COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-2/A
April 06, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 6, 2004

SECURITIES ACT FILE NO. 333-113018

INVESTMENT COMPANY ACT FILE NO. 811-21326

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-2

(CHECK APPROPRIATE BOX OR BOXES)

[X] REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

[X] PRE-EFFECTIVE AMENDMENT NO. 1

[ ] POST-EFFECTIVE AMENDMENT NO.

AND/OR

[X] REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

[X] AMENDMENT NO. 10

COHEN & STEERS
REIT AND PREFERRED INCOME FUND, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

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757 THIRD AVENUE
NEW YORK, NEW YORK 10017
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 832-3232

ROBERT H. STEERS
COHEN & STEERS CAPITAL MANAGEMENT, INC.
757 THIRD AVENUE
NEW YORK, NEW YORK 10017
(212) 832-3232
(NAME AND ADDRESS OF AGENT FOR SERVICE)

WITH COPIES TO:

SARAH E. COGAN, ESQ.
SIMPSON THACHER & BARTLETT LLP

LEONARD B. MACKEY, JR., ESQ.
CLIFFORD CHANCE US LLP

425 LEXINGTON AVENUE
NEW YORK, NEW YORK 10017
(212) 455-2000

200 PARK AVENUE
NEW YORK, NEW YORK 10166
(212) 878-8000

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING: As soon as practicable after the effective date of this Registration Statement.

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

TITLE OF SECURITIES BEING REGISTERED	AMOUNT BEING REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRIC
Series TH28 AMPS, par value $.001..............	3,560	$25,000	$89,000,000

(1) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457.

(2) Includes registration fees paid on February 23, 2004 of $126.70

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

COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.
CROSS REFERENCE SHEET
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Item 3.	Fee Table and Synopsis..............................	Inapplicable
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Item 8.	General Description of the Registrant...............	Cover Page; Prospectus Summa The Fund; Investment Objec and Policies; Risk Factors the Fund Manages Risk
Item 9.	Management..	Prospectus Summary; Manageme the Fund; How the Fund Man Risk
Item 10.	Capital Stock, Long-Term Debt, and Other Securities...	Capitalization; Investment Objectives and Policies; U Federal Taxation; Descript of AMPS; Description of Co Shares
Item 11.	Defaults and Arrears on Senior Securities...........	Inapplicable
Item 12.	Legal Proceedings...................................	Inapplicable
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	ITEMS IN PART B OF FORM N-2	LOCATION IN STATEMENT OF ADDITIONAL INFORMATIO
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Item 19.	Control Persons and Principal Holders of Securities...	Management of the Fund
Item 20.	Investment Advisory and Other Services..............	Investment Advisory and Othe Services
Item 21.	Brokerage Allocation and Other Practices............	Portfolio Transactions and Brokerage; Determination o Asset Value
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Items 24-33. have been answered in Part C of this Registration Statement

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED APRIL 6, 2004

PROSPECTUS

[COHEN & STEERS
REIT AND PREFERRED INCOME FUND LOGO]

$89,000,000
COHEN & STEERS
REIT AND PREFERRED INCOME FUND, INC.
AUCTION MARKET PREFERRED SHARES ('AMPS')
3,560 SHARES, SERIES TH28
LIQUIDATION PREFERENCE $25,000 PER SHARE

Cohen & Steers REIT and Preferred Income Fund, Inc. (the 'Fund') is offering 3,560 Series TH28 Auction Market Preferred Shares. The shares are referred to in this prospectus as 'AMPS.' The Fund is a non-diversified, closed-end management investment company. The Fund's primary investment objective is high current income and its secondary investment objective is capital appreciation.

Under normal market conditions, the Fund will invest:

at least 40%, but no more than 60%, of its total assets in common stocks issued by real estate companies, such as real estate investment trusts or 'REITs';

at least 40%, but no more than 60%, of its total assets in preferred securities of which up to 5% may be preferred securities of REITs;

up to 20% of its total assets in debt securities other than preferred securities;

(continued on following page)

INVESTING IN THE AMPS INVOLVES CERTAIN RISKS. SEE 'RISK FACTORS' BEGINNING ON PAGE 36 OF THIS PROSPECTUS. THE MINIMUM PURCHASE AMOUNT OF THE AMPS IS $25,000.

	PER SHARE	TOTAL
Public offering price	$25,000	$
Sales load	$250	$
Proceeds to the Fund(1)	$24,750	$

(1) Not including offering expenses payable by the Fund estimated to be $.

The public offering price per share will be increased by the amount of dividends, if any, that have accumulated from the date the AMPS are first issued.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters are offering the AMPS subject to various conditions. The AMPS will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company, on or about , 2004.

MERRILL LYNCH & CO.
UBS INVESTMENT BANK
WACHOVIA SECURITIES
A.G. EDWARDS & SONS, INC.

The date of this prospectus is , 2004.

up to 10% of its total assets in preferred or other debt securities that at the time of the investment are rated below investment grade or that are unrated but judged to be of comparable quality by the Fund's Investment Manager;

a significant portion, but less than 25%, of its total assets in the securities of companies principally engaged in the financial services industry. This policy of investing in the financial services industry and the Fund's concentration of its investments in the real estate industry make the Fund more susceptible to adverse economic or regulatory occurrences affecting these sectors; and

up to 20% of its total assets in U.S. dollar-denominated securities of foreign issuers traded or listed on a U.S. securities exchange or in the U.S. over-the-counter market.

With respect to the preferred securities component of the portfolio, the Fund expects that it will invest primarily in taxable preferred securities.

There can be no assurance that the Fund will achieve its investment objectives. See 'Investment Objectives and Policies.' The Fund's investment manager is Cohen

& Steers Capital Management, Inc.

Investors in the AMPS will be entitled to receive cash dividends at an annual rate that may vary for the successive dividend periods for the AMPS. The AMPS have a liquidation preference of $25,000 per share, plus any accumulated, unpaid dividends. As of April 1, 2004 the Fund had outstanding 26,840 shares of nine other series of preferred stock: 3,280 Series M7 AMPS, par value $.001 per share (the 'Series M7 AMPS'), 3,280 Series T7 AMPS, par value $.001 per share (the 'Series T7 AMPS'), 3,280 Series W7 AMPS, par value $.001 per share (the 'Series W7 AMPS'), 3,280 Series TH7 AMPS, par value $.001 per share (the 'Series TH7 AMPS'), 3,280 Series F7 AMPS, par value $.001 per share (the 'Series F7 AMPS'), 2,040 Series T28 AMPS, par value $.001 per share (the 'Series T28 AMPS'), 2,800 Series W28A AMPS, par value $.001 per share (the 'Series W28A AMPS'), 2,800 Series W28B AMPS, par value $.001 per share (the 'Series W28B AMPS') and 2,800 Series W28C AMPS, par value $.001 per share (the 'Series W28C AMPS'). The AMPS offered in this prospectus rank on a parity with the Series M7 AMPS, Series T7 AMPS, Series W7 AMPS, Series TH7 AMPS, Series F7 AMPS, Series T28 AMPS, Series W28A AMPS, Series W28B AMPS and Series W28C AMPS with respect to dividends and liquidation preference. The AMPS have priority over the Fund's Common Shares as to dividends and distribution of assets as described in this prospectus. See 'Description of AMPS.' The dividend rate for the initial dividend period will be   %. The initial dividend period is from the date of issuance through   , 2004. For subsequent dividend periods, the AMPS will pay dividends based on a rate set at auction, usually held every 28 days. Prospective purchasers should note: (1) a buy order (called a 'bid order') or sell order is a commitment to buy or sell the AMPS based on the results of an auction; and (2) purchases and sales will be settled on the next business day after the auction. Investors may only buy or sell the AMPS through an order placed at an auction with or through a broker-dealer in accordance with the procedures specified in this prospectus. Broker-dealers are not required to maintain a secondary market in AMPS, and a secondary market may not provide you with liquidity. The Fund may redeem the AMPS as described under 'Description of AMPS -- Redemption.'

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

The AMPS will be senior to the Fund's outstanding Common Shares. The AMPS are not listed on an exchange. The Fund's Common Shares are traded on the New York Stock Exchange (the 'NYSE') under the symbol 'RNP.' It is a condition of closing this offering that the AMPS be offered with a rating of 'AAA' from Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc. ('S&P') and of 'Aaa' from Moody's Investors Service, Inc. ('Moody's').

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. NEITHER THE FUND NOR THE UNDERWRITERS HAVE AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. NEITHER THE FUND NOR THE UNDERWRITERS ARE MAKING AN OFFER TO SELL THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS IS ACCURATE AS OF THE DATE ON THE FRONT COVER OF THIS PROSPECTUS ONLY. THE FUND'S BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THAT DATE.

THIS PROSPECTUS SETS FORTH CONCISELY INFORMATION ABOUT THE FUND YOU SHOULD KNOW BEFORE INVESTING. YOU SHOULD READ THE PROSPECTUS BEFORE DECIDING WHETHER TO INVEST AND RETAIN IT FOR FUTURE REFERENCE. A STATEMENT OF ADDITIONAL INFORMATION, DATED   , CONTAINING ADDITIONAL INFORMATION ABOUT THE FUND, HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND IS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. YOU CAN REVIEW THE TABLE OF CONTENTS OF THE STATEMENT OF ADDITIONAL INFORMATION ON PAGE 72 OF THIS PROSPECTUS. YOU MAY REQUEST A FREE COPY OF THE STATEMENT OF ADDITIONAL INFORMATION BY CALLING (800) 437-9912. YOU MAY ALSO OBTAIN THE STATEMENT OF ADDITIONAL INFORMATION AND OTHER INFORMATION REGARDING THE FUND ON THE SECURITIES AND EXCHANGE COMMISSION'S WEB SITE (HTTP://WWW.SEC.GOV).

PROSPECTUS SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before investing in AMPS. You should review the more detailed information contained in this prospectus and in the Statement of

Additional Information (the 'SAI'), especially the information set forth under the heading 'Risk Factors.'

THE FUND.................................... The Cohen & Steers REIT and Preferred Income Fund, Inc. (the 'Fund') is a non-diversified, closed-end management investment company. The Fund was organi as a Maryland corporation on March 25, 2003 and is registered under the Investment Company Act of 194 as amended (the '1940 Act'). The Fund commenced investment operations on June 27, 2003 upon the closing of an initial public offering of 42,750,00 common shares, par value $.001 per share ('Common Shares'). The Fund issued 3,280 Series M7 AMPS, 3, Series T7 AMPS, 3,280 Series W7 AMPS, 3,280 Series TH7 AMPS, 3,280 Series F7 AMPS, 2,800 Series W28A AMPS, 2,800 Series W28B AMPS and 2,800 Series W28C AMPS on August 18, 2003. The Fund issu 2,040 Series T28 AMPS on December 10, 2003. As of April 1, 2004, the Fund had 48,251,666 Common Shar outstanding and net assets, plus the liquidation value of the Series M7 AMPS, Series T7 AMPS, Series W7 AMPS, Series TH7 AMPS, Series F7 AMPS, Series T28 AMPS, Series W28A AMPS, Series W28B AMP and Series W28C AMPS, of $2.1 billion. The Fund's principal office is located at 757 Third Avenue, N York, New York 10017, and its telephone number is (212) 832-3232.

THE OFFERING................................ The Fund is offering 3,560 Series TH28 Auction Mar Preferred Shares, par value $.001 per share (the 'AMPS'), at a purchase price of $25,000 per share plus dividends, if any, that have accumulated from the date the Fund first issues the AMPS. The AMPS offered through a group of underwriters led by Merrill Lynch, Pierce, Fenner & Smith Incorporated ('Merrill Lynch').

The AMPS entitle their holders to receive cash dividends at an annual rate that may vary for the successive dividend periods for the AMPS. In gener except as described under ' -- Dividends and Rate Periods' below and 'Description of AMPS -- Dividen and Rate Periods,' the dividend period for the AMP will be 28

days. The auction agent will determine the dividen rate for a particular period by an auction conduct on the business day immediately prior to the start that rate period. See 'The Auction.'

The AMPS are not listed on an exchange. Instead, investors may buy or sell the AMPS in an auction b submitting orders to broker-dealers that have ente into an agreement with the auction agent and the Fund.

Generally, investors in the AMPS will not receive certificates representing ownership of their share The securities depository (The Depository Trust Company ('DTC') or any successor) or its nominee f the account of the investor's broker-dealer will maintain record ownership of the AMPS in book-entr form. An investor's broker-dealer, in turn, will maintain records of that investor's beneficial ownership of the AMPS.

RATINGS..................................... The Fund will issue the AMPS only if such shares h received a credit quality rating of 'AAA' from S&P and 'Aaa' from Moody's. These ratings are an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The ratings are not a recommendation to purchase, hold sell those shares inasmuch as the rating does not comment as to market price or suitability for a particular investor. The ratings described above a do not address the likelihood that an owner of the AMPS will be able to sell such shares in an auctio or otherwise. The ratings are based on current information furnished to Moody's and S&P by the Fu and the Investment Manager and information obtaine from other sources. The ratings may be changed, suspended or withdrawn in the rating agencies' discretion as a result of changes in, or the unavailability of, such information. See 'Descript of AMPS -- Rating Agency Guidelines.'

USE OF PROCEEDS............................. The net proceeds of the AMPS, together with the proceeds from our initial public offering, will be invested in accordance with the policies set forth under 'Investment Objectives and Policies.' The Fu estimates that the net proceeds of this offering w be fully invested in accordance with our investmen objectives and policies within four months of the completion of this offering. The Fund intends to invest in income producing common stocks issued by real estate companies, such as

REITs, and preferred and other debt securities. Pending such investment, those proceeds may be invested in U.S. Government securities or high quality, short-term money market instruments.

INVESTMENT OBJECTIVES AND POLICIES........... The Fund's primary investment objective is high current income. Capital appreciation is its second objective. Our investment objectives and certain investment policies are considered fundamental and may not be changed without shareholder approval. S 'Investment Objectives and Policies.'

Under normal market conditions, the Fund seeks to achieve its objectives through a portfolio of inco producing common stock issued by REITs and preferr and other debt securities. The Fund currently inve approximately 57.3% of its total assets in common stocks issued by REITs, approximately 17.6% in preferred securities and approximately 24.4% in de securities other than preferred securities. These percentages may vary from time to time consistent with the Fund's investment objectives, although th Fund will normally invest at least 40% of its tota assets in common stock issued by real estate companies, including REITs and at least 40% of its total assets in preferred securities. At any time, under normal circumstances at least 80% of the Fun total assets will be invested in common stocks iss by REITs and preferred securities.

Investment Strategies. In making investment decisi with respect to common stocks and other equity securities issued by real estate companies, includ REITs, the Investment Manager relies on a fundamen analysis of each company. The Investment Manager reviews each company's potential for success in li of the company's current financial condition, its industry and sector position, and economic and mar conditions. The Investment Manager evaluates a num of factors, including growth potential, earnings estimates and the quality of management.

