

VALIDUS HOLDINGS LTD

Form S-4/A

July 16, 2009

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As filed with the Securities and Exchange Commission on July 16, 2009

Registration Number 333-159148

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

**Amendment No. 5
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

VALIDUS HOLDINGS, LTD.
(Exact Name of Registrant as Specified in its Charter)

BERMUDA
*(State or Other Jurisdiction of
Incorporation or Organization)*

6331
*(Primary Standard Industrial
Classification Code Number)*

98-0501001
*(I.R.S. Employer
Identification Number)*

**19 Par-La-Ville Road, Hamilton, HM 11 Bermuda
(441) 278-9000**

*(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)*

**CT Corporation System
111 Eighth Avenue
New York, New York 10011
(212) 590-9200**

*(Name, address, including zip code, and telephone number, including area code,
of agent for service)*

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IPC Holdings, Ltd.

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				American International Building
Cahill Gordon & Reindel LLP 80 Pine Street	Skadden, Arps, Slate, Meagher & Flom LLP	Validus Holdings, Ltd. 19 Par-La-Ville Road	Sullivan & Cromwell LLP 125 Broad Street	29 Richmond Road Pembroke, HM 08
New York, New York 10005 (212) 701-3000	Four Times Square New York, New York 10036 (212) 735-3000	Hamilton, HM 11 Bermuda (441) 278-9000	New York, New York 10004 (212) 558-4000	Bermuda (441) 298-5100

Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PRELIMINARY COPY SUBJECT TO COMPLETION, DATED JULY 16, 2009

The information in this joint proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale of these securities is not permitted.

AN AMALGAMATION PROPOSAL YOUR VOTE IS VERY IMPORTANT

To the shareholders of Validus Holdings, Ltd. (Validus) and the shareholders of IPC Holdings, Ltd. (IPC):

On July 9, 2009, IPC, Validus and Validus Ltd., a direct wholly owned subsidiary of Validus, entered into an Agreement and Plan of Amalgamation (the Amalgamation Agreement).

Subject to shareholder approval as described herein and satisfaction or waiver of the other conditions specified in the Amalgamation Agreement, on the date the Amalgamation is consummated (the Closing Date), IPC will amalgamate with Validus Ltd. (the Amalgamation). IPC shareholders (including the shareholders that do not vote in favor of the Amalgamation) will have the right to receive 0.9727 common shares, par value \$0.175 per share, of Validus (Validus Shares), \$7.50 in cash (less any applicable withholding taxes and without interest) and cash in lieu of fractional shares in exchange for each common share, par value \$0.01 per share, of IPC (an IPC Share) they hold, unless they exercise appraisal rights pursuant to Bermuda law.

The Validus Special Meeting. Validus will hold a special meeting of its shareholders (the Validus special meeting), on [1], 2009, at [1], Atlantic Time, at the registered office of Validus, located at 19 Par-La-Ville Road, Hamilton, HM11, Bermuda. Validus shareholders will be asked at the Validus special meeting:

to approve the issuance of Validus Shares pursuant to the Amalgamation Agreement (the Share Issuance);

to approve an adjournment proposal in respect of the Validus special meeting for the solicitation of additional proxies in favor of the above proposal, if necessary; and

to transact such other further business, if any, as may lawfully be brought before the Validus special meeting.

Validus is soliciting proxies from holders of Validus Shares at the Validus special meeting in order to be able to issue the Validus Shares to IPC shareholders in connection with the Amalgamation. The Share Issuance will become effective only if it is approved by Validus shareholders and the Amalgamation is consummated. The affirmative vote of a majority of the votes cast at the Validus special meeting at which a quorum is present in accordance with Validus bye-laws is required to approve each matter to be acted on at the Validus special meeting. Even if you previously voted on the issuance of Validus Shares at the special general meeting of Validus shareholders held on June 26, 2009, your vote is necessary at the Validus special meeting in order to approve the Share Issuance.

Shareholders of record as of the close of business on [1], 2009 will be entitled to vote at the Validus special meeting. As of [1], 2009, there were [1] outstanding Validus Shares entitled to vote at the Validus special meeting, and [1] Validus non-voting common shares. Each Validus Share entitles the holder of record thereof to one vote at the Validus special meeting; however, if, and for so long as, the Validus Shares of a shareholder, including any votes conferred by controlled shares (as defined below), would otherwise represent more than 9.09% of the

aggregate voting power of all Validus Shares entitled to vote on a matter, the votes conferred by such Validus Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by Validus bye-laws), the votes conferred by such Validus Shares represent 9.09% of the aggregate voting power

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of all Validus Shares entitled to vote on such matter. Controlled shares include, among other things, all shares that a person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986 or Section 13(d)(3) of the Securities Exchange Act of 1934, as amended).

Aquiline Capital Partners LLC, Vestar Capital Partners, and New Mountain Capital, LLC, which collectively owned approximately 38% of Validus outstanding voting common shares as of April 30, 2009, have agreed to vote in favor of the Share Issuance.

Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, including any shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

The IPC Special Meeting. IPC will hold a special general meeting of its shareholders (the IPC special meeting) on [1], 2009, at [1], Atlantic Time, at the registered office of IPC located at the American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda. IPC shareholders will be asked at the IPC special meeting:

to approve an amendment to IPC's bye-laws to reduce the shareholder vote required to approve an amalgamation with any other company from the affirmative vote of three-fourths of the votes cast thereon at a general meeting of the shareholders to a simple majority (the IPC bye-law amendment);

to adopt the Amalgamation Agreement and approve the Amalgamation;

to approve an adjournment proposal in respect of the IPC special meeting for the solicitation of additional proxies in favor of either of the above proposals, if necessary; and

to transact such other further business, if any, as may lawfully be brought before the meeting.

The affirmative vote of a majority of the votes cast at the IPC special meeting, at which a quorum is present in accordance with IPC's bye-laws, is required to approve the IPC bye-law amendment, which will become immediately effective if so approved. If the IPC bye-law amendment is approved, the affirmative vote of a majority of the votes cast at the IPC special meeting will be required to adopt the Amalgamation Agreement and approve the Amalgamation. If the IPC bye-law amendment is not approved, the affirmative vote of three-fourths of the votes cast at the IPC special meeting shall be required to adopt the Amalgamation Agreement and approve the Amalgamation. The affirmative vote of a majority of the votes cast at the IPC special meeting is required to approve each other matter to be acted on, including the approval of any adjournment proposal.

Under IPC's bye-laws, with limited exceptions, any shareholder owning, directly, indirectly or, in the case of any U.S. person, constructively or by attribution, shares of IPC with 10% or more of the total combined voting power of all shares entitled to vote will have the voting rights attached to such shares reduced so that it may not exercise more than approximately 9.9% of the total voting rights. The reduction in votes is generally applied in declining order based on the number of such shares owned by each shareholder. Under these provisions of IPC's bye-laws, certain shareholders may have their voting rights limited to less than one vote per share. Moreover, these provisions could have the effect of reducing the voting power of certain shareholders who would not otherwise be subject to the limitation by virtue of their direct share ownership.

* * *

Based on Validus and IPC's respective capitalizations as of April 30, 2009 and the exchange ratio of 0.9727, Validus estimates that former IPC shareholders would own, in the aggregate, approximately 38% of the issued and outstanding

Validus Shares on a fully-diluted basis following closing of the Amalgamation. Validus will issue approximately 54,959,648 Validus Shares in connection with the Amalgamation. Validus will apply to list these Validus Shares on the New York Stock Exchange (NYSE), subject to official notice of issuance.

Before the Amalgamation can close, Validus shareholders must approve the Share Issuance at the Validus special meeting (or any adjournment thereof) and IPC shareholders must adopt the Amalgamation Agreement and approve the Amalgamation at the IPC special meeting (or any adjournment thereof).

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Validus Shares are quoted on the NYSE under the symbol VR. The closing price of a Validus Share on the NYSE on July 14, 2009, the last practicable date prior to the filing of this joint proxy statement/prospectus, was \$21.62. IPC Shares, which are currently quoted on the NASDAQ Global Select Market (NASDAQ) under the symbol IPCR and the Bermuda Stock Exchange under the symbol IPCR BH , would be delisted upon completion of the Amalgamation. The closing price of an IPC Share on NASDAQ on July 14, 2009, the last practicable date prior to the filing of this joint proxy statement/prospectus, was \$27.49. All references to dollars and \$ in this joint proxy statement/prospectus refer to U.S. dollars.

Validus board of directors has authorized and approved the Share Issuance and deems it fair, advisable and in the best interests of Validus and its shareholders to consummate the Share Issuance, the Amalgamation and the other transactions contemplated by the Amalgamation Agreement. Validus board of directors recommends that Validus shareholders vote FOR the proposals submitted to Validus shareholders on the attached Validus proxy card.

IPC s board of directors has adopted the Amalgamation Agreement and authorized and approved the Amalgamation of IPC with Validus Ltd. upon the terms and subject to the conditions set forth in the Amalgamation Agreement, authorized and approved the IPC bye-law amendment, and deems it fair, advisable and in the best interests of IPC to enter into the Amalgamation Agreement and to consummate the Amalgamation and the other transactions contemplated by the Amalgamation Agreement. IPC s board of directors recommends that IPC shareholders vote FOR each proposal submitted to IPC shareholders on the attached IPC proxy card.

This joint proxy statement/prospectus provides Validus and IPC shareholders with detailed information about the Validus special meeting, the IPC special meeting and the Amalgamation. You can also obtain information from publicly available documents filed by Validus and IPC with the SEC. **Validus and IPC encourage you to read this entire document carefully, including the section entitled *Risk Factors* beginning on page 33.**

Your vote is very important. Whether or not you plan to attend the Validus special meeting or the IPC special meeting, please take time to vote by completing and mailing your enclosed proxy card or by following the voting instructions provided to you if you own your shares through a bank, broker or other nominee. If you do not receive such instructions, you may request them from that firm.

Sincerely,

Edward J. Noonan
Chairman and Chief Executive Officer
Validus Holdings, Ltd.

John R. Weale
Interim President and Chief Executive Officer
IPC Holdings, Ltd.

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Share Issuance, passed upon the merits or fairness of the Share Issuance or passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

Important notice regarding the availability of proxy materials for the Validus special meeting to be held on [1], 2009 and the IPC special meeting to be held on [1], 2009

The joint proxy statement/prospectus and the related proxy materials are available free of charge on Validus' website at www.validusre.bm and on IPC's website at www.ipcre.bm.

**This joint proxy statement/prospectus is dated [1], 2009
and is first being mailed to Validus and IPC shareholders on or about [1], 2009**

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SOURCES OF ADDITIONAL INFORMATION

This joint proxy statement/prospectus includes information, including important business and financial information, also set forth in documents filed by Validus and IPC with the SEC, and those documents include information about Validus and IPC that is not included in or delivered with this joint proxy statement/prospectus. You can obtain any of the documents filed by Validus or IPC, as the case may be, with the SEC from the SEC or, without charge, from the SEC's website at <http://www.sec.gov>. Validus and IPC shareholders also may obtain documents filed with the SEC or documents incorporated by reference in this joint proxy statement/prospectus free of cost, by directing a written or oral request to the appropriate company at:

Validus Holdings, Ltd.
19 Par-La-Ville Road
Hamilton HM11
Bermuda
Attention: Jon Levenson
(441) 278-9000

IPC Holdings, Ltd.
American International Building
29 Richmond Road
Pembroke HM 08
Bermuda
Attention: Melanie J. Saunders
(441) 298-5100

If you would like to request documents, in order to ensure timely delivery, you must do so at least ten business days before the date of the relevant meeting. This means you must request this information no later than [1], 2009. Validus or IPC, as the case may be, will mail properly requested documents to requesting shareholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

See *Where You Can Find More Information* on page 154.

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**19 Par-La-Ville Road
Hamilton HM11
Bermuda**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON [1], 2009**

[1], 2009

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of Validus Holdings, Ltd. (Validus) will be held at 19 Par-La-Ville Road, Hamilton HM11, Bermuda, on [1], 2009, at [1], Atlantic Time, for the following purposes:

to approve the issuance of Validus voting common shares, par value \$0.175 per share, pursuant to the Amalgamation Agreement (as defined in the joint proxy statement/prospectus on the following pages);

to approve an adjournment proposal in respect of the meeting for the solicitation of additional proxies in favor of the above proposal, if necessary; and

to transact such other further business, if any, as may be lawfully brought before the meeting.

