144A | 7.160% | 7/25/49 |
| 1,500 | Standard Chartered PLC, 144A | 7.014% | 1/30/58 |
| 2,660 | Swedbank ForeningsSparbanken AB, 144A | 9.000% | 9/17/50 |
| --(3) | Union Planters Preferred Fund, 144A | 7.750% | 7/15/53 |
| 5,600 | Washington Mutual Preferred Funding Cayman, Series A-1, 144A | 7.250% | 3/15/49 |
| ----- | | | |
| | Total Commercial Banks | | |
| ----- | | | |
| | DIVERSIFIED FINANCIAL SERVICES - 3.6% | | |
| 1,300 | Fulton Capital Trust I | 6.290% | 2/01/36 |
| 6,000 | JPMorgan Chase Capital Trust XVIII | 6.950% | 8/17/36 |
| 902 | MM Community Funding Trust I Limited | 8.030% | 6/15/31 |

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| | | | |
|-------|---|--------|----------|
| 1,800 | Old Mutual Capital Funding, Notes | 8.000% | 6/22/53 |
| ----- | | | |
| | Total Diversified Financial Services | | |
| ----- | | | |
| | DIVERSIFIED TELECOMMUNICATION SERVICES - 2.3% | | |
| 5 | Centaur Funding Corporation, Series B, 144A | 9.080% | 4/21/20 |
| ----- | | | |
| | INSURANCE - 11.2% | | |
| 3,450 | Ace Capital Trust II | 9.700% | 4/01/30 |
| 3,500 | AXA S.A., 144A | 6.463% | 12/14/49 |
| 2,600 | Great West Life and Annuity Insurance Company | 7.153% | 5/16/46 |
| 1,000 | Liberty Mutual Group | 7.800% | 3/15/37 |
| 1,000 | MetLife Capital Trust IV | 7.880% | 12/15/67 |
| 600 | MetLife Inc. | 6.400% | 12/15/66 |
| 400 | Nationwide Financial Services Capital Trust | 7.899% | 3/01/37 |
| 600 | Nationwide Financial Services Inc. | 6.750% | 5/15/67 |
| 2,400 | Oil Insurance Limited, 144A | 7.558% | 12/30/49 |
| 4,500 | Progressive Corporation | 6.700% | 6/15/37 |
| 500 | Prudential PLC | 6.500% | 6/29/49 |
| 6,000 | QBE Capital Funding Trust II, 144A | 6.797% | 6/01/49 |
| 3,000 | XL Capital, Limited | 6.500% | 10/15/57 |
| ----- | | | |
| | Total Insurance | | |
| ----- | | | |
| | OIL, GAS & CONSUMABLE FUELS - 1.0% | | |
| 3,000 | KN Capital Trust III | 7.630% | 4/15/28 |
| ----- | | | |
| | ROAD & RAIL - 1.0% | | |
| 2,785 | Burlington Northern Santa Fe Funding Trust I | 6.613% | 12/15/55 |
| ----- | | | |

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JHP
Nuveen Quality Preferred Income Fund 3 (continued)
Portfolio of INVESTMENTS as of December 31, 2007

| PRINCIPAL AMOUNT (000)/ SHARES | DESCRIPTION (1) | COUPON | MATURITY |
|--------------------------------------|--|--------|----------|
| ----- | | | |
| | THRIFTS & MORTGAGE FINANCE - 0.6% | | |
| 2,400 | Washington Mutual Preferred Funding Trust II | 6.665% | 3/15/57 |

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TOTAL CAPITAL PREFERRED
SECURITIES (COST
\$148,558,258)

| SHARES | DESCRIPTION (1) |
|---------|--|
| | INVESTMENT COMPANIES - 6.5% (4.0% OF TOTAL INVESTMENTS) |
| 97,685 | Blackrock Preferred and Corporate Income Strategies Fund |
| 230,226 | Blackrock Preferred Income Strategies Fund |
| 46,226 | Blackrock Preferred Opportunity Trust |
| 241,169 | Flaherty and Crumrine/Claymore Preferred Securities Income Fund Inc. |
| 158,064 | Flaherty and Crumrine/Claymore Total Return Fund Inc. |
| 19,342 | John Hancock Preferred Income Fund |
| 24,126 | John Hancock Preferred Income Fund II |
| 188,671 | John Hancock Preferred Income Fund III |

TOTAL INVESTMENT
COMPANIES (COST
\$20,757,565)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | COUPON | MATURITY |
|------------------------|---|--------|----------|
| \$ 6,831 | SHORT-TERM INVESTMENTS - 2.6% (1.6% OF TOTAL INVESTMENTS) Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/07, repurchase price \$6,831,539, collateralized by \$6,460,000 U.S. Treasury Notes, 4.875%, due 8/15/16, value \$6,968,725 | 1.000% | 1/02/08 |

TOTAL SHORT-TERM
INVESTMENTS (COST
\$6,831,159)

TOTAL INVESTMENTS (COST
\$482,911,794) - 162.5%

OTHER ASSETS LESS
LIABILITIES - 1.1%

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 FUNDPREFERRED SHARES, AT
 LIQUIDATION
 VALUE - (63.6)% (4)

NET ASSETS APPLICABLE TO
 COMMON SHARES - 100%
 =====

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2007:

| COUNTERPARTY | NOTIONAL AMOUNT | FUND PAY/RECEIVE FLOATING RATE | FLOATING RATE INDEX | FIXED RATE (ANNUALIZED) | FIXED RATE PAYMENT FREQUENCY | TERMI |
|----------------|-----------------|--------------------------------|---------------------|-------------------------|------------------------------|-------|
| Citigroup Inc. | \$42,000,000 | Receive | 1-Month USD-LIBOR | 3.255% | Monthly | 2/ |
| Citigroup Inc. | 42,000,000 | Receive | 1-Month USD-LIBOR | 3.815 | Monthly | 2/ |

USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate)

- (1) All percentages shown in the Portfolio of Investments are based on net assets ap to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting f Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Inv Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa are considered to be below investment grade.
- (3) Principal Amount (000)/Shares rounds to less than \$1,000.
- (4) FundPreferred Shares, at Liquidation Value as a percentage of total investments (39.1)%.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of amended. These investments may only be resold in transactions exempt from regist which are normally those transactions with qualified institutional buyers.
- CORTS Corporate Backed Trust Securities.
- PPLUS PreferredPlus Trust.
- SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

Statement of

ASSETS & LIABILITIES

December 31, 2007

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| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME 2 (JPS) |
|---|---|---|
| ASSETS | | |
| Investments, at value (cost \$1,296,954,406, \$2,448,041,788 and \$482,911,794, respectively) | \$1,147,610,708 | \$2,172,707,865 |
| Cash | 1,160,808 | 863,704 |
| Cash denominated in foreign currencies (cost \$-, \$155,530 and \$-, respectively) | -- | 155,056 |
| Unrealized appreciation on interest rate swaps | -- | -- |
| Receivables: | | |
| Dividends | 1,514,518 | 2,200,160 |
| Interest | 5,105,876 | 10,038,580 |
| Investments sold | 1,036,658 | 2,920,311 |
| Reclaims | -- | 142,729 |
| Other assets | 110,242 | 201,748 |
| Total assets | 1,156,538,810 | 2,189,230,153 |
| LIABILITIES | | |
| Unrealized depreciation on interest rate swaps | 987,076 | 418,657 |
| Payable for investments purchased | 307,543 | 359,688 |
| Accrued expenses: | | |
| Management fees | 621,578 | 1,130,088 |
| Other | 384,808 | 645,901 |
| FundPreferred shares dividends payable | 293,236 | 550,390 |
| Total liabilities | 2,594,241 | 3,104,724 |
| FundPreferred shares, at liquidation value | 440,000,000 | 800,000,000 |
| Net assets applicable to Common shares | \$ 713,944,569 | \$1,386,125,429 |
| Common shares outstanding | 64,557,648 | 119,845,699 |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 11.06 | \$ 11.57 |
| NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF: | | |
| Common shares, \$.01 par value per share | \$ 645,576 | \$ 1,198,457 |
| Paid-in surplus | 897,894,532 | 1,686,854,230 |
| Undistributed (Over-distribution of) net investment income | 193,921 | (3,668,866) |
| Accumulated net realized gain (loss) from investments and derivative transactions | (34,465,403) | (22,518,627) |
| Net unrealized appreciation (depreciation) of investments and derivative transactions | (150,324,057) | (275,739,765) |
| Net assets applicable to Common shares | \$ 713,944,569 | \$1,386,125,429 |
| Authorized shares: | | |
| Common | Unlimited | Unlimited |
| FundPreferred | Unlimited | Unlimited |

See accompanying notes to financial statements.