In making investment decisions with respect to preferred securities and debt securities, the Investment Manager seeks to select what it believe are superior securities (i.e., securities the Investment Manager views as undervalued on the bas of risk and return profiles). In

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making these determinations, the Investment Manage evaluates the fundamental characteristics of an issuer, including an issuer's creditworthiness, an also takes into account prevailing market factors. analyzing credit quality, the Investment Manager considers not only fundamental analysis, but also issuer's corporate and capital structure and the placement of the preferred or debt securities with that structure. The Investment Manager also takes into account other factors, such as call and other structural features, momentum and other exogenous signals (i.e., the likely directions of ratings) a relative value versus other income security classe

Common Stocks Issued by REITs. Under normal market conditions, at least 40%, but no more than 60%, of the Fund's total assets will be invested in common stocks issued by real estate companies, consisting primarily of REITs. Substantially all of the commo stocks issued by REITs in which the Fund intends t invest are traded on a national securities exchang or in the over-the-counter market. A real estate company derives at least 50% of its revenue from r estate or has at least 50% of its assets in real estate. A REIT is a company dedicated to owning, a usually operating, income producing real estate, o to financing real estate. REITs are generally not taxed on income timely distributed to shareholders provided they distribute to their shareholders substantially all of their taxable income (other t net capital gains) and otherwise comply with the requirements of the Internal Revenue Code of 1986, amended (the 'Code'). As a result, REITs generally pay relatively higher dividends (as compared to ot types of companies) and the Fund intends to use th REIT dividends in an effort to meet its objective high current income. Dividends paid by REITs will be eligible for the dividends received deduction ('DRD') under Section 243 of the Code and are generally not considered 'qualified dividend incom eligible for reduced rates of taxation. The DRD generally allows corporations to deduct 70% of the income they receive from dividends that are paid o of earnings and profits of the issuer. Pursuant to recently enacted legislation, individuals will generally be taxed at long-term capital gain rates qualified dividend income

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for taxable years beginning on or before December 31, 2008. It is the Fund's current intention to invest approximately 50% of its total assets in common stocks of real estate companies, consisting primarily of REITs, although the actual percentage in its portfolio may change.

Preferred Securities. Under normal market conditio at least 40%, but no more than 60%, of the Fund's total assets will be invested in preferred securities. Preferred securities pay fixed or floating dividends to investors and have 'preferen over common stock in the payment of dividends and liquidation of a company's assets. This means that company must pay dividends on preferred stock befo paying dividends on its common stock. Preferred stockholders usually have no right to vote for corporate directors or on other matters. The Fund expects that, under current market conditions, it will invest primarily in taxable preferred securities. The taxable preferred securities in wh the Fund intends to invest do not qualify for the and are not expected to provide significant benefi under the rules relating to qualified dividend income. Accordingly, any corporate shareholder who otherwise would qualify for the DRD, and any individual shareholder who otherwise would qualify be taxed at long-term capital gain rates on qualif dividend income, should assume that none of the distributions it receives from the Fund attributab to taxable preferred securities will qualify for t DRD or provide significant benefits under the rule relating to qualified dividend income. The Fund ma also invest up to 5% of its total assets in prefer securities issued by REITs. Under current market conditions, the Fund's investments in preferred securities consist primarily of taxable preferred securities. When used in this prospectus, taxable preferred securities refer generally to hybrid-preferred securities as well as certain typ of traditional preferred securities that are not eligible for the DRD (and are not expected to prov significant benefits under the rules relating to qualified dividend income), such as REIT preferred securities.

The Fund also may invest up to 10% of its total assets in preferred or other debt securities that the time of investment are rated below investment grade (below Baa

or BBB) by Moody's, S&P or Fitch Ratings ('Fitch') that are unrated but judged to be of comparable quality by the Fund's Investment Manager. A securi will not be considered to be below investment grad quality if it is rated within the four highest gra (Baa or BBB or better) by Moody's, S&P or Fitch, o is unrated but judged to be of comparable quality the Fund's Investment Manager. These below investm grade quality securities are commonly referred to 'junk bonds' and are regarded as having predominan speculative characteristics with respect to the payment of interest and repayment of principal.

While the Fund does not currently intend to invest illiquid securities (i.e., securities that are not readily marketable), it may invest up to 10% of it total assets in illiquid securities.

The Fund may invest up to 20% of its total assets debt securities, including convertible debt securities and convertible preferred securities. Common stock acquired pursuant to a conversion feature will be subject to this 20% limitation.

The Fund will invest a significant portion, but le than 25%, of its total assets in the securities of companies principally engaged in the financial services industry (which are prominent issuers of preferred securities). In addition, under normal market conditions the Fund will invest at least 40 of its total assets in common stock issued by real estate companies, consisting primarily of REITs. T policy of investing in the financial services industry and the Fund's concentration of its investments in the real estate industry make the F more susceptible to adverse economic or regulatory occurrences affecting these sectors.

The Fund also may invest up to 20% of its total assets in U.S. dollar-denominated securities of foreign issuers traded or listed on a U.S. securit exchange or the U.S. over-the-counter market.

The Fund will generally not invest more than 10% o its total assets in the securities of one issuer. Fund may engage in portfolio trading when consider appropriate, but short-term trading will not be us as the primary means of achieving the Fund's investment objectives.

There are no limits on portfolio turnover, and investments may be sold without regard to length o time held when, in the opinion of the Investment Manager, investment considerations warrant such action. A higher portfolio turnover rate results i correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will taxable as ordinary income.

Although not intended to be a significant element the Fund's investment strategy, from time to time Fund may use various other investment management techniques that also involve certain risks and special considerations including: engaging in interest rate and credit derivatives transactions using options and financial futures.

There can be no assurance that our investment objectives will be achieved. See 'Investment Objectives and Policies.'

INVESTMENT MANAGER.......................... Cohen & Steers Capital Management, Inc. (the 'Investment Manager') is the Investment Manager pursuant to an Investment Management Agreement. Th Investment Manager was formed in 1986, and as of March 25, 2004 had approximately $15.4 billion in assets under management. Its clients include pensi plans, endowment funds and mutual funds, including some of the largest open-end and closed-end real estate funds. The Investment Manager, whose princi business address is 757 Third Avenue, New York, Ne York 10017, is also responsible for providing administrative services, and assisting the Fund wi operational needs pursuant to an administration agreement (the 'Administration Agreement'). In accordance with the terms of the Administration Agreement, the Fund has entered into an agreement with State Street Bank and Trust Company ('State Street Bank') to perform certain administrative functions subject to the supervision of the Investment Manager (the 'Sub-Administration Agreement'). See 'Management of the Fund -- Administration and Sub-Administration Agreement.'

USE OF LEVERAGE............................ The Fund may, but is not required to, use financia leverage for investment purposes. In addition to issuing AMPS, the Fund may borrow money or issue d securities such as commercial paper or notes. Any such borrowings will have seniority over the AMPS, and payments to holders of AMPS in liquidation or otherwise will be subject to the prior payment of borrowings. Since the Investment Manager's fee is based upon a percentage of the Fund's managed asse which include assets attributable to any outstandi leverage, the investment management fee will be higher if the Fund is leveraged and the Investment Manager will have an incentive to be more aggressi and leverage the Fund. See 'Use of Leverage.'

PRINCIPAL INVESTMENT RISKS.................. Risk is inherent in all investing. Therefore, befo investing in AMPS and the Fund you should consider certain risks carefully. The primary risks of investing in AMPS are:

the Fund will not be permitted to declare divide or other distributions with respect to your AMPS redeem your AMPS unless the Fund meets certain a coverage requirements;

if you try to sell your AMPS between auctions yo not be able to sell any or all of your shares or may not be able to sell them for $25,000 per sha or $25,000 per share plus accumulated dividends. the Fund has designated a special rate period, changes in interest rates could affect the price would receive if you sold your shares in the secondary market. You may transfer your shares outside of auctions only to or through a broker-dealer that has entered into an agreement with the auction agent and the Fund or other per as the Fund permits;

if an auction fails, you may not be able to sell or all of your AMPS;

you may receive less than the price you paid for AMPS if you sell them outside of the auction, especially when market interest rates are rising

a rating agency could downgrade the rating assig to the AMPS, which could affect liquidity;

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the Fund may be forced to redeem your AMPS to me regulatory or rating agency requirements or may voluntarily redeem your shares in certain circumstances;

restrictions imposed by the 1940 Act and by rati agencies on the declaration and payment of divid to the holders of the Fund's Common Shares and A might impair the Fund's ability to maintain its qualification as a regulated investment company federal income tax purposes;

in certain circumstances the Fund may not earn sufficient income from its investments to pay dividends on AMPS;

the AMPS will be junior to any borrowings;

any borrowings may constitute a substantial lien burden on the AMPS by reason of its priority cla against the income of the Fund and against the n assets of the Fund in liquidation;

if the Fund leverages through borrowings, the Fu may not be permitted to declare dividends or oth distributions with respect to the AMPS or purcha AMPS unless at the time thereof the Fund meets certain asset coverage requirements and the paym of principal and of interest on any such borrowi are not in default;

the value of the Fund's investment portfolio may decline, reducing the asset coverage for the AMP and

if an issuer of a common stock in which the Fund invests experiences financial difficulties or if issuer's preferred stock or debt security is downgraded or defaults or if an issuer in which Fund invests is affected by other adverse market factors, there may be a negative impact on the income and/or asset value of the Fund's investme portfolio.

In addition, although the offering of AMPS is conditioned upon receipt of ratings of 'AAA' from and 'Aaa' from Moody's for the AMPS, there are additional risks related to the investment policie of the Fund, such as:

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Real Estate Risks. Since at least 40% of the Fund' total assets normally will be concentrated in comm stock of real estate companies, consisting primari of REITs, your investment in the Fund will be significantly impacted by the performance of the r estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. REIT prices also may drop because of the failure of borrowers to pay their loans and po management. Many REITs utilize leverage, which increases investment risk and could adversely affe a REIT's operations and market value in periods of rising interest rates as well as risks normally associated with debt financing. In addition, there are specific risks associated with particular sect of real estate investments such as retail, office, hotel, healthcare, and multifamily properties.

Preferred Securities Risks. There are also special risks associated with investing in preferred securities. Preferred securities are more sensitiv to changes in interest rates than common stocks. W interest rates rise, the value of preferred stocks may fall. Other risks include deferral or omission distributions, greater credit risk than more senio debt securities, less liquidity than common stocks limited voting rights and special redemption right

Financial Services Risks. The Fund intends to inve a significant portion, but less than 25%, of its total assets in the securities of companies principally engaged in financial services, which a prominent issuers of preferred securities. Because the Fund may invest such amounts in this sector, t

Fund may be more susceptible to adverse economic o
regulatory occurrences affecting that sector.

Foreign Securities Risks. Under normal market conditions, the Fund may invest up to 20% of its total assets in U.S. dollar-denominated securities foreign issuers traded or listed on a U.S. securit exchange or in the U.S. over-the-counter market. S investments involve certain risks not involved in domestic investments, including the risk of blocka of foreign currency exchanges by foreign countries less rigorous disclosure or accounting standards a regulatory

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practices and adverse political and economic developments.

Interest Rate Risks. Interest rate risk is the ris that fixed-income securities such as preferred and debt securities, and to a lesser extent dividend-paying common stocks such as REIT common shares, will decline in value because of changes i market interest rates. When market interest rates rise, the market value of such securities generall will fall. The Fund's investment in such securitie means that the net asset value and market price of the Common Shares may tend to decline if market interest rates rise.

During periods of declining interest rates, an iss may be able to exercise an option to prepay princi earlier than scheduled, which is generally known a call or prepayment risk. If this occurs, the Fund be forced to reinvest in lower yielding securities This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the securities prio to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the avera life of certain types of securities may be extende because of slower than expected principal payments This may lock in a below market interest rate, increase the security's duration and reduce the va of the security. This is known as extension risk.

Market interest rates for investment grade fixed-income securities in which the Fund will inv have recently declined significantly below the rec historical average rates for such securities. This decline may have increased the risk that these rat will rise in the future (which would cause the val of the Fund's net assets to decline) and the degre to which asset values may decline in such events; however, historical interest rate levels are not necessarily predictive of future interest rate levels. See 'Risk Factors -- Interest Rate Risk.'

Credit Risk and Lower-Rated Securities Risk. Credi risk is the risk that a security in the Fund's portfolio will decline in price or the issuer will fail to make dividend,

interest or principal payments when due because th issuer of the security experiences a decline in it financial status. Preferred securities normally ar subordinated to bonds and other debt instruments i company's capital structure, in terms of priority corporate income and claim to corporate assets, an therefore will be subject to greater credit risk t debt instruments. The Fund may invest up to 10% (measured at the time of investment) of its total assets in preferred securities and other debt securities that are rated below investment grade. Preferred stock or debt securities will be conside to be investment grade if, at the time of the investment, such security has a rating of 'BBB' or higher by S&P, 'Baa' or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency or, if unrated, such security is determined by the Investment Manager t be of comparable quality. Lower-rated preferred st or other debt securities, or equivalent unrated securities, which are commonly known as 'junk bond generally involve greater volatility of price and risk of loss of income and principal, and may be m susceptible to real or perceived adverse economic competitive industry conditions than higher grade securities. It is reasonable to expect that any adverse economic conditions could disrupt the mark for lower-rated securities, have an adverse impact the value of those securities and adversely affect the ability of the issuers of those securities to repay principal and interest on those securities.

Anti-Takeover Provisions. Certain provisions of th Fund's Articles of Incorporation and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund to modify the Fund's structure. The provisions may have the effect of depriving you of an opportunity redeem your shares and may have the effect of inhibiting conversion of the Fund to an open-end investment company. See 'Certain Provisions of the Charter and By-Laws' and 'Risk Factors -- Anti-Takeover Provisions.'

Market Disruption Risk. The aftermath of the war i Iraq and the continuing occupation of Iraq, instability in the Middle East and terrorist attac in the U.S. and around the world have resulted in recent market

volatility and may have long-term effects on the U and worldwide financial markets and may cause furt economic uncertainties in the U.S. and worldwide. Fund does not know how long the securities markets will continue to be affected by these events and cannot predict the effects of the occupation or similar events in the future on the U.S. economy a securities markets.

Given the risks described above, an investment in AMPS may not be appropriate for all investors. You should carefully consider your ability to assume these risks before making an investment in the Fun

For further discussion of the risks associated wit investing in the AMPS and the Fund, see 'Risk Factors.'

DIVIDENDS AND RATE PERIODS.................. The table below shows the dividend rate, the divid payment date and the number of days for the initia rate period of the AMPS offered in this prospectus For subsequent rate periods, the AMPS will pay dividends based on a rate set at auctions normally held every 28 days. In most instances, dividends a payable on the first business day following the en of the rate period. The rate set at auction will n exceed the applicable maximum rate.

The dividend payment date for special rate periods will be set out in the notice designating a specia rate period. Dividends on the AMPS will be cumulat from the date the shares are first issued and will paid out of legally available funds.

	INITIAL DIVIDEND RATE	DIVIDEND PAYMENT DATE FOR INITIAL RATE PERIOD
Series TH28..........	%	

The Fund may, subject to certain conditions, designate special rate periods of more than 28 day

The Fund may not designate a special rate period unless sufficient clearing bids were made in the m recent auction. In addition, full cumulative dividends, any amounts due with respect to mandato redemptions and any additional dividends payable prior to such date must be paid in full. The Fund also must have received confirmation from Moody's S&P or any substitute

rating agency that the proposed special rate perio will not adversely affect such agency's then-curre rating on the AMPS and the lead broker-dealer designated by the Fund, initially Merrill Lynch, m not have objected to declaration of a special rate period. See 'Description of AMPS -- Dividends and Rate Periods' and ' -- Designation of Special Rate Periods' and 'The Auction.'

SECONDARY MARKET TRADING.................... Broker-dealers may, but are not obligated to, maintain a secondary trading market in the AMPS outside of auctions. There can be no assurance tha secondary market will provide owners with liquidit You may transfer shares outside of auctions only t or through a broker-dealer that has entered into a agreement with the auction agent and the Fund, or other persons as the Fund permits.

