

NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2  
Form N-CSR  
March 08, 2006

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21333  
-----

Nuveen Preferred and Convertible Income Fund 2  
-----

(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
-----

(Address of principal executive offices) (Zip code)

Jessica R. Droeger  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
-----

(Name and address of agent for service)

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

Date of fiscal year end: December 31  
-----

Date of reporting period: December 31, 2005  
-----

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

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

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

ITEM 1. REPORTS TO STOCKHOLDERS.

ANNUAL REPORT December 31, 2005

Nuveen Investments  
Exchange-Traded  
Closed-End  
Funds

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND  
JPC

NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2  
JQC

Photo of: Man, woman and child at the beach.  
Photo of: A child.

HIGH CURRENT INCOME FROM A PORTFOLIO OF PREFERRED AND CONVERTIBLE SECURITIES

Logo: NUVEEN Investments

Photo of: Woman  
Photo of: Man and child  
Photo of: Woman

NOW YOU CAN RECEIVE YOUR NUVEEN FUND REPORTS FASTER.

NO MORE WAITING.  
SIGN UP TODAY TO RECEIVE NUVEEN FUND INFORMATION BY E-MAIL.

It only takes a minute to sign up for E-Reports. Once enrolled, you'll receive an e-mail as soon as your Nuveen Investments Fund information is ready -- no more waiting for delivery by regular mail. Just click on the link within the e-mail to see the report, and save it on your computer if you wish.

-----  
DELIVERY DIRECT TO  
YOUR E-MAIL INBOX  
-----

IT'S FAST, EASY & FREE:  
[WWW.INVESTORDELIVERY.COM](http://WWW.INVESTORDELIVERY.COM)  
if you get your Nuveen Fund dividends  
and statements from your financial  
advisor or brokerage account.

OR

[WWW.NUVEEN.COM/ACCOUNTACCESS](http://WWW.NUVEEN.COM/ACCOUNTACCESS)  
if you get your Nuveen Fund dividends  
and statements directly from Nuveen.

(Be sure to have the address sheet that accompanied this report handy. You'll

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

need it to complete the enrollment process.)

Logo: NUVEEN Investments

Photo: Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

Chairman's  
LETTER TO SHAREHOLDERS

I am very pleased to report that for the year ended December 31, 2005, your Fund continued to provide you with attractive monthly income from a diversified portfolio of quality preferred securities, convertible securities and high yield debt. For more information on your Fund's performance, please read the Portfolio Managers' Comments, the Distribution and Share Price Information, and the Performance Overview sections of this report.

Portfolio diversification is a recognized way to try to reduce some of the risk that comes with investing. Since one part of your portfolio may be going up when another is going down, portfolio diversification may help smooth your investment returns over time. In addition to providing regular monthly income, an investment like your Fund that combines several asset classes may help you achieve and benefit from greater portfolio diversification. Your financial advisor can explain these potential advantages in more detail. I urge you to contact him or her soon for more information on this important investment strategy.

"IN ADDITION TO PROVIDING REGULAR MONTHLY INCOME, AN INVESTMENT LIKE YOUR FUND THAT COMBINES SEVERAL ASSET CLASSES MAY HELP YOU ACHIEVE AND BENEFIT FROM GREATER PORTFOLIO DIVERSIFICATION."

As you look through this report, be sure to review the inside front cover. This contains information on how you can receive future Fund reports and other Fund information faster by using e-mails and the Internet. Sign up is quick and easy - just follow the step-by-step instructions.

As we noted in our last shareholder report, The St. Paul Travelers Companies, Inc., which had owned 79% of Nuveen Investments, Inc. (the parent of your Fund's investment adviser), had sold a substantial portion of its stake in Nuveen. Since then, St. Paul has sold the balance of its shares to Nuveen Investments or to others. Please be assured that these transactions only affected Nuveen's corporate structure, and they do not have any impact on the investment objectives or management of your Fund.

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

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

February 15, 2006

Nuveen Preferred and Convertible Income Funds (JPC, JQC)

Portfolio Managers'  
COMMENTS

These Funds are subadvised by a team of specialists from Spectrum Asset Management, Inc., Froleys, Revy Investment Co., Inc., and Symphony Asset Management LLC, an affiliate of Nuveen Investments.