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Statement of
OPERATIONS

Year Ended December 31, 2007

| | QUALITY PREFERRED INCOME (JTP) | QUALITY PREFERRED INCOME (JPS) |
|--|---|---|
| ----- | | |
| INVESTMENT INCOME | | |
| Dividends (net of foreign tax withheld of \$--, \$5,063 and \$1,971, respectively) | \$ 56,601,945 | \$ 108,431,96 |
| Interest | 36,089,577 | 67,723,48 |
| ----- | | |
| Total investment income | 92,691,522 | 176,155,44 |
| ----- | | |
| EXPENSES | | |
| Management fees | 11,085,785 | 20,302,07 |
| FundPreferred shares - auction fees | 1,100,000 | 2,000,00 |
| FundPreferred shares - dividend disbursing agent fees | 29,724 | 42,01 |
| Shareholders' servicing agent fees and expenses | 8,208 | 9,94 |
| Custodian's fees and expenses | 231,269 | 418,67 |
| Trustees' fees and expenses | 30,448 | 60,27 |
| Professional fees | 87,741 | 123,28 |
| Shareholders' reports - printing and mailing expenses | 194,074 | 345,82 |
| Stock exchange listing fees | 23,270 | 43,23 |
| Investor relations expense | 168,550 | 313,01 |
| Other expenses | 50,055 | 66,64 |
| ----- | | |
| Total expenses before custodian fee credit and expense reimbursement | 13,009,124 | 23,724,97 |
| Custodian fee credit | (17,571) | (28,67 |
| Expense reimbursement | (3,615,359) | (7,321,20 |
| ----- | | |
| Net expenses | 9,376,194 | 16,375,10 |
| ----- | | |
| Net investment income | 83,315,328 | 159,780,34 |
| ----- | | |
| REALIZED AND UNREALIZED GAIN (LOSS) | | |
| Net realized gain (loss) from: | | |
| Investments | (5,132,013) | (574,70 |
| Interest rate swaps | 2,033,771 | 6,499,83 |
| Futures | (11,881,039) | (19,893,20 |
| Foreign currencies | 1,097 | 16,39 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (172,487,627) | (330,937,01 |
| Interest rate swaps | (3,782,365) | (9,742,68 |
| Foreign currencies | 5,317 | 10,16 |
| ----- | | |
| Net realized and unrealized gain (loss) | (191,242,859) | (354,621,22 |
| ----- | | |
| DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS | | |
| From net investment income | (22,627,872) | (40,051,09 |

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| | | |
|---|------------------|----------------|
| From accumulated net realized gains | -- | (1,169,21 |
| Decrease in net assets applicable to Common shares from distributions to FundPreferred shareholders | (22,627,872) | (41,220,30 |
| Net increase (decrease) in net assets applicable to Common shares from operations | \$ (130,555,403) | \$ (236,061,18 |

See accompanying notes to financial statements.

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Statement of
CHANGES in NET ASSETS

| | QUALITY PREFERRED INCOME (JTP) | |
|---|--------------------------------|------------------------|
| | YEAR ENDED 12/31/07 | YEAR ENDED 12/31/06 |
| OPERATIONS | | |
| Net investment income | \$ 83,315,328 | \$ 82,501,402 |
| Net realized gain (loss) from: | | |
| Investments | (5,132,013) | 132,407 |
| Interest rate swaps | 2,033,771 | 2,298,167 |
| Futures | (11,881,039) | -- |
| Foreign currencies | 1,097 | 563 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (172,487,627) | (940,681) |
| Interest rate swaps | (3,782,365) | (215,813) |
| Foreign currencies | 5,317 | 1,400 |
| Distributions to FundPreferred shareholders: | | |
| From net investment income | (22,627,872) | (20,743,697) |
| From accumulated net realized gains | -- | -- |
| Net increase (decrease) in net assets applicable to Common shares from operations | (130,555,403) | 63,033,748 |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (59,742,151) | (69,630,812) |
| From accumulated net realized gains | -- | -- |
| Tax return of capital | (6,091,299) | -- |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (65,833,450) | (69,630,812) |
| CAPITAL SHARE TRANSACTIONS | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | 725,059 | 607,703 |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 725,059 | 607,703 |
| Net increase (decrease) in net assets applicable to Common shares | (195,663,794) | (5,989,361) |

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| | | |
|---|---------------|----------------|
| Net assets applicable to Common shares at the beginning of year | 909,608,363 | 915,597,724 |
| Net assets applicable to Common shares at the end of year | \$713,944,569 | \$909,608,363 |
| Undistributed (Over-distribution of) net investment income at the end of year | \$ 193,921 | \$ (1,329,743) |

See accompanying notes to financial statements.

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| | QUALITY PREFERRED INCOME 3 (JHP) | |
|---|----------------------------------|------------------------|
| | YEAR ENDED 12/31/07 | YEAR ENDED 12/31/06 |
| OPERATIONS | | |
| Net investment income | \$ 30,839,129 | \$ 30,871,981 |
| Net realized gain (loss) from: | | |
| Investments | (4,501,418) | (2,688,895) |
| Interest rate swaps | 1,505,963 | 1,379,809 |
| Futures | (4,429,499) | -- |
| Foreign currencies | (2,751) | 208 |
| Change in net unrealized appreciation (depreciation) of: | | |
| Investments | (63,538,229) | 3,328,270 |
| Interest rate swaps | (2,319,574) | (567,278) |
| Foreign currencies | 1,793 | 516 |
| Distributions to Fund Preferred shareholders: | | |
| From net investment income | (8,630,819) | (7,912,599) |
| From accumulated net realized gains | -- | -- |
| Net increase (decrease) in net assets applicable to Common shares from operations | (51,075,405) | 24,412,012 |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (22,471,014) | (25,661,097) |
| From accumulated net realized gains | -- | -- |
| Tax return of capital | (2,322,309) | (327,326) |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (24,793,323) | (25,988,423) |
| CAPITAL SHARE TRANSACTIONS | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | 409,712 | 259,052 |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 409,712 | 259,052 |
| Net increase (decrease) in net assets applicable to Common shares | (75,459,016) | (1,317,359) |

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| | | |
|---|---------------|---------------|
| Net assets applicable to Common shares at the beginning of year | 336,540,305 | 337,857,664 |
| Net assets applicable to Common shares at the end of year | \$261,081,289 | \$336,540,305 |
| Undistributed (Over-distribution of) net investment income at the end of year | \$ 639,113 | \$ (881,169) |

See accompanying notes to financial statements.

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Notes to

FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The funds (the "Funds") covered in this report and their corresponding Common share New York Stock Exchange symbols are Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 (JHP). The Funds are registered under the Investment Company Act of 1940, as amended, as non-diversified, closed-end management investment companies.

Each Fund seeks to provide high current income consistent with capital preservation by investing primarily in a portfolio of preferred securities, debt securities including convertible debt securities and convertible preferred securities.

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with U.S. generally accepted accounting principles.

Investment Valuation

Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. Futures contracts are valued using the closing settlement price or, in the absence of such a price, at the mean of the bid and asked prices. The prices of fixed-income securities and interest rate swap contracts are generally provided by an independent pricing service approved by the Funds' Board of Trustees. When price quotes are not readily available, the pricing service or, in the absence of a pricing service for a particular investment, the Board of Trustees of the Funds, or its designee, may establish fair value using a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant by the pricing service or the Board of Trustees' designee. If the pricing service is unable to supply a price for an investment or derivative instrument, the Funds may use market quotes provided by major broker/dealers in such investments. If it is determined that the market price for an investment or derivative instrument is unavailable or inappropriate, the

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Board of Trustees of the Funds, or its designee, may establish fair value in accordance with procedures established in good faith by the Board of Trustees. Short-term investments are valued at amortized cost, which approximates market value.

Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from investment transactions are determined on the specific identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At December 31, 2007, there were no such outstanding purchase commitments in any of the Funds.

Investment Income

Dividend income is recorded on the ex-dividend date or, for foreign securities, when information is available. Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Interest income also includes paydown gains and losses, if any.

Federal Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required.

Effective June 29, 2007, the Funds adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the affirmative evaluation of tax positions taken or expected to be taken in the course of preparing the Funds' tax returns to determine whether it is "more-likely-than-not" (i.e. greater than 50-percent) of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold may result in a tax benefit or expense in the current year.

