COHEN & STEERS QUALITY INCOME REALTY FUND INC
Form N-14MEF
February 25, 2010

As filed with the Securities and Exchange Commission on February 25, 2010

Securities Act Registration No. 333-160355

Investment Company Registration No. 811-10481

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-14

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

¨ Pre-Effective Amendment No.

x Post-Effective Amendment No. 3

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

(Exact Name of Registrant as Specified in Charter)

280 Park Avenue

New York, New York 10017

(Address of Principal Executive Offices)

212-832-3232

(Registrant s Telephone Number, including Area Code)

Tina M. Payne, Esq.

Cohen & Steers, Inc.

280 Park Avenue

New York, New York 10017

(Name and Address of Agent for Service)

With Copies to:

Janna Manes, Esq.

Stroock & Stroock & Lavan LLP

180 Maiden Lane

New York, New York 10038

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares , $.001 par value	14,596,578 shares	$7.34*	$107,138,883	$ 7,639
Common Shares , $.001 par value**	74,852,248 shares	$4.13	$309,139,784	$17,250

* Estimated solely for the purpose of calculating the registration fee for the shares being registered on Post-Effective Amendment No. 3. Based on the Registrant s net asset value per share at the close of business on February 19, 2010.

** Shares previously registered on Registrant s initial Registration Statement filed on June 30, 2009. Price per unit based on Registrant s net asset value per share as of the close of business on June 26, 2009. Amount of Registration Fee has been previously paid, and was based on the then-effective fee rate of $55.80 per million dollars.

This form is being filed to register additional shares of the Registrant in connection with an offering on an effective Registration Statement on Form N-14 (333-160355). It is proposed that this filing will go effective automatically pursuant to Rule 462(d) under the

Securities Act of 1933, as amended.

COHEN & STEERS WORLDWIDE REALTY INCOME FUND, INC.

280 Park Avenue

New York, New York 10017

Reconvened Special Meeting of Stockholders to be held February 26, 2010

January 8, 2010

Dear Stockholder:

You are being asked to vote on a proposal to merge Cohen & Steers Worldwide Realty Income Fund, Inc. (RWF) with and into Cohen & Steers Quality Income Realty Fund, Inc. (RQI and, together with RWF, the Funds and each a Fund) in accordance with the Maryland General Corporation Law (the Merger). Detailed information about the proposed transaction is contained in the enclosed materials.

The Board of Directors (the Board) of RWF believes that combining the Funds will benefit stockholders of RWF by reducing the management fee paid by stockholders and providing the potential for:

- a lower operating expense ratio;
- portfolio management efficiencies; and
- enhanced market liquidity for RQI s shares of common stock (which RWF stockholders would hold after the Merger).

The Board of RWF recommends that you vote FOR the proposed Merger.

The Board of RWF initially called a special meeting of stockholders of the Fund (the Meeting), to be held on October 22, 2009, in order to vote on the proposed Merger. Stockholders of RQI also were asked to approve the Merger. The Meeting was adjourned until November 24, 2009 in order to solicit additional votes of each Fund s stockholders to approve the Merger. **On November 24, 2009, the stockholders of RQI approved the Merger.** Stockholders of RWF, however, did not submit sufficient votes to approve the Merger, and the Meeting was again adjourned with respect to RWF. Although stockholders of RWF overwhelmingly voted FOR the Merger, with approximately 90% of shares voting in favor of the proposal, on November 27, 2009, the Meeting was adjourned with respect to RWF due to an insufficient number of votes to approve the Merger, and the Board of RWF considered various alternatives, including continuing to solicit votes necessary to consummate the proposed Merger.

On December 10, 2009, the Board of RWF determined that the proposed Merger continues to be in the best interests of RWF and its stockholders and, as such, set a new record date for stockholders to vote at, and called to reconvene, the Meeting for RWF on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time, in order to vote on the Merger. **Stockholders of record of RWF as of July 30, 2009 who voted at the Meeting, as adjourned, who continue to hold common stock of RWF as of December 17, 2009, may not need to take further action with respect to this proposal.** Please review the enclosed materials for additional information.

As a result of the Merger, each full (and fractional) share of common stock of RWF would convert into an equivalent dollar amount (to the nearest $0.001) of full (and fractional) shares of common stock of RQI, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of RQI will remain issued and outstanding.

Each Fund is a closed-end, non-diversified management investment company with common stock listed on the New York Stock Exchange. The Funds have substantially similar investment objectives and similar investment policies. Each Fund focuses its investments in real estate companies and is managed by Cohen & Steers Capital Management, Inc.

Your vote is very important to us regardless of the number of shares you own. Whether or not you plan to attend the Meeting in person, please read the Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for voting by touch-tone telephone or on the Internet.

It is important that your vote be received no later than the time of the Meeting.

Sincerely,

Adam M. Derechin

President of RWF

COHEN & STEERS WORLDWIDE REALTY INCOME FUND, INC.

IMPORTANT NEWS FOR STOCKHOLDERS

The enclosed Proxy Statement/Prospectus (the Proxy/Prospectus) describes a proposal to merge Cohen & Steers Worldwide Realty Income Fund, Inc. (RWF) with and into Cohen & Steers Quality Income Realty Fund, Inc. (RQI and, together with RWF, the Funds and each a Fund), i accordance with the Maryland General Corporation Law (the MGCL) (the Merger).

While we encourage you to read the full text of the enclosed Proxy/Prospectus, the following is a brief overview of the proposed Merger. Please refer to the more complete information contained elsewhere in the Proxy/Prospectus about the Merger.

COMMON QUESTIONS YOU MAY HAVE ABOUT THE PROPOSED MERGER

Q. WHAT IS HAPPENING?

A. The Board of Directors (the Board) of RWF initially called a special meeting of stockholders of the Fund (the Meeting), to be held on October 22, 2009, in order to vote on the proposed Merger. Stockholders of RQI also were asked to approve the proposed Merger. The Meeting was adjourned until November 24, 2009 in order to solicit additional votes of each Fund s stockholders to approve the Merger. **On November 24, 2009, the stockholders of RQI approved the proposed Merger.** Stockholders of RWF, however, did not submit sufficient votes to approve the Merger, and the Meeting was again adjourned with respect to RWF. Although the stockholders of RWF overwhelmingly voted FOR the Merger, with approximately 90% of shares voting in favor of the proposal, on November 27, 2009, the Meeting was adjourned with respect to RWF due to an insufficient number of votes to approve the Merger, and the Board of RWF considered various alternatives, including continuing to solicit votes necessary to consummate the proposed Merger.

On December 10, 2009, the Board of RWF determined that the proposed Merger continues to be in the best interests of RWF and its stockholders and, as such, set a new record date for stockholders to vote at, and called to reconvene, the Meeting in order to vote on the Merger. **Stockholders of record of RWF as of July 30, 2009 who voted at the Meeting, as adjourned, who continue to hold common stock of RWF as of December 17, 2009, may not need to take further action with respect to this proposal.** Please review the Proxy/Prospectus for additional information.

Q. HOW WILL THE MERGER AFFECT ME?

A. If the Merger is approved, RWF will be merged with and into RQI in accordance with the MGCL. RWF s assets and liabilities will be combined with the assets and liabilities of RQI, and stockholders of RWF will become stockholders of RQI. As a result of the Merger, each full (and fractional) share of common stock of RWF would convert into an equivalent dollar amount (to the nearest $0.001) of full (and fractional) shares of common stock of RQI, based on the net asset value of each Fund. The currently issued and outstanding shares of common stock of RQI will remain issued and outstanding.

Q. WHAT HAPPENS IF THE MERGER IS NOT APPROVED?

A. If RWF s stockholders do not approve the Merger, RWF will continue as a separate investment company, and the Board of RWF will consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

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Q. WHY IS THE MERGER BEING RECOMMENDED?

A. The Board of RWF believes that combining the Funds will benefit stockholders of RWF by reducing the management fee paid by stockholders and providing a lower operating expense ratio, the potential for portfolio management efficiencies and enhanced market liquidity for RQI s shares of common stock (which RWF stockholders would hold after the Merger).