Spectrum, an affiliate of Principal CapitalSM, manages the preferred securities portion of each Fund's portfolio. Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 50 years of combined experience in the preferred securities markets, lead the team.

Froleys, Revy, one of the oldest firms specializing in convertible securities, manages that portion of each Fund's portfolio. Their investment team is led by Andrea Revy O'Connell and Michael Revy, who each have more than 10 years experience in convertible securities investing.

The Symphony team managing the high yield securities and other debt instruments in both Funds is led by Gunther Stein and Lenny Mason. Gunther and Lenny have more than 25 years of combined investment management experience, much of it in evaluating and purchasing senior corporate loans and other high-yield debt.

Here representatives from Spectrum, Froleys, Revy and Symphony talk about their management strategies and the performance of both Funds for the 12-month period ended December 31, 2005.

WHAT WERE THE GENERAL ECONOMIC CONDITIONS AND MARKET TRENDS OVER THE COURSE OF 2005?

The U.S. economy posted another year of growth in 2005. The Gross Domestic Product grew 3.5% during the year, in line with the rise of the Consumer Price Index. The U.S. equity market, as measured by the Standard & Poor's 500 Index, produced a return of 4.91%. The Federal Reserve continued to be on guard against an increase in the rate of inflation, raising the closely-watched short-term fed funds rate to 4.25% by year end. (On January 31, 2006, after the close of this reporting period, the Fed raised the fed funds rate to 4.50%.)

As with most fixed income investors, participants in the preferred market spent much of the year concerned with rising Fed funds rates, potential inflation, rising energy prices, and the economic impact of natural disasters. Credit spreads began 2005 at historically narrow levels relative to U.S. Treasury and corporate bonds, and individual investors began to shy away from \$25 par preferreds early in the year fearing poor performance as the Fed continued to raise the fed funds rate. The \$25 par market also suffered from what was at times more new issue supply than could readily be absorbed by the market. Consequently, the Merrill Lynch Preferred Stock Hybrid Index returned only 0.46% in 2005, which was the worst annual performance for this index since 1999. The year also saw significant new issuance of DRD (dividends received deduction) preferred securities. This new DRD supply caused some price weakness during the summer, but DRDs rallied during the fourth quarter and outperformed other

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

preferreds as well as the general bond market.

4

The \$1000 par Capital Security sector, targeted to institutional investors, also experienced healthy new issuance. Fortunately, institutional investors were ravenous for the incremental yield afforded by this sector, and the strong demand prevented the dislocations we saw in the \$25 par preferred stock market. The Lehman Tier 1 Capital Securities Index rise of 3.68% for the year far outpaced returns in the \$25 par sector. Many of the new securities in the institutional sector utilized a new structure which provided more equity credit for the issuers and provided higher yields for investors. The advent of these new types of "enhanced equity" preferreds is expected to foster a broad expansion of the hybrid preferred securities market, which reached a size of about \$276 billion by year end following record new issuance of \$46 billion in 2005. (Hybrid preferred carry stated maturities and fixed coupons, but they can be treated by companies as equity for financial statement purposes.)

Convertible securities had a difficult year in 2005, in part because of rising short term rates. This caused a rocky start to the year for equity markets in the U.S. However, stocks generally moved higher in the latter half of the year due to overall good economic news coupled with little sign of inflation.

Convertibles, having features of both equities and bonds, struggled more than would have been expected due to massive selling by convertible arbitrage hedge funds, which created a supply/demand imbalance. This was mitigated to some extent by a slow new issue calendar and high redemptions by issuers, causing a reduction in supply that tended to support prices. However, values in the convertible market did cheapen significantly last year. (A convertible issue is considered cheap when the value of its bond component is added to the value of the equity option and the result is higher than where the actual security is trading.)

In the high yield debt market, 2005 was highlighted by record leveraged merger financing, near historic low default rates and relatively narrow credit spreads (the difference in yields between higher- and lower-rated securities). We were able to avoid companies with aggressive leverage, such as auto suppliers like Delphi. We also continued to avoid smaller high yield issues because we believed that market liquidity could be challenged if the credit experienced any negative events. The CSFB High Yield Index returned 2.26% for the year.