For further information concerning matters to be acted upon at the Validus special meeting, you are urged to read the joint proxy statement/prospectus on the following pages.

If you are a Validus shareholder of record, please complete, sign, date and return the enclosed proxy in the return envelope furnished for that purpose, as promptly as possible, whether or not you plan to attend the meeting, or follow the instructions on the Validus proxy card to complete your proxy card on the Internet at the website indicated or by telephone. If you own your shares through a bank, broker, or other nominee, you will receive instructions from that institution on how to instruct them to vote your shares, including by completing a voting instruction form, or providing instructions by Internet or telephone. If you do not receive such instructions, you may contact that institution to request them. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached joint proxy statement/prospectus. Only shareholders of record as shown on the transfer books of Validus at the close of business on [1], 2009 will be entitled to notice of, and to vote at, the Validus special meeting or any adjournments thereof. See *The Validus Special Meeting* beginning on page 108 in the joint proxy statement/prospectus for more information.

By Order of the Board of Directors,

/s/ Lorraine Dean
Lorraine Dean
Secretary

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**American International Building
29 Richmond Road
Pembroke HM 08, Bermuda**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD [1], 2009**

[1], 2009

Notice is hereby given that a Special Meeting of Shareholders of IPC Holdings, Ltd. (IPC) will be held at the registered office of IPC, located at the American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda, commencing at [1], Atlantic Time, on [1], 2009, for the following purposes:

to approve an amendment to IPC s bye-laws to reduce the shareholder vote required to approve an amalgamation with any other company from the affirmative vote of three-fourths of the votes cast thereon at a general meeting of the shareholders to a simple majority, pursuant to the Agreement and Plan of Amalgamation, dated as of July 9, 2009, between IPC, Validus Holdings, Ltd. (Validus) and Validus Ltd. (the Amalgamation Agreement);

to adopt the Amalgamation Agreement and approve the resulting amalgamation;

to approve an adjournment of the meeting for the solicitation of additional IPC proxies in favor of either of the above proposals, if necessary; and

to transact such other further business, if any, as may lawfully be brought before the meeting.

Information concerning the matters to be acted upon at the IPC special meeting is set forth in the accompanying joint proxy statement/prospectus.

Under the terms of the Amalgamation Agreement, each outstanding IPC common share (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any shares as to which appraisal rights have been exercised pursuant to Bermuda law), will be cancelled and converted into the right to receive 0.9727 common shares of Validus, \$7.50 in cash, less any applicable withholding tax and without interest, and cash in lieu of fractional shares upon closing of the amalgamation.

Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company or corporation, any shareholder of the Bermuda company is entitled to receive fair value for its shares. IPC s board of directors considers the fair value for each IPC common share to be \$7.50 plus 0.9727 Validus common shares, providing IPC shareholders with a value of \$29.4830 for each IPC common share as based on the closing price of Validus common shares on July 8, 2009, the day immediately preceding the public announcement of the proposed amalgamation.

Any IPC shareholder that is not satisfied that it has been offered fair value for its IPC common shares and whose shares are not voted in favor of the Amalgamation Agreement and the amalgamation may exercise its appraisal rights under the Companies Act 1981 of Bermuda, as amended (the Companies Act) to have the fair value of its IPC common shares appraised by the Supreme Court of Bermuda (the Court). Any IPC shareholder intending to exercise appraisal rights MUST file its application for appraisal of the fair value of its IPC common shares with the Court within ONE MONTH after the date the notice convening the IPC special meeting is deemed to have been received.

Only shareholders of record, as shown on IPC's register of members or branch register, at the close of business on [1], 2009, will be entitled to notice of, and to vote at, the IPC special meeting or any adjournments thereof, or to exercise the appraisal rights conferred on dissenting shareholders by Bermuda law.

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If you are an IPC shareholder of record, please sign, date and return the enclosed proxy in the return envelope furnished for that purpose, as promptly as possible, whether or not you plan to attend the IPC special meeting. If you own your shares through a bank, broker or other nominee, you will receive instructions from that institution on how to instruct them to vote your shares, including by completing a proxy card, or providing instructions by Internet or telephone. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached joint proxy statement/prospectus. See *The IPC Special Meeting* on page 111 in the accompanying joint proxy statement/prospectus for more information.

By order of the Board of Directors,

Melanie J. Saunders
Secretary

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QUESTIONS AND ANSWERS ABOUT THE AMALGAMATION AND THE MEETINGS

The following questions and answers highlight selected information from this joint proxy statement/prospectus and may not contain all the information that is important to you. We encourage you to read this entire document carefully.

Q: When and where are the shareholder meetings?

A1: The Validus special meeting will take place at [1], Atlantic Time, on [1], 2009, at 19 Par-La-Ville Road, Hamilton, HM11, Bermuda.

A2: The IPC special meeting will take place at [1], Atlantic Time, on [1], 2009, at the American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda.

Q: What is happening at the shareholder meetings?

A1: At the Validus special meeting, Validus shareholders will be asked:

to approve the issuance of Validus Shares pursuant to the Amalgamation Agreement;

to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal; and

to transact such other further business, if any, as may be lawfully brought before the meeting.

Even if Validus shareholders approve the Share Issuance, the Share Issuance will take effect only if and when the Amalgamation closes.

A2: At the IPC special meeting, IPC shareholders will be asked:

to approve an amendment to IPC's bye-laws to reduce the shareholder vote required to approve an amalgamation with any other company from the affirmative vote of three-fourths of the votes cast thereon at a general meeting of the shareholders to a simple majority;

to adopt the Amalgamation Agreement and approve the Amalgamation;

to approve an adjournment proposal in respect of the IPC special meeting for the solicitation of additional proxies in favor of the foregoing proposals, if necessary; and

to transact such other further business, if any, as may lawfully be brought before the meeting.

Q: What will happen in the Amalgamation?

A: If Validus shareholders approve the Share Issuance, and if IPC shareholders adopt the Amalgamation Agreement and approve the Amalgamation, and all other conditions to the Amalgamation have been satisfied or waived, IPC will amalgamate with Validus Ltd., a direct, wholly owned subsidiary of Validus, upon the terms and subject to the conditions set forth in the Amalgamation Agreement. Upon the closing of the Amalgamation, the separate corporate existence of Validus Ltd. and IPC will cease and they will continue as a combined entity and subsidiary

of Validus and the name of the combined entity shall be Validus Ltd.

Q: Why are Validus and IPC proposing the Amalgamation?

A1: Based on a number of factors described under *The Amalgamation Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance*, Validus board of directors believes that the Amalgamation represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. Successful completion of the Amalgamation would allow Validus shareholders to benefit from the superior growth potential of a combined company that would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets, with a strong balance sheet and quality diversification in profitable business lines.

A2: Based on a number of factors, including those described under *The Amalgamation Reasons Why IPC's Board of Directors Recommends Approval of the Amalgamation and the IPC Bye-law Amendment*, IPC's board of directors adopted the Amalgamation Agreement and authorized and approved the IPC bye-law amendment. IPC's board of directors believes that each of the Amalgamation and the IPC bye-law amendment is in the best interests of IPC. In making this determination, IPC's board of directors considered

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factors including the amount and type of consideration pursuant to the Amalgamation, the certainty for IPC and its shareholders, the anticipated timing of signing and closing, and the other terms and conditions of Validus offer.

Q: What would IPC shareholders receive in the Amalgamation?

A: Under the terms of the Amalgamation Agreement, each outstanding IPC Share (including any shares held by IPC shareholders excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law and excluding any subsidiaries) would be cancelled and converted into the right to receive (i) 0.9727 Validus Shares, (ii) \$7.50 in cash, less an amount for taxes payable by the shareholder, and (iii) the following securities:

139,720 Series 2004-06 (SATURNS) 10,200 Goldman Sachs Group Inc., 6.000% A1 200,430 Series 2004-4 (CORTS) 16,800 Series GSC-3 (PPLUS) 12,700 Goldman Sachs Group Inc., 6.000% A1 251,079 Series GSC-4 Class A (PPLUS) 14,800 Goldman Sachs Group Inc. (PPLUS) 7,400 Goldman Sachs Group Inc., 5.750% AA- 147,038 Series GSG-2 (PPLUS) 3,200 JPMorgan Chase Capital Markets 6.375% A2 4,537,200 Capital Trust III, Series K 103,600 Lehman Brothers Holdings 6.375% A2 2,134,420 Capital Trust III, Series M 110,160 Capital Trust III, Series N 4,113,845 Capital Trust III 144,200 Merrill Lynch Preferred 7.120% A2 3,157,980 Capital Trust IV 253,200 Merrill Lynch Preferred 7.120% A2 417,664 Morgan Stanley Capital 6.250% A1 7,981,559 Trust III 268,757 Morgan Stanley Capital 6.250% A1 5,119,821 Trust III 500,400 Morgan Stanley Capital 6.600% A1 10,033,020 Trust VI 126,797 Morgan Stanley Capital 6.600% A2 2,480,000 Trust VI

----- Total Capital Markets 80,466,000

----- COMMERCIAL BANKS - 14.1% 47,100,000

1,600 ABN AMRO Capital Trust 6.080% A1 29,728 Fund VII 162,960 ASBC Capital I 7.625% A3 3,911,040 5,200 BAC Capital Trust V 6.000% Aa3 75,544 3,000 BAC Capital Trust VIII 6.000% Aa2 58,950 141,100 BAC Capital Trust X 6.250% Aa2 1,815,465 77,879 Banco Santander Finance, 6.500% A 1,625,724 144A 202,057 Banco Santander Finance, 6.800% Aa3 4,465,000 Trust I 731,000 Banesto Holdings, Series 10.500% A1 22,523,938 A, 144A 100,000 Bank of America 6.625% Aa3 7.200% Aa3 4,816,110 100,000 Barclays Bank PLC 7.750% Aa3 2,520,000 100,000 Barclays Bank PLC 7.100% Aa3 2,370,408,300 Capital One Capital II 7.500% Baa1 7,757,700 Corporation 481,100 Citizens Funding Trust I 7.500% Baa2 7,457,659,300 Fifth Third Capital Trust 7.250% A1 13,713,440 VI 3,000 Fleet Capital Trust IX 6.000% Aa2 59,250 374,795 HSBC Finance Corporation 6.000% Aa3 3,163,815 51,398 KeyCorp Capital Trust IX 6.750% Baa1 973,992 4,500 KeyCorp Capital VI 6.125% A3 98,951 58,962 KeyCorp Capital VIII 7.000% A3 1,185,136 1,162,900 National City Capital 6.625% Income Fund 2 (continued) Portfolio of INVESTMENTS as of December 31, 2007

----- COMMERCIAL BANKS (continued)

1,941,008 Trust IV 1,800 National Westminster Bank 7.760% Aa3 44,910 PLC 289,600 PFCI Capital Corporation 7.750% 97,900 Royal Bank of Scotland 6.600% Aa3 1,983,454 Group PLC 50,000 Royal Bank of Scotland 5.750% A1 897,500 Group PLC A1 11,662,482 Group PLC, Series N 8,900 Royal Bank of Scotland 6.250% A1 170,969 Group PLC, Series P 229,400 Royal Bank of Scotland Series T 3,500 SunAmerica (CORTS) 6.700% AA 74,165 7,600 USB Capital Trust VI 5.750% Aa3 146,604 21,900 USB Capital Trust VIII 6.350% Aa3 40,160 2,000 USB Capital Trust X 6.500% Aa3 42,000 530,050 USB Capital Trust XI 6.600% A1 1,849,068 9,715 Wachovia Capital Trust IX 6.375% A1 193,814 179,416 Wachovia Trust IV 6.375% A1 3,593,702 2,800 Wells Fargo Capital Trust 7.000% Aa2 6,969,270 V 34,481 Wells Fargo Capital Trust 5.850% Aa2 695,482 VII 3,100 Wells Fargo Capital Trust Zions Capital Trust B 8.000% BBB- 14,605,259