Q. ARE THE FUNDS INVESTMENT OBJECTIVES AND POLICIES SIMILAR?

A. The Funds have substantially similar investment objectives and similar investment policies. Each Fund focuses its investments in real estate companies and is managed by Cohen & Steers Capital Management, Inc. (the Investment Manager).

Q. HOW WILL THE MERGER AFFECT FUND FEES AND EXPENSES?

A. The total annual operating expense ratio of the combined Fund after the Merger is expected to be lower than the current total annual operating expense ratio of RWF, because the fixed expenses of the combined Fund following the Merger will be spread over a larger asset base. The Board of RWF believes that administrative expenses of a larger combined Fund comprised of the assets of RWF, as well as the assets of Cohen & Steers Advantage Income Realty Fund, Inc. and Cohen & Steers Premium Income Realty Fund, Inc., which were merged into RQI on December 18, 2009, combined with RQI s assets would be less than the aggregate current expenses of the Funds operating separately, resulting in a lower total annual operating expense ratio for the combined Fund.

Under each Fund s investment management agreement, RWF and RQI pay the Investment Manager a management fee at an annual rate of 0.95% and 0.85%, respectively, of the Fund s average daily managed assets. Following the Merger, RQI s management fee will stay the same and, as a result, RWF stockholders would pay a lower management fee after the Merger.

Q. WILL I HAVE TO PAY ANY U.S. FEDERAL INCOME TAXES AS A RESULT OF THE MERGER?

A. The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming that the Merger qualifies for such treatment, you will not recognize a gain or loss for federal income tax purposes as a result of the Merger. As a condition to the closing of the Merger, the Funds will each receive an opinion of counsel substantially to the effect that the Merger will qualify for such treatment. Opinions of counsel are not binding on the Internal Revenue Service or the courts. You should talk to your tax advisor about any state, local and other tax consequences of the Merger. See Proposal Information About the Proposed Mergers Material U.S. Federal Income Tax Consequences.

Q. WHO WILL PAY THE EXPENSES OF THE MERGER?

A. The expenses incurred in the Merger will be paid by each Fund in proportion to its net assets.

Q. HOW DOES THE BOARD RECOMMEND THAT I VOTE ON THE PROPOSAL?

A. The Board of RWF, including the Directors who are not interested persons (as defined in the Investment Company Act of 1940, as amended) of RWF, recommends that you vote **FOR** the Merger.

Q. WHEN IS THE MERGER EXPECTED TO HAPPEN?

A. The Merger, if approved by RWF s stockholders, is expected to occur on or about March 19, 2010. Stockholders of RQI previously approved the Merger at the Meeting.

Q. WHO CAN VOTE ON THE PROPOSAL?

A. If you owned shares of RWF at the close of business on December 17, 2009, you are entitled to vote those shares, even if you are no longer a common stockholder of RWF. **If you were a stockholder of RWF as of July 30, 2009 (the original record date for the Meeting) who continues to hold common stock of RWF as of December 17, 2009, you have not changed brokerage accounts and you previously submitted a valid proxy card or authorized a proxy in connection with the Meeting (and have not revoked your proxy), you do not need to take any additional action to vote your shares of RWF. Your previous proxy will remain effective as to the number of shares you held as of December 17, 2009.**

Q. I AM AN INVESTOR WHO HOLDS A SMALL NUMBER OF SHARES. WHY SHOULD I VOTE?

A. Your vote makes a difference. If many stockholders just like you do not vote their proxies, RWF may not receive enough votes to approve the Merger.

Q. HOW CAN I VOTE?

A. If you have not yet voted, you may vote by mail by returning the enclosed proxy card. You may also authorize your vote by either touch-tone telephone or online via the Internet, as follows:

To vote by touch-tone telephone:	**To vote by Internet:**
(1) Read the Proxy/Prospectus and have your proxy card at hand.	(1) Read the Proxy/Prospectus and have your proxy card at hand.
(2) Call the toll-free number that appears on your proxy card.	(2) Go to the website that appears on your proxy card.
(3) Enter the control number set out on the proxy card and follow the simple instructions.	(3) Enter the control number set out on the proxy card and follow the simple instructions.

Proxy cards are not being sent to stockholders who have already voted FOR the Merger.

Q. WHOM DO I CALL IF I HAVE QUESTIONS?

A. If you need more information or have any questions on how to cast your vote or, if you were a stockholder of RWF as of July 30, 2009 who has already voted and would like to confirm or change your vote, please call Broadridge Financial Solutions, Inc., RWF s proxy solicitor, at 866-615-7265.

YOUR VOTE IS IMPORTANT. PLEASE VOTE PROMPTLY TO AVOID THE EXPENSE OF

ADDITIONAL SOLICITATION.

COHEN & STEERS WORLDWIDE REALTY INCOME FUND, INC.

NOTICE OF RECONVENED SPECIAL MEETING OF STOCKHOLDERS

To Be Held on February 26, 2010

Please take notice that a Reconvened Special Meeting of Stockholders (the Meeting) of the above-referenced fund will be held on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time, for the following purpose, which is described in the accompanying Proxy Statement/Prospectus:

PROPOSAL: To approve the merger of Cohen & Steers Worldwide Realty Income Fund, Inc. (RWF) with and into Cohen & Steers Quality Income Realty Fund, Inc. (together with RWF, the Funds) in accordance with the Maryland General Corporation Law.

The appointed proxies will vote in their discretion on any other business as may properly come before the Meeting or any adjournments or postponements thereof.

Stockholders of RWF of record at the close of business on December 17, 2009 are entitled to vote at the Meeting and at any adjournments or postponements thereof. **If you were a stockholder of RWF as of July 30, 2009 (the original record date for the Meeting) who continues to hold common stock of RWF as of December 17, 2009, you have not changed brokerage accounts and you previously submitted a valid proxy card or authorized a proxy in connection with the Meeting (and have not revoked your proxy), you do not need to take any additional action to vote your shares of RWF. Your previous proxy will remain effective as to the number of shares you held as of December 17, 2009.**

By order of the Board of Directors,

Francis C. Poli
Secretary of RWF

January 6, 2010

YOUR VOTE IS IMPORTANT

If you have not yet voted, we invite you to utilize the convenience of Internet voting at the site indicated on your proxy card. While at that site you will be able to enroll in our electronic delivery program so you receive future mailings relating to annual meetings as quickly as possible and will help the Funds save costs. Or you may indicate your voting instructions on your proxy card, sign and date it, and return it in the envelope provided, which needs no postage if mailed in the United States. In order to save the Funds any additional expense of further solicitation, please vote your proxy promptly.

PROXY STATEMENT/PROSPECTUS

January 6, 2010

PROXY STATEMENT FOR:

COHEN & STEERS WORLDWIDE REALTY INCOME FUND, INC.

PROSPECTUS FOR:

COHEN & STEERS QUALITY INCOME REALTY FUND, INC.

280 Park Avenue

New York, New York 10017

(212) 832-3232

This combined Proxy Statement and Prospectus (the Proxy/Prospectus) is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Cohen & Steers Worldwide Realty Income Fund, Inc. (RWF) for a Reconvened Special Meeting of Stockholders of RWF (the Meeting). The Meeting will be held on February 26, 2010 at the offices of Cohen & Steers, 280 Park Avenue, New York, New York 10017 at 10:00 a.m., Eastern time. At the Meeting, stockholders of RWF will be asked to consider and act upon the following:

PROPOSAL: To approve the merger of RWF with and into Cohen & Steers Quality Income Realty Fund, Inc. (RQI and, together with RWF, the Funds and each a Fund) in accordance with the Maryland General Corporation Law (the MGCL).

If the Proposal is approved, as a result of the Merger, each full (and fractional) share of common stock, par value $0.001 per share, of RWF (RWF Common Shares) would convert into an equivalent dollar amount (to the nearest $0.001) of full (and fractional) shares of common stock, par value $0.001 per share, of RQI (RQI Common Shares), based on the net asset value of each Fund. Although RQI Common Shares received in the Merger will have the same total net asset value as RWF Common Shares held immediately before the Merger, their stock price on the New York Stock Exchange (the NYSE) may be greater or less than the stock price of RWF Common Shares, based on current market prices at the time of the Merger. All RQI Common Shares currently issued and outstanding will remain issued and outstanding following the Merger.