INTEREST RATE TRANSACTIONS.................. In order to seek to reduce the interest rate risk inherent in its underlying investments and capital structure, the Fund may enter into interest rate s or cap transactions. The use of interest rate swap and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, t Fund would agree to pay to the other party to the interest rate swap (which is known as the 'counterparty') a fixed rate payment in exchange f the counterparty agreeing to pay to the Fund a variable rate payment that is intended to approxim the Fund's variable rate payment obligation on the AMPS or any variable rate borrowing. The payment obligations would be based on the notional amount the swap. In an interest rate cap, the Fund would a premium to the counterparty to the interest rate cap and, to the extent that a specified variable r index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such ca If the counterparty to an interest rate swap or ca defaults, the Fund would be obligated to make the payments that it had intended to avoid. Depending the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, this default could negatively impact the Fund's ability to make dividend

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payments on the AMPS. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that t Fund will not be able to obtain a replacement transaction or that the terms of the replacement w not be as favorable as on the expiring transaction If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on th AMPS. If the Fund fails to maintain the required asset coverage on the outstanding AMPS or fails to comply with other covenants, the Fund may be requi to redeem some or all of these shares. Such redemption likely would result in the Fund seeking terminate early all or a portion of any swap or ca transaction. Early termination of the swap could result in a termination payment by or to the Fund. Early termination of a cap could result in a termination payment to the Fund. The Fund would no enter into interest rate swap or cap transactions having a notional amount that exceeded the outstanding amount of the AMPS. See 'How the Fund Manages Risk -- Interest Rate Transactions' for additional information.

ASSET MAINTENANCE........................... Under the Fund's Articles Supplementary for the AM which establishes and fixes the rights and preferences of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), the Fund must maintain:

asset coverage of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) as required by the rating agen or agencies rating the AMPS; and

asset coverage of at least 200% with respect to senior securities that are stock, including the

In the event that the Fund does not maintain or cu these coverage tests, some or all of the AMPS will subject to mandatory redemption. See 'Description AMPS -- Redemption.'

Based on the composition of the Fund's portfolio a of April 1, 2004, the asset coverage of the AMPS (the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B an Series W28C AMPS), as measured pursuant to the 194 Act, would be

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approximately 286% if the Fund were to issue all o the AMPS offered in this prospectus, representing approximately 35% of the Fund's managed assets (as defined below).

REDEMPTION.................................. The Fund does not expect to and ordinarily will no redeem the AMPS. However, under the Articles Supplementary, it may be required to redeem AMPS i order, for example, to meet an asset coverage rati or to correct a failure to meet a rating agency guideline in a timely manner. The Fund may also voluntarily redeem the AMPS without the consent of holders of the AMPS under certain conditions. See 'Description of AMPS -- Redemption.'

LIQUIDATION PREFERENCE...................... The liquidation preference (that is, the amount th Fund must pay to holders of the AMPS if the Fund i liquidated) for the AMPS will be $25,000 per share plus accumulated but unpaid dividends, if any, whether or not earned or declared.

VOTING RIGHTS............................... The 1940 Act requires that the holders of the AMPS and the holders of any other series of preferred stock of the Fund, voting as a separate class, hav the right to:

elect at least two directors at all times; and

elect a majority of the directors if at any time Fund fails to pay dividends on the AMPS, or any other series of preferred stock of the Fund, for full years and will continue to be so represente until all dividends in arrears have been paid or otherwise provided for.

The holders of the AMPS, and the holders of any ot series of preferred stock of the Fund, will vote a separate class or series on other matters as requi under the Fund's Articles of Incorporation (which, hereafter amended, restated or supplemented from t to time is, together with the Articles Supplementa referred to as the 'Charter'), the 1940 Act and

Maryland law. Each Common Share, each share of the AMPS, and each share of any other series of prefer stock of the Fund is entitled to one vote per shar

FEDERAL INCOME TAXATION...................... The distributions with respect to the AMPS (other than distributions in redemption of the AMPS subje to Section 302(b) of the Code) will constitute dividends to the extent of the Fund's current or accumulated earnings and profits, as calculated fo federal income tax

purposes. Except in the case of distributions of qualified dividend income and net capital gains, s dividends generally will be taxable as ordinary income to holders. Distributions of net capital ga that are designated by the Fund as capital gain dividends will be treated as long-term capital gai in the hands of holders receiving such distributio The Internal Revenue Service ('IRS') currently requires that a regulated investment company that two or more classes of stock allocate to each such class proportionate amounts of each type of its income (such as ordinary income and capital gains) based upon the percentage of total dividends distributed to each class for the tax year. Accordingly, the Fund intends each year to allocat capital gain dividends, dividends qualifying for t DRD and dividends derived from qualified dividend income, if any, among its Common Shares, the AMPS the Series M7, Series T7, Series W7 , Series TH7, Series F7, Series T28, Series W28A, Series W28B an Series W28C AMPS in proportion to the total divide paid to each class during or with respect to such year. See 'U.S. Federal Taxation.'

CUSTODIAN, AUCTION AGENT, TRANSFER AGENT, DIVIDEND PAYING AGENT AND REGISTRAR.......... State Street Bank serves as the Fund's custodian. Bank of New York serves as auction agent, transfer agent, dividend paying agent and registrar for the AMPS.

FINANCIAL HIGHLIGHTS

Information contained in the table below under the headings 'Per Share Operating Performance' and 'Ratios/Supplemental Data' shows the operating performance of the Fund from the commencement of the Fund's investment operations on June 27, 2003 through December 31, 2003.

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the Fund's Financial Statements included in the SAI dated , 2004. The table should be read in conjunction with the Financial Statements and notes thereto.

	FOR THE PERIOD JUNE 27, 2003(a) THROUGH DECEMBER 31, 2003
PER SHARE OPERATING PERFORMANCE:	
Net asset value per common share, beginning of period.......	$23.88
Income from investment operations:	
Net investment income..................................	0.74(b)
Net realized and unrealized gain on investments.........	3.23
Total income from investment operations.............	3.97
Less dividends and distributions to preferred shareholders from:	
Net investment income..................................	(0.06)
Net realized gain on investments.......................	(0.01)
Total dividends and distributions to preferred shareholders....................................	(0.07)
Total from investment operations applicable to common shares..................................	3.90
Less: Offering and organization costs charged to paid-in capital -- common shares..................................	(0.06)
Offering and organization costs charged to paid-in capital -- preferred shares...............................	(0.18)
Dilutive effect of common share offering..............	(0.01)
Total offering and organization costs...........	(0.25)
Less: dividends and distributions to common shareholders from:	
Net investment income..................................	(0.55)
Net realized gain on investments.......................	(0.06)
Tax return of capital..................................	(0.24)
Total dividends and distributions to common shareholders....................................	(0.85)
Net increase in net asset value............................	2.80
Net asset value, per common share, end of period...........	$26.68

Market value, per common share, end of period..............	$25.90
Net asset value total return(c)............................	15.56%(d)
Market value return(c).....................................	7.16%(d)

(a) Commencement of operations.

(b) Calculation based on average shares outstanding.

(c) Total market value return is computed based upon the New York Stock Exchange market price of the Fund's shares and excludes the effects of brokerage commissions. Dividends and distributions, if any, are assumed for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total net asset value return measures the changes in value over the period indicated, taking into account dividends as reinvested.

(d) Not annualized.

See accompanying notes to financial statements.

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FINANCIAL HIGHLIGHTS -- (CONTINUED)

	FOR THE PERIOD JUNE 27, 2003(a) THROUGH DECEMBER 31, 2003
RATIOS/SUPPLEMENTAL DATA:	
Net assets applicable to common shares, end of period (in millions)..	$ 1,287.2
Ratio of expenses to average daily net assets applicable to common shares(b)..	1.17%(c)
Ratio of net investment income to average daily net assets applicable to common shares(b)...........................	5.51%(c)

Ratio of expenses to average daily managed assets(b)........	0.84%(c)
Portfolio turnover rate....................................	7.66%(d)
AMPS:	
Liquidation value, end of period (in 000's)................	$ 671,000
Total shares outstanding (in 000's)........................	28
Asset coverage per share...................................	$ 70,949
Liquidation preference per share...........................	$ 25,000
Average market value per share.............................	$ 25,000

(a) Commencement of operations.
(b) Ratios do not reflect dividend payments to preferred shareholders.
(c) Annualized.
(d) Not annualized.

See accompanying notes to financial statements.

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THE FUND

The Fund is a non-diversified, closed-end management investment company. The Fund was organized as a Maryland corporation on March 25, 2003 and is registered as an investment company with the Securities and Exchange Commission under the 1940 Act. The Fund issued an aggregate of 42,750,000 Common Shares, par value $.001 per share, pursuant to the initial public offering thereof and commenced its operations with the closing of the initial public offering on June 27, 2003. On July 16, 2003 and August 5, 2003, the Fund issued 2,500,000 and 2,940,000 additional Common Shares, respectively, in connection with a partial exercise by the underwriters of the overallotment option. On August 18, 2003, the Fund issued 3,280 Series M7 AMPS, 3,280 Series T7 AMPS, 3,280 Series W7 AMPS, 3,280 Series TH7 AMPS, 3,280 Series F7 AMPS, 2,800 Series W28A AMPS, 2,800 Series W28B AMPS and 2,800 Series W28C AMPS. On December 10, 2003, the Fund issued 2,040 Series T28 AMPS. The Fund's Common Shares are traded on the NYSE under the symbol 'RNP.' The Fund's principal office is located at 757 Third Avenue, New York, New York 10017, and our telephone number is (212) 832-3232.

The following provides information about the Fund's outstanding shares as of April , 2004:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY THE FUND OR FOR ITS ACCOUNT	AMOUNT OUTSTANDING
Common.......................................	99,969,600	0	48,251,666
AMPS			
Series TH28..............................	3,560	0	0
Series M7................................	3,280	0	3,280
Series T7................................	3,280	0	3,280
Series W7................................	3,280	0	3,280
Series TH7...............................	3,280	0	3,280
Series F7................................	3,280	0	3,280
Series T28...............................	2,040	0	2,040
Series W28A..............................	2,800	0	2,800
Series W28B..............................	2,800	0	2,800
Series W28C..............................	2,800	0	2,800

USE OF PROCEEDS

The Fund estimates the net proceeds of this offering of AMPS, after payment of the sales load and offering expenses, will be $. The net proceeds of this offering will be invested in accordance with the policies set forth under 'Investment Objectives and Policies.' The Fund estimates that the net proceeds of this offering will be fully invested in accordance with our investment objectives and policies within four months of the completion of this offering. Pending such investment, those proceeds may be invested in U.S. Government securities or high quality, short-term money market instruments. See 'Investment Objectives and Policies.'

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CAPITALIZATION (UNAUDITED)

The following table sets forth the unaudited capitalization of the Fund as of April 1, 2004, and as adjusted to give effect to the issuance of the AMPS offered in this prospectus.

AS OF APRIL 1, 2004

	ACTUAL	AS ADJUSTED
	(UNAUDITED)	
AS OF APRIL 1, 2004:		
Auction Market Preferred Shares, $.001 par value, $25,000 liquidation value; 26,840 shares authorized (3,280 Series M7 AMPS, 3,280 Series T7 AMPS, 3,280 Series W7 AMPS, 3,280 Series TH7 AMPS, 3,280 Series F7 AMPS, 2,040 Series T28 AMPS, 2,800 Series W28A AMPS, 2,800 Series W28B AMPS and 2,800 Series W28C AMPS (collectively, the 'Outstanding AMPS')) and issued and Series TH28 AMPS, no shares issued, as adjusted	$ 671,000,000	$ 760,000,0000
Shareholders' Equity Applicable to Common Shares		
Common Shares, $.001 par value per share; 99,973,160 shares authorized, 48,251,666 shares outstanding	48,252	48,252
Paid-in surplus	1,129,829,367	1,128,571,491
Distributions in excess of net investment income	(565,998)	(565,998)
Accumulated net realized gain (loss) from investment transactions	3,617,642	3,617,642
Net unrealized appreciation (depreciation)	278,827,799	278,827,799
Net assets applicable to Common Shareholders	$1,411,757,062	$1,410,499,186
Net assets, plus liquidation preference of AMPS	$2,082,757,062	$2,170,499,186

As used in this prospectus, unless otherwise noted, the Fund's 'managed assets' include assets of the Fund attributable to any outstanding AMPS, with no deduction for the liquidation preference of such shares. For financial reporting purposes, however, the Fund is required to deduct the liquidation preference of its outstanding AMPS from 'managed assets' so long as the outstanding AMPS have redemption features that are not solely within the control of the Fund. In connection with the rating of the outstanding AMPS, the Fund has established various portfolio covenants to meet third-party rating agency guidelines in its Articles of Incorporation. These covenants include, among other things, investment diversification requirements and requirements that investments included in the Fund's portfolio meet specific industry and credit quality criteria. Market factors outside the Fund's control may affect its ability to meet the criteria of third-party rating agencies set forth in the Fund's portfolio covenants. If the Fund violates these covenants, it may be required to cure the violation by redeeming all or a portion of the outstanding AMPS. For all regulatory purposes, the Fund's outstanding AMPS will be treated as stock (rather than indebtedness).

INVESTMENT OBJECTIVES AND POLICIES

GENERAL

The Fund's primary investment objective is to seek high current income. Capital appreciation is our secondary objective. The Fund is not intended as a complete investment program. There can be no assurance that the Fund will achieve its investment objectives.

Under normal market conditions, the Fund will invest:

at least 40%, but no more than 60%, of its total assets in common stocks issued by real estate companies such as REITs. A real estate company derives at least 50% of its revenue from real estate or has at least 50% of its assets in real estate. A REIT is a company dedicated to owning, and usually operating, income producing real estate, or to financing real estate;

at least 40%, but no more than 60%, of its total assets in preferred securities; up to 5% of the Fund's total assets may be invested in preferred securities issued by REITs;

up to 10% of its total assets in preferred or other securities that at the time of investment are rated below investment grade or that are unrated but judged to be of comparable quality by the Fund's Investment Manager;

up to 20% of its total assets in debt securities, including convertible debt securities and convertible preferred securities;

a significant portion, but less than 25%, of its total assets in the securities of companies principally engaged in the financial services industry (which are prominent issuers of preferred securities); and

up to 20% of its total assets in U.S. dollar-denominated securities of foreign issuers traded or listed on a U.S. securities exchange or the U.S. over-the-counter market.

The policy referred to above of investing in the financial services industry and the Fund's concentration of its investments in the real estate industry make the Fund more susceptible to adverse economic or regulatory occurrences affecting these sectors. See 'Risk Factors -- General Risks of Investing in the Fund -- General Risks of Securities Linked to the Real Estate Market' and 'Risk Factors -- General Risks of Securities Linked to the Financial Services Industry.'

Although the Fund does not currently intend to invest in illiquid securities (i.e., securities that are not readily marketable), it may invest up to 10% of its total assets in illiquid securities. Similarly, although the Fund does not intend to invest in convertible securities, it may invest up to 20% of its total assets in securities convertible into common or preferred securities where the conversion feature represents, in the Investment Manager's view, a significant element of the securities' value. Common stock acquired pursuant to a conversion feature will be subject to this 20% limitation.

Under normal conditions, the Fund intends to invest in income producing common stock issued by real estate companies, consisting primarily of REITs, and preferred and other debt securities. Substantially all of the common stocks issued by REITs in which the Fund intends to invest are traded on a national securities exchange or in the over-the-counter market. REITs are generally not taxed on income timely distributed to shareholders provided they distribute to their shareholders substantially all of their income and otherwise comply with the requirements of the

Code. As a result, REITs generally pay relatively high dividends (as compared to other types of companies) and the Fund intends to use these REIT dividends in an effort to meet its objective of high current income. With respect to the preferred securities component of the portfolio, under current market conditions the Fund expects that it will invest primarily in taxable preferred securities. Under current market conditions, the Fund's portfolio of preferred securities is expected to consist primarily of fixed rate preferred securities.