----- COMPUTERS & PERIPHERALS - 0.0%

(CORTS) 11,310 IBM Inc., Trust 7.100% A+ 279,357 Certificates, Series 2001-2 1,500 IBM Trust VI (CORTS) 6.375% A1

----- Total Computers & 460,767

----- DIVERSIFIED FINANCIAL SERVICES - 1.0%

Corporation 3,900 American International 6.125% Aa3 77,103 Group, (CORTS) 393,960 BAC Capital Trust XII 6.875% A1 11,761,161 VIII 95,990 Citigroup Capital Trust 6.000% A+ 1,780,615 IX 17,700 Citigroup Capital X 6.100% A+ 326,565 3,163,075 Citigroup Capital XIV 6.875% A+ 3,302,269 851,188 Citigroup Capital XV 6.500% Aa3 16,555,607 35,900 Citigroup Capital XVII 6.350% A+ 2,253,400 71,900 Citigroup Capital XIX 7.250% A+ 1,581,800 241,800 Citigroup Capital XX 7.875% A 26,427,660 Funding Trust VIII 127,912 General Electric Capital 6.450% AAA 3,293,734 Corporation 19,228 General Electric 5,000 General Electric Capital 6.050% AAA 125,000 Corporation 3,200 General Electric Capital 5.875% AAA 74,272 Corporation 1,432,255 ING Groep N.V. 7.050% A 31,366,385 25,800 ING Groep N.V. 6.375% A1 519,354 2,700 ING Groep N.V. 6.200%

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62,976 Trust XI 11,900 JPMorgan Chase Capital 6.200% Aa3 241,689 Trust XIV 158,000 Merrill Lynch Capital 6.450% A	
	----- Total Diversified 153,502,30
----- DIVERSIFIED TELECOMMUNICATIONS	
2,100,852 17,500 BellSouth Capital Funding 7.100% A 390,469 (CORTS) 43,200 BellSouth Corporation 7.000% A 890,46	
724,032 (CORTS) -----	Total Div
----- ELECTRIC UTILITIES - 3.9% 27,400	
Arkansas Inc. 6.700% AAA 103,950 22 SHARES DESCRIPTION (1) COUPON RATINGS (2) VALUE	
----- ELECTRIC UTILITIES (con	
119,266 57,650 Entergy Louisiana LLC 7.600% A- 1,411,849 1,299,100 Entergy Mississippi Inc. 7.250% A- 32,906,203 1,	
FPL Group Capital Inc. 6.600% A3 2,649,408 6,500 FPL Group Capital Trust I 5.875% A3 139,880 4,600 Georgia Power C	
Utilities 6.750% A3 38,160 Cooperative Finance Corporation 9,000 National Rural Utilities 6.100% A3 190,890 Cooperativ	
5.950% A3 541,184 Cooperative Finance Corporation 13,600 PPL Capital Funding, 6.850% Baa2 319,736 Inc. 356,600 PP	
Virginia Power Capital 7.375% BBB 6,475,545 Trust -----	
----- FOOD PRODUCTS - 0.4% 56,900 Dair	
----- HOUSEHOLD DURABLES	
----- INSURANCE - 16.7% 1,214	
Aegon N.V., Series 1 5.915% A- 17,750 77,018 Aegon N.V. 6.875% A- 1,632,782 6,000 Aegon N.V. 7.250% A- 133,140 2	
Capital Securities, 6.000% Aa3 40,509 Series 2002-11 (SATURNS) 67,190 AMBAC Financial Group 5.950% AA 1,212,78	
Group, Inc. 315,000 American International 7.700% Aa3 7,890,750 Group, Inc. 989,983 Arch Capital Group 8.000% BBB-	
BBB- 243,600 Limited, Series B 711,246 Berkley WR Corporation, 6.750% BBB- 14,914,829 Capital Trust II 659,307 Del	
425,300 Delphi Financial Group, 7.376% BBB- 7,844,659 Inc. 149,150 EverestRe Capital Trust 6.200% Baa1 2,807,003 II	
Holdings 714,000 Financial Security 6.250% AA 13,030,500 Assurance Holdings 2,800 Financial Security 5.600% AA 45,	
6.750% A- 1,224,465 Trust VI 14,900 Lincoln National 6.750% A- 335,250 Corporation 531,600 Markel Corporation 7.500	
6.750% BBB+ 12,550,201 C 27,400 PartnerRe Limited, Series 6.500% BBB+ 514,846 D 109,000 PLC Capital Trust III 7.5	
7.250% BBB+ 10,169,280 26,100 PLC Capital Trust V 6.125% BBB+ 497,727 122,700 Protective Life 7.250% BBB 2,680	
A+ 193,264 (CORTS) 380,900 Prudential PLC 6.750% A 7,747,506 32,000 Prudential PLC 6.500% A- 645,760 358,200 R	
156,100 RenaissanceRe Holdings 7.300% BBB 3,395,175 Limited, Series B 12,300 RenaissanceRe Holdings 6.080% BBB-	
Trust 7.100% BBB+ 238,160 III -----	
----- IT SERVICES - 0.0% 16,500 Vertex In	
----- MEDIA - 5.3% 171,400 CBS	
Corporation 6.750% BBB 16,645,475 5,500 Comcast Corporation 7.000% BBB+ 125,125 1,372,514 Comcast Corporation	
6.625% BBB+ 76,183 1,000,840 Viacom Inc. 6.850% BBB 22,038,497 23 JPS Nuveen Quality Preferred Income Fund 2 (c	
2007 SHARES DESCRIPTION (1) COUPON RATINGS (2) VALUE -----	
(continued) 3,600 Walt Disney Company 6.875% A \$ 91,116 (CORTS) -----	
73,482,992 -----	OIL, GAS & CONSUMAB
21,063,732 -----	PHARMACEUT
159,600 Company (CORTS) 7,500 Bristol-Myers Squibb 6.800% A+ 171,600 Company Trust (CORTS)	
----- Total Pharmaceuticals 331,20	
----- REAL ESTATE/MORTGAGE - 19.4%	
Series O 212,979 AMB Property Corporation, 6.850% Baa2 4,568,400 Series P 95,400 AvalonBay Communities, 8.700% B	
Series C 6.750% BBB- 2,046,269 32,635 BRE Properties, Series D 6.750% BBB- 652,700 42,167 Developers Diversified 7	
Developers Diversified 8.000% BBB- 14,363,802 Realty Corporation, Series G 191,323 Developers Diversified 7.375% BE	
Realty Corporation, 6.500% BBB 4,385,448 Series K 302,600 Duke Realty Corporation, 6.600% BBB 5,946,090 Series L 2	
N 154,846 Duke-Weeks Realty 6.950% BBB 3,120,147 Corporation 5,600 Duke-Weeks Realty 6.625% BBB 108,864 Corp	
5,854,328 Trust, Inc., Series J 1,066,465 HRPT Properties Trust, 8.750% BBB- 26,618,966 Series B 71,980 HRPT Properti	
Realty Corporation, 6.650% BBB+ 3,723,800 Series F 905,801 Kimco Realty Corporation, 7.750% BBB+ 21,000,996 Serie	
95,328 Prologis Trust, Series G 6.750% BBB 2,003,795 13,100 PS Business Parks, Inc. 6.700% BBB- 248,376 774,970 PS	
Business Parks, Inc., 6.875% BBB- 2,090,880 Series I 110,700 PS Business Parks, Inc., 7.950% BBB- 2,436,507 Series K 4	
Series L 6,300 PS Business Parks, Inc., 7.375% BBB- 128,205 Series O 43,400 Public Storage, Inc. 6.750% BBB+ 852,810	
Public Storage, Inc., 6.600% BBB+ 4,433,940 Series C 41,400 Public Storage, Inc., 6.750% BBB+ 811,854 Series E 73,660	
17,130 Public Storage, Inc., 6.950% BBB+ 339,859 Series H 401,300 Public Storage, Inc., 7.250% BBB+ 8,443,352 Series	

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Series K 711,570 Public Storage, Inc., 6.625% BBB+ 13,519,830 Series M 148,000 Public Storage, Inc., 7.500% BBB+ 3,399,640 Series X 67,600 Public Storage, Inc., 6.850% BBB+ 1,444,950 Series Y 4,000 Public Storage, Inc., 6.250% BBB+ 7,779,810 474,358 Realty Income 6.750% BBB- 10,037,415 Corporation, Series E 325,223 Regency Centers 7.450% 7.250% BBB- 5,063,480 Corporation 26,900 Vornado Realty Trust, 6.750% BBB- 554,678 Series F 213,940 Vornado Realty Trust, 6.750% BBB- 2,533,364 Series H 220,250 Vornado Realty Trust, 6.625% BBB- 4,354,343 Series I 2,100 Funding Corporation 2,100 Weingarten Realty 6.500% BBB 40,740 Investors Series F 158,600 Weingarten Realty Trust, 6.500% BBB 40,740

----- Total Real 268,488,999

----- THRIFTS & MORTGAGE FINANCE

11,457,109 IV 1,072,275 Countrywide Capital Trust 7.000% BBB- 12,277,549 V 22,300 Harris Preferred Capital 7.375% A

----- Total Thrifts & Mortgage 24,724,649

----- 24 SHARES DESCRIPTION (1) COUPON MATURITY RATINGS (2) VALUE

----- U.S. AGENCY - 1.5% 67,200

Corporation 289,000 Federal Home Loan 8.375% AA- 7,557,350 Mortgage Corporation 238,000 Federal National Mortgage

----- Total U.S. Agency 20,149,570

----- WIRELESS TELECOMMUNICATIONS

A- 23,439,605 Corporation

1,161,814,327 SECURITIES (COST \$1,351,225,257)

===== DESCRIPTION (1) COUPON MATURITY RATINGS (2) VALUE

BONDS - 0.7% (0.4% OF TOTAL INVESTMENTS) COMMERCIAL BANKS - 0.7% \$ 5,000 Credit Agricole S.A. 6.637%

9/27/49 Aa2 4,664,070 ForeningsSparbanken AB, 144A

Banks 9,310,695 ----- \$ 9,400 T

\$9,683,419) =====

PRINCIPAL AMOUNT (000)/ SHARES DESCRIPTION (1) COUPON MATURITY RATINGS (2) VALUE

----- CAPITAL PREFERRED

INVESTMENTS) CAPITAL MARKETS - 6.9% 1,465 Bank of New York Capital 7.970% 12/31/26 Aa3 \$ 1,517,550 I, Ser

4,869,095 II 10,300 C.A. Preferred Funding 7.000% 1/30/49 A1 10,043,911 Trust 21,190 Dresdner Funding Trust I, 8.151%

Trust 7.950% 11/15/29 A1 18,244,741 II, Series A 10,000 Mizuho JGB Investment 9.870% 6/30/48 A1 10,092,510 3,600 M

3,000 Schwab Capital Trust I 7.500% 11/15/37 A3 3,024,102 19,800 UBS Preferred Funding 8.622% 10/29/49 Aa2 21,349

----- Total Capital Markets 95,2

----- COMMERCIAL BANKS - 34.9% 10,0

9,947,120 144A 36,650 Abbey National Capital 8.963% 6/30/50 A+ 43,164,829 Trust I 29,000 AgFirst Farm Credit Bank 8

Bank 7.300% 12/15/53 A- 6,697,679 6,500 Bank One Capital III 8.750% 9/01/30 Aa3 7,546,084 4,300 BankAmerica Instit

Series B, 144A 4,500 BanPonce Trust I, Series 8.327% 2/01/27 Baa1 4,699,544 A 36,000 Barclays Bank PLC, 144A 8.550%

7.434% 12/15/57 Aa3 1,040,976 6,900 BBVA International 5.919% 10/18/49 A1 6,050,120 Preferred S.A., Unipersonal 1,0

Capital One Capital III 7.686% 8/15/36 Baa1 4,075,995 Corporation 6,920 Capital One Capital IV 6.745% 2/17/37 Baa1 5,

11/15/49 Baa3 13,960,845 Corporation 2,000 Corestates Capital Trust 8.000% 12/15/26 A+ 2,070,654 I, 144A 3,700 DBS C

Corporation, 144A 11,700 Den Norske Bank, 144A 7.729% 6/29/49 Aa3 12,475,441 1,500 First Empire Capital 8.234% 2/0