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Notes to FINANCIAL STATEMENTS (continued)

Implementation of FIN 48 required management of the Funds to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. Open tax years are those that are open for examination by taxing authorities (i.e. the last four tax year ends and the interim tax period since then). The Funds have no examinations in progress.

For all open tax years and all major taxing jurisdictions through the end of the reporting period, management of the Funds has reviewed all tax positions taken or expected to be taken in the preparation of the Funds' tax returns and concluded the adoption of FIN 48 resulted in no impact to the Funds' net assets or results of operations as of and during the fiscal year ended December 31, 2007.

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The Funds are also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Dividends and Distributions to Common Shareholders

Distributions to Common shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles.

Distributions to Common shareholders are declared monthly. Net realized capital gains from investment transactions, if any, are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

FundPreferred Shares

The Funds have issued and outstanding FundPreferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. Each Fund's FundPreferred shares are issued in more than one Series. The dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period. The number of FundPreferred shares outstanding, by Series and in total, for each Fund is as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|-------------------|---|----------------|
| ----- | | |
| Number of shares: | | |
| Series M | 3,520 | |
| Series T | 3,520 | |
| Series T2 | -- | |
| Series W | 3,520 | |
| Series TH | 3,520 | |
| Series TH2 | -- | |
| Series F | 3,520 | |
| ----- | | |
| Total | 17,600 | |
| ----- | | |

Interest Rate Swap Transactions

The Funds are authorized to invest in interest rate swap transactions. The Funds' use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve each Fund's agreement with the counterparty to pay or receive a fixed rate payment in exchange for the counterparty paying or receiving a variable rate payment that is intended to approximate each Fund's variable rate payment obligation on FundPreferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to

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the net amount of interest payments that each Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Funds help manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties Nuveen Asset Management (the "Adviser"), a wholly owned subsidiary of Nuveen Investments Inc. ("Nuveen"), believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

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Futures Contracts

The Funds are authorized to invest in futures contracts. Upon entering into a futures contract, a Fund is required to deposit with the broker an amount of cash or liquid securities equal to a specified percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract.

During the period the futures contract is open, changes in the value of the contract are recognized as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in market value of the contract. When the contract is closed or expired, a Fund records a realized gain or loss equal to the difference between the value of the contract on the closing date and the value of the contract when originally entered into. Cash held by the broker to cover initial margin requirements on open futures contracts, if any, is recognized in the Statement of Assets and Liabilities. Additionally, the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin when applicable. During the fiscal year ended December 31, 2007 each Fund invested in futures contracts. As of December 31, 2007, there were no outstanding futures contracts in any of the Funds.

Risks of investments in futures contracts include the possible adverse movement of the securities or indices underlying the contracts, the possibility that there may not be a liquid secondary market for the contracts and/or that a change in the value of the contract may not correlate with a change in the value of the underlying securities or indices.

Foreign Currency Transactions

The Funds are authorized to engage in foreign currency exchange transactions, including foreign currency forward, options and futures contracts. To the extent that the Funds invest in securities and/or contracts that are denominated in a currency other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions. The gains or losses resulting from changes in foreign exchange rates are included in "Realized gain (loss) on foreign currencies" and "Change in net unrealized appreciation (depreciation) of foreign currencies" in the Statement of Operations.

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The books and records of the Funds are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at 4:00 p.m. Eastern time. Investments and income and expenses are translated on the respective dates of such transactions. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of the transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of a Fund and the amounts actually received.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is the Funds' policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by net credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days on which the Fund overdraws its account at the custodian bank.

Indemnifications

Under the Funds' organizational documents, their Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnifications to other parties. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

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Notes to
FINANCIAL STATEMENTS (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

2. FUND SHARES

Transactions in Common shares were as follows:

QUALITY PREFERRED
INCOME (JTP)

QUALITY PREFERRED
INCOME 2 (JPS)

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| | YEAR ENDED 12/31/07 | YEAR ENDED 12/31/06 | YEAR ENDED 12/31/07 | 12/31/07 |
|--|---------------------------|---------------------------|---------------------------|----------|
| Shares issued to shareholders due to reinvestment of distributions | 52,207 | 43,337 | 202,230 | 101 |

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the fiscal year ended December 31, 2007, were as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|--|---|----------------|
| Purchases: | | |
| Investment securities | \$422,748,494 | \$728,95 |
| U.S. Government and agency obligations | 1,011,328 | 1,00 |
| Sales and maturities: | | |
| Investment securities | 403,151,787 | 756,29 |
| U.S. Government and agency obligations | -- | |

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis based on the information currently available to the Funds. Differences between amounts for financial statement and federal income tax purposes are primarily due to recognition of premium amortization, recognition of income on REIT investments, timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset values of the Funds.

At December 31, 2007, the cost of investments was as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|---------------------|---|----------------|
| Cost of investments | \$1,296,481,002 | \$2,451,1 |

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Gross unrealized appreciation and gross unrealized depreciation of investments at December 31, 2007, were as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|---|---|----------------|
| ----- | | |
| Gross unrealized: | | |
| Appreciation | \$ 10,574,821 | \$ 18,26 |
| Depreciation | (159,445,115) | (296,71 |
| ----- | | |
| Net unrealized appreciation (depreciation) of investments | \$ (148,870,294) | \$ (278,45 |
| ----- | | |

The tax components of undistributed net ordinary income and net long-term capital gains at July 31, 2007, the Funds' last tax year end, were as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|---|---|----------------|
| ----- | | |
| Undistributed net ordinary income * | \$ -- | |
| Undistributed net long-term capital gains | -- | |
| ----- | | |

* Net ordinary income consists of net taxable income derived from dividends, interest and net short-term capital gains, if any.

The tax character of distributions paid during the Funds' tax years ended July 31, 2007 and July 31, 2006, was designated for purposes of the dividends paid deduction as follows:

| JULY 31, 2007 | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|--|---|----------------|
| ----- | | |
| Distributions from net ordinary income * | \$84,716,262 | \$168,14 |
| Distributions from net long-term capital gains | -- | 6,39 |
| Tax return of capital | 6,091,299 | 4,17 |
| ----- | | |

| QUALITY PREFERRED | Q PRE |
|----------------------|----------|
|----------------------|----------|

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| JULY 31, 2006 | INCOME (JTP) | IN |
|--|-----------------|----------|
| Distributions from net ordinary income * | \$88,059,972 | \$166,26 |
| Distributions from net long-term capital gains | -- | 22,35 |
| Tax return of capital | -- | |

* Net ordinary income consists of net taxable income derived from dividends, interest and net short-term capital gains, if any.

At July 31, 2007, the Funds' last tax year end, the Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

| Expiration year: | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|------------------|---|----------------|
| 2011 | \$16,197,046 | |
| 2012 | -- | |
| 2013 | -- | |
| 2014 | -- | |
| 2015 | 1,000,781 | |
| Total | \$17,197,827 | |

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Notes to
FINANCIAL STATEMENTS (continued)

The following Funds have elected to defer net realized losses from investments incurred from November 1, 2006 through July 31, 2007, the Funds' last tax year end, ("post-October losses") in accordance with federal income tax regulations. Post-October losses are treated as having arisen on the first day of the following fiscal year:

| Expiration year: | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|------------------|---|----------------|
| | \$12,689,093 | \$16,4 |

Calculation of certain of the amounts presented above (namely, undistributed net

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ordinary income for tax purposes) involves the application of complex aspects of the Internal Revenue Code to certain securities held by the Funds. In calculating the amount of taxable income derived from these securities, management made assumptions as to the correct tax treatment of certain of those securities and made estimates about the tax characteristics of income received from those securities, based on information currently available to the Funds. The use of these assumptions and estimates will not affect the qualification of the Funds as regulated investment companies under Subchapter M of the Internal Revenue Code, nor is it expected that these assumptions and estimates will be used in computing taxable income for purposes of preparing the federal and state income and excise tax returns.

5. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Each Fund's management fee is separated into two components - a complex-level component, based on the aggregate amount of all fund assets managed by the Adviser, and a specific fund-level component, based only on the amount of assets within each individual Fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee, payable monthly, for each Fund is based upon the average daily Managed Assets of each Fund as follows:

AVERAGE DAILY MANAGED ASSETS

FUN

 For the first \$500 million
 For the next \$500 million
 For the next \$500 million
 For the next \$500 million
 For Managed Assets over \$2 billion

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the tables below. As of December 31, 2007, the complex-level fee rate was .1846%.