If RWF s stockholders do not approve the Merger, RWF will continue in operation as a separate investment company, and the Board of RWF will consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger. Stockholders of RQI have previously approved the Merger.

The Board of RWF believes that combining the Funds will benefit stockholders of RWF by reducing the management fee paid by stockholders and providing the potential for portfolio management efficiencies, a lower total annual operating expense ratio and enhanced market liquidity for RQI Common Shares (which RWF stockholders would hold after the Merger).

RWF and RQI were incorporated in Maryland on June 16, 2004 and August 22, 2001, respectively. Each Fund is a closed-end, non-diversified management investment company with common stock listed on the NYSE. The Funds have substantially similar investment objectives and similar investment policies. Each Fund focuses its investments in real estate companies and is managed by Cohen & Steers Capital Management, Inc. (the Investment Manager). Please see Proposal Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds in this Proxy/Prospectus.

The Merger will be effected pursuant to an Agreement and Plan of Merger, which is attached to this Proxy/Prospectus as Appendix A. The material terms and conditions of the Agreement and Plan of Merger are summarized in this Proxy/Prospectus. See Proposal Information About the Merger The Agreement and Plan of Merger.

This Proxy/Prospectus serves as a prospectus for RQI Common Shares under the Securities Act of 1933, as amended (the Securities Act), in connection with the issuance of RQI Common Shares in the Merger.

Assuming RWF s stockholders approve the Merger and all other conditions to the consummation of the Merger are satisfied or waived, the Funds will file articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation in Maryland (the SDAT). The Merger will become effective when the SDAT accepts for record the Articles of Merger or at such later time, which may not exceed 30 days after the Articles of Merger are accepted for record, as specified in the Articles of Merger. The date when the Articles of Merger are accepted for record, or the later date, is referred to in this Proxy/Prospectus as the Closing Date. RWF, as soon as practical after the Closing Date, will terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act).

The Merger is being structured as a reorganization for federal income tax purposes. See Proposal Information About the Proposed Merger Material U.S. Federal Income Tax Consequences. Stockholders should consult their tax advisors to determine the actual impact of the Merger on them in light of their individual tax circumstances.

You should retain this Proxy/Prospectus for future reference as it sets forth concisely information about the Funds that you should know before voting on the proposed Merger described herein.

A Statement of Additional Information (SAI) dated January 6, 2010, which contains additional information about the Merger and the Funds, has been filed with the Securities and Exchange Commission (the SEC). The SAI is incorporated by reference into this Proxy/Prospectus. You may receive free of charge a copy of the SAI or a Fund s Annual Report to Stockholders for the fiscal year ended December 31, 2008 and Semi-Annual Report to Stockholders for the six month period ended June 30, 2009, which highlight certain important information such as investment performance and expense and financial information, by visiting our website at *www.cohenandsteers.com,* by calling 800-330-7348 or by writing a Fund at the address listed above.

In addition, you can copy and review this Proxy/Prospectus and the complete filing on Form N-14 containing the Proxy/Prospectus, and any of the other above-referenced documents, at the SEC s Public Reference Room in Washington, D.C. You may obtain information about the operation of the Public Reference Room by calling the SEC at (202) 551-8090. Reports and other information about each Fund are available on the EDGAR Database on the SEC s website at *www.sec.gov*. You may also obtain copies of this information, after paying a duplicating fee, by electronic request at *publicinfo@sec.gov*, or by writing the SEC at Public Reference Section, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

RWF and RQI Common Shares are listed on the NYSE under the symbols RWF and RQI, respectively. After the Closing Date, RQI Common Shares will continue to be listed on the NYSE under the symbol RQI. You also may inspect the Funds stockholder reports, proxy materials and other information about the Funds at the NYSE.

The information contained herein concerning each Fund has been provided by, and is included herein in reliance upon, each respective Fund.

The SEC has not approved or disapproved these securities nor passed upon the accuracy or adequacy of this Proxy/Prospectus. Any representation to the contrary is a criminal offense.

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PROPOSAL

TO APPROVE THE MERGER OF RWF WITH AND INTO RQI IN ACCORDANCE WITH THE MARYLAND GENERAL CORPORATION LAW

SUMMARY

This summary is qualified in its entirety by reference to the additional information contained elsewhere in this Proxy/Prospectus and the Agreement and Plan of Merger, which is attached to this Proxy/Prospectus as Appendix A.

Proposed Merger

At various meetings held in June 2009 and at a meeting held on December 10, 2009, RWF s Board, including the Directors who are not interested persons (as defined in the 1940 Act) of RWF (the Independent Directors), considered, and on June 29, 2009 and December 10, 2009 approved, the Agreement and Plan of Merger. The Agreement and Plan of Merger approved on December 10, 2009 is identical to the form of Agreement and Plan of Merger approved on June 29, 2009. As a result of the Merger:

- each full (and fractional) RWF Common Share will convert into an equivalent dollar amount (to the nearest $0.001) of full (and fractional) RQI Common Shares, based on the net asset value per share of each Fund calculated at 4:00 p.m. on the Closing Date; and

- each holder of RWF Common Shares will become a holder of RQI Common Shares and will receive, on the Closing Date, that number of full (and fractional) RQI Common Shares having an aggregate net asset value equal to the aggregate net asset value of such stockholder s RWF Common Shares as of the close of business on the Closing Date.

If the Merger is not approved, RWF will continue as a separate investment company, and the Board of RWF will consider such alternatives as it determines to be in the best interests of stockholders, including re-proposing the Merger.

For the reasons set forth below in Information About the Proposed Merger Reasons for the Merger and Board Considerations, the Board of RWF, including the Independent Directors, have concluded that the Merger would be in the best interests of RWF and its stockholders, and that the interests of RWF stockholders would not be diluted as a result of the Merger. Stockholders of RQI have already approved the Merger. **The Board, therefore, is hereby submitting the Merger to RWF stockholders and recommends that stockholders vote FOR the Merger.**

Because the Merger has been approved by the Board of RWF, including at least 75% of the Continuing Directors (as defined herein), under RWF s charter, approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of common stock of RWF. See Voting Information below. If RWF stockholders approve the Merger and all applicable conditions have been satisfied, the Closing Date of the Merger is expected to be March 19, 2010.

Prior to completion of the Merger, the Funds will each have received an opinion of Stroock & Stroock & Lavan LLP substantially to the effect that the Merger will qualify as a reorganization for federal income tax purposes. Accordingly, for federal income tax purposes, (i) no gain or loss will generally be recognized by RWF or the holders of RWF Common Shares as a result of the Merger, (ii) the aggregate tax basis of the RQI Common Shares received by the holders of RWF Common Shares will be the same as the aggregate tax basis of the holders RWF Common Shares and (iii) a holder s holding period for RQI Common Shares will generally be determined by including the period for which he or she held RWF Common Shares that are converted pursuant to the Merger, provided that such shares were held as capital assets. For more information about the federal income tax consequences of the Merger, see Information about the Proposed Merger Material U.S. Federal Income Tax Consequences below.

Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds

The Funds have substantially similar investment objectives, which are, primarily, high current income (for RQI, high current income through investment in real estate securities) and, secondarily, capital appreciation, and similar investment policies. Each Fund is a non-diversified, closed-end management investment company. Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities, of U.S. real estate companies; however, RWF focuses its investments in global real estate companies, which includes U.S. real estate companies. Each Fund also is managed by the Investment Manager. Cohen & Steers Europe S.A. (CNS Europe), Cohen & Steers UK Limited (CNS UK) and Cohen & Steers Asia Limited (CNS Asia) also serve as sub-investment advisers to RWF (collectively, the Subadvisers).

Under normal circumstances, RQI invests at least 80% of its managed assets in income producing equity securities issued by high quality real estate investment trusts (REITs). Under normal circumstances, RWF invests at least 80% of its managed assets in a portfolio of income producing global real estate equity securities, with up to 70% of its managed assets allocated to common stocks (including REIT shares) issued by real estate companies (approximately 75% of which are companies located in Asia, Europe and Canada and approximately 25% of which are U.S. companies) and up to 30% of its managed assets allocated to preferred and other fixed-income securities of U.S. and non-U.S. companies. RQI may invest up to 25% of its managed assets in foreign securities, including up to 15% of its assets in companies located in emerging market countries. RWF may invest up to 100% of its assets in foreign securities, and expects to have investments in at least three countries, including the United States. RWF, under normal market conditions, invests primarily in developed countries, but may invest up to 15% of its managed assets in emerging market countries. As used in this Proxy/Prospectus, managed assets are a Fund s net assets applicable to shares of its common stock plus the liquidation preference of auction market preferred securities (AMPS), if any, and the outstanding balance of its borrowings, if any.