6.950% 12/01/33 Baa1 1,376,414 Inc. 6,310 HBOS Capital Funding LP, 6.850% 3/23/49 A1 5,533,914 Notes 24,200 HBO

HSBC Capital Funding LP, 9.547% 12/31/49 A1 2,624,616 144A 6,250 HSBC Capital Funding LP, 10.176% 6/30/50 A1 7

A- 8,064,228 32,000 KBC Bank Fund Trust III, 9.860% 5/02/50 A1 34,392,384 144A 8,000 KeyCorp Capital III 7.750% 7

6.900% 11/22/49 Aa2 12,151,438 Subordinated Note 14,000 Mizuho Financial Group 8.375% 4/27/49 Aa3 14,149,660 14,

15,077,566 8,000 North Fork Capital Trust 8.000% 12/15/27 Baa1 7,538,048 II 25 JPS Nuveen Quality Preferred Income F

December 31, 2007 PRINCIPAL AMOUNT (000)/ SHARES DESCRIPTION (1) COUPON MATURITY RATINGS (2) V

----- COMMERCIAL BANKS

A1 \$ 8,865,080 Capital Corporation, 144A 2,000 Popular North American 6.564% 9/15/34 Baa1 1,787,800 Capital Trust I

8,411,672 Series B 17,500 Royal Bank of Scotland 9.118% 3/31/49 Aa3 18,717,860 Group PLC 3,300 Royal Bank of Scotl

22,700 Shinsei Finance II Cayman 7.160% 7/25/49 Baa2 19,216,980 Limited, Perpetual Maturity, 144A 5,000 Sparebanker

6,900 Standard Chartered PLC, 7.014% 1/30/58 BBB+ 6,552,785 144A 13,600 Swedbank 9.000% 9/17/50 Aa3 14,532,103

9.200% 4/05/51 A1 9,813,888 Capital Trust, 144A 1,500 Union Bank of Norway 7.068% 11/19/49 A2 2,262,135 -- (3) Uni

144A 36,700 Washington Mutual 7.250% 3/15/49 BBB 24,142,508 Preferred Funding Cayman, Series A-1, 144A

----- Total Commercial Banks 4	
----- DIVERSIFIED FINANCIAL SERVICE	
1,070,835 Trust, 144A 6,800 Fulton Capital Trust I 6.290% 2/01/36 A3 5,123,657 15,300 JPMorgan Chase Capital 6.950%	
Corporation, Capital 8.278% 12/01/26 Aa2 13,934,178 Trust A 1,805 MM Community Funding 8.030% 6/15/31 Aaa 1,872	
6/22/53 Baa2 19,354,040 Funding, Notes -----	
Services -----	DIVERSIFIED TELECOMM
9.080% 4/21/20 BBB 35,108,904 Corporation, Series B, 144A -----	
14,280 Ace Capital Trust II 9.700% 4/01/30 Baa1 18,137,057 28,000 American General 8.125% 3/15/46 Aa3 32,909,184 In	
12/14/49 BBB+ 11,638,006 10,700 AXA-UAP 8.600% 12/15/30 A- 13,156,634 9,600 Great West Life and 7.153% 5/16/46	
Mutual Group 7.800% 3/15/37 Baa3 891,875 8,000 MetLife Capital Trust IV 7.880% 12/15/67 BBB+ 8,174,656 5,500 Met	
Nationwide Financial 7.899% 3/01/37 Baa1 1,236,347 Services Capital Trust 6,400 Nationwide Financial 6.750% 5/15/67 I	
7.558% 12/30/49 Baa1 12,572,174 144A 15,600 Progressive Corporation 6.700% 6/15/37 A2 14,507,142 2,850 Prudential	
Funding Trust 6.797% 6/01/49 BBB 17,361,466 II, 144A 28,900 XL Capital, Limited 6.500% 10/15/57 BBB 25,311,111	
-----	Total Insurance 179,054,3
-----	OIL, GAS & CONSUMABLE FUELS
9,750,250 -----	ROAD & RAIL
BBB 13,480,430 Fe Funding Trust I -----	
12,811 Countrywide Capital Trust 8.050% 6/15/27 BBB- 8,973,273 III, Series B 1,300 MM Community Funding 9.480% 6	
Mutual 6.665% 3/15/57 BBB 10,694,571 Preferred Funding Trust II -----	
Mortgage 21,034,183 Finance -----	TOTAL
(COST \$962,916,913) =====	
DESCRIPTION (1) VALUE -----	
TOTAL INVESTMENTS) 306,317 Blackrock Preferred and \$ 4,916,388 Corporate Income Strategies Fund 1,126,886 Blac	
347,135 Blackrock Preferred 6,008,907 Opportunity Trust 1,217,312 Flaherty and 19,671,762 Crumrine/Claymore Preferred	
3,649,827 Crumrine/Claymore Total Return Fund Inc. 107,237 John Hancock Preferred 2,034,286 Income Fund 90,920 Joh	
John Hancock Preferred 15,960,006 Income Fund III -----	
71,894,492 COMPANIES (COST \$88,111,171)	
=====	
DESCRIPTION (1) COUPON MATURITY VALUE -----	
AGENCY OBLIGATIONS - 0.1% (0.0% OF TOTAL INVESTMENTS) \$ 1,000 United States of America 3.125% 11/30/0	
-----	\$ 1,000 TOTAL U.S. GOV
(COST \$1,004,141) =====	
PRINCIPAL AMOUNT (000) DESCRIPTION (1) COUPON MATURITY VALUE -----	
SHORT-TERM INVESTMENTS - 2.5% (1.6% OF TOTAL INVESTMENTS) \$ 35,101 Repurchase Agreement with 1.000	
Corporation, dated 12/31/07, repurchase price \$35,102,837, collateralized by \$33,190,000 U.S. Treasury Notes, 4.875%, du	
-----	TOTAL SHORT-TERM 35,100,887 IN
=====	
2,172,707,865 \$2,448,041,788) - 156.7% -----	
1.0% =====	
(800,000,000) LIQUIDATION VALUE - (57.7)% (4) -----	
\$1,386,125,429 COMMON SHARES - 100%	
=====	
OUTSTANDING AT DECEMBER 31, 2007: FUND FIXED RATE UNREALIZED NOTIONAL PAY/RECEIVE FLOAT	
APPRECIATION COUNTERPARTY AMOUNT FLOATING RATE INDEX (ANNUALIZED) FREQUENCY DATE (D	
-----	Citigroup Inc. \$200,
11/06/09 \$ (418,657)	
=====	
USD-LIBOR (United States Dollar-London Inter-Bank Offered Rate) (1) All percentages shown in the Portfolio of Investm	
unless otherwise noted. (2) Ratings (not covered by the report of independent registered public accounting firm): Using the	
Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are consid	
(000)/Shares rounds to less than \$1,000. (4) FundPreferred Shares, at Liquidation Value as a percentage of total investments	

from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions with qualified institutional buyers. CORTS Corporate Backed Trust Securities. PPLUS PreferredPlus Trust. See accompanying notes to financial statements. 27 JHP Nuveen Quality Preferred Income Fund 3 Portfolio of INVESTMENTS

COUPON RATINGS (2) VALUE -----

SECURITIES - 100.0% (61.6% OF TOTAL INVESTMENTS) CAPITAL MARKETS - 11.5% 21,206 Bear Stearns Capital
 5.950% Aa3 15,051 Series F 560,800 Deutsche Bank Capital 6.550% Aa3 12,118,884 Funding Trust II 5,800 Goldman Sachs
 Goldman Sachs Group 6.000% A1 235,382 Inc., Series GSC-3 (PPLUS) 12,000 Goldman Sachs Group 6.000% A1 237,240
 Brothers Holdings 6.375% A2 7,120,220 Capital Trust III, Series K 70,800 Merrill Lynch Preferred 7.000% A2 1,472,640
 464,280 Capital Trust IV 88,000 Merrill Lynch Preferred 7.280% A2 1,936,000 Capital Trust V 176,623 Morgan Stanley C
 Capital 6.250% A1 26,670 Trust IV 21,100 Morgan Stanley Capital 5.750% A+ 369,250 Trust V 75,700 Morgan Stanley C
 Stanley Capital 6.600% A2 582,770 Trust VII -----

30,101,805 ----- COMMERCIAL

919,200 3,600 BAC Capital Trust IV 5.875% Aa2 71,100 12,200 BAC Capital Trust VIII 6.000% Aa2 239,730 3,800 BAC
 Santander Finance 6.410% Aa3 29,966 17,612 Banco Santander Finance, 6.500% A 367,651 144A 204,784 Banco Santander
 BancorpSouth Capital 8.150% Baa1 645,000 Trust I 246,100 Banesto Holdings, Series 10.500% A1 7,582,956 A, 144A 33,
 29,500 Capital One Capital II 7.500% Baa1 560,500 Corporation 40,500 Citizens Funding Trust I 7.500% Baa2 627,750 44
 Fifth Third Capital 7.250% A1 7,271,680 Trust VI 35,816 Fleet Capital Trust VIII 7.200% Aa2 841,676 141,900 HSBC Fir
 Capital Trust IX 6.750% Baa1 3,177,062 245,800 National City Capital 6.625% A3 4,067,990 Trust II 8,100 National City
 Trust 6.125% A2 285,600 1,744 Royal Bank of Scotland 5.750% A1 31,305 Group PLC, Series L 104,465 Royal Bank of S
 USB Capital Trust XI 6.600% A1 340,515 15,760 VNB Capital Trust I 7.750% A3 389,902 4,000 Wells Fargo Capital 5.62
 7.000% Aa2 1,178,100 Trust V 49,444 Wells Fargo Capital 5.850% Aa2 997,285 Trust VII 81,600 Zions Capital Trust B 8

----- Total Commercial

----- COMPUTERS & PERIPHERALS

Certificates, Series 2001-2 -----
 13.6% 59,100 Allied Capital 6.875% BBB+ 1,004,700 Corporation 370,815 BAC Capital Trust XII 6.875% Aa3 8,380,418
 Citigroup Capital XV 6.500% Aa3 1,083,929 304,900 Citigroup Capital XX 7.875% Aa3 7,612,987 108,000 General Elect
 ING Groep N.V. 7.200% A1 11,149,465 142,600 ING Groep N.V. 7.050% A 3,122,940 11,000 ING Groep N.V. 6.125% A

RATINGS (2) VALUE -----

(continued) 1,913 Royal Bank of Scotland 6.750% A1 \$ 39,829 Public Limited Company, Series 2006Q

----- Total Diversified

----- DIVERSIFIED TELECOM

6.375% A 4,322,304 3,300 BellSouth Capital 7.100% A 73,631 Funding (CORTS) 4,600 BellSouth Corporation 7.000% A
 A 668,724 (CORTS) -----

Services ----- ELECTRIC UTILITIES

1,351,848 203,147 Entergy Mississippi 7.250% A- 5,145,714 Inc. 47,900 FPL Group Capital Inc. 7.450% A3 1,240,610 23
 National Rural Utilities 6.100% A3 74,235 Cooperative Finance Corporation 33,018 National Rural Utilities 5.950% A3 69
 Supply LLC 7.000% BBB 854,840 8,900 Virginia Power Capital 7.375% BBB 217,071 Trust

----- Total Electric Util

----- FOOD PRODUCTS - 0.4%

Inc., 144A ----- INSURANCE

4,646,160 15,686 Aegon N.V. 6.875% A- 332,543 409,638 Aegon N.V. 6.375% A- 8,090,350 41,700 AMBAC Financial G
 International 7.700% Aa3 3,569,625 Group 195,649 Arch Capital Group 8.000% BBB- 4,889,269 Limited 54,100 Berkley
 139,400 Delphi Financial Group, 8.000% BBB+ 3,305,174 Inc. 92,100 Delphi Financial Group, 7.376% BBB- 1,698,785 In
 146,200 Financial Security 6.250% AA 2,668,150 Assurance Holdings 174,900 PartnerRe Limited, 6.750% BBB+ 3,368,57
 Series D 57,100 PLC Capital Trust III 7.500% BBB+ 1,297,883 46,400 PLC Capital Trust IV 7.250% BBB+ 1,020,800 5,4
 Protective Life 7.250% BBB 7,269,495 Corporation 80,844 Prudential PLC 6.750% A 1,644,367 3,300 RenaissanceRe Hol
 Holdings 7.300% BBB 1,597,886 Limited, Series B -----