Effective August 20, 2007, the complex-level fee schedule is as follows:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1)

EFFECTIVE RATE AT BREAKPOINT LEVEL

| | |
|---------------|--------|
| \$55 billion | .2000% |
| \$56 billion | .1996 |
| \$57 billion | .1989 |
| \$60 billion | .1961 |
| \$63 billion | .1931 |
| \$66 billion | .1900 |
| \$71 billion | .1851 |
| \$76 billion | .1806 |
| \$80 billion | .1773 |
| \$91 billion | .1691 |
| \$125 billion | .1599 |
| \$200 billion | .1505 |
| \$250 billion | .1469 |

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\$300 billion

.1445

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Prior to August 20, 2007, the complex-level fee schedule was as follows:

| COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1) | EFFECTIVE RATE AT BREAKPOINT LEVEL |
|--|------------------------------------|
| \$55 billion | .2000% |
| \$56 billion | .1996 |
| \$57 billion | .1989 |
| \$60 billion | .1961 |
| \$63 billion | .1931 |
| \$66 billion | .1900 |
| \$71 billion | .1851 |
| \$76 billion | .1806 |
| \$80 billion | .1773 |
| \$91 billion | .1698 |
| \$125 billion | .1617 |
| \$200 billion | .1536 |
| \$250 billion | .1509 |
| \$300 billion | .1490 |

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to preferred stock issued by or borrowings by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser has entered into Sub-Advisory Agreements with Spectrum Asset Management, Inc. ("Spectrum"), under which Spectrum manages the investment portfolios of the Funds. Spectrum is compensated for its services to the Funds from the management fees paid to the Adviser. Spectrum also receives compensation on certain portfolio transactions for providing brokerage services to the Funds.

The Funds pay no compensation directly to those of its Trustees who are affiliated with the Adviser or to its Officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised funds.

For the first eight years of Quality Preferred Income's (JTP) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING

YEAR ENDING

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JUNE 30, JUNE 30,

| | | |
|--------|------|------|
| 2002 * | .32% | 2007 |
| 2003 | .32 | 2008 |
| 2004 | .32 | 2009 |
| 2005 | .32 | 2010 |
| 2006 | .32 | |

* From the commencement of operations.

The Adviser has not agreed to reimburse Quality Preferred Income (JTP) for any portion of its fees and expenses beyond June 30, 2010.

For the first eight years of Quality Preferred Income 2's (JPS) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING YEAR ENDING
SEPTEMBER 30, SEPTEMBER 30,

| | | |
|--------|------|------|
| 2002 * | .32% | 2007 |
| 2003 | .32 | 2008 |
| 2004 | .32 | 2009 |
| 2005 | .32 | 2010 |
| 2006 | .32 | |

* From the commencement of operations.

Notes to
FINANCIAL STATEMENTS (continued)

The Adviser has not agreed to reimburse Quality Preferred Income 2 (JPS) for any portion of its fees and expenses beyond September 30, 2010.

For the first eight years of Quality Preferred Income 3's (JHP) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING YEAR ENDING
DECEMBER 31, DECEMBER 31,

| | | |
|--------|------|------|
| 2002 * | .32% | 2007 |
| 2003 | .32 | 2008 |
| 2004 | .32 | 2009 |
| 2005 | .32 | 2010 |
| 2006 | .32 | |

* From the commencement of operations.

The Adviser has not agreed to reimburse Quality Preferred Income 3 (JHP) for any portion of its fees and expenses beyond December 31, 2010.

Agreement and Plan of Merger

On June 20, 2007, Nuveen Investments announced that it had entered into a definitive Agreement and Plan of Merger ("Merger Agreement") with Windy City Investments, Inc. ("Windy City"), a corporation formed by investors led by Madison Dearborn Partners, LLC ("Madison Dearborn"), pursuant to which Windy City would acquire Nuveen Investments. Madison Dearborn is a private equity investment firm based in Chicago, Illinois. The merger was consummated on November 13, 2007.

The consummation of the merger was deemed to be an "assignment" (as that term is defined in the Investment Company Act of 1940) of the investment management agreement between each Fund and the Adviser and, if applicable, the sub-advisory agreement between the Adviser and the sub-adviser of the Funds, and resulted in the automatic termination of such agreements. The Board of Trustees of each Fund considered and approved a new investment management agreement with the Adviser, and, if applicable, a new sub-advisory agreement between the Adviser and the sub-adviser on the same terms as the previous agreements. Each new ongoing investment management agreement and sub-advisory agreement, if applicable, was approved by the shareholders of each Fund and took effect on November 13, 2007.

The investors led by Madison Dearborn includes an affiliate of Merrill Lynch. As a result, Merrill Lynch is an indirect "affiliated person" (as that term is defined in the Investment Company Act of 1940) of each Fund. Certain conflicts of interest may arise as a result of such indirect affiliation. For example, the Funds are generally prohibited from entering into principal transactions with Merrill Lynch and its affiliates. The Adviser does not believe that any such prohibitions or limitations as a result of Merrill Lynch's affiliation will significantly impact the ability of the Funds to pursue their investment objectives and policies.

Related Party Holdings

At December 31, 2007, Quality Preferred Income (JTP), Quality Preferred Income 2 (JPS) and Quality Preferred Income 3 (JHP) owned 395,313, 753,181 and 180,000 shares, respectively, of Merrill Lynch and Company, Inc. preferred securities with aggregate market values of \$8,540,540, \$15,912,165 and \$3,872,920, respectively. Total income earned by Quality Preferred Income (JTP), Quality Preferred Income 2 (JPS) and Quality Preferred Income 3 (JHP) from such securities amounted to \$754,698, \$1,471,854 and \$324,370, respectively, and is included in dividend income on the Statement of Operations.

6. NEW ACCOUNTING PRONOUNCEMENT

Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years

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beginning after November 15, 2007, and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of December 31, 2007, management does not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of Operations for the period.

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7. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share distributions which were paid on February 1, 2008, to shareholders of record on January 15, 2008, as follows:

| | QUALITY PREFERRED INCOME (JTP) | Q PRE IN |
|-------------------------|---|----------------|
| ----- | | |
| Distributions per share | \$.0810 | |
| ----- | | |

During February 2008, regularly scheduled auctions for the FundPreferred shares issued by the Funds began attracting more shares for sale than offers to buy. This meant that these auctions "failed to clear," and that many FundPreferred shareholders who wanted to sell their shares in these auctions were unable to do so. FundPreferred shareholders unable to sell their shares received distributions at the "maximum rate" calculated in accordance with the pre-established terms of the FundPreferred stock.

These developments do not affect the management or investment policies of the Funds. However, one implication of these auction failures for Common shareholders is that the Funds' cost of leverage will be higher than it otherwise would have been had the auctions been successful. As a result, the Funds' future Common share earnings may be lower than they otherwise might have been.

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Financial

HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

| | Investment Operations |
|---------------------|---|
| ----- | |
| Beginning Common | Distributions from Net Investment Income to Net |

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| | Share Net Asset Value | Net Investment Income (a) | Realized/ Unrealized Gain (Loss) | FundPreferred Share- holders+ |
|----------------------------------|-----------------------------|---------------------------------|--|-------------------------------------|
| ----- | | | | |
| QUALITY PREFERRED INCOME (JTP) | | | | |
| ----- | | | | |
| Year ended 12/31: | | | | |
| 2007 | \$14.10 | \$1.29 | \$ (2.96) | \$ (.35) |
| 2006 | 14.20 | 1.28 | .02 | (.32) |
| 2005 | 14.92 | 1.30 | (.68) | (.21) |
| 2004 (b) | 14.40 | .60 | .47 | (.05) |
| Year Ended 7/31: | | | | |
| 2004 (c) | 14.10 | 1.37 | .26 | (.08) |
| 2003 | 14.12 | 1.31 | .16 | (.09) |
| ----- | | | | |
| QUALITY PREFERRED INCOME 2 (JPS) | | | | |
| ----- | | | | |
| Year ended 12/31: | | | | |
| 2007 | 14.66 | 1.34 | (2.96) | (.34) |
| 2006 | 14.77 | 1.33 | (.01) | (.31) |
| 2005 | 15.66 | 1.34 | (.69) | (.18) |
| 2004 (b) | 15.32 | .60 | .50 | (.04) |
| Year Ended 7/31: | | | | |
| 2004 (c) | 14.97 | 1.42 | .37 | (.08) |
| 2003 (d) | 14.33 | 1.02 | .79 | (.07) |
| ----- | | | | |
| QUALITY PREFERRED INCOME 3 (JHP) | | | | |
| ----- | | | | |
| Year ended 12/31: | | | | |
| 2007 | 14.22 | 1.31 | (3.09) | (.37) |
| 2006 | 14.29 | 1.31 | .05 | (.33) |
| 2005 | 15.15 | 1.32 | (.70) | (.21) |
| 2004 (b) | 14.71 | .60 | .46 | (.05) |
| Year Ended 7/31: | | | | |
| 2004 (c) | 14.38 | 1.38 | .40 | (.08) |
| 2003 (e) | 14.33 | .67 | .22 | (.04) |
| ----- | | | | |