Each Fund may invest in preferred securities and other fixed income or debt securities issued by any type of company and may invest in non-investment grade preferred stock or debt securities, although the percentages by Fund vary. RQI and RWF each have a non-fundamental investment restriction to not invest more than 20% and 30%, respectively, of its managed assets in non-investment grade preferred stock or debt securities. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

Each Fund may purchase and sell derivative instruments such as exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, 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; equity index, total returns and credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps and options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features of these instruments.

Each Fund may engage in securities lending up to 33-1/3% of managed assets, and may acquire or maintain securities in investment companies in accordance with the limits set forth in Section 12(d)(1) of the 1940 Act.

The fundamental investment restrictions to which the Funds are subject are substantially similar but not identical.

Because of their substantially similar investment objectives and similar principal investment strategies, the Funds are subject to similar investment risks. Because each Fund concentrates its assets in the real estate industry, a Fund s investments will be closely linked to the performance of the real 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 poor management. Many REITs utilize leverage, which increases investment risk and could adversely affect 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 sectors of real estate investments such as retail, office, hotel, healthcare, and multifamily properties.

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

Neither Fund is intended to be a complete investment program, and there is no assurance that either Fund will achieve its investment objectives.

The preceding summary of the Funds investment objectives and certain policies and related risks should be considered in conjunction with the discussion below under Comparison of Investment Objectives, Strategies and Principal Risks of Investing in the Funds Investment Objectives, Strategies and Principal Risks, Additional Investment Activities, Risk Factors and Investment Restrictions which contains a more complete comparison of the Funds investment objectives, strategies, policies and restrictions and related risks. The investment strategies, policies and restrictions of RQI will be the same for the combined Fund.

Fees and Expenses

Each Fund has employed leverage as part of its investment strategy since shortly after its inception. Historically, the Funds leverage has consisted of proceeds from the issuance of AMPS. In February 2008, the auction markets for these types of securities started to fail, and the Funds have, since that time, redeemed all of their outstanding shares of AMPS by borrowing funds pursuant to lines of credit with a financial institution (borrowings) or by cash proceeds from the sale of portfolio securities. As of December 31, 2008, each Fund s most recent fiscal year end for which audited financial statements are available, each Fund used a combination of AMPS and borrowings to finance its leverage strategy. On June 30, 2009, the Funds publicly announced their intent to redeem all of their outstanding shares of AMPS through the incurrence of additional borrowings. These redemptions were completed on July 24, 2009.

To complete the AMPS redemptions and maintain the Funds leverage strategies at their levels at the time of such redemptions, the Funds relied, and continue to rely, on an exemptive order from the SEC providing temporary relief from the 300% asset coverage requirements for debt set forth in Section 18 of the 1940 Act. This allowed each Fund to redeem its then-outstanding AMPS by borrowing funds pursuant to a line of credit under the same 200% asset coverage requirements set forth in Section 18 of the 1940 Act for AMPS, instead of the statutorily-imposed asset coverage ratio for debt of 300%. This relief is temporary and, unless extended by the SEC, will expire on October 31, 2010.

Upon the Closing Date, assuming the Merger is approved by RWF s stockholders, the existing credit arrangement for RWF will terminate in accordance with its terms, and RQI s lender will remain the sole lender to the combined Fund, which will assume the debt of RWF as part of the Merger. After the Merger, the amount available under the credit arrangement will be sufficient for the combined Fund to maintain its current leverage strategy, although the amount of leverage employed by RQI may change over time. In addition, there is no guarantee that borrowing rates under the existing or future credit arrangements will remain the same.

Following completion of the Merger, the Investment Manager expects the total annual operating expenses borne by the stockholders of the combined Fund to vary, in some circumstances substantially, from the expense information provided in each Fund s Annual Report to Stockholders for the fiscal year ended December 31, 2008, as the combined Fund will no longer be paying dividend payments on AMPS (which are not reflected as Fund expenses), but will be paying interest and fees on borrowings, including the borrowings assumed from RWF. In light of the material change in the Funds capital structure that has occurred since December 31, 2008, the fee table below reflects the Funds actual expenses as of November 30, 2009, on an annualized basis, and assumes each Fund had credit arrangements with its lender on the same terms as in effect for RQI as of

November 30, 2009. The Funds expect that the expenses of the stockholders of the combined Fund will more closely reflect the expense structure shown in the table below instead of the expenses borne by the Funds stockholders for the twelve month period ended December 31, 2008.

Fee Table

After the Merger, the combined Fund is anticipated to have a total annual operating expense ratio, including the cost of leverage (interest and fees on borrowings), that is lower than each Fund s total annual operating expense ratio individually prior to the Merger (including interest and fees on borrowings). Please note that the expense information for the combined Fund (RQI) shown in table below reflects the merger of Cohen & Steers Advantage Income Realty Fund, Inc. (RLF) and Cohen & Steers Premium Income Realty Fund, Inc. (RPF) with and into RQI. Stockholders of RLF, RPF and RQI were asked to approve separate proposals to merge RLF and RPF with and into RQI. Each of the proposed mergers were approved by the relevant fund s stockholders on November 24, 2009, and consummated on December 18, 2009.

The table below reflects the expenses (based upon each Fund s net assets) of RWF and RQI as of November 30, 2009, on an annualized basis, and assumes each Fund had credit arrangements with RQI s lender on the same terms as in effect for RQI as of November 30, 2009. Accordingly, the actual fees and expenses of RWF, RQI and the combined Fund as of the Closing Date can be expected to differ from those reflected in the table below due to changes in net assets and interest rates from those at November 30, 2009 and other factors. Changes in net assets may result from market appreciation or depreciation and other factors occurring between November 30, 2009 and the Closing Date. As a general matter, changes (positive or negative) in a Fund s expense ratio resulting from fluctuations in the Fund s net assets will be borne by that Fund s stockholders and, after the Merger, the combined Fund. The table does not reflect non-recurring estimated merger expenses of approximately $1,135,000, of which $274,000 is attributable to RLF, $302,000 is attributable to RPF, $161,000 is attributable to RWF, and $398,000 is attributable to RQI. These estimated expenses are equal to 0.18% of the net assets of each individual fund as well as the combined Fund.

	RWF	RQI	Pro Forma Combined Fund (RQI)[1]
Stockholder Transaction Expenses			
Sales Load *(as a percentage of offering price)*[2]	None	None	None
Dividend Reinvestment Plan Fees[3]	None	None	None
Annual Expenses *(as a percentage of net assets attributable to common stock)*[4]			
Management Fees[5]	1.50%	1.33%	1.33%
Other Expenses	0.66%	0.26%	0.22%
Interest Payments on Borrowed Funds[6]	0.82%	0.74%	0.77%
Total Annual Fund Operating Expenses	2.98%	2.33%	2.32%[7]
Expense Waivers[5]	0.00%	-0.13%	-0.13%
Net Annual Fund Operating Expenses	2.98%	2.20%	2.19%[7]

1. The Pro Forma Combined Fund column assumes the Merger, and the mergers of RLF and RPF with and into RQI, were consummated on November 30, 2009. The mergers of RLF and RPF with and into RQI were approved by stockholders and consummated on December 18, 2009.
2. Shares of the Funds common stock are traded on the secondary market and, as such, transactions are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any underwriting commissions paid by stockholders in the initial public offering of the common stock of each Fund.
3. Each participant in a Fund s dividend reinvestment plan (DRIP) pays a proportionate share of the brokerage commissions incurred with respect to open market purchases, if any, made by the Fund s Plan Agent (defined below).