48,371,849 ----- MEDIA - 5.6%

Comcast Corporation 7.000% BBB+ 5,955,950 25,400 Comcast Corporation 7.000% BBB+ 569,976 40,900 Comcast Corp
 6.850% BBB 5,720,796 -----

----- OIL, GAS & CONSUMABLES

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4,526,688	-----	PHARMACEUTICALS
6.250% A+ 180,600 Company (CORTS) 4,800 Bristol-Myers Squibb 6.800% A+ 109,824 Company Trust (CORTS)	-----	Total Pharmaceuticals
----- REAL ESTATE/MORTGAGE		
BBB 271,031 Inc., Series H 29,400 BRE Properties, Series C 6.750% BBB- 568,596 29 JHP Nuveen Quality Preferred Inc	-----	8,029 BRE Prop
December 31, 2007 SHARES DESCRIPTION (1) COUPON RATINGS (2) VALUE	-----	
Developers Diversified 8.000% BBB- 3,843,440 Realty Corporation, Series G 32,000 Developers Diversified 7.375% BBB	-----	
Realty Corporation, 6.600% BBB 2,218,485 Series L 136,700 Duke Realty Corporation, 7.250% BBB 2,818,754 Series N 1	-----	
Corporation 144,300 First Industrial Realty 7.250% BBB- 2,922,075 Trust, Inc., Series J 145,429 HRPT Properties Trust, 8	-----	
Trust, 7.125% BBB- 2,648,442 Series C 186,200 Kimco Realty 7.750% BBB+ 4,317,047 Corporation, Series G 17,500 Pro	-----	
Business Parks, Inc. 7.000% BBB- 3,049,760 115,800 PS Business Parks, Inc., 7.600% BBB- 2,436,432 Series L 3,000 Pub	-----	
Storage, Inc. 6.750% BBB+ 2,269,575 16,500 Public Storage, Inc., 6.450% BBB+ 311,025 Series F 194,262 Public Storage	-----	
Storage, Inc., 6.625% BBB+ 617,500 Series M 15,000 Public Storage, Inc., 7.500% BBB+ 334,500 Series V 77,300 Public	-----	
Realty Income 7.375% BBB- 139,535 Corporation 53,800 Realty Income 6.750% BBB- 1,138,408 Corporation, Series E 30	-----	
76,000 Regency Centers 7.250% BBB- 1,565,600 Corporation 9,000 Regency Centers 6.700% BBB- 176,940 Corporation	-----	
Series G 7,500 Vornado Realty Trust, 6.625% BBB- 148,275 Series I 262,800 Wachovia Preferred 7.250% A2 5,962,932 F	-----	
6.950% A- 825,930 Series E	-----	
----- THRIFTS & MORTGAGE		
BBB- 2,635,879 Trust IV 289,365 Countrywide Capital 7.000% BBB- 3,313,229 Trust V 3,300 Harris Preferred Capital 7.3	-----	Total Thrifts & M
----- U.S. AGENCY - 0.9% 13,2		
Corporation 46,500 Federal National 7.000% AA- 2,154,987 Mortgage Association	-----	Total U.S. Agen
----- WIRELESS TELECOMM		
Cellular 8.750% A- 3,928,052 Corporation	-----	
SIMILAR) PREFERRED 261,157,575 SECURITIES (COST \$304,820,823)	-----	
=====		
AMOUNT (000) DESCRIPTION (1) COUPON MATURITY RATINGS (2) VALUE	-----	
----- CORPORATE		
COMMERCIAL BANKS - 0.7% \$ 2,000 Credit Agricole S.A. 6.637% 5/29/49 Aa3 \$ 1,858,650	-----	\$ 2,000 TOTA
=====		
PRINCIPAL AMOUNT (000)/ SHARES DESCRIPTION (1) COUPON MATURITY RATINGS (2) VALUE	-----	
----- CAPITAL PR		
INVESTMENTS) CAPITAL MARKETS - 8.3% 1,000 Bank of New York Capital 7.970% 12/31/26 Aa3 \$ 1,035,870 I, Ser	-----	
243,455 Trust II 3,250 C.A. Preferred Funding 7.000% 1/30/49 A1 3,169,195 Trust 4,300 Dresdner Funding Trust 8.151%	-----	
7.950% 11/15/29 A1 9,055,666 Trust II, Series A 3,000 Mizuho JGB Investment 9.870% 6/30/48 A1 3,027,753 30 PRINCI	-----	
COUPON MATURITY RATINGS (2) VALUE	-----	
(continued) 700 MUFG Capital Finance 2 4.850% 7/25/56 BBB+ \$ 868,584	-----	Total Capital
----- COMMERCIAL BANKS -		
AA- 1,492,068 144A 1,800 Abbey National Capital 8.963% 6/30/50 A+ 2,119,964 Trust I 1,900 AgFirst Farm Credit Bank	-----	
144A 8.550% 6/15/49 Aa3 6,535,277 500 Barclays Bank PLC 7.434% 12/15/57 Aa3 520,488 1,900 BBVA International 5.	-----	
5,000 Capital One Capital IV 6.745% 2/17/37 Baa1 3,727,445 Corporation 3,000 CBG Florida REIT 7.114% 11/15/49 Baa	-----	
3/15/49 Aa3 962,381 Corporation, 144A 4,400 Den Norske Bank, 144A 7.729% 6/29/49 Aa3 4,691,619 1,000 First Empire	-----	
Midwest Bancorp 6.950% 12/01/33 Baa1 458,805 Inc. 1,600 HBOS Capital Funding LP, 6.850% 3/23/49 A1 1,403,211 No	-----	
3,753,517 1,430 HSBC USA Capital Trust 8.380% 5/15/27 A 1,492,442 II, 144A 1,000 HT1 Funding, GmbH 6.352% 6/30	-----	
5/02/50 A1 2,686,905 144A 1,000 Lloyds TSB Bank PLC, 6.900% 11/22/49 Aa2 972,115 Subordinated Note 2,000 Mizuho	-----	
Northgroup Preferred 6.378% 10/15/57 A1 1,773,016 Capital Corporation, 144A 1,000 Popular North American 6.564% 9/	-----	
Scotland 7.640% 3/31/49 A1 1,544,777 Group PLC, Series U 3,300 Shinsei Finance II 7.160% 7/25/49 Baa2 2,793,658 Cay	-----	

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Chartered PLC, 7.014% 1/30/58 BBB+ 1,424,519 144A 2,660 Swedbank 9.000% 9/17/50 Aa3 2,842,308 ForeningsSparbar
7/15/53 A2 7,951,563 Fund, 144A 5,600 Washington Mutual 7.250% 3/15/49 BBB 3,683,870 Preferred Funding Cayman, S
----- Total Commer

----- DIVERSIFIED FINANCIAL
2/01/36 A3 979,523 6,000 JPMorgan Chase Capital 6.950% 8/17/36 Aa3 5,716,218 Trust XVIII 902 MM Community Fund
Mutual Capital 8.000% 6/22/53 Baa2 1,805,040 Funding, Notes -----

Diversified 9,436,165 Financial Services -----
SERVICES - 2.3% 5 Centaur Funding 9.080% 4/21/20 BBB 6,104,888 Corporation, Series B, 144A

----- INSURANCE
4,381,852 3,500 AXA S.A., 144A 6.463% 12/14/49 BBB+ 3,157,599 2,600 Great West Life and 7.153% 5/16/46 A- 2,608,
Group 7.800% 3/15/37 Baa3 891,875 1,000 MetLife Capital Trust IV 7.880% 12/15/67 BBB+ 1,021,832 600 MetLife Inc. C
7.899% 3/01/37 Baa1 412,116 Services Capital Trust 600 Nationwide Financial 6.750% 5/15/67 Baa1 554,336 Services Inc
2,453,107 144A 4,500 Progressive Corporation 6.700% 6/15/37 A2 4,184,753 500 Prudential PLC 6.500% 6/29/49 A 449,0
5,755,182 Trust II, 144A 3,000 XL Capital, Limited 6.500% 10/15/57 BBB 2,627,451

----- Total Insuran
----- OIL, GAS & CONSUMAB

4/15/28 B1 2,721,000 -----
6.613% 12/15/55 BBB 2,607,153 Santa Fe Funding Trust I -----
Nuveen Quality Preferred Income Fund 3 (continued) Portfolio of INVESTMENTS as of December 31, 2007 PRINCIPAL
MATURITY RATINGS (2) VALUE -----
FINANCE - 0.6% 2,400 Washington Mutual 6.665% 3/15/57 BBB \$ 1,418,062 Preferred Funding Trust II

----- TOTAL CAP
\$148,558,258) =====

SHARES DESCRIPTION (1) VALUE -----
6.5% (4.0% OF TOTAL INVESTMENTS) 97,685 Blackrock Preferred and \$ 1,567,844 Corporate Income Strategies Fund
Fund 46,226 Blackrock Preferred 800,172 Opportunity Trust 241,169 Flaherty and 3,897,291 Crumrine/Claymore Preferred
2,668,120 Crumrine/Claymore Total Return Fund Inc. 19,342 John Hancock Preferred 366,918 Income Fund 24,126 John H
Hancock Preferred 3,403,625 Income Fund III -----
16,823,109 COMPANIES (COST \$20,757,565)

AMOUNT (000) DESCRIPTION (1) COUPON MATURITY VALUE -----
SHORT-TERM INVESTMENTS - 2.6% (1.6% OF TOTAL INVESTMENTS) \$ 6,831 Repurchase Agreement 1.000% 1/0
dated 12/31/07, repurchase price \$6,831,539, collateralized by \$6,460,000 U.S. Treasury Notes, 4.875%, due 8/15/16, value
----- TOTAL SHORT-TERM 6,
----- TOTAL INVESTMENTS (C
----- OTHER ASSETS LESS 2,
----- FUNDPREFERRED SHAF
(4) ----- NET ASSETS APPLIC

SWAPS OUTSTANDING AT DECEMBER 31, 2007: FUND FIXED RATE UNREALIZED NOTIONAL PAY/RECEIVE
TERMINATION APPRECIATION COUNTERPARTY AMOUNT FLOATING RATE INDEX (ANNUALIZED) FREQU
----- Citigroup Inc. \$42,000,
2/06/08 \$ 163,755 Citigroup Inc. 42,000,000 Receive 1-Month USD-LIBOR 3.815 Monthly 2/06/10 (17,800)
----- \$ 145,955

(United States Dollar-London Inter-Bank Offered Rate) (1) All percentages shown in the Portfolio of Investments are based
otherwise noted. (2) Ratings (not covered by the report of independent registered public accounting firm): Using the higher
Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are consid
(000)/Shares rounds to less than \$1,000. (4) FundPreferred Shares, at Liquidation Value as a percentage of total investments
under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt f
qualified institutional buyers. CORTS Corporate Backed Trust Securities. PPLUS PreferredPlus Trust. SATURNS Structur

to financial statements. 32 Statement of ASSETS & LIABILITIES December 31, 2007 QUALITY QUALITY QUALITY			
INCOME 2	INCOME 3 (JTP)	(JPS)	(JHP)