Less Distributions

| | Net Investment Income to Common Share- holders | Capital Gains to Common Share- holders | Tax Return of Capital to Common Share- holders | Total | Offering Co FundPrefer Sh Underwrit Discou |
|----------------------------------|---|--|---|-----------|--|
| ----- | | | | | |
| QUALITY PREFERRED INCOME (JTP) | | | | | |
| ----- | | | | | |
| Year ended 12/31: | | | | | |
| 2007 | \$ (.93) | \$ -- | \$ (.09) | \$ (1.02) | \$ |
| 2006 | (1.08) | -- | -- | (1.08) | |
| 2005 | (1.13) | -- | -- | (1.13) | |
| 2004 (b) | (.50) | -- | -- | (.50) | |
| Year Ended 7/31: | | | | | |
| 2004 (c) | (1.25) | -- | -- | (1.25) | |
| 2003 | (1.25) | -- | -- | (1.25) | (. |
| ----- | | | | | |
| QUALITY PREFERRED INCOME 2 (JPS) | | | | | |
| ----- | | | | | |
| Year ended 12/31: | | | | | |

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| | | | | |
|------------------|--------|-------|-------|--------|
| 2007 | (1.04) | (.04) | (.04) | (1.12) |
| 2006 | (1.12) | -- | -- | (1.12) |
| 2005 | (1.16) | (.18) | -- | (1.34) |
| 2004 (b) | (.53) | (.18) | -- | (.71) |
| Year Ended 7/31: | | | | |
| 2004 (c) | (1.32) | (.04) | -- | (1.36) |
| 2003 (d) | (.95) | -- | -- | (.95) |

QUALITY PREFERRED INCOME 3 (JHP)

| | | | | |
|-------------------|--------|-------|-------|--------|
| Year ended 12/31: | | | | |
| 2007 | (.95) | -- | (.10) | (1.05) |
| 2006 | (1.09) | -- | (.01) | (1.10) |
| 2005 | (1.17) | (.09) | -- | (1.26) |
| 2004 (b) | (.51) | (.06) | -- | (.57) |
| Year Ended 7/31: | | | | |
| 2004 (c) | (1.24) | (.12) | -- | (1.36) |
| 2003 (e) | (.62) | -- | -- | (.62) |

* Annualized.

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

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

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

+ The amounts shown are based on Common share equivalents.

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

- Income ratios reflect income earned on assets attributable to FundPreferred shares.

- For the periods presented below each ratio includes the effect of the interest expense paid on interest rate swap transactions as follows:

Ratios of Net Interest Expense to Average Net Assets Applicable to Common Shares

QUALITY PREFERRED INCOME (JTP)

Year Ended 7/31:

2003

.80%

QUALITY PREFERRED INCOME 2

(JPS)

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Year Ended 7/31:
 2003 (d) .58*
 QUALITY PREFERRED INCOME 3
 (JHP)
 Year Ended 7/31:
 2003 (e) .51*

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| Total Returns | | Ratios/Supplemental Data | | | | |
|----------------------------------|---|--|------------|-------------------------------|---|----------------------|
| | | Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement | | | Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement | |
| Based on Market Value** | Based on Common Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses** | Net Investment Income** | Expenses** | Investment Income |
| (24.60)% | (15.32)% | \$ 713,945 | 1.54% | 9.43% | 1.11% | 9.43% |
| 29.51 | 7.26 | 909,608 | 1.50 | 8.70 | 1.02 | 9.43% |
| (3.69) | 2.89 | 915,598 | 1.49 | 8.47 | 1.02 | 8.47% |
| 3.79 | 7.10 | 961,583 | 1.49* | 9.15* | 1.02* | 9.15% |
| 4.20 | 11.17 | 927,892 | 1.51 | 8.87 | 1.04 | 9.15% |
| 4.95 | 9.15 | 907,746 | 2.38 | 8.84 | 1.91 | 9.15% |
| (22.24)% | (14.32)% | 1,386,125 | 1.45 | 9.35 | 1.00 | 9.35% |
| 27.75 | 7.09 | 1,753,392 | 1.42 | 8.72 | .95 | 9.35% |
| (2.06) | 3.01 | 1,765,543 | 1.40 | 8.32 | .94 | 8.32% |
| 3.34 | 6.94 | 1,872,283 | 1.40* | 8.69* | .94* | 8.69% |
| 8.98 | 11.60 | 1,830,878 | 1.41 | 8.64 | .95 | 8.64% |
| 4.02 | 11.22 | 1,789,809 | 1.99* | 7.59* | 1.54* | 8.64% |
| (23.61)% | (16.01)% | 261,081 | 1.60 | 9.38 | 1.10 | 9.38% |
| 25.00 | 7.49 | 336,540 | 1.56 | 8.81 | 1.08 | 9.38% |
| (2.16) | 2.88 | 337,858 | 1.54 | 8.48 | 1.07 | 8.48% |
| 4.64 | 6.81 | 358,197 | 1.54* | 9.03* | 1.07* | 9.03% |
| 9.36 | 11.93 | 347,900 | 1.55 | 8.75 | 1.08 | 9.03% |
| (.19) | 4.62 | 339,499 | 1.97* | 7.14* | 1.53* | 7.14% |

Fund Preferred Shares at End of Period

| Aggregate Amount Outstanding (000) | Liquidation and Market Value Per Share | Asset Coverage Per Share |
|---|---|--------------------------------|
|---|---|--------------------------------|

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| | | |
|-----------|----------|----------|
| \$440,000 | \$25,000 | \$65,565 |
| 440,000 | 25,000 | 76,682 |
| 440,000 | 25,000 | 77,023 |
| 440,000 | 25,000 | 79,635 |
| 440,000 | 25,000 | 77,721 |
| 440,000 | 25,000 | 76,577 |
| ----- | | |
| 800,000 | 25,000 | 68,316 |
| 800,000 | 25,000 | 79,794 |
| 800,000 | 25,000 | 80,173 |
| 800,000 | 25,000 | 83,509 |
| 800,000 | 25,000 | 82,215 |
| 800,000 | 25,000 | 80,932 |
| ----- | | |
| 166,000 | 25,000 | 64,319 |
| 166,000 | 25,000 | 75,684 |
| 166,000 | 25,000 | 75,882 |
| 166,000 | 25,000 | 78,945 |
| 166,000 | 25,000 | 77,395 |
| 166,000 | 25,000 | 76,129 |

- (a) Per share Net Investment Income is calculated using the average daily shares method.
- (b) For the period August 1, 2004, through December 31, 2004.
- (c) The Funds changed their method of presentation for net interest expense on interest rate swap transactions. The effect of this reclassification for the fiscal year ended July 31, 2004, was as follows:

| | QUALITY PREFERRED INCOME (JTP) | QUA PREFE INCO (|
|---|---|---------------------------|
| ----- | | |
| Increase of Net Investment Income per share with a corresponding decrease in Net Realized/Unrealized Gain (Loss) | \$.14 | |
| Decrease in each of the Ratios of Expenses to Average Net Assets Applicable to Common Shares with a corresponding increase in each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares | .94% | |

- (d) For the period September 24, 2002 (commencement of operations) through July 31, 2003.
- (e) For the period December 18, 2002 (commencement of operations) through July 31, 2003.

See accompanying notes to financial statements.