4. Annual Expenses are stated as a percentage of net assets attributable to the Funds shares of common stock, assuming leverage (borrowings) as discussed above.
5. Reflects the effective management fee rate paid by each Fund s common stockholders. RWF and RQI are charged a management fee of 0.95% and 0.85%, respectively, of the Fund s average daily managed assets. The combined Fund will pay a contractual management fee of 0.85% of its average daily managed assets. The Investment Manager has contractually agreed to waive a portion of RQI s management fee on a declining annual basis (RWF s contractual waiver arrangement expired on March 31, 2009). The contractual fee waiver arrangement for RQI also is reflected in the Pro Forma Combined Fund column. For more information on the Funds contractual fee waivers, please see Information About Management of the Funds Investment Manager and Subadvisers.
6. The expenses related to the Funds borrowings, including certain non-interest expenses, are reflected under Interest Payments on Borrowed Funds. As of November 30, 2009, RWF and RQI had separate lines of credit of $75 million and $150 million, respectively. The Pro Forma Combined Fund column assumes a single line of credit of $460 million (which includes separate lines of credit for RLF and RPF of $110 million and $125 million, respectively) as of November 30, 2009 (on the terms and conditions currently in place for RQI).
7. Total Annual Fund Operating Expenses and Net Annual Fund Operating Expenses, as of November 30, 2009, on an annualized basis, were 2.41% and 2.29%, respectively, for RLF, and 2.34% and 2.20%, respectively, for RPF.

Expense Example

The following example is intended to help you compare the costs of an investment in the combined Fund (RQI), after the Merger is consummated, with the costs of investing in RWF before the Merger. The example is based on the Total Annual Fund Operating Expenses of RWF and RQI as set forth in the Fee Table, which are based on an annualization of each Fund s actual expenses as of November 30, 2009, and assumes the assumptions set forth in the table above. An investor would pay the following expenses on a $1,000 investment in shares of a Fund s common stock, assuming a 5% annual return on net asset value through the period and no changes to Total Annual Fund Operating Expenses (except to account for contractual expense waiver arrangements) for each Fund for years 1 through 10:

	1 Year	3 Years	5 Years	10 Years
RWF	$ 30	$ 92	$ 157	$ 330
RQI	$ 22	$ 72	$ 124	$ 267
Pro Forma Combined Fund (RQI)[1]	$ 22	$ 71	$ 123	$ 266

1. Assumes consummation of the Merger and the mergers of RLF and RPF with and into RQI. The mergers of RLF and RPF with and into RQI were approved by stockholders and consummated on December 18, 2009.

The example set forth above assumes the reinvestment of all dividends and distributions at net asset value. The example should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the example.

COMPARISON OF INVESTMENT OBJECTIVES, STRATEGIES AND PRINCIPAL RISKS OF

INVESTING IN THE FUNDS

Investment Objectives, Strategies and Principal Risks

The Funds have substantially similar investment objectives, which are, primarily, high current income (for RQI, high current income through investment in real estate securities) and, secondarily, capital appreciation, and similar investment policies. Each Fund is a non-diversified closed-end management investment company. Each Fund focuses its investments in equity securities, including common stocks, preferred stocks and other equity securities, of real estate companies; however, RWF invests in global real estate companies, which includes U.S. real estate companies. Each Fund also is managed by the Investment Manager, and CNS Europe, CNS UK and CNS Asia also serve as sub-investment advisers to RWF. For more information on the Subadvisers, see Information about Management of the Funds Investment Manager and Subadvisers below.

Under normal circumstances, RQI invests at least 80% of its managed assets in income producing equity securities issued by high quality REITs. Under normal circumstances, RWF invests at least 80% of its managed assets in a portfolio of income producing global real estate equity securities, with up to 70% of its managed assets allocated to common stocks (including REIT shares) issued by real estate companies (approximately 75% of which are companies located in Asia, Europe and Canada and approximately 25% of which are U.S. companies) and up to 30% of its managed assets allocated to preferred and other fixed-income securities of U.S. and non-U.S. companies.

In making investment decisions with respect to common stocks and other equity securities, including securities of REITs in which each Fund invests, the Investment Manager relies on a fundamental analysis of each company. Securities are evaluated for their potential to provide an attractive total return, through a combination of dividend income and capital appreciation. The Investment Manager reviews a company s potential for success in light of the company s industry and sector position, and economic and market conditions. The Investment Manager evaluates a number of company-specific factors, including quality of management, financial condition, corporate governance, business plan and cash flow and dividend growth potential. The Investment Manager evaluates a security s valuation on one or more of the following criteria: price/cash flow multiple, discounted cash flow, price/net asset value and dividend yield.

In making investment decisions with respect to preferred securities and other fixed income securities in which each Fund invests, the Investment Manager seeks to select securities it 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 takes into account other factors, such as call and other structural features, event risk, the likely directions of interest rates and relative value versus other income security classes, among others. Each Fund generally will not invest more than 10% of its managed assets in the securities of one issuer.

The combined Fund will continue to employ the same principal investment strategies as RQI.

Each Fund may invest in, among other things, the types of securities and instruments described below:

Real Estate Companies

For purposes of each Fund s 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, each Fund invests at least 80% of its managed assets in the equity securities of real estate companies. These equity securities consist of:

- common stocks (including REIT shares);
- preferred stocks;
- rights or warrants to purchase common and preferred stocks; and

securities convertible into common and preferred stocks where the conversion feature represents, in the Investment Manager s view, a significant element of the securities value.

Real Estate Investment Trusts

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. A REIT is not taxed on income distributed to stockholders if, among other things, it distributes to its stockholders substantially all of its 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 Funds intend to use these REIT dividends in an effort to meet the current income goal of their investment objectives.

REITs can generally be classified as equity REITs, mortgage REITs and hybrid REITs. Equity REITs, which invest the majority of their assets directly in real property, derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs, which invest the majority of their assets in real estate mortgages, derive their income primarily from interest payments. Hybrid REITs combine the characteristics of both equity REITs and mortgage REITs. RWF does not currently intend to invest more than 10% of its managed assets in mortgage REITs or hybrid REITs. RQI is not limited in the amount of its assets it may invest in these types of REITs.

Foreign (Non-U.S.) Real Estate Companies

Each Fund is permitted to invest in global real estate companies, including those located outside the United States. RWF may invest up to 100% of its managed assets in securities of non-U.S. issuers or in securities that are denominated in various foreign currencies or multinational currency units, and expects to have investments in at least three countries, including the United States. RWF, under normal market conditions, invests primarily in developed countries, but may invest up to 15% of its managed assets in emerging market countries. RQI may invest up to 25% of its managed assets in foreign securities, including up to 15% of its assets in companies located in emerging market countries.

These companies include, but are not limited to, companies with similar characteristics to the REIT structure, in which revenue primarily consists of rent derived from owned, income-producing real estate properties, dividend distributions as a percentage of taxable net income are high (generally greater than 80%).

Preferred Securities

The Funds may invest, to varying degrees, in preferred securities issued by real estate companies, including REITs, and other types of issuers. There are two basic types of preferred securities. The first, sometimes referred to in this Proxy/Prospectus as traditional preferred securities, consists of preferred stock issued by an entity taxable as a corporation. Preferred stocks are considered equity securities. The second basic type is referred to in this Proxy/Prospectus as hybrid-preferred securities. Hybrid-preferred securities are usually issued by a trust or limited partnership and often represent preferred interests in subordinated debt instruments issued by a corporation for whose benefit the trust or partnership was established. Hybrid-preferred securities are considered debt securities. Preferred securities pay fixed or floating dividends to investors and have preference over common stock in the payment of dividends and in the liquidation of a company s assets. This means that a company must pay dividends on preferred stock before paying dividends on its common stock. Preferred stockholders usually have no right to vote for corporate directors or on other matters. The hybrid and REIT preferred securities in which the Funds invest do not qualify for the dividends received deduction (the DRD) and are not expected to provide significant benefits under the rules relating to qualified dividend income. As a result, any corporate stockholder who otherwise would qualify for the DRD, and any individual stockholder who otherwise would qualify to be taxed at long-term capital gain rates on qualified dividend income, should assume that none of the distributions the stockholder receives from a Fund attributable to hybrid or REIT preferred securities will qualify for the DRD or provide significant benefits under the rules relating to qualified dividend income. Distributions received from a Fund attributable to traditional preferred securities, other than those issued by REITs, generally would qualify for the DRD as to any corporate stockholder and generally would qualify to be taxed at long-term capital gains rates as to any individual stockholder.