\$1,296,954,406,	\$2,448,041,788	and \$482,911,794,	respectively) \$1,147,610,708 \$2,172,707,865 \$424,187,484 Cash 1,160
currencies (cost \$-, \$155,530 and \$-, respectively) -- 155,056 -- Unrealized appreciation on interest rate swaps -- -- 145,955			
Interest 5,105,876	10,038,580	1,528,795	Investments sold 1,036,658 2,920,311 950,010 Reclaims -- 142,729 32,914 Other
-----			Total assets 1,156,538,810 2,
-----			LIABILITIES Unrealized dep
for investments purchased 307,543 359,688 1,873 Accrued expenses: Management fees 621,578 1,130,088 208,349 Other 3			
payable 293,236 550,390 132,591 -----			
-----			FundPreferred shares, at liqui
-----			Net assets applicable to Comr
=====			
outstanding 64,557,648 119,845,699 23,690,909			
=====			
Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) \$ 11.06 \$ 11			
=====			
APPLICABLE TO COMMON SHARES CONSIST OF: -----			
per share \$ 645,576 \$ 1,198,457 \$ 236,909 Paid-in surplus 897,894,532 1,686,854,230 329,654,258 Undistributed (Over-dis			
639,113 Accumulated net realized gain (loss) from investments and derivative transactions (34,465,403) (22,518,627) (10,8			
investments and derivative transactions (150,324,057) (275,739,765) (58,576,046) -----			
assets applicable to Common shares \$ 713,944,569 \$1,386,125,429 \$261,081,289			
=====			
Common Unlimited Unlimited Unlimited FundPreferred Unlimited Unlimited Unlimited			
=====			
to financial statements. 33 Statement of OPERATIONS Year Ended December 31, 2007 QUALITY QUALITY QUALITY			
INCOME 2	INCOME 3 (JTP)	(JPS)	(JHP)

of foreign tax withheld of \$--, \$5,063 and \$1,971, respectively) \$ 56,601,945 \$ 108,431,962 \$ 23,376,546 Interest 36,089,5			
-----			Total investment income 9
-----			EXPENSES Management
shares - auction fees 1,100,000 2,000,000 415,000 FundPreferred shares - dividend disbursing agent fees 29,724 42,017 14,			
9,942 1,604 Custodian's fees and expenses 231,269 418,670 94,771 Trustees' fees and expenses 30,448 60,273 11,675 Profe			
printing and mailing expenses 194,074 345,820 78,047 Stock exchange listing fees 23,270 43,236 9,698 Investor relations e			
66,649 27,676 -----			Total exper
13,009,124 23,724,977 4,984,775 Custodian fee credit (17,571) (28,670) (5,188) Expense reimbursement (3,615,359) (7,32			
-----			Net expenses 9,376,194 16
-----			Net investment income 83
-----			REALIZED AND UNREA
Investments (5,132,013) (574,703) (4,501,418) Interest rate swaps 2,033,771 6,499,835 1,505,963 Futures (11,881,039) (19			
(2,751) Change in net unrealized appreciation (depreciation) of: Investments (172,487,627) (330,937,014) (63,538,229) Inte			
Foreign currencies 5,317 10,163 1,793 -----			
(191,242,859) (354,621,220) (73,283,715) -----			
FUNDPREFERRED SHAREHOLDERS From net investment income (22,627,872) (40,051,092) (8,630,819) From accumu			
-----			Decrease in net assets appl
FundPreferred shareholders (22,627,872) (41,220,307) (8,630,819) -----			
(decrease) in net assets applicable to Common shares from operations \$ (130,555,403) \$ (236,061,182) \$(51,075,405)			
-----			See accompanying notes to
ASSETS QUALITY PREFERRED INCOME (JTP) QUALITY PREFERRED INCOME 2 (JPS) -----			
ENDED YEAR ENDED YEAR ENDED 12/31/07 12/31/06 12/31/07 12/31/06			

OPERATIONS			
159,780,345 \$ 159,268,122 Net realized gain (loss) from: Investments (5,132,013) 132,407 (574,703) (990,466) Interest rat			
(11,881,039) -- (19,893,208) -- Foreign currencies 1,097 563 16,390 1,066 Change in net unrealized appreciation (depreciat			

(5,130,313)	Interest rate swaps (3,782,365)	(215,813)	(9,742,683)	(1,630,640)	Foreign currencies	5,317	1,400	10,163	2,652
	investment income (22,627,872)	(20,743,697)	(40,051,092)	(37,501,376)	From accumulated net realized gains	--	--	(1,169,2	
----- Net increase (de									
	operations (130,555,403)	63,033,748	(236,061,182)	119,800,553	-----				
DISTRIBUTIONS TO COMMON SHAREHOLDERS From net investment income (59,742,151) (69,630,812) (124,716,18									
	(5,233,037) -- Tax return of capital (6,091,299) --	(4,179,641) --	-----						
in net assets applicable to Common shares from distributions to Common shareholders (65,833,450) (69,630,812) (134,128,									
----- CAPITAL SHA									
	issued to shareholders due to reinvestment of distributions	725,059	607,703	2,923,173	1,483,854	-----			
----- Net increase (de									
	capital share transactions	725,059	607,703	2,923,173	1,483,854	-----			
increase (decrease) in net assets applicable to Common shares (195,663,794) (5,989,361) (367,266,876) (12,150,204)									
----- Net assets appli									
	909,608,363	915,597,724	1,753,392,305	1,765,542,509	-----				
applicable to Common shares at the end of year \$713,944,569 \$909,608,363 \$1,386,125,429 \$1,753,392,305									
----- Undistributed (
	year \$ 193,921	\$ (1,329,743)	\$ (3,668,866)	\$ (3,968,873)	-----				
----- accompanying notes to financial statements. 35 QUALITY PREFERRED INCOME 3 (JHP) ----- YI									
----- OPERATIONS Net investment income \$ 30									
	Investments (4,501,418)	(2,688,895)	Interest rate swaps 1,505,963	1,379,809	Futures (4,429,499) --	Foreign currencies (2,7	-----		
	(depreciation) of: Investments (63,538,229)	3,328,270	Interest rate swaps (2,319,574)	(567,278)	Foreign currencies 1,793	5	-----		
	investment income (8,630,819)	(7,912,599)	From accumulated net realized gains	--	--	-----			
(decrease) in net assets applicable to Common shares from operations (51,075,405) 24,412,012 -----									
DISTRIBUTIONS TO COMMON SHAREHOLDERS From net investment income (22,471,014) (25,661,097) From accu									
	(2,322,309) (327,326)	----- Decrease in net assets							
Common shareholders (24,793,323) (25,988,423) -----									
	from Common shares issued to shareholders due to reinvestment of distributions	409,712	259,052	-----					
increase (decrease) in net assets applicable to Common shares from capital share transactions 409,712 259,052									
----- Net increase (decrease) in net assets applica									
----- Net assets applicable to Common shares at t									
----- Net assets applicable to Common shares at t									
=====									
investment income at the end of year \$ 639,113 \$ (881,169)									
=====									

36 Notes to FINANCIAL STATEMENTS 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

corresponding Common share New York Stock Exchange symbols are Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 3 (JHP). The Funds are registered under the Investment Company Act of 1940, as amended, companies. Each Fund seeks to provide high current income consistent with capital preservation by investing primarily in a convertible debt securities and convertible preferred securities. The following is a summary of significant accounting policies in accordance with U.S. generally accepted accounting principles. Investment Valuation Exchange-listed securities are valued on a securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there is no market price on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the mean of the closing bid and asked prices. The price of securities traded on the over-the-counter market is valued using the closing settlement price or, in the absence of such a price, at the mean of the bid and asked prices. The price of derivative contracts are generally provided by an independent pricing service approved by the Funds' Board of Trustees. When price quotations are not available in the absence of a pricing service for a particular investment, the Board of Trustees of the Funds, or its designee, may establish fair value based on prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value, market flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics and other information. If the pricing service is unable to supply a price for an investment or derivative instrument, the Funds may establish fair value for such investments. If it is determined that the market price for an investment or derivative instrument is unavailable or inappropriate, the Funds may establish fair value in accordance with procedures established in good faith by the Board of Trustees. Short-term investments are valued at market value. Investment Transactions Investment transactions are recorded on a trade date basis. Realized gains and losses

identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement period fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal purchase commitments. At December 31, 2007, there were no such outstanding purchase commitments in any of the Funds. ex-dividend date or, for foreign securities, when information is available. Interest income, which includes the amortization of reporting purposes, is recorded on an accrual basis. Interest income also includes paydown gains and losses, if any. Federal income tax purposes. Each Fund intends to distribute substantially all net investment income and net capital gains to shareholders. Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the affirmative in the course of preparing the Funds' tax returns to determine whether it is "more-likely-than-not" (i.e. greater than 50-percent) positions not deemed to meet the more-likely-than-not threshold may result in a tax benefit or expense in the current year. 3. Implementation of FIN 48 required management of the Funds to analyze all open tax years, as defined by the statute of limitations and certain states. Open tax years are those that are open for examination by taxing authorities (i.e. the last four tax year end examinations in progress. For all open tax years and all major taxing jurisdictions through the end of the reporting period, not taken or expected to be taken in the preparation of the Funds' tax returns and concluded the adoption of FIN 48 resulted in no of and during the fiscal year ended December 31, 2007. The Funds are also not aware of any tax positions for which it is reasonable benefits will significantly change in the next twelve months. Dividends and Distributions to Common Shareholders Distributed ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, principles. Distributions to Common shareholders are declared monthly. Net realized capital gains from investment transactions frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryover outstanding Fund Preferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. Each Fund's Fund dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen period. The number of Fund Preferred shares outstanding, by Series and in total, for each Fund is as follows: QUALITY QUANTUM PREFERRED INCOME INCOME 2 INCOME 3 (JTP) (JPS) (JHP) -----

shares: Series M	3,520	4,800	3,320	Series T	3,520	4,800	-- Series T2	-- 4,000	-- Series W	3,520	4,800	-- Series TH	3,520	4,800	-----	Total	17,600	32,000	
																-----	Interest Rate Swap T		

rate swap transactions. The Funds' use of interest rate swap transactions is intended to mitigate the negative impact that an increase in share net earnings as a result of leverage. Interest rate swap transactions involve each Fund's agreement with the counterparty counterparty paying or receiving a variable rate payment that is intended to approximate each Fund's variable rate payment on borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not affect assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the amount to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swaps, we help manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties owned subsidiary of Nuveen Investments Inc. ("Nuveen"), believes have the financial resources to honor their obligations and the stability of the swap counterparties. 38 Futures Contracts The Funds are authorized to invest in futures contracts. Upon entering into a contract with the broker an amount of cash or liquid securities equal to a specified percentage of the contract amount. This is known as "margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract. During the term of the contract are recognized as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in value. If the contract expired, a Fund records a realized gain or loss equal to the difference between the value of the contract on the closing date and the cash held by the broker to cover initial margin requirements on open futures contracts, if any, is recognized in the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin when applicable. During the fiscal year ended December 31, 2007, there were no outstanding futures contracts in any of the Funds. Risks of investments in futures contracts include: of the securities or indices underlying the contracts, the possibility that there may not be a liquid secondary market for the contracts, which may not correlate with a change in the value of the underlying securities or indices. Foreign Currency Transactions The Funds are authorized to enter into transactions, including foreign currency forward, options and futures contracts. To the extent that the Funds invest in securities denominated in other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the value of a foreign currency will result in a decrease in the value of the investment. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments denominated in that foreign currency will increase in U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions. The gains or losses on such

included in "Realized gain (loss) on foreign currencies" and "Change in net unrealized appreciation (depreciation) of foreign records of the Funds are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated at the respective dates of such transactions. Net realized foreign currency gains and losses between trade date and settlement date of the transactions, foreign currency interest and dividends recorded on the books of a Fund and the amounts actually received. Repurchase Agreements In connection with the Funds' policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the debt, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral may be reduced by net credits earned on the collateral. Repurchase arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days of the month. Indemnifications Under the Funds' organizational documents, their Officers and Trustees are indemnified against certain claims and damages to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnification for certain claims and damages. The extent of these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. 39 Notes to FINANCIAL STATEMENTS (continued) statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions in the determination of net assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to the period. Actual results may differ from those estimates. 2. FUND SHARES Transactions in Common shares were as follows:

	QUALITY	PREFERRED	INCOME	INCOME 2	INCOME 3
YEAR ENDED	ENDED	ENDED	ENDED	ENDED	ENDED
	12/31/07	12/31/06	12/31/07	12/31/06	12/31/06
Shares issued to	43,337	202,230	101,627	29,874	18,314
TRANSACTIONS Purchases and sales (including maturities but excluding short-term investments and derivative transactions) as follows:					
QUALITY PREFERRED PREFERRED PREFERRED PREFERRED INCOME INCOME 2 INCOME 3					
Purchases: Investment					
Government and agency obligations	1,011,328	1,004,141	--	Sales and maturities: Investment securities	403,151,787
obligations					756,290
information is presented on an income tax basis based on the information currently available to the Funds. Differences between tax and book purposes are primarily due to recognition of premium amortization, recognition of income on REIT investments, timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, they are reflected in the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment. Temporary and permanent differences do not impact the net asset values of the Funds. At December 31, 2007, the cost of investments at December 31, 2007, were as follows:					
QUALITY PREFERRED PREFERRED PREFERRED INCOME INCOME 2 INCOME 3 (JTP) (JPS) (JHP)					
Cost of investments					
40 Gross unrealized					
investments at December 31, 2007, were as follows:					
(JHP)					
Gross unrealized					
Depreciation (159,445,115) (296,714,526) (61,981,636)					
appreciation (depreciation) of investments	\$(148,870,294)	\$(278,452,569)	\$(57,869,812)		
The tax components of net taxable income derived from dividends, interest and net short-term capital gains, if any. The tax character of distributions for the year ended July 31, 2007, and July 31, 2006, was designated for purposes of the dividends paid deduction as follows:					
QUALITY PREFERRED PREFERRED PREFERRED INCOME INCOME 2 INCOME 3					
JULY 31, 2007 (JTP) (JPS) (JHP)					
net ordinary income * \$84,716,262 \$168,144,072 \$31,830,464 Distributions from net long-term capital gains --	6,399,646				
QUALITY PREFERRED PREFERRED PREFERRED INCOME INCOME 2 INCOME 3					
JULY 31, 2006 (JTP) (JPS) (JHP)					
Distributions from net ordinary income * \$88,059,972 \$166,262,070 \$33,448,703 Distributions from net long-term capital gains --	327,326				
* Net ordinary income					
dividends, interest and net short-term capital gains, if any. At July 31, 2007, the Funds' last tax year end, the Funds had unused carryforwards of net long-term capital gains, if any. If not applied, the carryforwards will expire as follows:					
QUALITY PREFERRED PREFERRED PREFERRED INCOME INCOME 2 INCOME 3					

PREFERRED INCOME INCOME 2 INCOME 3 (JTP) (JPS) (JHP) -----
 year: 2011 \$16,197,046 \$ -- \$ -- 2012 -- -- 2013 -- -- 2014 -- -- 2015 1,000,781 -- 1,054,637

----- Total \$17,197,827 \$

----- 41 Notes to FINANC

have elected to defer net realized losses from investments incurred from November 1, 2006 through July 31, 2007, the Fund with federal income tax regulations. Post-October losses are treated as having arisen on the first day of the following fiscal

PREFERRED PREFERRED INCOME INCOME 2 INCOME 3 (JTP) (JPS) (JHP)

----- \$12,689,093 \$16,433

----- Calculation of certain

ordinary income for tax purposes) involves the application of complex aspects of the Internal Revenue Code to certain securities taxable income derived from these securities, management made assumptions as to the correct tax treatment of certain of the characteristics of income received from those securities, based on information currently available to the Funds. The use of the qualification of the Funds as regulated investment companies under Subchapter M of the Internal Revenue Code, nor is it expected to compute taxable income for purposes of preparing the federal and state income and excise tax returns. 5. MANAGEMENT AFFILIATES Each Fund's management fee is separated into two components - a complex-level component, based on the amount of assets and a specific fund-level component, based only on the amount of assets within each individual Fund. This pricing structure is based on the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser. The Fund is based upon the average daily Managed Assets of each Fund as follows: AVERAGE DAILY MANAGED ASSETS

----- For the first \$500 million .70

million .6500 For the next \$500 million .6250 For Managed Assets over \$2 billion .6000 -----

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the assets managed as stated in the tables below. As of December 31, 2007, the complex-level fee rate was .1846%. Effective August 20, 2007, the complex-level fee rate follows: COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1) EFFECTIVE RATE AT BREAKPOINT LEVEL

----- \$55 billion .2000% \$56 billion .1996 \$57 billion

.1900 \$71 billion .1851 \$76 billion .1806 \$80 billion .1773 \$91 billion .1691 \$125 billion .1599 \$200 billion .1505 \$250 billion

----- 42 Prior to August 20, 2007, the complex-level

ASSET BREAKPOINT LEVEL (1) EFFECTIVE RATE AT BREAKPOINT LEVEL -----

.2000% \$56 billion .1996 \$57 billion .1989 \$60 billion .1961 \$63 billion .1931 \$66 billion .1900 \$71 billion .1851 \$76 billion

.1617 \$200 billion .1536 \$250 billion .1509 \$300 billion .1490 -----

of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the assets attributable to preferred stock issued by or borrowings by the Nuveen funds) of Nuveen-sponsored funds in the U.S. The management fee covers investment advisory and administrative services and general office facilities. The Adviser has entered into Sub-Advisory Agreement ("Spectrum"), under which Spectrum manages the investment portfolios of the Funds. Spectrum is compensated for its services to the Adviser. Spectrum also receives compensation on certain portfolio transactions for providing brokerage services to the Funds. Trustees who are affiliated with the Adviser or to its Officers, all of whom receive remuneration for their services to the Funds, has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the fees and expenses received from certain Nuveen advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been received. For the first eight years of Quality Preferred Income's (JTP) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below: YEAR ENDING YEAR ENDING JUNE 30, JUNE 30,

----- 2002 * .32% 2007 .32% 2003 .32 2008

----- * From the commencement of operations

Preferred Income (JTP) for any portion of its fees and expenses beyond June 30, 2010. For the first eight years of Quality Preferred Income's (JTP) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below: YEAR ENDING YEAR ENDING SEPTEMBER 30, SEPTEMBER 30, -----

.32 2009 .16 2005 .32 2010 .08 2006 .32 -----

FINANCIAL STATEMENTS (continued) The Adviser has not agreed to reimburse Quality Preferred Income 2 (JPS) for any portion of its fees and expenses beyond September 30, 2010. For the first eight years of Quality Preferred Income 3's (JHP) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily Managed Assets, for fees and expenses in the amounts and for the time periods set forth below: YEAR ENDING YEAR ENDING DECEMBER 31, DECEMBER 31, -----

----- 2002 * .32% 2007 .32% 2003 .32 2008

----- * From the commencement of operations

Preferred Income 3 (JHP) for any portion of its fees and expenses beyond December 31, 2010. Agreement and Plan of Merger

had entered into a definitive Agreement and Plan of Merger ("Merger Agreement") with Windy City Investments, Inc. ("Windy City"), Madison Dearborn Partners, LLC ("Madison Dearborn"), pursuant to which Windy City would acquire Nuveen Investments, L.P., based in Chicago, Illinois. The merger was consummated on November 13, 2007. The consummation of the merger was deemed to constitute a "change of control" under the Investment Company Act of 1940 of the investment management agreement between each Fund and the Adviser and, if applicable, the sub-adviser of the Funds, and resulted in the automatic termination of such agreements. The Board of Trustees of each Fund entered into a new investment management agreement with the Adviser, and, if applicable, a new sub-advisory agreement between the Adviser and the sub-adviser. Each new ongoing investment management agreement and sub-advisory agreement, if applicable, was approved by the shareholders of the Funds in 2007. The investors led by Madison Dearborn includes an affiliate of Merrill Lynch. As a result, Merrill Lynch is an indirect shareholder of each Fund under the Investment Company Act of 1940 of each Fund. Certain conflicts of interest may arise as a result of such indirect affiliation and the Adviser's entering into principal transactions with Merrill Lynch and its affiliates. The Adviser does not believe that any such prohibitions will significantly impact the ability of the Funds to pursue their investment objectives and policies. Related Party Holdings

Quality Preferred Income 2 (JPS) and Quality Preferred Income 3 (JHP) owned 395,313, 753,181 and 180,000 shares, respectively, of securities with aggregate market values of \$8,540,540, \$15,912,165 and \$3,872,920, respectively. Total income earned by Quality Preferred Income 2 (JPS) and Quality Preferred Income 3 (JHP) from such securities amounted to \$754,698, \$1,471,854 and \$324,370, respectively, for the year ended December 31, 2007.

6. NEW ACCOUNTING PRONOUNCEMENT Financial Accounting Standards Board Statement of Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements and Disclosures," which provides an authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used in the measurements included within the Statement of Operations for the period.

44 7. SUBSEQUENT EVENTS Distributions

	QUALITY PREFERRED INCOME 2 (JPS)	QUALITY PREFERRED INCOME 3 (JHP)	QUALITY PREFERRED INCOME 2 (JPS)	QUALITY PREFERRED INCOME 3 (JHP)	Total
Distributions per share	\$0.0810	\$0.0860	\$0.0835		
scheduled auctions for the Fund Preferred shares issued by the Funds began attracting more shares for sale than offers to buy. Many Fund Preferred shareholders who wanted to sell their shares in these auctions were unable to do so. Fund Preferred shares were sold at the "maximum rate" calculated in accordance with the pre-established terms of the Fund Preferred stock. These developments may impact the Funds. However, one implication of these auction failures for Common shareholders is that the Funds' cost of leverage would have been higher had the auctions been successful. As a result, the Funds' future Common share earnings may be lower than they otherwise might have been.					
Common share outstanding throughout each period:					
Investment Operations					
Beginning Investment from Capital					
Common Net Income to Gains to Share Net Realized/ Fund Preferred					
Fund Preferred Net Income(a)					
Gain (Loss) holders+					
holders+					
Total					
INCOME (JTP)					
2006	14.20	1.28	.02	(.32)	-- .98
2005	14.92	1.30	(.68)	(.21)	-- .41
2004(b)	14.40	.60	.47	(.05)	-- 1.02
Year Ended 7/31: 2004(c)	14.38	1.38	.47	(.05)	-- 1.18
2007	14.66	1.34	(2.96)	(.34)	(.01)
2006	14.77	1.33	(.01)	(.31)	-- 1.01
2005	15.66	1.34	(.69)	(.18)	(.02)
2004(b)	15.12	1.42	.37	(.08)	-- 1.71
2003(d)	14.33	1.02	.79	(.07)	-- 1.74
Year ended 12/31: 2004(b)	14.71	.60	.46	(.05)	-- 1.01
Year Ended 7/31: 2004(c)	14.38	1.38	.47	(.05)	-- 1.18
Less Distributions					
Costs Investment Capital Return of and Ending Income to Gains to Capital to Fund Preferred Common Common Common Common					
Underwriting Net Asset Market holders holders holders Total Discounts Value Value					
QUALITY PREFERRED INCOME 2 (JPS)					
Year ended 12/31: 2007					
	(1.08)	--	(1.08)	--	14.10
2006	14.84	(1.13)	--	(1.13)	--
2005	14.20	12.40	2004(b)	(.50)	--
Year Ended 7/31: 2004(c)	14.92	14.00	2006	(1.12)	--
Year Ended 7/31: 2004(c)	14.32	(.04)	--	(1.36)	--
2007	(1.04)	(.04)	(1.12)	--	11.57
2006	10.81	14.66	2005	(1.16)	(.18)
2004(c)	14.32	(.04)	--	(1.36)	--
2003(d)	(.95)	--	(.95)	(.15)	14.97
Year ended 12/31: 2004(b)	14.22	14.92	2005	(1.17)	(.09)
Year Ended 7/31: 2004(c)	14.38	1.38	.47	(.05)	-- 1.18
Year Ended 7/31: 2004(c)	14.32	(.04)	--	(1.36)	--
2003(d)	(.95)	--	(.95)	(.15)	14.97
Year ended 12/31: 2004(b)	14.22	14.92	2005	(1.17)	(.09)
Year Ended 7/31: 2004(c)	14.32	(.04)	--	(1.36)	--
2003(d)	(.95)	--	(.95)	(.15)	14.97
Year ended 12/31: 2004(b)	14.22	14.92	2005	(1.17)	(.09)
Year Ended 7/31: 2004(c)	14.32	(.04)	--	(1.36)	--
2003(d)	(.95)	--	(.95)	(.15)	14.97
Year ended 12/31: 2004(b)	14.22	14.92	2005	(1.17)	(.09)
Year Ended 7/31: 2004(c)	14.32	(.04)	--	(1.36)	--
2003(d)	(.95)	--	(.95)	(.15)	14.97