A security will be considered investment grade quality if it is rated 'BBB' or higher by S&P, 'Baa' or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or is unrated but judged to be of comparable quality by the Investment Manager. Bonds of below investment grade quality (BB/Ba or below) are commonly referred to as 'junk bonds.' Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. The Fund's credit quality policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security if a rating agency downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell a security that a rating agency has downgraded, the Investment Manager may consider such factors as its assessment of the credit quality of the issuer of the security, the price at which the security could be sold and the rating, if any, assigned to the security by other rating agencies. Appendix A to the SAI contains a general description of Moody's and S&P's ratings of securities.

The Fund's investment objectives and certain other policies are fundamental and may not be changed without the approval of the holders of a 'majority of the outstanding' Common Shares and AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) voting together as a single class, and of the holders of a 'majority of the outstanding' AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), voting as a separate class. When used with respect to particular shares of the Fund, a 'majority of the outstanding' shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less. Unless otherwise indicated, the Fund's investment policies are not fundamental and may be changed by the Board of Directors without the approval of shareholders, although the Fund has no current intention of doing so.

INVESTMENT STRATEGIES

In making investment decisions with respect to common stocks and other equity securities issued by real estate companies, including REITs, the Investment Manager relies on a fundamental analysis of each company. The Investment Manager reviews each company's potential for success in light of the company's current financial condition, its industry and sector position, and economic and market conditions. The Investment Manager evaluates a number of factors, including growth potential, earnings estimates and the quality of management.

In making investment decisions with respect to preferred securities and debt securities, the Investment Manager seeks to select what it believes are superior securities, (i.e., securities the Investment Manager views as undervalued on the basis of risk and return profiles). In making these determinations, the Investment Manager evaluates the fundamental characteristics of an issuer, including an issuer's creditworthiness, and also takes into account prevailing market factors.

In analyzing credit quality, the Investment Manager considers not only fundamental analysis, but also an issuer's corporate and capital structure and the placement of the preferred or debt securities within that structure. The Investment Manager also takes into account other factors, such as call and other structural features, momentum and other exogenous signals (i.e., the likely directions of ratings) and relative value versus other income security classes.

PORTFOLIO COMPOSITION

Our portfolio will be composed principally of the following investments. A more detailed description of our investment policies and restrictions and more detailed information about our portfolio investments are contained in the SAI.

Under normal market conditions, the Fund seeks to achieve its objectives through a portfolio of income producing common stock issued by REITs and preferred and other debt securities. The Fund currently invests approximately 57.3% of its total assets in common stocks issued by REITs, approximately 17.6% in preferred securities and approximately 24.4% in debt securities other than preferred securities. These percentages may vary from time to time consistent with the Fund's investment objectives, although the Fund will normally invest at least 40% of its total assets in common stock issued by real estate companies, including REITs and at least 40% of its total assets in preferred securities. At any time, under normal circumstances at least 80% of the Fund's total assets will be invested in common stocks issued by REITs and preferred securities.

Common Stocks Issued By Real Estate Companies and REITs. For purposes of our investment policies, a real estate company is one that:

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

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

Under normal market conditions, the Fund will invest at least 40%, but no more than 60%, of our total assets in the common stocks of real estate companies, consisting primarily of REITs. A REIT is a company dedicated to owning, and usually operating, income producing real estate, or to financing real estate. REITs pool investors' funds for investment primarily in income producing real estate or real estate-related loans or interests. REITs are generally not taxed on income timely distributed to shareholders provided, among other things, they distribute to their shareholders substantially all of their taxable income (other than net capital gains) for each taxable year. As a result, REITs tend to pay relatively higher dividends than other types of companies and the Fund intends to use these REIT dividends in an effort to meet the current income goal of its investment objectives. Dividends paid by REITs will not be eligible for the DRD and are generally not considered qualified dividend income eligible for reduced rates of taxation. The DRD generally allows corporations to deduct 70% of the income they receive from dividends that are paid out of earnings and profits of the issuer. Pursuant to recently enacted legislation, individuals will generally be taxed at long-term capital gain rates on qualified dividend income for taxable years beginning on or before December 31, 2008.

REITs can generally be classified as Equity REITs, Mortgage REITs and Hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate

mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both Equity REITs and Mortgage REITs. The Fund does not currently intend to invest more than 10% of its total assets in Mortgage REITs or Hybrid REITs.

Preferred Securities. Under normal market conditions, the Fund will invest at least 40%, but no more than 60%, of its total assets in preferred securities. There are two basic types of preferred securities. The first, sometimes referred to in this prospectus as traditional preferred securities, consists of preferred stock issued by an entity taxable as a corporation. The second is referred to in this prospectus as hybrid-preferred securities. Hybrid-preferred securities are usually issued by a trust or limited partnership and often represent preferred interests in deeply subordinated debt instruments issued by the corporation for whose benefit the trust or partnership was established. Initially, the preferred securities component of the Fund will be comprised primarily of taxable preferred securities.

Traditional Preferred Securities. Traditional preferred securities generally pay fixed or adjustable rate dividends to investors and generally have a 'preference' over common stock in the payment of dividends and the liquidation of a company's assets. This means that a company must pay dividends on preferred stock before paying any dividends on its common stock. In order to be payable, distributions on such preferred securities must be declared by the issuer's board of directors. Income payments on typical preferred securities currently outstanding are cumulative, causing dividends and distributions to accumulate even if not declared by the board of directors or otherwise made payable. In such a case, all accumulated dividends must be paid before any dividend on the common stock can be paid. However, some traditional preferred stocks are non-cumulative, in which case dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its shareholders. Should an issuer of a non-cumulative preferred stock held by the Fund determine not to pay dividends on such stock, the amount of dividends the Fund pays may be adversely affected. There is no assurance that dividends or distributions on the traditional preferred securities in which the Fund invests will be declared or otherwise made payable. Preferred stockholders usually have no right to vote for corporate directors or on other matters. Shares of traditional preferred securities have a liquidation value that generally equals the original purchase price at the date of issuance. The market value of preferred securities may be affected by favorable and unfavorable changes impacting companies in the utilities and financial services sectors, which are prominent issuers of preferred securities, and by actual and anticipated changes in tax laws, such as changes in corporate income tax rates. Because the claim on an issuer's earnings represented by traditional preferred securities may become onerous when interest rates fall below the rate payable on such securities, the issuer may redeem the securities. Thus, in declining interest rate environments in particular, the Fund's holdings of higher rate-paying fixed rate preferred securities may be reduced and the Fund may be unable to acquire securities of comparable credit quality paying comparable rates with the redemption proceeds.

Pursuant to the DRD, corporations may generally deduct 70% of the income they receive from dividends on traditional preferred securities that are paid out of earnings and profits of the issuer. Corporate shareholders of a regulated investment company like the Fund generally are permitted to claim a deduction with respect to that portion of their distributions attributable to amounts received by the regulated investment company that qualify for the DRD. However, not all traditional preferred securities pay dividends that are eligible for the DRD, including preferred

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securities issued by REITs described below. Under current market conditions, it is expected that few, if any, of the preferred securities in which the Fund intends to invest will qualify for the DRD.

Pursuant to recently enacted legislation, individuals will generally be taxed at long-term capital gain rates on qualified dividend income for taxable years beginning on or before December 31, 2008. Individual shareholders of a regulated investment company like the Fund generally are permitted to treat as qualified dividend income that portion of their distributions, properly designated by the Fund, attributable to qualified dividend income received by the regulated investment company. However, not all traditional preferred securities will provide significant benefits under the rules relating to qualified dividend income, including preferred securities issued by REITs described below. Under current market conditions, it is expected that few, if any, of the preferred securities in which the Fund intends to invest will provide significant benefits under the rules relating to qualified dividend income.

Within the category of traditional preferred securities, the Fund may invest up to 5% of its total assets in traditional preferred securities issued by real estate companies, including REITs. REIT preferred securities are generally perpetual in nature, although REITs often have the ability to redeem the preferred securities after a specified period of time. The market value of REIT preferred securities may be affected by favorable and unfavorable changes impacting a particular REIT. While sharing characteristics that make them similar to traditional preferred securities, dividends from REIT preferred securities do not provide any DRD benefit (and generally do not provide significant benefits under the rules relating to qualified dividend income).

Hybrid-Preferred Securities. Hybrid-preferred securities are a comparatively new asset class. Hybrid-preferred securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The hybrid-preferred securities market consists of both fixed and adjustable coupon rate securities that are either perpetual in nature or have stated maturity dates.

Hybrid-preferred securities are typically junior and fully subordinated liabilities of an issuer or the beneficiary of a guarantee that is junior and fully subordinated to the other liabilities of the guarantor. In addition, hybrid-preferred securities typically permit an issuer to defer the payment of income for eighteen months or more without triggering an event of default. Generally, the maximum deferral period is five years. Because of their subordinated position in the capital structure of an issuer, the ability to defer payments for extended periods of time without default consequences to the issuer, and certain other features (such as restrictions on common dividend payments by the issuer or ultimate guarantor when full cumulative payments on the trust preferred securities have not been made), these hybrid-preferred securities are often treated as close substitutes for traditional preferred securities, both by issuers and investors. Hybrid-preferred securities have many of the key characteristics of equity due to their subordinated position in an issuer's capital structure and because their quality and value are heavily dependent on the profitability of the issuer rather than on any legal claims to specific assets or cash flows. Hybrid preferred securities include, but are not limited to, trust originated preferred securities ('TOPRS'r'); monthly income preferred securities ('MIPS'r'); quarterly income bond securities ('QUIBS'r'); quarterly income debt securities ('QUIDS'r'); quarterly income preferred securities

('QUIPS'sm'); corporate trust securities ('CORTS'r'); public income notes ('PINES'r'); and other hybrid-preferred securities.*

Hybrid-preferred securities are typically issued with a final maturity date, although some are perpetual in nature. In certain instances, a final maturity date may be extended and/or the final payment of principal may be deferred at the issuer's option for a specified time without default. No redemption can typically take place unless all cumulative payment obligations have been met, although issuers may be able to engage in open-market repurchases without regard to whether all payments have been paid.

Many hybrid-preferred securities are issued by trusts or other special purpose entities established by operating companies and are not a direct obligation of an operating company. At the time the trust or special purpose entity sells such preferred securities to investors, it purchases debt of the operating company (with terms comparable to those of the trust or special purpose entity securities), which enables the operating company to deduct for tax purposes the interest paid on the debt held by the trust or special purpose entity. The trust or special purpose entity is generally required to be treated as transparent for federal income tax purposes such that the holders of the trust preferred securities are treated as owning beneficial interests in the underlying debt of the operating company. Accordingly, payments on the hybrid-preferred securities are treated as interest rather than dividends for federal income tax purposes and, as such, are not eligible for the DRD or the reduced rates of tax that apply to qualified dividend income. The trust or special purpose entity in turn would be a holder of the operating company's debt and would have priority with respect to the operating company's earnings and profits over the operating company's common shareholders, but would typically be subordinated to other classes of the operating company's debt. Typically a preferred share has a rating that is slightly below that of its corresponding operating company's senior debt securities.

Within the category of hybrid-preferred securities are senior debt instruments that trade in the broader preferred securities market. These debt instruments, which are sources of long-term capital for the issuers, have structural features similar to preferred stock such as maturities ranging from 30 years to perpetuity, call features, exchange listings and the inclusion of accrued interest in the trading price. Similar to other hybrid-preferred securities, these debt instruments usually do not offer equity capital treatment. CORTS'r' and PINES'r' are two examples of senior debt instruments which are structured and trade as hybrid-preferred securities.

Lower-Rated Securities. The Fund may invest up to 10% (measured at the time of purchase) of its total assets in securities rated below investment grade. These lower grade securities are commonly known as 'junk bonds.' Securities rated below investment grade are judged to have speculative characteristics with respect to their interest and principal payments. Such securities may face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The retail secondary market for lower grade securities may be less

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* TOPRS is a registered service mark owned by Merrill Lynch & Co., Inc. MIPS and QUIDS are registered service marks and QUIPS is a service mark owned by Goldman, Sachs & Co. QUIBS is a registered service mark owned by Morgan Stanley. CORTS and PINES are registered service marks owned by Citigroup Global Markets Inc.

liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Fund to sell certain of these securities or could result in lower prices than those used in calculating the Fund's net asset value. Preferred stock or debt securities will be considered to be investment grade if, at the time of investment, such security has a rating of 'BBB' or higher by S&P, 'Baa' or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by the Investment Manager to be of comparable quality.

Financial Services Company Securities. The Fund intends to invest a significant portion, but less than 25%, of its total assets in securities issued by companies 'principally engaged' in the financial services industry (which are prominent issuers of preferred securities). A company is 'principally engaged' in financial services if it derives at least 50% of its consolidated revenues from providing financial services. Companies in the financial services sector include commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, leasing companies, insurance companies and companies providing similar services.

Foreign Securities. The Fund may invest up to 20% of its total assets in U.S. dollar-denominated securities of non-U.S. issuers traded or listed on a U.S. securities exchange or the U.S. over-the-counter market. The Fund may invest in any region of the world and invests in companies operating in developed countries such as Canada, Japan, Australia, New Zealand and most Western European countries. The Fund does not intend to invest in companies based in emerging markets such as the Far East, Latin America and Eastern Europe. The World Bank and other international agencies define emerging markets based on such factors as trade initiatives, per capita income and level of industrialization. For purposes of this 20% limitation, non-U.S. securities include securities represented by American Depository Receipts.

Debt Securities. The Fund may invest up to 20% of its total assets in debt securities, including convertible debt securities and convertible preferred securities. Convertible securities are debt securities or preferred stock that are exchangeable for common stock of the issuer at a predetermined price (the 'conversion price'). Depending upon the relationship of the conversion price to the market value of the underlying securities, convertible securities may trade more like common stock than debt instruments. Common stock acquired pursuant to a conversion feature will be subject to this 20% limitation. As a result of conversion, the Fund may hold common stocks issued by companies other than real estate companies or REITs, such holdings not normally to exceed 5% of total assets. In addition, keeping with the income objective of the Fund, the Fund expects to sell any common stock holdings of issuers other than real estate companies or REITs as soon as practicable after conversion of a convertible security. The Fund's investments in debt securities may include investments in U.S. dollar-denominated corporate debt securities issued by domestic and non-U.S. corporations (subject to the requirements noted above) and U.S. dollar-denominated government debt securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities or a non-U.S. Government or its agencies or instrumentalities (subject to the requirements noted above).

Common Stocks. The Fund will normally invest at least 40%, but will not invest more than 60%, of its total assets in common stocks issued by real estate companies or REITs. Common stocks represent the residual ownership interest in the issuer, and holders of common stock are entitled to the income and increase in the value of the assets and business of the issuer after all

of its debt obligations and obligations to preferred stockholders are satisfied. Common stocks generally have voting rights. Common stocks fluctuate in price in response to many factors including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Other Investment Companies. The Fund may invest up to 10% of its total assets in securities of other open- or closed-end investment companies, including exchange traded funds that invest primarily in securities of the types in which the Fund may invest directly. The Fund generally expects to invest in other investment companies either during periods when it has large amounts of uninvested cash, such as the period shortly after the Fund receives the proceeds of the offering of its Common Shares, or during periods when there is a shortage of attractive opportunities in the market. As a shareholder in an investment company, the Fund would bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's advisory and other fees and expenses with respect to assets so invested. Holders of Common Shares would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. The Investment Manager will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available bond investments. The securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks to which the Fund is subject. As described in the sections entitled 'Use of Leverage,' the net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. Investment companies may have investment policies that differ from those of the Fund. In addition, to the extent the Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than the Investment Manager.

