COHEN & STEERS REIT & PREFERRED INCOME FUND INC
Form N-2/A
December 03, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 3, 2003

SECURITIES ACT FILE NO. 333-109861

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. 8

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

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
425 LEXINGTON AVENUE
NEW YORK, NEW YORK 10017

LEONARD B. MACKEY, JR., ESQ.
CLIFFORD CHANCE US LLP
200 PARK AVENUE
NEW YORK, NEW YORK 10166

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 PRICE(
Series T28 AMPS, par value $.001................	2,040	$25,000	$51,000,000

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

(2) Includes registration fees paid on October 21, 2003 of $80.90.

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.

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COHEN & STEERS REIT AND PREFERRED INCOME FUND, INC.
CROSS REFERENCE SHEET
PART A -- PROSPECTUS

	ITEM IN PART A OF FORM N-2 SPECIFIED IN PROSPECTUS	LOCATION IN PROSPECTUS
Item 1.	Outside Front Cover..................................	Cover Page
Item 2.	Inside Front and Outside Back Cover Page............	Cover Page; Inside Front Cove Page; Outside Back Cover Pa
Item 3.	Fee Table and Synopsis..............................	Inapplicable
Item 4.	Financial Highlights................................	Financial Highlights
Item 5.	Plan of Distribution................................	Cover Page; Prospectus Summar Underwriting
Item 6.	Selling Shareholders................................	Inapplicable
Item 7.	Use of Proceeds.....................................	Use of Proceeds; Investment Objectives and Policies
Item 8.	General Description of the Registrant...............	Cover Page; Prospectus Summar The Fund; Investment Object and Policies; Risk Factors; the Fund Manages Risk
Item 9.	Management..	Prospectus Summary; Managemen the Fund; How the Fund Mana Risk
Item 10.	Capital Stock, Long-Term Debt, and Other Securities..	Capitalization; Investment Objectives and Policies; U. Federal Taxation; Descripti AMPS; Description of Common Shares
Item 11.	Defaults and Arrears on Senior Securities...........	Inapplicable
Item 12.	Legal Proceedings...................................	Inapplicable
Item 13.	Table of Contents of the Statement of Additional Information......................................	Table of Contents of the Stat of Additional Information

PART B -- STATEMENT OF ADDITIONAL INFORMATION

	ITEMS IN PART B OF FORM N-2	LOCATION IN STATEMENT OF ADDITIONAL INFORMATION
Item 14.	Cover Page..	Cover Page
Item 15.	Table of Contents...................................	Table of Contents
Item 16.	General Information and History.....................	General Information
Item 17.	Investment Objectives and Policies..................	Investment Objectives and Policies, Additional Inform Regarding Fund Investments; Investment Restrictions
Item 18.	Management..	Management of the Fund; Compensation of Directors a Certain Officers
Item 19.	Control Persons and Principal Holders of Securities..	Management of the Fund
Item 20.	Investment Advisory and Other Services..............	Investment Advisory and Other Services
Item 21.	Brokerage Allocation and Other Practices............	Portfolio Transactions and Brokerage; Determination of Asset Value

PART C -- OTHER INFORMATION

Item 24-33. have been answered in Part C of this Registration Statement

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED DECEMBER 3, 2003

PROSPECTUS

[LOGO]

$51,000,000
COHEN & STEERS
REIT AND PREFERRED INCOME FUND, INC.
AUCTION MARKET PREFERRED SHARES ('AMPS')
2,040 SHARES, SERIES T28
LIQUIDATION PREFERENCE $25,000 PER SHARE

Cohen & Steers REIT and Preferred Income Fund, Inc. (the 'Fund') is offering 2,040 Series T28 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 , 2003.

MERRILL LYNCH & CO.

A.G. EDWARDS & SONS, INC.

UBS INVESTMENT BANK

The date of this prospectus is , 2003.

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 December 1, 2003 the Fund had outstanding 24,800 shares of eight 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'), 2,800 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 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   . 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).