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-- (.62) (.18) 14.38 14.36 -----
 combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gain
 at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the
 market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some
 actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized. Total Return
 of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributable
 declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested in
 the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore
 Total returns are not annualized. *** After custodian fee credit and expense reimbursement, where applicable. + The amount of
 Ratios do not reflect the effect of dividend payments to Fund Preferred shareholders. - Income ratios reflect income earned on
 periods presented below each ratio includes the effect of the interest expense paid on interest rate swap transactions as follows:
 Applicable to Common Shares ----- QUALITY PREFERRED INCOME 2 (JPS) Year Ended 7/31: 2003(d) .58* QUALITY PREFERRED INCOME 3 (JHP) Year Ended 7/31: 2003(d) .58*
 ----- Ratios to Average Net Assets Ratios to Average Net Assets
 Common Shares Total Returns Before Credit/Reimbursement After Credit/Reimbursement*** -----
 Ending Net Based Share Assets on Net Applicable to Net Net Portfolio Market Asset Common Investment Investment Turnover
 Expenses++ Income++ Rate -----
 ----- (24.60)% (15.32)% \$ 713,940
 8.70 1.02 9.18 34 (3.69) 2.89 915,598 1.49 8.47 1.02 8.94 19 3.79 7.10 961,583 1.49* 9.15* 1.02* 9.62* 8 4.20 11.17 927,800
 9.31 45 ----- (22.24)% (14.32)%
 8.72 .95 9.19 34 (2.06) 3.01 1,765,543 1.40 8.32 .94 8.78 17 3.34 6.94 1,872,283 1.40* 8.69* .94* 9.14* 6 8.98 11.60 1,830,000
 7.59* 1.54* 8.04* 35 ----- (23.61)%
 336,540 1.56 8.81 1.08 9.29 39 (2.16) 2.88 337,858 1.54 8.48 1.07 8.96 16 4.64 6.81 358,197 1.54* 9.03* 1.07* 9.50* 7 9.3
 1.97* 7.14* 1.53* 7.58* 57 -----
 ----- Aggregate Liquidation Amount and Market Asset Outstanding Value Per Coverage (000) \$ -----
 ----- \$440,000 \$25,000 \$65,565 4
 25,000 79,635 440,000 25,000 77,721 440,000 25,000 76,577 -----
 800,000 25,000 79,794 800,000 25,000 80,173 800,000 25,000 83,509 800,000 25,000 82,215 800,000 25,000 80,932
 ----- 166,000 25,000 64,319 166,
 78,945 166,000 25,000 77,395 166,000 25,000 76,129 --- (a) Per share Net Investment Income is calculated using the average
 through December 31, 2004. (c) The Funds changed their method of presentation for net interest expense on interest rate swap
 fiscal year ended July 31, 2004, was as follows: QUALITY QUALITY QUALITY PREFERRED PREFERRED PREFERRED
 ----- Increase of Net Investment
 Realized/Unrealized Gain (Loss) \$.14 \$.11 \$.11 Decrease in each of the Ratios of Expenses to Average Net Assets Applicable
 each of the Ratios of Net Investment Income to Average Net Assets Applicable to Common Shares .94% .71% .73% (d) For
 operations) through July 31, 2003. (e) For the period December 18, 2002 (commencement of operations) through July 31, 2003
 BOARD MEMBERS & OFFICERS The management of the Funds, including general supervision of the duties performed by the
 Board Members of the Funds. The number of board members of the Fund is currently set at eight. None of the board members
 been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members
 and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are
 HELD WITH YEAR FIRST NUMBER OF PORTFOLIOS & ADDRESS THE FUNDS ELECTED OR IN FUND COMPLIANCE WITH SECTION 3
 OVERSEEN BY INCLUDING OTHER DIRECTORSHIPS AND TERM(2) BOARD MEMBER DURING PAST 5 YEARS: -
 PERSON OF THE FUNDS: - TIMOTHY R. SCHWERTFEGER(1) 3/28/49 Chairman of 1994 Former director 333 W. Wacker Drive Board member
 2007), Chicago, IL 60606 and Board Member Chairman (1996-June 30, 2007), Non-Executive Chairman (July 1, 2007-November
 30, 2007) 184 of Nuveen Investments, Inc. and Nuveen Asset Management and certain other subsidiaries of Nuveen Investment
 Capital Corporation. BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS: - ROBERT P. BOYER Investor and 333 W. Wacker Drive Board member CLASS III Management Consultant. Chicago, IL 60606 - JACK B. EVANS Wacker Drive Board member CLASS III Foundation, a private Chicago, IL 60606 philanthropic corporation (since 1996); Investment
 held company; Member of the Board of Regents Companies; for the State of Iowa University System; Director, Gazette Life Insurance
 Member of the Advisory Council of the Department of Finance in the Tippie College of Business, University of Iowa; former

Barbara Asset Management LLC (since 2006) and of Nuveen HydePark Group, LLC and Richards & Tierney, Inc. (since 2006). Officer of the Fund (continued). - KEVIN J. MCCORMACK, Chairman, 333 W. Wacker Drive and Secretary 2007 Investments, LLC (since Chicago, IL 60606 2007); Vice President, and Assistant General Counsel, Nuveen Investment Advisers Inc., Nuveen Investment Institutional Services Group LLC, NWQ Investments LLC, NWQ Holdings, LLC, Symphony Asset Management LLC, Santa Barbara Asset Management LLC, Nuveen Investments, Inc. (since 2007); Vice President and Assistant General Counsel, Nuveen Investments, Inc. (since 2007). Prior thereto, Partner, 184 Deloitte & Touche USA LLP (since 2005), formerly, senior tax manager (since 12/21/68) Vice President Vice President, Nuveen 333 W. Wacker Drive and Secretary 2008 Investments, LLC (since Chicago, IL 60606 2008); Vice President and Assistant General Counsel, Nuveen Investments, Inc. (since 2007). (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Management Company, LLC, Tradewinds Global 184 Investors, LLC, NWQ Holdings, LLC, Symphony Asset Management LLC, Nuveen HydePark Group, LLC and Richards & Tierney, Inc. (since 2008); Vice President and Assistant General Counsel, Nuveen Investments, Inc. (since 2007). (2) Board members who are elected by the holders of Preferred Shares. The Board of Trustees is divided into three classes, Class I, Class II and Class III. The first year elected or appointed represents the year in which the board member was first elected or appointed. The first year elected or appointed represents the year in which the board member was first elected or appointed. (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management and Nuveen Institutional Advisory Corp. year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed.

REINVEST AUTOMATICALLY EASILY AND CONVENIENTLY NUVEEN MAKES REINVESTING EASY. A PHONE CALL IS ALL YOU NEED TO GET STARTED. NUVEEN CLOSED-END FUNDS DIVIDEND REINVESTMENT PLAN Your Nuveen Closed-End Fund all or part of your dividend and capital gains distributions in additional Fund shares. By choosing to reinvest, you'll be able to invest money regularly and automatically, and the reinvested amount will benefit from the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes will be paid on the reinvested amount. It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss.

HOW SHARES ARE PURCHASED The shares you acquire by reinvesting are newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above net asset value. If you choose not to reinvest, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in the Fund. If the value of the shares is greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. No interest will be paid on the uninvested portion of the distribution. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may be higher than the net asset value of the shares resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. Any commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on open market purchases. You may withdraw from the Plan at any time, should your needs or situation change. Should you withdraw from the Plan, you will receive cash payment for fractional shares, or cash payment for all reinvestment account shares, less any applicable taxes. You may reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your financial advisor for more information on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm. The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a direct service charge to participants in the Plan at this time. CALL TODAY TO START REINVESTING DIVIDENDS AND CAPITAL GAINS. For more information, visit Nuveen.com or call 1-800-634-3300.

REPORT Average Annual Total Return: This is a commonly used method to express an investment's performance over a period of time. It is the annualized return that would have been necessary each year to equal the investment's actual cumulative performance (including change in share price, dividends and capital gains distributions, if any) over the time period being considered. Market Yield (also known as Dividend Yield or Current Yield) is the annualized monthly distribution divided by the Fund's current market price. The Fund's monthly distributions to its shareholders are based on net ordinary income and net realized capital gains and, if at the end of the calendar year the Fund's cumulative net ordinary income and net realized gains are less than the Fund's cumulative net ordinary income and net realized gains, the Fund's net ordinary income and net realized gains are less than the Fund's cumulative net ordinary income and net realized gains.

capital. Net Asset Value (NAV): A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including the Fund's leverage the Fund) from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are available on the Fund's website.

NOTES 57 NOTES 58 OTHER USEFUL INFORMATION QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY STATEMENTS

portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the period covered by this report, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities. For more information, call Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com. You may also obtain this information from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov>. Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by e-mail at publicinfo@sec.gov or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

Officer has submitted to the New York Stock Exchange the annual CEO certification as required by Section 303A.12(a) of the NYSE listing standards, and with the Securities and Exchange Commission the certification of its Chief Executive Officer and Chief Financial Officer regarding the accuracy of the Distribution Information Nuveen Quality Preferred Income Fund (JTP), Nuveen Quality Preferred Income Fund 2 (JPS) and Nuveen Quality Preferred Income Fund 3 (JPI) and designate 12.63%, 12.89% and 13.02%, respectively, of dividends paid from ordinary income as dividends qualifying for the reduced rate of 29.87%, 30.64% and 30.27%, respectively, as qualified dividend income for individuals under Section 1(h)(11) of the Internal Revenue Code.

Jack B. Evans William C. Hunter David J. Kundert William J. Schneider Timothy R. Schwertfeger Judith M. Stockdale Carl J. Szymanski
 West Wacker Drive Chicago, IL 60606 Custodian State Street Bank & Trust Company Boston, MA Transfer Agent and Share Registrar
 Nuveen Funds P.O. Box 43071 Providence, RI 02940-3071 (800) 257-8787 Legal Counsel Chapman and Cutler LLP Chicago, IL
 Ernst & Young LLP Chicago, IL The Fund intends to repurchase shares of its own common or preferred stock in the future. No shares were repurchased during the period covered by this report. Any future repurchases will be reported to shareholders.

Investments: ----- SERVING INVESTORS FOR GENERATIONS SINCE 1858

Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to a tradition of conservative risk-management principles to help minimize volatility. Building on this tradition, we today offer a range of high-quality investments integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to many different investing solutions for our clients' different needs. Managing \$170 billion in assets, as of September 30, 2009, we offer a variety of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities through its investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading international equity portfolio; Santa Barbara, a leader in growth equities; and Tradewinds, a leader in global equities. Find out how we can help you with the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the prospectus to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, and other information in the prospectus before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money to the Fund. WWW.NUVEEN.COM/CEF Share prices Fund details Daily financial news Investor education Interactive planning tools Investor education

covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, controller, or persons performing similar functions. [There were no amendments to or waivers from the Code during the period covered by this report. The code of ethics is available on its website at www.nuveen.com/etf. (To view the code, click on the Shareholder Resources drop down menu.)] ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT. The registrant's Board of Directors (the "Board") determined that Mr. Evans is a "financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Mr. Evans, who is "independent" for purposes of Item 3 of Form N-CSR. Mr. Evans was formerly President and Chief Operating Officer of a registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer of SCI, Mr. Evans actively supervised the CFO's preparation of financial statements and other filings with various regulatory agencies. Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served as chairman of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also chaired the audit committee of the Federal Reserve Bank of Chicago. ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's fiscal year. Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund. All services were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all non-audit services is less than the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Audit Committee has approved the audit is completed. The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, to the Audit Committee).

SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND AUDIT FEES BILLED AUDIT-RELATED FEES

TO FUND (1) BILLED TO FUND (2) BILLED TO FUND (3) BILLED TO FUND (4) -----
 2007 \$32,472 \$0 \$1,000 \$4,300 ----- Percentage approved pursuant to pre-approval exception 0% 0% 0% 0%
 800 \$3,950 ----- Percentage approved pursuant to pre-approval exception 0% 0% 0% 0% (1) "Audit Fees" a
 audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or e
 fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statem
 Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning. (4) "All Other
 for agreed upon procedures engagements performed for leveraged funds. SERVICES THAT THE FUND'S AUDITOR BIL
 SERVICE PROVIDERS The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Asset Man
 controlling, controlled by or under common control with NAM ("Control Affiliate") that provides ongoing services to the F
 directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years. The tables also s
 exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other
 pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the tota
 Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that woul
 Fund did not recognize the services