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

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses

and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Directors or its delegate. If, through changes in the market value of its portfolio securities, the Fund should be in a position where more than 10% of the value of its total assets is invested in illiquid securities, including restricted securities that are not readily marketable, the Fund will take such steps as the Board and/or the Investment Manager deem advisable, if any, to protect liquidity.

Strategic Transactions. The Fund may, but is not required to, use various strategic transactions described below to mitigate risks and to facilitate portfolio management. Such strategic transactions are generally accepted under modern portfolio management and are regularly used by many closed-end funds and other institutional investors. Although the Investment Manager seeks to use the practices to further the Fund's investment objective, no assurance can be given that these practices will achieve this result.

The Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities, financial futures, equity, fixed-income and interest rate indices, and other financial instruments, purchase and sell financial futures contracts and options thereon, enter into various interest rate transactions such as swaps, caps, floors or collars or credit transactions and credit default swaps. The Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as 'Strategic Transactions.' The Fund generally seeks to use Strategic Transactions as a portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, protect the value of the Fund's portfolio, facilitate the sale of certain securities for investment purposes, manage the effective interest rate exposure of the Fund, manage the effective maturity or duration of the Fund's portfolio, or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular securities. There is no limit on the amount of credit derivative transactions that may be entered into by the Fund.

Strategic Transactions have risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Strategic Transactions depends on the Investment Manager's ability to predict pertinent market movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Additionally, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Fund for investment purposes. A more complete discussion of Strategic Transactions and their risks is contained in the Fund's SAI.

The Fund also may enter into certain interest rate transactions that are designed to reduce the risks inherent in the Fund's issuance of the AMPS. See 'How the Fund Manages Risk -- Interest Rate Transactions.'

When-Issued and Delayed Delivery Transactions. The Fund may buy and sell securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. This type of transaction may involve an element of risk because no interest accrues on the securities prior to settlement and, because securities are subject to market fluctuations, the value of the securities at the time of delivery may be less (or more) than cost. A separate account of the Fund will be established with its custodian consisting of cash equivalents or liquid securities having a market value at all times at least equal to the amount of the commitment.

Portfolio Turnover. The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund's investment objectives. However, there are no limits on the rate of portfolio turnover, and investments may be sold without regard to length of time held when, in the opinion of the Investment Manager, investment considerations warrant such action. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income.

Defensive Position. When the Investment Manager believes that market or general economic conditions justify a temporary defensive position, the Fund may deviate from its investment objectives and invest all or any portion of our assets in investment grade debt securities, without regard to whether the issuer is a real estate company or REIT. When and to the extent the Fund assumes a temporary defensive position, the Fund may not pursue or achieve its investment objectives.

OTHER INVESTMENTS

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

USE OF LEVERAGE

The Fund may issue other preferred shares, in addition to the AMPS and the outstanding Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS, or borrow or issue short-term debt securities to increase its assets available for investment. The Fund is authorized to issue preferred shares, borrow or issue debt obligations. Before issuing such preferred shares to increase its assets available for investment, the Fund must have received confirmation from Moody's and S&P or any substitute rating agency that the proposed issuance will not adversely affect such rating agency's then-current rating on the AMPS. The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of the Fund's holdings. When the Fund leverages its assets, the fees paid to the Investment Manager for investment management services will be higher than if the Fund did not borrow because the Investment Manager's fees are calculated based on the Fund's managed assets, which include the proceeds of the issuance of preferred shares or any

outstanding borrowings. Consequently, the Fund and the Investment Manager may have differing interests in determining whether to leverage the Fund's assets.

The Fund's use of leverage is premised upon the expectation that the Fund's preferred share dividends or borrowing cost will be lower than the return the Fund achieves on its investments with the proceeds of the issuance of preferred shares or borrowing. Such difference in return may result from the Fund's higher credit rating or the short-term nature of its borrowing compared to the long-term nature of its investments. Since the total assets of the Fund (including the assets obtained from leverage) will be invested in the higher yielding portfolio investments or portfolio investments with the potential for capital appreciation, the holders of Common Shares will be the beneficiaries of the incremental return. Should the differential between the underlying assets and cost of leverage narrow, the incremental return 'pick up' will be reduced. Furthermore, if long-term rates rise or the Fund otherwise incurs losses on its investments, the Fund's net asset value attributable to its Common Shares will reflect the decline in the value of portfolio holdings resulting therefrom.

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return to the Fund's common shareholders ('Common Shareholders') will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage or if the Fund incurs capital losses, the return of the Fund to Common Shareholders will be less than if leverage had not been used. The Investment Manager may determine to maintain the Fund's leveraged position if it expects that the long-term benefits to the Fund's Common Shareholders of maintaining the leveraged position will outweigh the current reduced return. Capital raised through the issuance of preferred shares or borrowing will be subject to dividend payments or interest costs that may or may not exceed the income and appreciation on the assets purchased. The Fund also may be required to maintain minimum average balances in connection with borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements will increase the cost of borrowing over the stated interest rate.

The Fund may be subject to certain restrictions on investments imposed by guidelines of one or more nationally recognized rating organizations which may issue ratings for the preferred shares or short-term debt instruments issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. Certain types of borrowings may result in the Fund being subject to covenants in credit agreements, including those relating to asset coverage, borrowing base and portfolio composition requirements and additional covenants. The Fund may also be required to pledge its assets to the lenders in connection with certain types of borrowing. The Investment Manager does not anticipate that these covenants or restrictions will adversely affect its ability to manage the Fund's portfolio in accordance with the Fund's investment objective and policies. Due to these covenants or restrictions, the Fund may be forced to liquidate investments at times and at prices that are not favorable to the Fund, or the Fund may be forced to forgo investments that the Investment Manager otherwise views as favorable.

If and to the extent that the Fund employs leverage in addition to the AMPS and the outstanding Series M7 AMPS, Series T7 AMPS, Series W7 AMPS, Series TH7 AMPS, Series F7 AMPS, Series T28 AMPS, Series W28A AMPS, Series W28B AMPS and Series W28C AMPS will depend on many factors, the most important of which are investment outlook, market conditions and interest rates.

RISK FACTORS

Risk is inherent in all investing. Before investing you should consider carefully the following risks that you assume when you invest in the AMPS.

RISKS OF INVESTING IN AMPS

Leverage Risk. The Fund uses financial leverage for investment purposes by issuing preferred shares. It is currently anticipated that, taking into account the AMPS being offered in this prospectus, the amount of leverage will represent approximately 35% of the Fund's managed assets (as defined below).

The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of higher volatility of the net asset value of the Fund and the AMPS' asset coverage. As long as the AMPS are outstanding, the Fund does not intend to utilize other forms of leverage.

Because the fee paid to the Investment Manager will be calculated on the basis of the Fund's managed assets (which equals the aggregate net asset value ('NAV') of the Common Shares plus the liquidation preference of the AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), the fee will be higher when leverage is utilized, giving the Investment Manager an incentive to utilize leverage.

Interest Rate Risk. The Fund issues the AMPS, which pay dividends based on short-term interest rates. The Fund purchases real estate equity securities that pay dividends that are based on the performance of the issuing companies. The Fund also may buy debt securities that pay interest based on longer-term yields. These dividends and interest payments are typically, although not always, higher than short-term interest rates. Real estate company dividends, as well as long-term and short-term interest rates, fluctuate. If short-term interest rates rise, dividend rates on the AMPS may rise so that the amount of dividends to be paid to shareholders of the AMPS exceeds the income from the portfolio securities. Because income from the Fund's entire investment portfolio (not just the portion of the portfolio purchased with the proceeds of the AMPS offering) is available to pay dividends on the AMPS, however, dividend rates on the AMPS would need to greatly exceed the Fund's net portfolio income before the Fund's ability to pay dividends on the AMPS would be jeopardized. If long-term interest rates rise, this could negatively impact the value of the Fund's investment portfolio, reducing the amount of assets serving as asset coverage for the AMPS. The Fund anticipates entering into interest rate swap or cap transactions with the intent to reduce or eliminate the risk posed by an increase in short-term interest rates. There is no guarantee that the Fund will engage in these transactions or that these transactions will be successful in reducing or eliminating interest rate risk. See 'How the Fund Manages Risk.'

Auction Risk. You may not be able to sell your AMPS at an auction if the auction fails, i.e., if there are more AMPS offered for sale than there are buyers for those shares. Also, if you place hold orders (orders to retain AMPS) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your AMPS. Additionally, if you buy shares or elect to retain shares without specifying a rate below which you would not wish to continue to hold those shares, and the auction sets a below-market rate, you may receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the AMPS, which could also affect the liquidity of your investment. See 'Description of AMPS' and 'The Auction.'

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Secondary Market Risk. If you try to sell your AMPS between auctions, you may not be able to sell any or all of your shares, or you may not be able to sell them for $25,000 per share or $25,000 per share plus accumulated dividends. If the Fund has designated a special rate period (a dividend period of more than 28 days), changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. You may transfer shares outside of auctions only to or through a broker-dealer that has entered into an agreement with the auction agent and the Fund or other person as the Fund permits. The Fund does not anticipate imposing significant restrictions on transfers to other persons. However, unless any such other person has entered into a relationship with a broker-dealer that has entered into a broker-dealer agreement with the Auction Agent, that person will not be able to submit bids at auctions with respect to the AMPS. Broker-dealers that maintain a secondary trading market for the AMPS are not required to maintain this market, and the Fund is not required to redeem shares either if an auction or an attempted secondary market sale fails because of a lack of buyers. AMPS are not listed on a stock exchange or the National Association of Securities Dealers Automated Quotations, Inc. ('NASDAQ') stock market. If you sell your AMPS to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction and during a special rate period.

Ratings and Asset Coverage Risk. While it is a condition to the closing of the offering that S&P assigns a rating of 'AAA' and Moody's assigns a rating of 'Aaa' to the AMPS, the ratings do not eliminate or necessarily mitigate the risks of investing in AMPS. In addition, Moody's, S&P or another rating agency then rating the AMPS could downgrade the AMPS, which may make your shares less liquid at an auction or in the secondary market. If a rating agency downgrades the AMPS, the dividend rate on the AMPS will be the applicable maximum rate based on the credit rating of the AMPS, which will be a rate higher than is payable currently on the AMPS. See 'Description of AMPS -- Rating Agency Guidelines' for a description of the asset maintenance tests the Fund must meet.

Portfolio Security Risk. Portfolio security risk is the risk that an issuer of a security in which the Fund invests will not be able, in the case of common stocks, to make dividend distributions at the level forecast by the Fund's Investment Manager, or that the issuer becomes unable to meet its obligation to pay fixed dividends at the specified rate, in the case of preferred stock, or to make interest and principal payments in the case of debt securities. Common stock is not rated by rating agencies and it is incumbent on the Investment Manager to select securities of real estate companies that it believes have the ability to pay dividends at the forecasted level. Preferred stock and debt securities may be rated. The Fund may invest up to 10% of its total assets in preferred stock or debt securities rated below investment grade (commonly known as 'junk bonds') by S&P or Moody's, or unrated securities considered to be of comparable quality by the Investment Manager. In general, lower-rated securities carry a greater degree of risk. If rating agencies lower their ratings of securities held in the Fund's portfolio, the value of those securities could decline, which could jeopardize the rating agencies' ratings of the AMPS. The failure of a company to pay common stock or preferred stock dividends, or interest payments, at forecasted or contractual rates, could have a negative impact on the Fund's ability to pay dividends on the AMPS and could result in the redemption of some or all of the AMPS.

Restrictions on Dividends and other Distributions. Restrictions imposed on the declaration and payment of dividends or other distributions to the holders of the Fund's Common Shares, the AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A,

Series W28B and Series W28C AMPS, both by the 1940 Act and by requirements imposed by rating agencies, might impair the Fund's ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem the AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS to enable the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Code, there can be no assurance that such actions can be effected in time to meet the Code requirements. See 'U.S. Federal Taxation.'

In addition, investors should note that the Fund is not expected to generate significant income that qualifies for the DRD or the reduced rates of tax that apply to qualified dividend income. See 'U.S. Federal Taxation.'

GENERAL RISKS OF INVESTING IN THE FUND

The Fund is a non-diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives.

Limited Operating History. The Fund is a non-diversified, closed-end management investment company with a limited operating history.

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

Stock Market Risk. Because prices of equity securities fluctuate from day-to-day, the value of our portfolio will vary based upon general market conditions.

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

declines in the value of real estate;

risks related to general and local economic conditions;

possible lack of availability of mortgage funds;

overbuilding;

extended vacancies of properties;

increased competition;

increases in property taxes and operating expenses;

changes in zoning laws;

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

liability to third parties for damages resulting from environmental problems;

casualty or condemnation losses;

limitations on rents;

changes in neighborhood values and the appeal of properties to tenants; and

changes in interest rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Issues. REITs are subject to a highly technical and complex set of provisions in the Code. It is possible that the Fund may invest in a real estate company which purports to be a REIT and that the company could fail to qualify as a REIT. In the event of any such unexpected failure to qualify as a REIT, the company would be subject to corporate-level taxation, significantly reducing the return to the Fund on its investment in such company. REITs could possibly fail to qualify for tax free pass-through of income under the Code, or to maintain their exemptions from registration under the 1940 Act. The above factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments.

SPECIAL RISKS RELATED TO PREFERRED SECURITIES

There are special risks associated with investing in preferred securities, including:

Deferral and Omission. Preferred securities may include provisions that permit the issuer, at its discretion, to defer or omit distributions for a stated period without any adverse consequences to the issuer. If the Fund owns a preferred security that is deferring or omitting its distributions, the Fund may be required to report income for tax purposes although it has not yet received such income.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

Limited Voting Rights. Generally, traditional preferred securities offer no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. Hybrid-preferred security holders generally have no voting rights.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Fund.

Supply of Hybrid-Preferred Securities. The Financial Accounting Standards Board currently is reviewing accounting guidelines relating to hybrid-preferred securities. To the extent that a change in the guidelines could adversely affect the market for, and availability of, these securities, the Fund may be adversely affected. The recently enacted legislation that reduced the federal income tax rates on dividends may also adversely impact the market and supply of hybrid-preferred securities if the issuance of such securities becomes less attractive to issuers.

New Types of Securities. From time to time, preferred securities, including hybrid-preferred securities, have been, and may in the future be, offered having features other than those described herein. The Fund reserves the right to invest in these securities if the Investment Manager believes that doing so would be consistent with the Fund's investment objectives and policies. Since the market for these instruments would be new, the Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

GENERAL RISKS OF SECURITIES LINKED TO THE FINANCIAL SERVICES INDUSTRY

The Fund intends to invest a significant portion, but less than 25%, of its total assets in securities of companies principally engaged in the financial services industry, which are prominent issuers of preferred securities. Because the Fund may invest such amounts in this sector, the Fund may be susceptible to adverse economic or regulatory occurrences affecting that sector.

Investing in the financial services sector includes the following risks:

regulatory actions -- financial services companies may suffer a setback if regulators change the rules under which they operate;

changes in interest rates -- unstable interest rates can have a disproportionate effect on the financial services sector;

concentration of loans -- financial services companies whose securities the Fund may purchase may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that sector; and

competition -- financial services companies have been affected by increased competition, which could adversely affect the profitability or viability of such companies.