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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. As of December 1, 2003, the Fund had 48,251,666 Common Shares 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 W28A AMPS, Series W28B AMPS and Series W28C AMPS, of $1,866,797,414. 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 2,040 Series T28 Auction Mark 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
dividend rate

for a particular period by an auction conducted on the business day immediately prior to the start of 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 preferre 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 56% of its total assets in common stocks issued by REITs, approximately 40% in preferred securities and approximately 3% in debt 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 making these determinations, the Investment Manager

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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 distributed to shareholders provid they distribute to their shareholders substantiall all of their taxable income (other than net capita gains) and otherwise comply with the requirements the Internal Revenue Code of 1986, as amended (the 'Code'). As a result, REITs generally pay relative higher 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 hi current income. Dividends paid by REITs will not b eligible for the dividends received deduction (the '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 for taxable years beginn on or before December 31, 2008. It is the Fund's current intention to invest

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approximately 50% of its total assets in common stocks of real estate companies, consisting primar 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 will quali for the DRD or provide significant benefits under rules relating to qualified dividend income. The F may also invest up to 5% of its total assets in preferred securities issued by REITs. Under curren 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 (Ba/BB or B) by Moody's, S&P or Fitch Rating ('Fitch') or that are unrated but judged to be of comparable quality by the Fund's Investment Manage A security will not be

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considered to be below investment grade quality if is rated within the four highest grades (Baa or BB or better) by Moody's, S&P or Fitch, or is unrated but judged to be of comparable quality by the Fund Investment Manager. These below investment grade quality securities are commonly referred to as 'ju bonds' and are regarded as having predominantly 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 December 1, 2003 had approximately $11.4 billion i 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 dividen or other distributions with respect to your AMPS redeem your AMPS unless the Fund meets certain as coverage requirements;

if you try to sell your AMPS between auctions you not be able to sell any or all of your shares or may not be able to sell them for $25,000 per shar 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 pers 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 assign to the AMPS, which could affect liquidity;

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

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restrictions imposed by the 1940 Act and by ratin agencies on the declaration and payment of divide to the holders of the Fund's Common Shares and AM might impair the Fund's ability to maintain its qualification as a regulated investment company f 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 clai against the income of the Fund and against the ne assets of the Fund in liquidation;

if the Fund leverages through borrowings, the Fun may not be permitted to declare dividends or othe distributions with respect to the AMPS or purchas AMPS unless at the time thereof the Fund meets certain asset coverage requirements and the payme of principal and of interest on any such borrowin are not in default;

the value of the Fund's investment portfolio may decline, reducing the asset coverage for the AMPS 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 t 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 investmen 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:

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.

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Property values may fall due to increasing vacanci
or declining rents resulting from economic, legal,
cultural or technological developments. REIT price
also may drop because of the failure of borrowers
pay their loans and poor management. Many REITs
utilize leverage, which increases investment risk
could adversely affect a REIT's operations and mar
value in periods of rising interest rates as well
risks normally associated with debt financing. In
addition, there are specific risks associated with
particular sectors of real estate investments such
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 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 in market interest rates. When market interest rates rise, the market value such securities generally will fall. The Fund's investment in such securities means that the net asset value and market price of the common shares 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 payme when due because the issuer of the security experiences a decline in its financial status. Preferred securities normally are subordinated to bonds and other debt instruments in a company's capital structure, in terms of priority to corpora income and claim to corporate assets, and therefor will be subject to

greater credit risk than debt instruments. The Fun may invest up to 10% (measured at the time of investment) of its total assets in preferred securities and other debt securities that are rate below investment grade. Preferred stock or debt securities will be considered to be investment gra if, at the time of the investment, such security h a rating of 'BBB' or higher by S&P, 'Baa' or highe by Moody's or an equivalent rating by a nationally recognized statistical rating agency or, if unrate such security is determined by the Investment Mana to be of comparable quality. Lower-rated preferred stock or other debt securities, or equivalent unra 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 terrorist attacks in t U.S. on September 11, 2001 had a disruptive effect the securities markets. The war in Iraq and instability in the Middle East also have resulted recent market volatility and may have long-term effects on the U.S. and worldwide financial market and may cause further economic uncertainties in th U.S. and worldwide. The Fund does not know how lon the securities markets will continue to be affecte by these events and cannot predict the effects of the war or similar events i the future on the U.S. economy and 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 T28...........	%	

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 propo
special rate period will not adversely affect such
agency's then-current rating on the AMPS and the l
Broker-Dealer designated by the

Fund, initially Merrill Lynch, must not have objec
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 payment 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 transacti or that the terms of the replacement will not be a favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fun ability to make dividend payments on the AMPS. If Fund fails to maintain the required asset coverage the outstanding AMPS or fails to comply with other covenants, the Fund may be required to redeem some all of these shares. Such redemption likely would result in the Fund seeking to terminate early all a portion of any swap or cap transaction. Early termination of the swap could result in a terminat payment by or to the Fund. Early termination of a could result in a termination payment to the Fund. The Fund would not enter into interest rate swap o cap transactions having a notional amount that exceeded the outstanding amount of the AMPS. See ' the Fund Manages Risk -- Interest Rate Transaction 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 W28A, Series W28B and Series W28C AMPS), th Fund must maintain:

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

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

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 December 1, 2003, the asset coverage of the AMP (and the Series M7, Series T7, Series W7, Series TH7, Series F7, Series W28A, Series W28B an Series W28C AMPS), as measured pursuant to the 194 Act, would be approximately 286% if the Fund were issue all of 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 represented 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. Such dividends generally will, except in the case of distributions of qualified dividend income and net capital gains, be taxable as ordina 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 W28A, Series W28B and Series W28 AMPS in proportion to the total dividends paid to each class during or with respect to such year. Se '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 (UNAUDITED)

Information contained in the table below under the headings 'Per Share Operating Performance' and 'Ratios/Supplemental Data' shows the unaudited operating performance of the Fund from the commencement of the Fund's investment operations on June 27, 2003 through September 30, 2003.

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the Fund's Unaudited Financial Statements included in the Statement of Additional Information dated , 2003. It should be read in conjunction with the Unaudited Financial Statements and notes thereto.

	For the Period June 27, 2003(1) through September 30, 2003 (Unaudited)
PER SHARE OPERATING PERFORMANCE:	
Net asset value per common share, beginning of period	$ 23.88
Income from investment operations:	
Net investment income	0.33(5)
Net realized and unrealized gain on investments	1.05(5)
Total income from investment operations	1.38
Less distributions to preferred shareholders	(0.02)
Total from investment operations applicable to common shares	1.36
Less: Offering costs charged to paid-in capital -- common shares	(0.05)(5)
Offering costs charged to paid-in capital -- preferred shares	(0.16)(5)
Dilutive effect of common share offering	(0.01)(5)
Total offering costs	(0.22)
Less: distributions to common shareholders	(0.34)
Net increase in net asset value	0.80
Net asset value, per common share, end of period	$ 24.68
Market value, per common share, end of period	$ 24.57
Net asset value total return(2)	4.83%(3)
Market value return(2)	- 0.34%(3)

(table continued on next page)

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	FOR THE PERIOD JUNE 27, 2003(1) THROUGH SEPTEMBER 30, 2003 (UNAUDITED)
RATIOS/SUPPLEMENTAL DATA:	
Net assets applicable to common shares, end of period (in millions)	$ 1,191.0
Ratio of expenses to average daily net assets applicable to common shares	1.02%(4)
Ratio of net investment income to average daily net assets applicable to common shares	5.09%(4)
Ratio of expenses to average daily managed assets	0.82%(4)
Portfolio turnover rate	1.22%(3)
AMPS:	
Liquidation value, end of period (in 000's)	$ 620,000
Total shares outstanding (in 000's)	25
Asset coverage per share	$ 73,024
Liquidation preference per share	$ 25,000
Average market value per share	$ 25,000

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(1) Commencement of investment operations.

(2) 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.

(3) Not annualized.

(4) Annualized.

(5) Based on average shares outstanding during the period.

See accompanying notes to unaudited financial statements.

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 this 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. 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 December 1, 2003:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY THE FUND OR FOR ITS ACCOUNT	AMOUNT OUTSTANDING
Common...	99,973,160	0	48,251,666
AMPS			
Series T28................................	2,040	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 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 December 1, 2003, and as adjusted to give effect to the issuance of the AMPS offered in this prospectus.

	AS OF DECEMBER 1, 2003	
	ACTUAL	AS ADJUSTED
	(UNAUDITED)	
AS OF DECEMBER 1, 2003:		
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, 2,800 Series W28A AMPS, 2,800 Series W28B AMPS and 2,800 Series W28C AMPS (collectively, the 'Outstanding AMPS') issued and Series T28 AMPS no shares issued, 2,040 shares issued, as adjusted..................................	$ 620,000,000	$ 671,000,000
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..................................	1,142,369,518	1,141,524,392

Balance of undistributed net investment income....	(4,432,340)	(4,432,340)
Accumulated net realized gain (loss) from investment transactions........................	75,409	75,409
Net unrealized appreciation (depreciation)........	108,736,575	108,736,575
Net assets applicable to Common Shareholders......	1,246,797,414	1,245,952,288
Net assets, plus liquidation preference of AMPS.......	$1,866,797,414	$1,916,952,288

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 (Ba/BB or B by Moody's, S&P or Fitch) 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 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 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 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 56% of its total assets in common stocks issued by REITs, approximately 40% in preferred securities and approximately 3% 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 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 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 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

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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.

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