BOARD MEMBERS & OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Fund is currently set at eight. None of the board members who are not interested persons of the Funds

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has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

| NAME, BIRTHDATE & ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED AND TERM(2) | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER | PRINCIPAL INCLUDING DURING PAS |
|------------------------------|------------------------------------|--|--|--------------------------------------|
|------------------------------|------------------------------------|--|--|--------------------------------------|

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

| | | | | |
|---|---|------------------------|------------|---|
| <p>- TIMOTHY R. SCHWERTFEGER(1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Chairman of the Board and Board Member</p> | <p>1994 ANNUAL</p> | <p>184</p> | <p>Former dir (1994-Nove Chairman (2007), Non (July 1, 2 2007) and Officer (1 of Nuveen and Nuveen and certai subsidiari Investment Director (Institutio Corporatio</p> |
|---|---|------------------------|------------|---|

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

| | | | | |
|--|--|---------------------------|------------|--|
| <p>- ROBERT P. BREMNER 8/22/40 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Lead Independent Board member</p> | <p>1997 CLASS III</p> | <p>184</p> | <p>Private In Management</p> |
| <p>- JACK B. EVANS 10/22/48 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Board member</p> | <p>1999 CLASS III</p> | <p>184</p> | <p>President, Foundation philanthro (since 199 Vice Chair Group, a p company; M of Regents State of I System; Di Life Trust and Iowa C Member of Council of Finance in of Busines Iowa; form Alliant En Director, Bank of Ch President</p> |

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Officer, S
Inc., a re
services f

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| NAME, BIRTHDATE & ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED AND TERM(2) | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER | PRINCIPAL INCLUDING DURING PAS |
|--|------------------------------------|--|--|--|
| BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED): | | | | |
| - WILLIAM C. HUNTER 3/6/48 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2004 CLASS II | 184 | Dean, Tipp Business, (since Jul Dean and D Professor of Busines of Connect previously President Research a Reserve Ba (1995-2003 1997), Cre at George University 2004) of X Director (Gamma Sigm Honor Soci Technologi 2005-Octob |
| - DAVID J. KUNDERT 10/28/42 333 W. Wacker Drive Chicago, IL 60606 | Board member | 2005 CLASS II | 182 | Director, Wealth Man Retired (s Chairman, Asset Mana and CEO, B Advisors C President, Funds; pri Executive Banc One C Chairman a Investment Member, Bo Luther Col Wisconsin member of Friends of Gardens; m Committee, Foundation |

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| | | | | |
|---|---------------------|-------------------------|------------|---|
| <p>- WILLIAM J. SCHNEIDER 9/24/44 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Board member</p> | <p>1997 ANNUAL</p> | <p>184</p> | <p>Chairman o Partners L investment Senior Par Operating 2004); Dir Developmen formerly, Advisory C Federal Re</p> |
| <p>- JUDITH M. STOCKDALE 12/29/47 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Board member</p> | <p>1997 CLASS I</p> | <p>184</p> | <p>Executive and Dorothe Foundation prior ther Director, Protection 1994).</p> |
| <p>- CAROLE E. STONE 6/28/47 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Board member</p> | <p>2007 CLASS I</p> | <p>184</p> | <p>Director, Options Ex 2006); Cha Associatio (2005-12/2 New York S Public Aut (since 200 Director, Division o (2000-2004 Authoritie (2000-2004 Local Gove Corporatio</p> |

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| NAME, BIRTHDATE & ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY OFFICER | PRINCIPAL OCCUPATIO DURING PA |
|--|---|---|---|---|
| OFFICERS OF THE FUND: | | | | |
| <p>- GIFFORD R. ZIMMERMAN 9/9/56 333 W. Wacker Drive Chicago, IL 60606</p> | <p>Chief Administrative Officer</p> | <p>1988</p> | | <p>Managing 2002), As Secretary General C formerly, and Assis Counsel, Investmen Managing 2002), As</p> |

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| | | | | | |
|-------------------------|---------|---------------------|--|------|--|
| | | | | 184 | Counsel a Secretary Asset Man President Secretary Investmen Company, 2002), Nu Advisers 2002), Sy Managemen Investmen Company, 2003), Tr Investors Barbara A LLC (sinc HydePark Richards (since 20 Director, General C Assistant Rittenhou Managemen 2003); Ma (since 20 Assistant (since 19 Investmen Assistant (since 20 Asset Man |
| - WILLIAM ADAMS IV | 6/9/55 | 333 W. Wacker Drive | Vice President | 2007 | |
| | | Chicago, IL 60606 | | | Executive U.S. Stru of Nuveen LLC, (sin thereto, Director Investmen |
| | | | | | 120 |
| - JULIA L. ANTONATOS | 9/22/63 | 333 W. Wacker Drive | Vice President | 2004 | |
| | | Chicago, IL 60606 | | | Managing 2005), fo President Nuveen In Chartered Analyst. |
| | | | | | 184 |
| - CEDRIC H. ANTOSIEWICZ | 1/11/62 | 333 W. Wacker Drive | Vice President | 2007 | |
| | | Chicago, IL 60606 | | | Managing 2004) pre President Nuveen In |
| | | | | | 120 |
| - MICHAEL T. ATKINSON | 2/3/66 | 333 W. Wacker Drive | Vice President and Assistant Secretary | 2000 | |
| | | Chicago, IL 60606 | | | Vice Pres 2002) of Investmen |
| | | | | | 184 |

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- PETER H. D(#)ARRIGO
 11/28/67
 333 W. Wacker Drive
 Chicago, IL 60606

Vice President

1999

184

Vice Pres
 Treasurer
 Investmen
 Nuveen In
 Vice Pres
 Treasurer
 Managemen
 Nuveen In
 Advisers
 2002); NW
 Managemen
 (since 20
 Asset Man
 (since 20
 NWQ Globa
 (since 20
 Barbara A
 LLC (sinc
 Nuveen Hy
 LLC and R
 Tierney,
 2007); Tr
 Symphony
 LLC (sinc
 formerly,
 and Treas
 of Nuveen
 and Nuvee
 Advisory
 Chartered
 Analyst.

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| NAME, BIRTHDATE & ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY OFFICER | PRINCIPAL OCCUPATIO DURING PA |
|------------------------------|------------------------------------|---|---|-------------------------------------|
|------------------------------|------------------------------------|---|---|-------------------------------------|

OFFICERS OF THE FUND (CONTINUED):

- LORNA C. FERGUSON
 10/24/45
 333 W. Wacker Drive
 Chicago, IL 60606

Vice President

1998

184

Managing
 2004), fo
 President
 Investmen
 Managing
 formerly,
 (1998-200
 Advisory
 Institutio
 Corp. (3);
 Director
 Nuveen As

- STEPHEN D. FOY
 5/31/54
 333 W. Wacker Drive

Vice President
 and Controller

1998

Vice Pres
 1993) and

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Chicago, IL 60606

| | | | | | |
|---------------------|----------------------------|--|------|-----|---|
| | | | | 184 | Controlle of Nuveen LLC; Vice (since 20 Asset Man formerly, and Funds (1998-200 Investmen Certified Accountan |
| - WALTER M. KELLY | | | | | |
| 2/24/70 | Chief Compliance | | | | Vice Pres |
| 333 W. Wacker Drive | Officer and | | 2003 | | (2006) for |
| Chicago, IL 60606 | Vice President | | | | Vice Pres |
| | | | | 184 | Assistant (2003-200 Investmen Assistant and Assis of the Nu (2003-200 Associate the law f VedderPri |
| - DAVID J. LAMB | | | | | |
| 3/22/63 | | | | | Vice Pres |
| 333 W. Wacker Drive | Vice President | | 2000 | | (2000) of |
| Chicago, IL 60606 | | | | 184 | Investmen Certified Accountan |
| - TINA M. LAZAR | | | | | |
| 8/27/61 | | | | | Vice Pres |
| 333 W. Wacker Drive | Vice President | | 2002 | | Investmen |
| Chicago, IL 60606 | | | | 184 | 1999). |
| - LARRY W. MARTIN | | | | | |
| 7/27/51 | | | | | Vice Pres |
| 333 W. Wacker Drive | Vice President | | 1988 | | Secretary |
| Chicago, IL 60606 | and Assistant Secretary | | | | General C Investmen formerly, and Assis of Nuveen and Nuvee Advisory President and Assis of Nuveen Inc.; Vic (since 20 Assistant (since 19 Asset Man President Assistant Assistant (since 19 Rittenhou |
| | | | | 184 | |

Management
 President
 Secretary
 Investment
 (since 20
 Investment
 Company,
 2002), Sy
 Management
 2003), Tr
 Investors
 Barbara A
 LLC (sinc
 Nuveen Hy
 LLC and R
 Tierney,
 2007).