FOREIGN SECURITIES RISKS

Under normal market conditions, the Fund may invest up to 20% of its total assets in U.S. dollar-denominated securities of foreign issuers traded or listed on a U.S. securities exchange or the U.S. over-the-counter market ('Foreign Securities'). Typically, the Fund will not hold any Foreign Securities of issuers in so-called 'emerging markets' (or lesser developed countries), but to the extent it does, the Fund will not invest more than 10% of its total assets in such securities. Investments in such securities are particularly speculative. Investing in Foreign Securities involves certain risks not involved in domestic investments, including, but not limited to:

future foreign economic, financial, political and social developments;

different legal systems;

the possible imposition of exchange controls or other foreign governmental laws or restrictions;

less governmental supervision;

regulation changes;

changes in currency exchange rates;

less publicly available information about companies due to less rigorous disclosure or accounting standards or regulatory practices;

high and volatile rates of inflation;

fluctuating interest rates;

less publicly available information; and

different accounting, auditing and financial record-keeping standards and requirements.

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

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adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of:

the possibility of expropriation of assets;

confiscatory taxation;

difficulty in obtaining or enforcing a court judgment;

economic, political or social instability; and

diplomatic developments that could affect investments in those countries.

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

growth of gross domestic product;

rates of inflation;

capital reinvestment;

resources;

self-sufficiency; and

balance of payments position.

In addition, certain investments in Foreign Securities also may be subject to foreign withholding taxes.

Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments, and on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors' perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. Typically, the Fund will not hold any Foreign Securities of emerging market issuers, and, if it does, such securities will not comprise more than 10% of the Fund's total assets.

As a result of these potential risks, the Investment Manager may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country. The Fund may invest in countries in which foreign investors, including the Investment Manager, have had no or limited prior experience.

INTEREST RATE RISK

Interest rate risk is the risk that fixed-income securities such as preferred and debt securities, and to a lessor extent dividend-paying common stocks and shares such as REIT common shares,

will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. The Fund's investment in such securities means that the net asset value and market price of common shares may tend to decline if market interest rates rise. Because investors generally look to REITs for a stream of income, the prices of REIT shares may be more sensitive to changes in interest rates than are other equity securities.

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, the Fund may be forced to reinvest in lower yielding securities. This is known as reinvestment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities in which the Fund will invest have recently declined significantly below the recent historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future (which would cause the value of the Fund's net assets to decline) and the degree to which asset values may decline in such events; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

CREDIT RISK AND LOWER-RATED SECURITIES RISK

Credit risk is the risk that a preferred or debt security in the Fund's portfolio will decline in price or fail to make dividend, interest or principal payments when due because the issuer of the security experiences a decline in its financial status. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater credit risk than debt instruments. The Fund may invest up to 10% (measured at the time of purchase) of its total assets in preferred or other debt securities that are rated below investment grade. Securities rated below investment grade are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, and these bonds are commonly referred to as 'junk bonds.' These securities are subject to a greater risk of default. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Lower grade securities tend to be less liquid than investment grade securities. The market values of lower grade securities tend to be more volatile than investment grade securities. Preferred stock or debt securities will be considered to be investment grade if, at the time of investment, such security has a rating of 'BBB' or higher by S&P, 'Baa' or higher by Moody's or an equivalent rating by a nationally recognized statistical rating agency, or, if unrated, such security is determined by the Investment Manager to be of comparable quality.

Lower-rated securities may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and our ability to achieve our investment objectives may, to the extent the Fund is invested in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if

the Fund was investing in higher quality securities. An issuer of these securities has a currently identifiable vulnerability to default and the issuer may be in default or there may be present elements of danger with respect to principal or interest. The Fund will not invest in securities which are in default at the time of purchase.

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

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

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

ANTI-TAKEOVER PROVISIONS

Certain provisions of the Fund's Articles of Incorporation and By-Laws may have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the Fund's structure. These provisions may also have the effect of depriving shareholders of an opportunity to redeem their AMPS. These include provisions for staggered terms of office for Directors, super-majority voting requirements for merger, consolidation, liquidation, termination and asset sale transactions, amendments to the Articles of Incorporation and conversion to open-end status. See 'Certain Provisions of the Charter and By-Laws.'

MARKET DISRUPTION RISK

The aftermath of the war in Iraq and the continuing occupation of Iraq, instability in the Middle East and terrorist attacks in the U.S. and around the world have resulted in recent market volatility and may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the U.S. and worldwide. The Fund does not know how long the securities markets will continue to be affected by these events and cannot predict the effects of the occupation or similar events in the future on the U.S. economy and securities markets.

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HOW THE FUND MANAGES RISK

INVESTMENT LIMITATIONS

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. These limitations are fundamental and may not be changed without the approval of the holders of a majority, as defined in the 1940 Act, of the outstanding Common Shares, the AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS, voting together as a single class, and the approval of the holders of a majority, as defined in the 1940 Act, of the outstanding AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS voting as a separate class. Among other restrictions, the Fund may not invest more than 25% of its managed assets in securities of issuers in any one industry except for the real estate industry. The Fund may become subject to guidelines that are more limiting than the investment restrictions set forth above in order to obtain and maintain ratings from S&P, Moody's or another nationally recognized rating agency on the AMPS. The Fund does not anticipate that such guidelines would have a material adverse effect on the Fund's ability to achieve its investment objectives. See 'Investment Restrictions' in the SAI for a complete list of the fundamental and non-fundamental investment policies of the Fund.

INTEREST RATE TRANSACTIONS

In order to seek to reduce the interest rate risk inherent in our underlying investments and capital structure, the Fund may enter into interest rate swap or cap transactions.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the 'counterparty') a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on the AMPS or any variable rate borrowing. The payment would be based on the notional amount of the swap. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. If the counterparty to an interest rate swap or cap defaults, the Fund would be obligated to make the payments that it had intended to avoid. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, a default could negatively impact the Fund's ability to make dividend payments on the AMPS. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on the AMPS. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, resulting in a decline in the asset coverage for the AMPS. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. Under the terms of the AMPS, if the Fund fails to maintain the required asset coverage on the outstanding AMPS or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares. The Fund may also choose to redeem some or all

of the AMPS. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transaction. Early termination of the swap could result in the termination payment by or to the Fund. Early termination of a cap could result in the termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to maintain in a segregated account with its custodian cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked to market daily. The Fund would not enter into interest rate swap or cap transactions having a notional amount that exceeded the outstanding amount of the Fund's leverage. The Fund will monitor any interest rate swap or cap transactions with a view to ensuring that it remains in compliance with applicable tax requirements.

MANAGEMENT OF THE FUND

The business and affairs of the Fund are managed under the direction of the Board of Directors. The Directors approve all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreement with its Investment Manager, administrator, custodian and transfer agent. The management of the Fund's day-to-day operations is delegated to its officers, the Investment Manager and the Fund's administrator, subject always to the investment objectives and policies of the Fund and to the general supervision of the Directors. The names and business addresses of the Directors and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under 'Management of the Fund' in the SAI.

INVESTMENT MANAGER

Cohen & Steers Capital Management, Inc., with offices located at 757 Third Avenue, New York, New York 10017, has been retained to provide investment advice, and, in general, to conduct the management and investment program of the Fund under the overall supervision and control of the Directors of the Fund. Cohen & Steers Capital Management, Inc., a registered investment adviser, was formed in 1986 and had approximately $15.4 billion of assets under management as of March 25, 2004. Its current clients include pension plans, endowment funds and registered investment companies, including the Fund, Cohen & Steers Quality Income Realty Fund, Inc., Cohen & Steers Advantage Income Realty Fund, Inc., Cohen & Steers Total Return Realty Fund, Inc., Cohen & Steers Premium Income Realty Fund, Inc. and Cohen & Steers REIT and Utility Income Fund, which are closed-end investment companies, and Cohen & Steers Institutional Realty Shares, Inc., Cohen & Steers Realty Shares, Inc., Cohen & Steers Special Equity Fund, Inc. and Cohen & Steers Equity Income Fund, Inc., which are open-end investment companies.

INVESTMENT MANAGEMENT AGREEMENT

Under its Investment Management Agreement with the Fund (the 'Investment Management Agreement'), the Investment Manager furnishes a continuous investment program for the Fund's portfolio, makes the day-to-day investment decisions for the Fund, and generally manages the Fund's investments in accordance with the stated policies of the Fund, subject to the general

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supervision of the Board of Directors of the Fund. The Investment Manager also performs certain administrative services for the Fund and provides persons satisfactory to the directors of the Fund to serve as officers of the Fund. Such officers, as well as certain other employees and directors of the Fund, may be directors, officers, or employees of the Investment Manager.

For its services under the Investment Management Agreement, the Fund pays the Investment Manager a monthly management fee computed at the annual rate of ..65% of the average daily managed assets of the Fund. Managed assets are the net asset value of the Common Shares plus the liquidation preference of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS). In addition to the monthly management fee, the Fund pays all other costs and expenses of its operations, including compensation of its directors, custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent accountants, expenses of issuing and repurchasing shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, and taxes, if any.

When the Fund is utilizing leverage, the fees paid to the Investment Manager for investment advisory and management services will be higher than if the Fund did not utilize leverage because the fees paid will be calculated based on the Fund's managed assets, which includes the liquidation preference of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) for leverage.

The Fund's portfolio managers are:

Martin Cohen -- Mr. Cohen is a Director, President and Treasurer of the Fund. He is Co-Chairman and Co-Chief Executive Officer of Cohen & Steers Capital Management, Inc., the Fund's Investment Manager, and Vice President of Cohen & Steers Securities, Inc., a registered broker-dealer. Mr. Cohen is a 'controlling person' of the Investment Manager on the basis of his ownership of the Investment Manager's stock.

Robert H. Steers -- Mr. Steers is a Director, Chairman and Secretary of the Fund. He is Co-Chairman and Co-Chief Executive Officer of Cohen & Steers Capital Management, Inc., the Fund's Investment Manager, and President of Cohen & Steers Securities, Inc., a registered broker-dealer. Mr. Steers is a 'controlling person' of the Investment Manager on the basis of his ownership of the Investment Manager's stock.

Greg E. Brooks -- Mr. Brooks joined Cohen & Steers Capital Management, Inc., the Fund's Investment Manager, as a Vice President in April 2000 and has been a Senior Vice President since January 2002. Prior to joining Cohen & Steers in 2000, Mr. Brooks was an investment analyst with another real estate securities investment manager. Mr. Brooks is a Chartered Financial Analyst.

William F. Scapell -- Mr. Scapell joined Cohen & Steers Capital Management, Inc., the Fund's Investment Manager, as a Senior Vice President in February 2003. Prior to joining Cohen & Steers, Mr. Scapell was a director in the fixed income research department of Merrill Lynch & Co., Inc., where he was also its chief strategist for preferred securities. Before joining Merrill Lynch's research department, Mr. Scapell worked in Merrill Lynch Treasury with a focus on balance sheet management. Prior to working for Merrill Lynch, Mr. Scapell was employed at the Federal Reserve Bank of New York in both bank supervision and monetary policy roles. Mr. Scapell is a Chartered Financial Analyst.

ADMINISTRATION AND SUB-ADMINISTRATION AGREEMENT

Under its Administration Agreement with the Fund, the Investment Manager provides certain administrative and accounting functions for the Fund, including providing administrative services necessary for the operations of the Fund and furnishing office space and facilities required for conducting the business of the Fund.

In accordance with the Administration Agreement and with the approval of the Board of Directors of the Fund, the Fund has entered into an agreement with State Street Bank as sub-administrator under a fund accounting and administration agreement (the 'Sub-Administration Agreement'). Under the Sub-Administration Agreement, State Street Bank has assumed responsibility for certain Fund administration services.

Under the Administration Agreement, the Fund pays the Investment Manager an amount equal to on an annual basis .06% of the Fund's average daily managed assets up to $1 billion, .04% of the Fund's average daily managed assets in excess of $1 billion up to $1.5 billion and .02% of the Fund's average daily managed assets in excess of $1.5 billion. Under the Sub-Administration agreement, the Fund pays State Street Bank a monthly administration fee. The sub-administration fee paid by the Fund to State Street Bank is computed on the basis of the average daily managed assets (including the liquidation value of the AMPS and the Outstanding AMPS) in the Fund at an annual rate equal to .03% of the first $200 million in assets, .02% of the next $200 million, and .01% of assets in excess of $400 million, with a minimum fee of $120,000. The aggregate fee paid by the Fund and the other funds advised by the Investment Manager to State Street Bank is computed by multiplying the total number of funds by each break point in the above schedule in order to determine the aggregate break points to be used in calculating the total fee paid by the Cohen & Steers family of funds (i.e., six funds at $200 million or $1.2 billion at .04%, etc.). The Fund is then responsible for its pro rata amount of the aggregate sub-administration fee. State Street Bank also serves as the Fund's custodian and The Bank of New York has been retained to serve as the Fund's auction agent, transfer agent, dividend paying agent and registrar for the Fund's AMPS. See 'Custodian, Auction Agent, Transfer Agent, Dividend Paying Agent and Registrar.'

DESCRIPTION OF AMPS

The following is a brief description of the terms of the AMPS. For the complete terms of the AMPS, please refer to the detailed description of the AMPS in the Fund's Articles Supplementary attached as Appendix B to the SAI.

GENERAL

Under its Charter, the Fund is authorized to issue shares of preferred stock, with rights as determined by the Board of Directors, without the approval of holders of Common Shares. The AMPS will have a liquidation preference of $25,000 per share, plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). The AMPS will rank on a parity with Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS and with shares of any other series of preferred stock of the Fund, as to the payment of dividends and the distribution of assets upon liquidation. The AMPS carry one vote per share on all matters on which such shares are entitled to vote. The AMPS, when issued by the Fund and paid for pursuant to the terms of this prospectus, will be

fully paid and non-assessable and will have no preemptive, exchange or conversion rights. Any AMPS repurchased or redeemed by the Fund will be classified as authorized and unissued AMPS. The Board of Directors may by resolution classify or reclassify any authorized and unissued AMPS from time to time by setting or changing the preferences, rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares. The AMPS will not be subject to any sinking fund, but will be subject to mandatory redemption under certain circumstances described below.

DIVIDENDS AND RATE PERIODS

General. The following is a general description of dividends and rate periods for the AMPS. The initial rate period for the AMPS will be days and the dividend rate for this period will be the rate set out on the cover of this prospectus. Subsequent rate periods will be 28 days, and the dividend rate will be determined by auction, but the rates set at the auction will not exceed the maximum rates as set forth below. The Fund, subject to certain conditions, may change the length of subsequent rate periods by designating them as special rate periods. See 'Designation of Special Rate Periods' below.

Dividend Payment Dates. Dividends on the AMPS will be payable, when, as and if declared by the Board, out of legally available funds in accordance with the Fund's Charter and applicable law. Dividend periods generally will begin on the first business day after an auction. If dividends are payable on a day that is not a business day, then dividends will generally be payable on the next day if such day is a business day, or as otherwise specified in the Articles Supplementary.

If a dividend payment date is not a business day because the NYSE is closed for business for more than three consecutive business days due to an act of God, natural disaster, act of war, civil or military disturbance, act of terrorism, sabotage, riots or a loss or malfunction of utilities or communications services, or the dividend payable on such date can not be paid for any such reason, then:

the dividend payment date for the affected dividend period will be the next business day on which the Fund and its paying agent, if any, are able to cause the dividend to be paid using their reasonable best efforts;

the affected dividend period will end on the day it would have ended had such event not occurred and the dividend payment date had remained the scheduled date; and

the next dividend period will begin and end on the dates on which it would have begun and ended had such event not occurred and the dividend payment date remained the scheduled date.