Debt Securities

Each Fund may invest in debt securities issued by real estate companies, including REITs, and other types of issuers. The Fund s investments in debt securities may include investments in convertible debt securities, convertible preferred securities, corporate debt securities issued by domestic and non-U.S. corporations and 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, such as mortgage debt securities. RQI limits investment in debt securities issued or guaranteed by real estate companies to less than 10% of its total assets.

Lower-Rated Securities

Each Fund is permitted to invest in preferred stock and debt securities rated below investment grade and equivalent unrated securities of comparable quality as determined by the Investment Manager. RQI may not purchase preferred stock and debt securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 20% of the Fund s managed assets would then be invested in such securities. RWF may not purchase securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 30% of the Fund s managed assets would then be invested in such securities.

Securities rated non-investment grade (lower than BBB- by Standard & Poor s Ratings Group (S&P) or lower than Baa3 by Moody s Investors Service, Inc. (Moody s)) are sometimes referred to as high yield or junk bonds. RQI may only invest in high yield securities that are rated CCC higher by S&P, or rated Caa or higher by Moody s, or unrated securities determined by the Investment Manager to be of comparable quality. The issuers of these securities have a currently identifiable vulnerability to default and such issues may be in default or there may be present elements of danger with respect to principal or interest. The Funds will not invest in securities that are in default at the time of purchase. For a description of S&P and Moody s ratings, see Appendix D to this Proxy/Prospectus.

Additional Investment Activities

Derivatives Transactions

The Funds may, but are not required to, use, without limit, various strategic transactions described below to seek to generate total return, facilitate portfolio management and mitigate risks. Although the Investment Manager may seek to use these kinds of transactions to further a Fund s investment objectives, no assurance can be given that they will achieve this result.

The Funds may enter into exchange-listed and over-the-counter put and call options on securities (including securities of investment companies and baskets of securities), indexes, 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; equity index, total return and credit default swaps; forward contracts; and structured investments. In addition, the Funds may enter into various currency transactions, such as forward currency contracts, currency futures contracts, currency swaps or options on currency or currency futures. The Funds also may purchase and sell derivative instruments that combine features of these instruments. The Funds may invest in other types of derivatives, structured and similar instruments which are not currently available but which may be developed in the future. Collectively, all of the above are referred to as Derivatives Transactions.

Securities Lending

Each Fund may lend portfolio securities to broker/dealers or other institutions. The borrower must maintain with a Fund cash or equivalent collateral equal to at least 100% of the market value of the securities loaned. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on the securities. The Fund may invest the collateral and earn additional income or receive an agreed upon amount of interest income from the borrower. Loans are subject to termination at the option of the Fund or the borrower. The Funds may pay reasonable administrative and custodial fees in connection with a loan. The Funds do not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment. A Fund may lose money if a borrower defaults on its obligation to return securities and the value of the collateral held by the Fund is insufficient to replace the loaned securities. In addition, each Fund is responsible for any loss that might result from its investment of the borrower s collateral.

Other Investment Companies

Each Fund may invest in other investment companies to the extent permitted by Section 12(d)(1) of the 1940 Act. Each Fund may invest in other investment companies either during periods when it has large amounts of uninvested cash or during periods when there is a shortage of attractive opportunities in the market. As a stockholder in an investment company, a 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. Common stockholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. 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. Investment companies may have investment policies that differ from those of the Funds. In addition, to the extent a Fund invests in other investment companies, the Fund will be dependent upon the investment and research abilities of persons other than the Investment Manager.

In accordance with Section 12(d)(1)(F) of the 1940 Act, a Fund may be limited in the amount the Fund and its affiliates, including the other Funds, can invest in any one fund (a Portfolio Fund) to 3% of the Portfolio Fund s total outstanding stock. As a result, the Fund may hold a smaller position in a Portfolio Fund than if it were not subject to this restriction. To comply with provisions of the 1940 Act, on any matter upon which Portfolio Fund stockholders are solicited to vote the Investment Manager may be required to vote Portfolio Fund shares in the same general proportion as shares held by other stockholders of the Portfolio Fund.

Restricted and Illiquid Securities

RQI may invest without limit in restricted and illiquid securities, whereas RWF may invest up to 10% of its managed assets in such securities. 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. Each Fund s Board 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 the Fund s investment limitations, if applicable. The Funds Boards have delegated to the Investment Manager the day-to-day determination of the illiquidity of any security held by the Funds, although they have retained oversight and ultimate responsibility for such determinations. Although no definitive liquidity criteria are used, the Boards 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.

Other Investments

Each Fund s cash reserves, held to provide sufficient flexibility to take advantage of new opportunities for investments and for other cash needs, are invested in money market instruments. Money market instruments in which each 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 that are subject to repurchase agreements and commercial paper.

Portfolio Turnover

The Funds may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving a 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 turnover rate results in correspondingly greater brokerage commissions and other transactional expenses which are borne by a Fund. High portfolio turnover may result in the realization of net short-term capital gains by a Fund which, when distributed to stockholders, will be taxable as ordinary income.

Temporary Defensive Position

Upon the Investment Manager s recommendation, during periods of unusual adverse market condition and in order to keep a Fund s cash fully invested, the Fund may deviate from its investment objectives and invest all or any portion of its assets in, for RWF, investment grade debt securities, and for RQI, short-term debt instruments, government securities, cash or cash equivalents, without regard to whether the issuer is a real estate company. In such a case, the Fund may not pursue or achieve its investment objectives.

Risk Factors

Because of their substantially similar investment objectives and similar investment policies, the Funds are subject to similar investment risks. There is no guarantee that each Fund s common stock will not lose value. This means the stockholders of each Fund including the combined Fund could lose money. The following discussion describes the principal and certain other risks that may affect the Funds.

Market Risk

An investment in a Fund represents an indirect investment in the common stock, preferred securities and other securities owned by the Fund, substantially all of which are traded on a domestic or foreign securities exchange or in the over-the-counter markets. The value of these securities, like other investments, may move up or down, sometimes rapidly and unpredictably. A Fund s common stock, at any point in time, may be worth less than what was initially invested, even after taking into account the reinvestment of dividends and distributions. Each Fund utilizes leverage, which magnifies market risk.

Risks of Securities Linked to the Real Estate Market

Because each Fund concentrates its assets in the real estate industry, an investment in a Fund will be significantly impacted by the performance of the real estate market. The Funds do not invest in real estate directly, but because of each Fund s policy of concentration in the securities of companies in the real estate industry, the Funds also are 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;
- changes in interest rates;
- financial condition of tenants, buyers and sellers of real estate; and
- quality of maintenance, insurance and management services.

Thus, the value of a Fund s common stock may change at different rates compared to the value of shares 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.

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 a 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. These risks include the following:

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 are affected by the overall health of the economy and other factors such as a down turn in the businesses operated by their tenants, obsolescence and non-competitiveness. 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, earthquake, 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, would impact a Fund s investment performance.

Credit Risk. Real estate companies may be highly leveraged and financial covenants may affect the ability of such companies 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 and secured debt-to-total asset ratios, and other contractual obligations may restrict a real estate company 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 real estate company.

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 Risk

Even the larger global real estate companies tend to be small to medium-sized companies in comparison to many industrial and service companies. 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, global real estate company 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.

REIT Tax Risk

REITs are subject to a highly technical and complex set of provisions in the Internal Revenue Code of 1986, as amended (the Code). It is possible that a 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 general risks described above relating to the real estate markets may 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. In addition, REITs may also be affected by changes to the tax laws.

Common Stock Risk

Each Fund may invest in equity securities, including common stock. While common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of an issuer s common stock held by a Fund. Also, the price of common stock is sensitive to general movements in the stock market. A drop in the stock market may depress the price of common stock held by a Fund.

Convertible Securities Risk

Each Fund may invest in convertible securities. Although to a lesser extent than with non-convertible fixed-income securities, the market value of convertible securities tends to decline as interest rates increase and, conversely, tends to increase as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stock. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and so may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock.