| NAME, BIRTHDATE & ADDRESS | POSITION(S) HELD WITH THE FUNDS | YEAR FIRST ELECTED OR APPOINTED (4) | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY OFFICER | PRINCIPAL OCCUPATIO DURING PA |
|--|------------------------------------|---|---|--|
| OFFICERS OF THE FUND (CONTINUED): | | | | |
| - KEVIN J. MCCARTHY 3/26/66 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Secretary | 2007 | 184 | Vice Pres Investmen 2007); Vi and Assis Nuveen As Rittenhou Managemen Investmen Nuveen In Instituti Group LLC Managemen Tradewind Investors Holdings, Asset Man Santa Bar Managemen HydePark Richards (since 20 President General C Investmen 2007). Pr Partner, Lloyd LLP |
| - JOHN V. MILLER 4/10/67 333 W. Wacker Drive | Vice President | 2007 | | Managing 2007), fo |

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| | | | |
|--|--|------|--|
| Chicago, IL 60606 | | 184 | President Nuveen In Chartered Analyst. |
| - JAMES F. RUANE 7/3/62 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Assistant Secretary | 2007 | Vice Pres Investmen prior the Deloitte (since 20 senior ta 2002); Ce Accountan |
| | | 184 | |
| - MARK L. WINGET 12/21/68 333 W. Wacker Drive Chicago, IL 60606 | Vice President and Assistant Secretary | 2008 | Vice Pres Investmen 2008); Vi Assistant Nuveen AS Rittenhou Managemen Investmen Nuveen In Instituti Group LLC Managemen Tradewind Investors Holdings, Asset Man Santa Bar Managemen HydePark Richards (since 20 President General C Investmen 2008); pr Counsel, (1997-200 |
| | | 184 | |

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, by reason of being the former Chairman and Chief Executive Officer of Nuveen Investments, Inc. and having previously served in various other capacities with Nuveen Investments, Inc. and its subsidiaries. It is expected that Mr. Schwertfeger will resign from the Board of Trustees by the end of the second quarter of 2008.

- (2) Board Members serve three year terms, except for two board members who are elected by the holders of Preferred Shares. The Board of Trustees is divided into three classes, Class I, Class II, and Class III, with each being elected to serve until the third succeeding annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed, except two board members are elected by the holders of Preferred Shares to serve until the next annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed. The first year elected or appointed represents the year in which the board member was first

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elected or appointed to any fund in the Nuveen Complex.

- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.
- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

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Reinvest Automatically
EASILY and CONVENIENTLY

NUVEEN MAKES REINVESTING EASY. A PHONE CALL IS ALL IT TAKES TO SET UP YOUR REINVESTMENT ACCOUNT.

NUVEEN CLOSED-END FUNDS DIVIDEND REINVESTMENT PLAN

Your Nuveen Closed-End Fund allows you to conveniently reinvest dividends and/or capital gains distributions in additional Fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes may be payable on dividends or distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

EASY AND CONVENIENT

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

FLEXIBLE

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Glossary of
TERMS USED in this REPORT

Average Annual Total Return: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

Market Yield (also known as Dividend Yield or Current Yield): Market yield is based on the Fund's current annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a tax return of capital.

Net Asset Value (NAV): A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any Preferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

NOTES

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OTHER USEFUL INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

Each Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, 2007, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com.

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to publicinfo@sec.gov or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

CEO Certification Disclosure

Each Fund's Chief Executive Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the Securities and Exchange Commission the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

Distribution Information

Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 (JHP) hereby designate 12.63%, 12.89% and 13.02%, respectively, of dividends paid from ordinary income as dividends qualifying for the 70% dividends received deduction for corporations and 29.87%, 30.64% and 30.27%, respectively, as qualified dividend income for individuals under Section 1(h)(11) of the Internal Revenue Code.

Board of Trustees

Robert P. Bremner

Jack B. Evans

William C. Hunter

David J. Kundert

William J. Schneider

Timothy R. Schwertfeger

Judith M. Stockdale

Carol E. Stone

Fund Manager

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Nuveen Asset Management
333 West Wacker Drive
Chicago, IL 60606

Custodian
State Street Bank & Trust Company
Boston, MA

Transfer Agent and
Shareholder Services
State Street Bank & Trust Company
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071
(800) 257-8787

Legal Counsel
Chapman and Cutler LLP
Chicago, IL

Independent Registered
Public Accounting Firm
Ernst & Young LLP
Chicago, IL

The Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the period covered by this report. Any future repurchases will be reported to shareholders in the next annual or semi-annual report.

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Nuveen Investments:

SERVING INVESTORS FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

We offer many different investing solutions for our clients' different needs. Managing \$170 billion in assets, as of September 30, 2007, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under six distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading institutional manager of market-neutral alternative investment portfolios; Santa Barbara, a leader in growth equities; and Tradewinds, a leader in global equities.

Find out how we can help you reach your financial goals. To learn more about the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the

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information provided carefully before you invest.

Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact your securities representative or Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money.

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Learn more about Nuveen Funds at: WWW.NUVEEN.COM/CEF

Share prices
Fund details
Daily financial news
Investor education
Interactive planning tools

ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. [There were no amendments to or waivers from the Code during the period covered by this report.] The registrant has posted the code of ethics on its website at www.nuveen.com/etf. (To view the code, click on the Shareholder Resources drop down menu box, click on Fund Governance and then click on Code of Conduct.)

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Directors (the "Board") determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Jack B. Evans, Chairman of the Audit Committee, who is "independent" for purposes of Item 3 of Form N-CSR.

Mr. Evans was formerly President and Chief Operating Officer of SCI Financial Group, Inc., a full service registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer, Mr. Evans actively supervised the Chief Financial Officer (the "CFO") and actively supervised the CFO's preparation of financial statements and other filings with various regulatory authorities. In such capacity, Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served on the audit committee of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also formerly chaired the audit committee of the Federal Reserve Bank of Chicago.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Nuveen Quality Preferred Income Fund 2

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The

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pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

| FISCAL YEAR ENDED | AUDIT FEES BILLED TO FUND (1) | AUDIT-RELATED FEES BILLED TO FUND (2) | TAX FEES BILLED TO FUND (3) | ALL OTHER F BILLED TO FUN |
|---|----------------------------------|--|--------------------------------|------------------------------|
| December 31, 2007 | \$32,472 | \$0 | \$1,000 | \$4,300 |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | 0% | 0% |
| December 31, 2006 | \$30,313 | \$0 | \$ 800 | \$3,950 |
| Percentage approved pursuant to pre-approval exception | 0% | 0% | 0% | 0% |

- (1) "Audit Fees" are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit Related Fees" are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".
- (3) "Tax Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.
- (4) "All Other Fees" are the aggregate fees billed for products and services for agreed upon procedures engagements performed for leveraged funds.

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Asset Management ("NAM" or the "Adviser"), and any entity controlling, controlled by or under common control with NAM ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The tables also show the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and

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any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

| FISCAL YEAR ENDED ----- | AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS ----- | TAX FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS ----- | ALL OTHER FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS ----- |
|---|--|--|--|
| December 31, 2007 | \$0 --- | \$0 --- | \$0 --- |
| Percentage approved pursuant to pre-approval exception | 0% --- | 0% --- | 0% --- |
| December 31, 2006 | \$0 --- | \$0 --- | \$0 --- |
| Percentage approved pursuant to pre-approval exception | 0% --- | 0% --- | 0% --- |

NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. For engagements entered into on or after May 6, 2003, the Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the engagement related directly to the Fund's operations and financial reporting (except for those subject to the de minimis exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

| FISCAL YEAR ENDED ----- | TOTAL NON-AUDIT FEES BILLED TO FUND ----- | TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND) ----- | TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ALL OTHER ENGAGEMENTS) ----- |
|----------------------------|---|--|---|
| | | | |

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| | | | | |
|-------------------|---------|-----|-----|----|
| December 31, 2007 | \$5,300 | \$0 | \$0 | \$ |
| December 31, 2006 | \$4,750 | \$0 | \$0 | \$ |

"Non-Audit Fees billed to Adviser" for both fiscal year ends represent "Tax Fees" billed to Adviser in their respective amounts from the previous table.

Audit Committee Pre-Approval Policies and Procedures. Generally, the Audit Committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Jack B. Evans, David J. Kundert and William J. Schneider. Mr. Eugene S. Sunshine, who also served as a member of the Committee during this reporting period, has resigned from the Board. His resignation became effective on July 31, 2007.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Adviser has engaged Spectrum Asset Management, Inc. ("Spectrum" or "Sub-Adviser") as Sub-Adviser to provide discretionary investment advisory services. As part of these services, the Adviser has also delegated to the Sub-Adviser the full responsibility for proxy voting and related duties in accordance with the Sub-Adviser's policy and procedures. The Adviser periodically will monitor the Sub-Adviser's voting to ensure that they are carrying out their duties. The Sub-Adviser's proxy voting policies and procedures are summarized as follows:

Spectrum has adopted a Policy on Proxy Voting for Investment Advisory Clients (the "Voting Policy"), which provides that Spectrum aims to ensure that, when delegated proxy voting authority by a client, Spectrum act (1) solely in the interest of the client in providing for ultimate long-term stockholder value, and (2) without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Spectrum relies on the custodian bank to deliver proxies to Spectrum for voting.