5

WHAT STRATEGIES AND TACTICS DID YOU USE TO MANAGE THE FUNDS' ASSETS?

In the preferred securities markets, we did some rebalancing between the \$25 par and \$1000 par Capital Security sectors because of relative value considerations. We sold \$1000 par Capital Securities, which had been aggressively bid up in price, and bought the relatively cheaper \$25 par securities. Many of the Capital Security sales were high coupon callable securities priced at levels that assumed they would be called at the first opportunity. Therefore, they had little or no upside price appreciation potential. As a result, we also were being proactive in managing upcoming call exposure within the Funds' portfolios.

The overall management strategy for the convertible sleeves of JPC and JQC

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

continued to focus on the "balanced" portion of the convertible universe, which includes securities that capture the features of both bonds and stocks by being priced much like bonds while maintaining the upside potential of equities. We found these balanced convertible securities generally had an attractive risk/reward trade off between equity sensitivity and downside risk. We maintained a minimum of 50% investment-grade securities, while the Merrill Lynch All Convertibles Index investment-grade weight has dropped to 40% due to redemptions by higher-quality issuers and more sub-investment grade issuance over the last year.

For the high yield debt portion of both Funds, we continued to employ a value-oriented strategy, focusing on relatively higher-quality credits with strong fundamental business models, diversified revenue streams, and relatively low earnings volatility. We maintained our investments across a variety of industry sectors and rating tiers. We continued to eliminate positions that we believed had escalating credit issues, limited upside potential or significant downside risk.

### HOW DID THE FUNDS PERFORM OVER THIS PERIOD?

The performance of each Fund, as well as the performance of a comparative benchmark, is shown in the accompanying table.

TOTAL RETURN ON NET ASSET VALUE For the 12-month period ended December 31, 2005

JPC	1.32%
-----	
JQC	1.41%
-----	
Comparative benchmark <sup>1</sup>	1.73%
-----	

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

- 1 Comparative benchmark performance is a blended return consisting of: 1) 33% of the Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange-traded preferred issues with outstanding market values of at least \$30 million and at least one year to maturity; 2) 27% of the Lehman Tier 1 Capital Securities Index, an unmanaged index that includes securities that can generally be viewed as hybrid fixed-income securities that either receive regulatory capital treatment or a degree of "equity credit" from a rating agency; 3) 30% of the Merrill Lynch All U.S. Convertibles Index, consisting of approximately 575 securities with par value greater than \$50 million that were issued by U.S. companies or non-U.S. based issuers that have a significant business presence in the U.S.; and 4) 10% of the CSFB High Yield Index, which includes approximately \$375 billion of \$US-denominated high yield debt with a minimum of \$75 million in par value and at least one rating below investment-grade. Index returns do not include the effects of any management fees or fund expenses. It is not possible to invest directly in an index.

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Over the course of what turned out to be a difficult 12-month period, both Funds underperformed their comparative benchmark.

Taking advantage of the large amount of new issuance in the DRD sector and the attractiveness of their yields compared to other preferreds, we increased our concentration in these securities and reaped the benefits when credit spreads in that market tightened toward the end of the year.

In addition, in keeping with our strategy of selling Capital Securities and purchasing \$25 par securities due to their relative values, we sold some high coupon securities which become callable in late 2006 or early 2007. These securities were priced to their first call dates because the market fully expected them to get called. Selling these short duration securities, which had little to no price appreciation upside, throughout 2005 positioned the Funds ahead of the call cycle, especially as the short end of the yield curve sold off. We also bought several of the new "enhanced equity" issues which provided relatively higher income levels and attractive total return opportunities.

JPC and JQC began 2005 with a relatively light concentration in the automotive industry, when compared with the sector's standing in the preferred market. Nevertheless, in hindsight, the positions were not small enough. Many of these holdings were senior debt which we had bought when it looked cheap compared to their \$25 par preferred counterparts. We began selling Ford and General Motors in January 2005 (for a profit) and had been selling Delphi since 2004. We took some losses when we sold much of our position in Delphi early in the year while it was still making payments and thereby avoided the huge price declines that accompanied Delphi's subsequent bankruptcy filing. These three automotive names were the worst performers in 2005. As of year end, we had no automotive exposure to Delphi, Ford, and GM, but did have a relatively small position in Daimler Chrysler in JQC.