Dividends will be paid through DTC on each dividend payment date. The dividend payment date will normally be the first business day after the dividend period ends. DTC, in accordance with its current procedures, is expected to distribute dividends received from the auction agent in same-day funds on each dividend payment date to agent members (members of DTC that will act on behalf of existing or potential holders of AMPS). These agent members are in turn expected to distribute such dividends to the persons for whom they are acting as agents. However, each of the current broker-dealers has indicated to the Fund that dividend payments will be available in same-day funds on each dividend payment date to customers that use a broker-dealer or a broker-dealer's designee as agent member.

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Calculation of Dividend Payment. The Fund computes the dividends per share payable on shares of AMPS by multiplying the applicable rate in effect by a fraction. The numerator of this fraction will normally be the number of days in the rate period and the denominator will normally be 360. This rate is then multiplied by $25,000 to arrive at the dividends per share.

Dividends on the AMPS will accumulate from the date of their original issue, which is   , 2004. For each dividend payment period after the initial rate period, the dividend will be the dividend rate determined at auction. The dividend rate that results from an auction will not be greater than the maximum rate described below.

The maximum applicable rate for any regular period will be the higher of (as set forth in the table below) the applicable percentage of the reference rate or the applicable spread plus the reference rate. The reference rate is the applicable LIBOR Rate (for a dividend period or a special dividend period of fewer than 365 days), or the applicable Treasury Index Rate (for a special dividend period of 365 days or more). In the case of a special rate period, the maximum applicable rate will be specified by the Fund in the notice of the special rate period for such dividend payment period. The applicable percentage or applicable spread is determined on the day that a notice of a special rate period is delivered if the notice specifies a maximum applicable rate for a special rate period. The applicable percentage or applicable spread will be determined based on the lower of the credit rating or ratings assigned to the AMPS by Moody's and S&P. If Moody's or S&P or both shall not make such rating available, the rate shall be determined by reference to equivalent ratings issued by a substitute rating agency.

CREDIT RATINGS FOR AMPS		APPLICABLE PERCENTAGE OF REFERENCE RATE:	APPLICABLE SPREAD:
MOODY'S	S&P		
Aaa	AAA	125%	125 bps
Aa3 to Aa1	AA - to AA+	150%	150 bps
A3 to A1	A - to A+	200%	200 bps
Baa3 to Baa1	BBB - to BBB+	250%	250 bps
Ba1 and below	BB+ and below	300%	300 bps

Assuming the Fund maintains an Aaa/AAA rating on the AMPS, the practical effect of the different methods used to calculate the Maximum Applicable Rate is shown in the table below:

REFERENCE RATE	MAXIMUM APPLICABLE RATE USING THE APPLICABLE PERCENTAGE	MAXIMUM APPLICABLE RATE USING THE APPLICABLE SPREAD	METHOD USED TO DETERMINE THE MAXIMUM APPLICABLE RATE
1%	1.25%	2.25%	Spread
2%	2.50%	3.25%	Spread
3%	3.75%	4.25%	Spread
4%	5.00%	5.25%	Spread
5%	6.25%	6.25%	Either
6%	7.50%	7.25%	Percentage

The Applicable Percentage and the Applicable Spread as so determined will be further subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the broker-dealers, provided that immediately following any such increase the Fund would be in compliance with the Preferred Shares Basic Maintenance Amount. The Fund will take all reasonable action necessary to enable either Moody's or S&P to provide a rating for the Series. If neither Moody's nor S&P will make such a rating available, the Fund will select another Rating Agency to act as a substitute Rating Agency.

On or prior to each dividend payment date, the Fund is required to deposit with the auction agent sufficient funds for the payment of declared dividends. The failure to make such deposit on a dividend payment date will result in the cancellation of an auction. The Fund does not intend to establish any reserves for the payment of dividends.

Restriction on Dividends and Other Distributions. While any of the AMPS are outstanding, the Fund generally may not declare, pay or set apart for payment, any dividend or other distribution in respect of its Common Shares (other than in additional shares of common stock or rights to purchase common stock) or repurchase any of its Common Shares (except by conversion into or exchange for shares of the Fund ranking junior to the AMPS as to the payment of dividends and the distribution of assets upon liquidation) unless each of the following conditions have been satisfied:

In the case of the Moody's coverage requirements, immediately after such transaction, the aggregate Moody's Coverage Value (i.e., the aggregate value of the Fund's portfolio discounted according to Moody's criteria) would be equal to or greater than the Preferred Shares Basic Maintenance Amount (i.e., the amount necessary to pay all outstanding obligations of the Fund with respect to the AMPS, any preferred stock outstanding, expenses for the next 90 days and any other liabilities of the Fund) (see 'Rating Agency Guidelines' below);

In the case of S&P's coverage requirements, immediately after such transaction, the Aggregate S&P value (i.e., the aggregate value of the Fund's portfolio discounted according to S&P criteria) would be equal to or greater than the Preferred Shares Basic Maintenance Amount.

Immediately after such transaction, the 1940 Act Preferred Shares Asset Coverage (as defined in this prospectus under 'Rating Agency Guidelines' below) is met;

Full cumulative dividends on the AMPS due on or prior to the date of the transaction have been declared and paid or shall have been declared and sufficient funds for the payment thereof deposited with the auction agent; and

The Fund has redeemed the full number of the AMPS required to be redeemed by any provision for mandatory redemption contained in the Articles Supplementary.

The Fund generally will not declare, pay or set apart for payment any dividend on any shares of the Fund ranking as to the payment of dividends on a parity with the AMPS unless the Fund has declared and paid or contemporaneously declares and pays full cumulative dividends on the AMPS through its most recent dividend payment date. However, when the Fund has not paid dividends in full on the AMPS through the most recent dividend payment date or upon any shares of the Fund ranking, as to the payment of dividends, on a parity with AMPS through their most recent respective dividend payment dates, the amount of dividends declared per share on the AMPS and such other class or series of shares will in all cases bear to each other the same ratio that accumulated dividends per share on the AMPS and such other class or series of shares bear to each other.

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Designation of Special Rate Periods. The Fund may, in certain situations, declare a special rate period. Prior to declaring a special rate period, the Fund will give notice (a 'notice of special rate period') to the auction agent and to each broker-dealer. The notice will state that the next succeeding rate period for the AMPS will be a number of days as specified in such notice. The Fund may not designate a special rate period unless sufficient clearing bids were made in the most recent auction. In addition, full cumulative dividends, any amounts due with respect to mandatory redemptions and any additional dividends payable prior to such date must be paid in full or deposited with the auction agent. The Fund also must have received confirmation from Moody's and S&P or any substitute rating agency that the proposed special rate period will not adversely affect such agency's then-current rating on the AMPS and the lead Broker-Dealer designated by the Fund, initially Merrill Lynch, must not have objected to declaration of a special rate period. A notice of special rate period also will specify whether the shares of the AMPS will be subject to optional redemption during such special rate period and, if so, the redemption, premium, if any, required to be paid by the Fund in connection with such optional redemption.

VOTING RIGHTS

Except as noted below, the Fund's Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) have equal voting rights of one vote per share and vote together as a single class. In elections of directors, the holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), as a separate class, vote to elect two directors, and the holders of the Common Shares and holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) vote together as a single class to elect the remaining directors. In addition, during any period ('Voting Period') in which the Fund has not paid dividends on the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) in an amount equal to two full years dividends, the holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), voting as a single class, are entitled to elect (in addition to the two directors set forth above) the smallest number of additional directors as is necessary to ensure that a majority of the directors has been elected by the holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS). The holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) will continue to have these rights until all dividends in arrears have been paid or otherwise provided for.

In an instance when the Fund has not paid dividends as set forth in the immediately preceding paragraph, the terms of office of all persons who are directors of the Fund at the time of the commencement of a Voting Period will continue, notwithstanding the election by the holders of the AMPS (together with the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) of the number of directors that such holders are entitled to elect. The persons elected by the holders of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), together with the incumbent directors, will constitute the duly elected directors of the Fund. When all dividends in arrears on the AMPS have been paid or provided

for, the terms of office of the additional directors elected by the holders of the AMPS will terminate.

So long as any of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) are outstanding, the Fund will not, without the affirmative vote of the holders of a majority of the outstanding AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), (i) institute any proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file a petition seeking or consenting to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Fund or a substantial part of its property, or make any assignment for the benefit of creditors, or, except as may be required by applicable law, admit in writing its inability to pay its debts generally as they become due or take any corporate action in furtherance of any such action; (ii) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any material lien, mortgage, pledge, charge, security interest, security agreement, conditional sale or trust receipt or other material encumbrance of any kind upon any of the Fund's assets as a whole, except (A) liens the validity of which are being contested in good faith by appropriate proceedings, (B) liens for taxes that are not then due and payable or that can be paid thereafter without penalty, (C) liens, pledges, charges, security interests, security agreements or other encumbrances arising in connection with any indebtedness senior to the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), (D) liens, pledges, charges, security interests, security agreements or other encumbrances arising in connection with any indebtedness permitted under clause (iii) below and (E) liens to secure payment for services rendered including, without limitation, services rendered by the Fund's Paying Agent and the auction agent or (iii) create, authorize, issue, incur or suffer to exist any indebtedness for borrowed money or any direct or indirect guarantee of such indebtedness for borrowed money, except the Fund may borrow as may be permitted by the Fund's investment restrictions; provided, however, that transfers of assets by the Fund subject to an obligation to repurchase will not be deemed to be indebtedness for purposes of this provision to the extent that after any such transaction the Fund has eligible assets with an aggregate discounted value at least equal to the Preferred Shares Basic Maintenance Amount as of the immediately preceding valuation date.

In addition, the affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) shall be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares or any action requiring a vote of security holders of the Fund under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund's investment restrictions described under 'Investment Restrictions' in the SAI and changes in the Fund's subclassification as a closed-end investment company.

The affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding AMPS, voting separately from any other series, will be required with respect to any matter that materially and adversely affects the rights, preferences, or powers of the AMPS in a manner different from that of other series or classes of the Fund's shares of capital stock. For

purposes of the foregoing, no matter will be deemed to adversely affect any right, preference or power unless such matter (i) alters or abolishes any preferential right of such series; (ii) creates, alters or abolishes any right in respect of redemption of such series or (iii) creates or alters (other than to abolish) any restriction on transfer applicable to such series. The vote of holders of any series described in this paragraph will in each case be in addition to a separate vote of the requisite percentage of Common Shares and/or preferred stock necessary to authorize the action in question.

The Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) also will vote separately to the extent otherwise required under Maryland law or the 1940 Act as in effect from time to time. The class votes of holders of AMPS (together with the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) described above will in each case be in addition to any separate vote of the requisite percentage of Common Shares and AMPS (together with the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS), voting together as a single class, necessary to authorize the action in question.

For purpose of any right of the holders of the AMPS to vote on any matter, whether the right is created by the Charter, by statute or otherwise, a holder of AMPS is not entitled to vote and the AMPS will not be deemed to be outstanding for the purpose of voting or determining the number of the AMPS required to constitute a quorum, if prior to or concurrently with a determination of the AMPS entitled to vote or of the AMPS deemed outstanding for quorum purposes, as the case may be, a notice of redemption was given in respect of those AMPS and sufficient Deposit Securities (as defined in the SAI) for the redemption of those AMPS were deposited.

RATING AGENCY GUIDELINES

The Fund is required under S&P and Moody's guidelines to maintain assets having in the aggregate a discounted value at least equal to the Preferred Shares Basic Maintenance Amount (as defined below). S&P and Moody's have each established separate guidelines for determining discounted value. To the extent any particular portfolio holding does not satisfy the applicable rating agency's guidelines, all or a portion of such holding's value will not be included in the calculation of discounted value (as defined by the rating agency). The S&P and Moody's guidelines also impose certain diversification requirements on the Fund's overall portfolio. The 'Preferred Shares Basic Maintenance Amount' includes the sum of (i) the aggregate liquidation preference of the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) then outstanding, (ii) the total principal of any senior debt (plus accrued and projected dividends), (iii) certain Fund expenses and (iv) certain other current liabilities.

The Fund also is required under rating agency guidelines to maintain, with respect to the AMPS, as of the last business day of each month in which the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) are outstanding, asset coverage of at least 200% with respect to senior securities that are shares of the Fund, including the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C

AMPS) (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities that are shares of a closed-end investment company as a condition of declaring dividends on its Common Shares) ('1940 Act Preferred Shares Asset Coverage'). S&P and Moody's have agreed that the auditors must certify once per year the asset coverage test on a date randomly selected by the auditor. Based on the Fund's assets and liabilities as of April 1, 2004 and assuming the issuance of all AMPS offered hereby and the use of the proceeds as intended, the 1940 Act Preferred Shares Asset Coverage with respect to the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) would be computed as follows:

$$\frac{\text{Value of Fund assets less liabilities not constituting senior securities}}{\text{Senior securities representing indebtedness plus liquidation value of the AMPS and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS}} = \frac{\$2,170,499,186}{\$760,000,000} = 286\%$$

If the Fund does not timely cure a failure to maintain (1) a discounted value of its portfolio equal to the Preferred Shares Basic Maintenance Amount or (2) the 1940 Act Preferred Shares Asset Coverage, in each case in accordance with the requirements of the rating agency or agencies then rating the AMPS, the Fund will be required to redeem the AMPS as described below under ' -- Redemption.'

The Fund may, but is not required to, adopt any modifications to the guidelines that may hereafter be established by S&P or Moody's. Failure to adopt any such modifications, however, may result in a change or a withdrawal of the ratings altogether. In addition, any rating agency providing a rating for the AMPS may, at any time, change or withdraw any such rating. The Board of Directors may, without shareholder approval, amend, alter, add to or repeal any or all of the definitions and related provisions that have been adopted by the Fund pursuant to the rating agency guidelines in the event the Fund receives written confirmation from S&P or Moody's, or both, as appropriate, that any such change would not impair the ratings then assigned by S&P and Moody's to the AMPS.

The Board of Directors may amend the definition of the Maximum Rate to increase the percentage amount by which the Reference Rate is multiplied, or the percentage spread added to the Reference Rate, to determine the Maximum Rate without the vote or consent of the holders of AMPS or any other stockholder of the Fund, but only with confirmation from each rating agency, and after consultation with the broker-dealers, provided that immediately following any such increase the Fund could meet the Preferred Shares Basic Maintenance Amount Test.

As described by S&P and Moody's, the AMPS rating is an assessment of the capacity and willingness of the Fund to pay the AMPS' obligations. The ratings on the AMPS are not recommendations to purchase, hold or sell the AMPS, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The rating agency guidelines also do not address the likelihood that an owner of the AMPS will be able to sell such shares in an auction or otherwise. The ratings are based on current information furnished to S&P and Moody's by the Fund and the Investment Manager and information obtained from other sources. The ratings may

be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

The rating agency guidelines will apply to the AMPS only so long as such rating agency is rating these shares. The Fund will pay fees to S&P and Moody's for rating the AMPS.

REDEMPTION

Mandatory Redemption. If the Fund does not timely cure a failure to (1) maintain a discounted value of its portfolio equal to the Preferred Shares Basic Maintenance Amount, (2) maintain the 1940 Act Preferred Shares Asset Coverage or (3) file a required certificate related to asset coverage on time, the AMPS will be subject to mandatory redemption out of funds legally available therefor in accordance with the Articles Supplementary and applicable law, at the redemption price of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to (but not including) the date fixed for redemption. Any such redemption will be limited to the number of the AMPS necessary to restore the required discounted value or the 1940 Act Preferred Shares Asset Coverage, as the case may be.

In determining the number of AMPS required to be redeemed in accordance with the foregoing, the Fund will allocate the number of shares required to be redeemed to satisfy the Preferred Shares Basic Maintenance Amount or the 1940 Act Preferred Shares Asset Coverage, as the case may be, pro rata among the AMPS of the Fund and any other preferred stock of the Fund, subject to redemption or retirement. If fewer than all outstanding shares of any series are, as a result, to be redeemed, the Fund may redeem such shares by lot or other method that it deems fair and equitable.

Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, the Fund at its option may, without the consent of the holders of the AMPS, redeem AMPS having a dividend period of one year or less, in whole or in part, on the business day after the last day of such dividend period upon not less than 15 calendar days and not more than 40 calendar days prior notice. The optional redemption price per share will be $25,000 per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to the date fixed for redemption. AMPS having a dividend period of more than one year are redeemable at the option of the Fund, in whole or in part, prior to the end of the relevant dividend period, subject to any specific redemption provisions, which may include the payment of redemption premiums to the extent required under any applicable specific redemption provisions. The Fund will not make any optional redemption unless, after giving effect thereto, (i) the Fund has available certain deposit securities with maturities or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to holders of the AMPS by reason of the redemption of the AMPS on such date fixed for the redemption and (ii) the Fund has eligible assets with an aggregate discounted value at least equal to the Preferred Shares Basic Maintenance Amount.

Notwithstanding the foregoing, AMPS may not be redeemed at the option of the Fund unless all dividends in arrears on the outstanding AMPS, and any other outstanding preferred shares, have been or are being contemporaneously paid or set aside for payment. This would not prevent the lawful purchase or exchange offer for AMPS made on the same terms to holders of all outstanding preferred shares.

LIQUIDATION

Subject to the rights of holders of any series or class or classes of shares ranking on a parity with the AMPS with respect to the distribution of assets upon liquidation of the Fund, upon a liquidation of the Fund, whether voluntary or involuntary, the holders of the AMPS then outstanding will be entitled to receive and to be paid out of the assets of the Fund available for distribution to its stockholders, before any payment or distribution is made on the Common Shares, an amount equal to the liquidation preference with respect to such shares ($25,000 per share), plus an amount equal to all dividends thereon (whether or not earned or declared by the Fund, but excluding the interest thereon) accumulated but unpaid to and including the date of final distribution in same-day funds in connection with the liquidation of the Fund. After the payment to the holders of the AMPS of the full preferential amounts provided for as described herein, the holders of the AMPS as such will have no right or claim to any of the remaining assets of the Fund.

Neither the sale of all or substantially all the property or business of the Fund, nor the merger or consolidation of the Fund into or with any other entity nor the merger or consolidation of any other entity into or with the Fund, will be a liquidation, whether voluntary or involuntary, for the purposes of the foregoing paragraph.

THE AUCTION

GENERAL

The Articles Supplementary provide that, except as otherwise described in this prospectus, the applicable rate for the AMPS for each rate period after the initial rate period will be the rate that results from an auction conducted as set forth in the Articles Supplementary and summarized below. In such an auction, persons determine to hold or offer to sell or, based on dividend rates bid by them, offer to purchase or sell the AMPS. See the Articles Supplementary for a more complete description of the auction process.

Auction Agency Agreement. The Fund will enter into an auction agency agreement with the auction agent (initially, The Bank of New York) which provides, among other things, that the auction agent will follow the auction procedures to determine the applicable rate for the AMPS, so long as the applicable rate for the AMPS is to be based on the results of an auction.

The auction agent may terminate the auction agency agreement upon notice to the Fund no earlier than 60 days after the delivery of such notice. If the auction agent should resign, the Fund will use its best efforts to enter into an agreement with a successor auction agent containing substantially the same terms and conditions as the auction agency agreement. The Fund may remove the auction agent provided that, prior to such removal, the Fund has entered into such an agreement with a successor auction agent.

Broker-Dealer Agreements. Each auction requires the participation of one or more broker-dealers. The auction agent will enter into agreements with several broker-dealers selected by the Fund, which provide for the participation of those broker-dealers in auctions for the AMPS.

The auction agent will pay to each broker-dealer after each auction from funds provided by the Fund, a service charge at the annual rate of 1/4 of 1% of the liquidation preference ($25,000 per share) of the AMPS held by a broker-dealer's customer upon settlement in an auction.

AUCTION PROCEDURES

Prior to the submission deadline on each auction date for the AMPS, each customer of a broker-dealer who is listed on the records of that broker-dealer (or, if applicable, the auction agent) as a beneficial owner of the AMPS may submit the following types of orders with respect to the AMPS to that broker-dealer:

1. Hold Order -- indicating its desire to hold the AMPS without regard to the applicable rate for the next rate period.

2. Bid -- indicating its desire to purchase or hold the indicated number of AMPS at $25,000 per share if the applicable rate for shares of such series for the next rate period is not less than the rate or spread specified in the bid and which shall be deemed an irrevocable offer to sell the AMPS at $25,000 per share if the applicable rate for shares of such series for the next rate period is less than the rate or spread specified in the bid.

3. Sell Order -- indicating its desire to sell the AMPS at $25,000 per share without regard to the applicable rate for shares of such series for the next rate period.

A beneficial owner of the AMPS may submit different types of orders to its broker-dealer with respect to the AMPS then held by the beneficial owner. A beneficial owner that submits a bid to its broker-dealer having a rate higher than the maximum applicable rate on the auction date will be treated as having submitted a sell order to its broker-dealer. A beneficial owner that fails to submit an order to its broker-dealer will ordinarily be deemed to have submitted a hold order to its broker-dealer. However, if a beneficial owner fails to submit an order for some or all of its shares to its broker-dealer for an auction relating to a rate period of more than 91 days, such beneficial owner will be deemed to have submitted a sell order for such shares to its broker-dealer. A sell order constitutes an irrevocable offer to sell the AMPS subject to the sell order. A beneficial owner that offers to become the beneficial owner of additional AMPS is, for the purposes of such offer, a potential holder as discussed below.

A potential holder is either a customer of a broker-dealer that is not a beneficial owner of the AMPS but that wishes to purchase the AMPS or a beneficial owner that wishes to purchase additional AMPS. A potential holder may submit bids to its broker-dealer in which it offers to purchase the AMPS at $25,000 per share if the applicable rate for the next rate period is not less than the rate specified in such bid. A bid placed by a potential holder specifying a rate higher than the maximum applicable rate on the auction date will not be accepted.

The broker-dealers in turn will submit the orders of their respective customers who are beneficial owners and potential holders to the auction agent. However, neither the Fund nor the auction agent will be responsible for a broker-dealer's failure to comply with these procedures. Any order placed with the auction agent by a broker-dealer as or on behalf of an existing holder or a potential holder will be treated the same way as an order placed with a broker-dealer by a beneficial owner or potential holder. Similarly, any failure by a broker-dealer to submit to the auction agent an order for any AMPS held by it or customers who are beneficial owners will be treated as a beneficial owner's failure to submit to its broker-dealer an order in respect of the AMPS held by it. A broker-dealer may also submit orders to the auction agent for its own account as an existing holder or potential holder, provided it is not an affiliate of the Fund.

There are sufficient clearing bids in an auction if the number of shares subject to bids submitted or deemed submitted to the auction agent by broker-dealers for potential holders with rates or spreads equal to or lower than the maximum applicable rate is at least equal to the

number of AMPS subject to sell orders submitted or deemed submitted to the auction agent by broker-dealers for existing holders. If there are sufficient clearing bids, the applicable rate for the AMPS for the next succeeding rate period thereof will be the lowest rate specified in the submitted bids which, taking into account such rate and all lower rates bid by broker-dealers as or on behalf of existing holders and potential holders, would result in existing holders and potential holders owning the AMPS available for purchase in the auction.

If there are not sufficient clearing bids, the applicable rate for the next rate period will be the maximum rate on the auction date. However, if the Fund has declared a special rate period and there not sufficient clearing bids, the applicable rate for the next rate period will be the same as during the current rate period. If there are not sufficient clearing bids, beneficial owners of the AMPS that have submitted or are deemed to have submitted sell orders may not be able to sell in the auction all shares subject to such sell orders. If all of the outstanding AMPS are the subject of submitted hold orders, then the rate period following the auction will automatically be the same length as the preceding rate period and the applicable rate for the next rate period will be 90% of the reference rate.

The auction procedures include a pro rata allocation of shares for purchase and sale, which may result in an existing holder continuing to hold or selling, or a potential holder purchasing, a number of AMPS that is different than the number of shares specified in its order. To the extent the allocation procedures have that result, broker-dealers that have designated themselves as existing holders or potential holders in respect of customer orders will be required to make appropriate pro rata allocations among their respective customers.

Settlement of purchases and sales will be made on the next business day (which is also a dividend payment date) after the auction date through DTC. Purchasers will make payment through their agent members in same-day funds to DTC against delivery to their respective agent members. DTC will make payment to the sellers' agent members in accordance with DTC's normal procedures, which now provide for payment against delivery by their agent members in same-day funds.

The auctions for the AMPS will normally be held every 28 days and each subsequent rate period will normally begin on the following business day.

The first auction for the AMPS will be held on , 2004, the business day preceding the dividend payment date for the initial dividend period. Thereafter, except during special rate periods, auctions for the AMPS normally will be held every 28 days, and each subsequent dividend period the AMPS normally will begin on the following business day.

The following is a simplified example of how a typical auction works. Assume that the Fund has 1,000 outstanding AMPS of any series, and three current holders. The three current holders and three potential holders submit orders through broker-dealers at the auction:

Current Holder A......	Owns 500 shares, wants to sell all 500 shares if auction rate is less than 4.1%	Bid order of 4.1% rate for all 500 Shares
Current Holder B......	Owns 300 shares, wants to hold	Hold order -- will take the auction rate
Current Holder C......	Owns 200 shares, wants to sell all 200 shares	Bid order of 3.9% rate for all 200 shares if auction rate is less than 3.9%
Potential Holder D....	Wants to buy 200 shares	Places order to buy at or above 4.0%
Potential Holder E....	Wants to buy 300 shares	Places order to buy at or above 3.9%
Potential Holder F....	Wants to buy 200 shares	Places order to buy at or above 4.1%

The lowest dividend rate that will result in all 1,000 AMPS continuing to be held is 4.0% (the offer by D). Therefore, the dividend rate will be 4.0%. Current holders B and C will continue to own their shares. Current holder A will sell its shares because A's dividend rate bid was higher than the dividend rate. Potential holder D will buy 200 shares and potential holder E will buy 300 shares because their bid rates were at or below the dividend rate. Potential holder F will not buy any shares because its bid rate was above the dividend rate.

SECONDARY MARKET TRADING AND TRANSFER OF AMPS

The underwriters are not required to make a market in the AMPS. The broker-dealers (including the underwriters) may maintain a secondary trading market for outside of auctions, but they are not required to do so. There can be no assurance that a secondary trading market for the AMPS will develop or, if it does develop, that it will provide owners with liquidity of investment. The AMPS will not be registered on any stock exchange or on the NASDAQ market. Investors who purchase the AMPS in an auction for a special rate period should note that because the dividend rate on such shares will be fixed for the length of that dividend period, the value of such shares may fluctuate in response to the changes in interest rates, and may be more or less than their original cost if sold on the open market in advance of the next auction thereof, depending on market conditions.

You may sell, transfer, or otherwise dispose of the AMPS only in whole shares and only

- pursuant to a bid or sell order placed with the auction agent in accordance with the auction procedures;
- to a broker-dealer; or
- to such other persons as may be permitted by the Fund; provided, however, that (i) if you hold your AMPS in the name of a broker-dealer, a sale or transfer of your AMPS to that broker-dealer, or to another customer of that broker-dealer, will not be considered a sale or transfer for purposes of the foregoing if that broker-dealer remains the existing holder of the AMPS immediately after the transaction and (ii) in the case of all transfers, other than

through an auction, the broker-dealer (or other person, if the Fund permits) receiving the transfer will advise the auction agent of the transfer.

Further description of the auction procedures can be found in the Articles Supplementary.

DESCRIPTION OF COMMON SHARES

The Fund is authorized to issue 99,969,600 Common Shares, par value $.001 per share. All Common Shares have equal rights to the payment of dividends and the distribution of assets upon liquidation. Common Shares are fully paid and non-assessable when issued and have no preemptive, conversion, exchange, redemption or cumulative voting rights. Holders of Common Shares are entitled to one vote per share. Whenever the AMPS are outstanding, holders of Common Shares will not be entitled to receive any distributions from the Fund unless all accrued dividends on the AMPS have been paid, and unless asset coverage (as defined in the 1940 Act) with respect to the AMPS would be at least 200% after giving effect to the distributions. Under the rules of the NYSE applicable to listed companies, the Fund is required to hold an annual meeting of stockholders each year.

CERTAIN PROVISIONS OF THE CHARTER AND BY-LAWS

The Fund has provisions in its Charter and By-Laws that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund, to cause it to engage in certain transactions or to modify its structure. Commencing with the first annual meeting of stockholders, the Board of Directors will be divided into three classes, having initial terms of one, two and three years, respectively. At the annual meeting of stockholders in each year thereafter, the term of one class will expire and directors will be elected to serve in that class for terms of three years. This provision could delay for up to two years the replacement of a majority of the Board of Directors. A director may be removed from office only for cause and only by a vote of the holders of at least 75% of the outstanding shares of the Fund entitled to vote on the matter.

The affirmative vote of at least 75% of the entire Board of Directors is required to authorize the conversion of the Fund from a closed-end to an open-end investment company. Such conversion also requires the affirmative vote of the holders of at least 75% of Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) outstanding at the time, voting as a single class, unless it is approved by a vote of at least 75% of the Continuing Directors (as defined below), in which event such conversion requires the approval of the holders of a majority of the votes entitled to be cast thereon by the stockholders of the Fund. A 'Continuing Director' is any member of the Board of Directors of the Fund who (i) is not a person or affiliate of a person who enters or proposes to enter into a Business Combination (as defined below) with the Fund (an 'Interested Party') and (ii) who has been a member of the Board of Directors of the Fund for a period of at least 12 months, or has been a member of the Board of Directors since the Fund's initial public offering of Common Shares, or is a successor of a Continuing Director who is unaffiliated with an Interested Party and is recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors of the Fund. The affirmative vote of at least 75% of the entire Board of Directors and at least 75% of the holders of Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) outstanding at the time, voting as

a single class, will be required to amend the Charter to change any of the provisions in this paragraph and the preceding paragraph.

The affirmative votes of at least 75% of the entire Board of Directors and the holders of at least (i) 80% of Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) outstanding at the time, voting as a single class, and (ii) in the case of a Business Combination (as defined below), 66 2/3% of the Common Shares and the AMPS (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series T28, Series W28A, Series W28B and Series W28C AMPS) outstanding at the time, voting as a single class, other than votes held by an Interested Party who is (or whose affiliate is) a party to a Business Combination (as defined below) or an affiliate or associate of the Interested Party, are required to authorize any of the following transactions:

(i) merger, consolidation or statutory share exchange of the Fund with or into any other entity;

(ii) issuance or transfer by the Fund (in one or a series of transactions in any 12-month period) of any securities of the Fund to any person or entity for cash, securities or other property (or combination thereof) having an aggregate fair market value of $1,000,000 or more, excluding issuances or transfers of debt securities of the Fund, sales of securities of the Fund in connection with a public offering, issuances of securities of the Fund pursuant to a dividend reinvestment plan adopted by the Fund, issuances of securities of the Fund upon the exercise of any stock subscription rights distributed by the Fund and portfolio transactions effected by the Fund in the ordinary course of business;

(iii) sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Fund (in one or a series of transactions in any 12 month period) to or with any person or entity of any assets of the Fund having an aggregate fair market value of $1,000,000 or more except for portfolio transactions (including pledges of portfolio securities in connection with borrowings) effected by the Fund in the ordinary course of its business (transactions within clauses (i), (ii) and (iii) abov