Foreign Securities Risk

RQI may invest up to 25% of its managed assets in foreign securities, while RWF is not limited in the amount of its assets that may be invested in foreign securities. In addition, each Fund may invest in foreign securities of issuers in so-called emerging markets (or lesser developed countries). Investments in such securities are particularly speculative. Investing in foreign securities involves certain risks not involved in domestic investments, including, but not limited to:

- fluctuations in foreign exchange rates;
- future foreign economic, financial, political and social developments;
- different legal systems;
- the possible imposition of exchange controls or other foreign governmental laws or restrictions;
- lower trading volume;
- much greater volatility and illiquidity of certain foreign securities markets;
- different trading and settlement practices;
- 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; and
- different accounting, auditing and financial record-keeping standards and requirements.

Investments in foreign securities, especially in emerging market countries, will expose a 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 Funds 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 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;
- the possibility that an issuer may not be able to make payments to investors outside of the issuer s country; 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.

Furthermore, certain investments in foreign securities also may be subject to foreign withholding taxes and dividend income a Fund receives from foreign securities may not be eligible for the reduced rates of taxation applicable to qualified dividend income.

Each Fund may invest in real estate equity securities of issuers located or doing substantial business in emerging markets. 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. Emerging market countries also may have less reliable custodial services and settlement practices.

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 Funds may invest in countries in which foreign investors, including the Investment Manager, have had no or limited prior experience.

Foreign Currency Risk

Although each Fund reports its net asset value (NAV) and pays dividends in U.S. dollars, foreign securities often are purchased with, and make interest payments in, foreign currencies. Therefore, when a Fund invests in foreign securities, it is subject to foreign currency risk, which means that the Fund s NAV could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. Certain foreign countries may impose restrictions on the ability of issuers of foreign securities to make payment of principal and interest to investors located outside the country, due to blockage of foreign currency exchanges or otherwise.

Preferred Stock Risk

In addition to the risks of equity securities, the preferred stocks in which the Funds may invest also are more sensitive to changes in interest rates than common stocks. There also 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 a 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 generally subordinated to bonds and other debt instruments in a company s capital structure in terms of having 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 a Fund.

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. Each Fund has reserved 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. Because the market for these instruments would be new, a 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.

Lower-Rated Securities Risk

Each Fund may invest in lower-rated securities, including securities rated below investment grade. 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 a Fund s ability to achieve the Fund s 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 issues may be in default or there may be present elements of danger with respect to principal or interest. No Fund will invest in securities which are in default at the time of purchase. A security 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, or equivalent unrated securities, which are commonly known as junk bonds, generally involve greater volatility of price and risk of loss of income and principal and 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, a 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 a 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 NAV of the Fund s common stock. 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 those securities, and adversely affect the ability of the issuers of those securities to repay principal and pay interest on those securities. New laws and proposed new laws may adversely impact the market for lower-rated securities.

Interest Rate Risk

Interest rate risk is the risk that fixed-income securities, such as preferred and debt securities, and to a lesser extent dividend-paying common stocks such as REITs 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.

During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled which is generally known as call or prepayment risk. If this occurs, a 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 a 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 a 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.

Derivatives Transactions Risk

Derivatives Transactions can be highly volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction and illiquidity of the derivative instruments. Derivatives Transactions may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on a Fund s performance, effecting a form of investment leverage on the Fund s portfolio. In certain types of Derivatives Transactions a Fund could lose the entire amount of its investment; in other types of Derivatives Transactions the potential loss is theoretically unlimited.

The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives Transactions. A Fund could experience losses if it were unable to liquidate its position because of an illiquid secondary market. Successful use of

Derivatives Transactions also is subject to the ability of the Investment Manager to predict correctly movements in the direction of the relevant market and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the derivatives. Derivatives Transactions entered into to seek to manage the risks of a Fund s portfolio of securities may have the effect of limiting gains from otherwise favorable market movements. The use of Derivatives Transactions may result in losses greater than if they had not been used (and a loss on a Derivatives Transaction position may be larger than the gain in a portfolio position being hedged), may require a 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. Amounts paid by a Fund as premiums and cash or other assets held as collateral with respect to Derivatives Transactions may not otherwise be available to the Fund for investment purposes.

The use of currency transactions can result in a Fund incurring losses as a result of the imposition of exchange controls, political developments, government intervention or failure to intervene, suspension of settlements or the inability of the Fund to deliver or receive a specified currency.

Structured notes and other related instruments carry risks similar to those of more traditional derivatives such as futures, forward and option contracts. However, structured instruments may entail a greater degree of market risk and volatility than other types of debt obligations.

A Fund will be subject to credit risk with respect to the counterparties to certain Derivatives Transactions entered into by the Fund. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter (OTC) derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency which is the issuer or counterparty to such derivatives. However, many futures exchanges and boards of trade limit the amount of fluctuation permitted in futures contract prices during a single trading day and once the daily limit has been reached in a particular contract no trades may be made that day at a price beyond that limit or trading may be suspended. There also is no assurance that sufficient trading interest to create a liquid secondary market on an exchange will exist at any particular time and no such secondary market may exist or may cease to exist. Each party to an OTC derivative bears the risk that the counterparty will default. OTC derivatives are less liquid than exchange-traded derivatives because the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, a Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Each Fund will not be a commodity pool (*i.e.*, a pooled investment vehicle which trades in commodity futures contracts and options thereon and the operator of which is registered with the Commodity Futures Trading Commission). In addition, each Fund has claimed an exclusion from the definition of commodity pool operator and, therefore, is not subject to registration or regulation as a pool operator under the Commodity Exchange Act.

Restricted and Illiquid Securities Risk

Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid investments involve the risk that the securities will not be able to be sold at the time desired by a Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

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, a 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. For purposes of determining a Fund s NAV, illiquid securities will be priced at fair value as determined in good faith by the Board or its delegate.

Leverage Risk

Each Fund is authorized to use financial leverage as part of its investment strategy. Historically, the Funds engaged in leverage through the issuance of AMPS. Each Fund currently engages in leverage through borrowings. Leverage risk is the risk associated with the borrowing of funds and other investment techniques that increase investment exposure above the amount available from its common stock. Leverage is a speculative technique which will expose a Fund to greater risk and increase its costs. Increases and decreases in the value of a Fund s portfolio will be magnified when the Fund uses leverage. For example, leverage will cause greater swings in the Fund s NAV or cause the Fund to lose more than it invested. A Fund also will generally have to pay interest on its borrowings, reducing the Fund s return. These interest expenses may be greater than the Fund s return on the underlying investment. There is no assurance that a Fund s leveraging strategy will be successful.

When leverage is employed, the NAV and market value of a Fund s common stock will be more volatile, and the yield to common stockholders will tend to fluctuate with changes in the shorter-term interest rates on the leverage. If the interest rate on a Fund s borrowings approaches the net rate of return on the Fund s investment portfolio, the benefit of leverage to common stockholders would be reduced. If the interest rate on a Fund s borrowings exceeds the net rate of return on the Fund s portfolio, the leverage will result in a lower rate of return to common stockholders than if the Fund were not leveraged. The Funds will pay (and common stockholders will bear) any costs and expenses relating to any leverage. Accordingly, the Funds cannot assure you that the use of leverage would result in a higher yield or return to common stockholders.

Any decline in the NAV of a Fund s investments will be borne entirely by common stockholders. Therefore, if the market value of a Fund s portfolio declines, the leverage will result in a greater decrease in NAV to common stockholders than if the Fund were not leveraged. This greater NAV decrease will also tend to cause a greater decline in the market price for the Fund s common stock. A material decline in a Fund s NAV may impair the Fund s ability to maintain required levels of asset coverage pursuant to the requirements of the 1940 Act or the Fund s contractual arrangements with its lender. In such cases, the Fund s current investment income might not be sufficient to meet the interest payments on indebtedness. In order to counteract such an event, a Fund might need to reduce its leverage and to liquidate investments in order to repay its borrowings. Liquidation at times of low security prices may result in capital losses and may reduce returns to common stockholders.