Spectrum has selected Institutional Shareholder Services, Inc. ("ISS") to assist with Spectrum's proxy voting responsibilities. Spectrum generally follows ISS standard proxy voting guidelines which embody the positions and factors Spectrum considers important in casting proxy votes. In connection with each proxy vote, ISS prepares a written analysis and recommendation based on its guidelines. In order to avoid any conflict of interest for ISS, the CCO will require ISS to

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deliver additional information or certify that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum also may obtain voting recommendations from two proxy voting services as an additional check on the independence of ISS' voting recommendations.

Spectrum may, on any particular proxy vote, diverge from ISS' guidelines or recommendations. In such a case, Spectrum's Voting Policy requires that: (i) the requesting party document the reason for the request; (ii) the approval of the Chief Investment Officer; (iii) notification to appropriate compliance personnel; (iv) a determination that the decision is not influenced by any conflict of interest; and (v) a written record of the process.

When Spectrum determines not to follow ISS' guidelines or recommendations, Spectrum classifies proxy voting issues into three broad categories: (1) Routine Administrative Items; (2) Special Interest Issues; and (3) Issues having the Potential for Significant Economic Impact, and casts proxy votes in accordance with the philosophy and decision guidelines developed for that category in the Voting Policy.

- Routine Administrative Items. Spectrum is willing to defer to management on matters a routine administrative nature. Examples of issues on which Spectrum will normally defer to management's recommendation include selection of auditors, increasing the authorized number of common shares and the election of unopposed directors.
- Special Interest Issues. In general, Spectrum will abstain from voting on shareholder social, political, environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.
- Issues Having the Potential for Significant Economic Impact. Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and value of its shares and believes such issues should be carefully analyzed and decided by shareholders. Examples of such issues are classification of board of directors' cumulative voting and supermajority provisions, defensive strategies (e.g., greenmail prevention), business combinations and restructurings and executive and director compensation.

Conflicts of Interest. There may be a material conflict of interest when Spectrum votes, on behalf of a client, a proxy that is solicited by an affiliated person of Spectrum or another Spectrum client. To avoid such conflicts, Spectrum has established procedures under its Voting Policy to seek to ensure that voting decisions are based on a client's best interests and are not the product of a material conflict. In addition to employee monitoring for potential conflicts, the CCO reviews Spectrum's and its affiliates' material business relationships and personal and financial relationships of senior personnel of Spectrum and its affiliates to monitor for conflicts of interest.

If a conflict of interest is identified, Spectrum considers both financial and non-financial materiality to determine if a conflict of interest is material. If a material conflict of interest is found to exist, the CCO discloses the conflict to affected clients and obtains consent from each client in the manner in which Spectrum proposed to vote.

Spectrum clients can obtain a copy of the Voting Policy or information on how Spectrum voted their proxies by calling Spectrum's Compliance Department at (203) 322-0189.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

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The Adviser has engaged Spectrum Asset Management, Inc. (the "Sub-Adviser"), as sub-adviser to provide discretionary investment advisory services. The following section provides information on the portfolio managers at the Sub-Adviser.

ITEM 8(a) (1). PORTFOLIO MANAGER BIOGRAPHIES

MARK A. LIEB - Mr. Lieb is Chief Financial Officer and is responsible for business development. Prior to founding Spectrum in 1987, Mr. Lieb was a Founder, Director and Partner of DBL Preferred Management, Inc., a wholly owned corporate cash management subsidiary of Drexel Burnham Lambert, Inc. Mr. Lieb was instrumental in the formation and development of all aspects of DBL Preferred Management, Inc., including the daily management of preferred stock portfolios for institutional clients, hedging strategies, and marketing strategies. Mr. Lieb's prior employment included the development of the preferred stock trading desk at Mosley Hallgarten & Estabrook. BA Economics, Central Connecticut State College; MBA Finance, University of Hartford.

L. PHILLIP JACOBY, IV - Managing Director and Senior Portfolio Manager. Mr. Jacoby joined Spectrum in 1995 as Portfolio Manager. Previously, Mr. Jacoby was a Senior Investment Officer at USL Capital Corporation (a subsidiary of Ford Motor Corporation) and was a co-manager of a the preferred stock portfolio of its US Corporate Financing Division for six years. Mr. Jacoby began his career in 1981 with The Northern Trust Company, Chicago and then moved to Los Angeles to join E.F. Hutton & Co. as a Vice President and Institutional Salesman, Generalist Fixed Income Sales through most of the 1980s. BSBA (Finance), Boston University School of Management.

BERNARD M. SUSSMAN - Mr. Sussman is Chief Investment Officer and Chairman of Spectrum's Investment Committee. Prior to joining Spectrum in 1995, Mr. Sussman was with Goldman Sachs & Co. for nearly 18 years. A General Partner and head of the Preferred Stock Department, he was in charge of sales, trading and underwriting for all preferred products and was instrumental in the development of the hybrid (MIPS) market. He was a Limited Partner at Goldman Sachs from December 1994 through November 1996. BS Industrial Relations and MBA Finance, Cornell University. NASD Series 55 "Equity Trader Limited Representative".

ITEM 8(a) (2). OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGERS

| PORTFOLIO MANAGER | TYPE OF ACCOUNT MANAGED | NUMBER OF ACCOUNTS | ASSETS* |
|-------------------|--------------------------------|-----------------------|-----------------|
| Phillip Jacoby | Separately Managed accounts | 43 | \$2,765,773,535 |
| | Pooled Accounts | 11 | \$1,887,834,020 |
| | Registered Investment Vehicles | 11 | \$5,398,941,863 |
| Mark Lieb | Separately Managed accounts | 52 | \$2,775,356,100 |
| | Pooled Accounts | 11 | \$1,887,834,020 |
| | Registered Investment Vehicles | 11 | \$5,398,941,863 |
| Bernard Sussman | Separately Managed accounts | 46 | \$2,772,486,173 |
| | Pooled Accounts | 11 | \$1,887,834,020 |
| | Registered Investment Vehicles | 11 | \$5,398,941,863 |

POTENTIAL MATERIAL CONFLICTS OF INTEREST

There are no material conflicts of interest to report.

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ITEM 8(a)(3). FUND MANAGER COMPENSATION

All employees of Spectrum Asset Management are paid a base salary and discretionary bonus. The bonus is paid quarterly and may represent a significant proportion of an individual's total annual compensation. Discretionary bonuses are determined by management after consideration of several factors including but not necessarily limited to:

- Changes in overall firm assets under management (employees have no direct incentive to increase assets)
- Portfolio performance relative to benchmarks
- Contribution to client servicing
- Compliance with firm and/or regulatory policies and procedures
- Work ethic
- Seniority and length of service
- Contribution to overall functioning of organization

ITEM 8(a)(4). OWNERSHIP OF JPS SECURITIES AS OF DECEMBER 31, 2007

| NAME OF PORTFOLIO MANAGER | DOLLAR RANGE OF EQUITY SECURITIES BENEFICIALLY OWNED IN FUND |
|---------------------------|---|
| Phillip Jacoby | \$0 |
| Mark Lieb | \$100,001-\$500,000 |
| Bernard Sussman | \$100,001-\$500,000 |

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this Item.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over

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financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable because the code is posted on registrant's website at www.nuveen.com/etf and there were no amendments during the period covered by this report. (To view the code, click on the Shareholder Resources drop down menu box, click on Fund Governance and then Code of Conduct.)

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: See Ex-99.CERT Attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: See Ex-99.906 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Quality Preferred Income Fund 2

By (Signature and Title)* /s/ Kevin J. McCarthy

Kevin J. McCarthy
Vice President and Secretary

Date: March 7, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the

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following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Gifford R. Zimmerman

Gifford R. Zimmerman
Chief Administrative Officer
(principal executive officer)

Date: March 7, 2008

By (Signature and Title)* /s/ Stephen D. Foy

Stephen D. Foy
Vice President and Controller
(principal financial officer)

Date: March 7, 2008

* Print the name and title of each signing officer under his or her signature.