The Funds borrowings constitute an effective lien on the Funds common stock by reason of their prior claim against the income of a Fund and against the net assets of the Fund in liquidation. A Fund may not be permitted to declare dividends or other distributions with respect to its common stock, or repurchase its common stock, unless (i) at the time of such declaration or repurchase the Fund meets certain asset coverage requirements and (ii) there is no event of default under any borrowings, that is continuing. In the event of a default under any borrowings, the lenders may have the right to cause a liquidation of the collateral (*i.e.*, sale of portfolio securities) and if any such default is not cured, the lenders may be able to control the liquidation as well.

Each Fund reserves the right at any time, if it believes that market conditions are appropriate, to increase its level of borrowings or other senior securities to maintain or increase the level of leverage to the extent permitted by the 1940 Act and existing agreements between the Fund and third parties. While a Fund may from time to time consider reducing or raising leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that the Fund will actually reduce or increase leverage in the future or that any reduction or increase, if undertaken, will benefit common stockholders. Changes in the future direction of interest rates are very difficult to predict accurately. If a Fund were to reduce or raise leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction or increase in leverage would likely reduce the income and/or total returns to common stockholders relative to the circumstance where the Fund had not reduced or increased leverage. A Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and share price if the prediction were to turn out to be correct, and determine not to reduce or increase leverage as described above.

Because each Fund s management fee paid to the Investment Manager is calculated on the basis of managed assets, the fee will be higher when leverage is utilized, which may provide the Investment Manager an incentive to utilize leverage.

Non-Diversified Status

Each Fund is classified as a non-diversified investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, each Fund intends to conduct its operations so as to qualify as a regulated investment company for purposes of the Code, which generally will relieve the Fund of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify, among other requirements, each Fund limits its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the value of its managed assets are invested in the securities (other than U.S. Government securities or the securities of other regulated investment companies) of a single issuer, two or more issuers which the Fund controls and are engaged in the same, similar or related trades or businesses, or the securities of certain publicly traded partnerships, and (ii) at least 50% of the value of its managed assets are invested in cash and cash items, U.S. Government securities, securities of other regulated investment companies and other securities; provided, however, that with respect to such other securities, not more than 5% of the value of its managed assets are invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer . Because a Fund, as a non-diversified investment company, may invest in a smaller number of individual issuers than a diversified investment company, an investment in the Fund presents greater risk to you than an investment in a diversified company.

Anti-Takeover Provisions

Certain provisions of each Fund s charter and By-Laws could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to modify its structure. The provisions may have the effect of depriving common stockholders of an opportunity to sell their shares at a premium over prevailing market prices and may have the effect of inhibiting conversion of the Fund to an open-end investment company. 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 charter and conversion to open-end status. For additional information about these provisions, see Description of the Funds Capital Stock Special Voting Provisions below.

Investment Restrictions

The following restrictions, along with each Fund s investment objectives, are each Fund s only fundamental policies that is, policies that cannot be changed without the approval of the holders of a majority of the Fund s outstanding voting securities. As used in this Proxy/Prospectus, a majority of the Fund s outstanding voting securities means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares. Non-fundamental policies may be changed by a Fund s Board without stockholder approval. If a percentage restriction set forth below is adhered to at the time a transaction is effected, later changes in percentage resulting from any cause other than actions by the Fund will not be considered a violation.

Fundamental Investment Restrictions

Neither Fund may, without the approval of the holders of a majority of the Fund s outstanding voting securities:

1. Issue senior securities (including borrowing money for other than temporary purposes) except in conformity with the limits set forth in the 1940 Act (or, for RWF, pursuant to exemptive relief therefrom); or pledge its assets other than to secure such issuances or borrowings or in connection with permitted investment strategies; notwithstanding the foregoing, the Fund may borrow up to an additional 5% of its managed assets for temporary purposes;

2. Act as an underwriter of securities issued by other persons, except insofar as the Fund may be deemed an underwriter in connection with the disposition of securities;

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

4. Purchase or sell commodities or commodity futures contracts, except that the Fund may invest in financial futures contracts (and, for RWF, forward contracts), options thereon (for RWF, currency options) and such similar instruments;

5. Make loans to other persons except through the lending of securities held by it (but not to exceed a value of one-third of managed assets), through the use of repurchase agreements, and by the purchase of debt securities, all in accordance with its investment policies; and

6. Invest more than 25% of its managed assets in securities of issuers in any one industry other than the U.S. real estate industry (for RWF, real estate industry), in which at least 25% of the Fund s managed assets will be invested; provided, however, that such limitation shall not apply to obligations issued or guaranteed by the United States Government or by its agencies or instrumentalities.

Under the 1940 Act, each Fund is not permitted to issue preferred stock unless immediately after the issuance the value of the Fund s assets is at least 200% of the liquidation preference of the outstanding preferred stock (*i.e.*, such liquidation preference may not exceed 50% of the Fund s assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund s assets less liabilities other than borrowings is at least 200% of such liquidation preference.

Under the 1940 Act, each Fund generally is not permitted to borrow unless immediately after the borrowing the value of the Fund s assets less liabilities other than the borrowings is at least 300% of the principal amount of such borrowing (*i.e.*, such principal amount may not exceed 33-1/3% of the Fund s assets less liabilities other than borrowings). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its shares of common stock unless, at the time of such declaration, the value of the Fund s assets, less liabilities other than the borrowings, is at least 300% of such principal amount. As noted above, the Funds have received temporary relief from the SEC from certain provisions of the 1940 Act that permitted the Funds to redeem all of their AMPS outstanding at the time the relief was granted at an asset coverage ratio of 200% instead of 300%. This relief currently is set to expire on October 31, 2010.

Non-Fundamental Investment Restrictions

RQI has a non-fundamental investment restriction that limits its ability to investment in debt securities or securities issued or guaranteed by real estate companies to less than 10% of its managed assets. RQI also has a non-fundamental investment restriction that it may not purchase preferred stock and debt securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 20% of its managed assets would then be invested in such securities. RWF has a similar non-fundamental investment restriction, as RWF may not purchase securities rated below investment grade and unrated securities of comparable quality, if, as a result, more than 30% of its managed assets would then be invested in such securities.

Each Fund may not, without the approval of the holders of a majority of the Fund s outstanding voting securities, acquire or retain securities of any investment company, except that the Fund may (a) acquire securities of investment companies up to the limits permitted by Section 12(d)(1) of the 1940 Act, or any exemption granted under the 1940 Act and (b) acquire securities of any investment company as part of a merger, consolidation or similar transaction.

Neither Fund may pledge, mortgage or hypothecate its assets except in connection with permitted borrowings. In addition, RQI may not invest in oil, gas or other mineral exploration programs, development programs or leases, except that the Fund may purchase securities of companies engaging in whole or in part in such activities.

Each Fund s non-fundamental investment restrictions may be changed by the Fund s Board of Directors without stockholder approval.

Portfolio Turnover

For the fiscal years ended December 31, 2008 and 2009, the Funds portfolio turnover rates were as follows:

	2008	**2009**
RWF	140%	168%
RQI	23%	77%

INFORMATION ABOUT THE PROPOSED MERGER

The Agreement and Plan of Merger

The following is a summary of the material terms and conditions of the Agreement and Plan of Merger entered into between the Funds. This summary is qualified in its entirety by reference to the Agreement and Plan of Merger attached as Appendix A to this Proxy/Prospectus. Under the Agreement and Plan of Merger, RWF will merge with and into RQI on the Closing Date. As a result of the Merger and on the Closing Date:

- RWF will no longer exist, and
- RQI will be the surviving corporation.

RWF will then:

- deregister as investment company under the 1940 Act,
- cease its separate existence under Maryland law,
- remove its RWF Common Shares from listing on the NYSE, and
- withdraw from registration under the Securities Exchange Act of 1934, as amended (the 1934 Act).

Each full (and fractional) outstanding RWF Common Share will be converted into an equivalent dollar amount (to the nearest one tenth of one cent) of full (and fractional) RQI Common Shares, based on the net asset

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value per share of each of the Funds at 4:00 p.m., Eastern time on the Closing Date. No sales charge or fee of any kind will be charged to holders of RWF Common Shares in connection with their receipt of RQI Common Shares in the Merger.

From and after the Closing Date, RQI will possess all of the properties, assets, rights, privileges and powers, and shall be subject to all of the restrictions, liabilities, obligations, disabilities and duties, of RWF, all as provided under Maryland law.