The best performing convertible securities sector for the year was energy. In particular, the price of a Chesapeake Energy holding rose more than 130% from the date of purchase in March 2004 through the date of the last sale of this position in October 2005. While we remained positive on the stock and the sector, the high equity sensitivity of this particular security made us look for an attractive exit point. Subsequently, the Funds have purchased new Chesapeake Energy securities. Other energy sector holdings Diamond Offshore, Kerr McGee (which was sold during the period) and Amerada Hess also were positive contributors during the year.

7

The financial sector represented on average just over 17% of the convertible universe in 2005. The sector return in convertibles was a positive 5.8%. Both Funds benefited from their financial sector holdings of Fortis Insurance, Genworth and MetLife.

Although the utilities sector represents less than 5% of the convertible universe, the Funds had a positive return from their positions in this area, in contrast to a decline in the sector as a whole. FPL Group was the most notable performer in JQC, while Calpine Corp. (currently in Chapter 11) was the most notable company we avoided in both Funds.

Offsetting these solid performers, the convertible securities consumer discretionary sector had a miserable year. We sold our positions in Ford and General Motors when their debt was downgraded to junk status. Similar to the auto industry, airlines also had a negative impact on the Transportation sector. At the beginning of the year, both Funds owned convertibles issued by Pinnacle

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Airlines, a partner with Northwest Airlines. We sold these positions well before both airlines declared bankruptcy, but not soon enough to avoid a loss. On the other hand, Continental Airlines (purchased in September) and JetBlue (bought in October) both performed well during the periods they were in the portfolios.

Convertibles issued by firms in the technology sector were down about 2.2% last year. A disappointing return from Digital River convertibles had a negative impact on performance of both Funds. However, we remained interested in the technology sector, and the Funds maintained much of their convertible exposure in this area at year end.

Overall, we were pleased with the performance of the high yield debt portions of both Funds' portfolios. In JPC, Allied Waste North America and Baytex Energy Ltd. performed well, while solid performers in JQC included Global Cash Access LLC and Quintiles Transnational Corporation.

8

### Distribution and Share Price INFORMATION

Each Fund uses financial leverage in an effort to enhance its common share dividend-paying capabilities. While this strategy adds volatility to the Fund's common share net asset value and share price, it generally enhances the amount of income the Fund has to distribute to its common shareholders. The extent of this benefit is tied in part to the short-term rates the Funds pay their FundPreferred<sup>TM</sup> shareholders. As short-term rates rose through this reporting period, the Funds paid higher dividends to their FundPreferred shareholders. As a result, the leveraging strategy did not provide as much income enhancement to common shareholders as it did before short-term interest rates began to rise. Over this 12-month reporting period, both JPC and JQC announced three reductions in their monthly distribution to common shareholders.

Both Funds seek to pay stable common share distributions at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay distributions at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in distributions, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid distributions in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income in distributions to shareholders. As of December 31, 2005, both Funds had negative UNII balances for financial statement purposes and positive UNII balances for tax purposes.

In addition, due to normal portfolio management activity, common shareholders of the Funds received two capital gains distribution in 2005 as follows:

	JULY LONG-TERM CAPITAL GAINS (PER SHARE)	DECEMBER LONG-TERM CAPITAL GAINS (PER SHARE)
JPC	\$0.0176	\$0.1934
JQC	\$0.0430	\$0.0530

These distributions represented important parts of the Funds' total return for this period. Generally, these types of distributions were generated by bond



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

calls or by sales of appreciated securities that occurred in the course of normal portfolio management activities. On balance, this had a slight negative impact on the Funds' per share earning power and was a minor factor in the per share distribution reductions noted above.

As of December 31, 2005, the Funds' common shares were trading at discounts to their NAVs as shown in the accompanying chart:

	12/31/05 DISCOUNT	12-MONTH AVERAGE DISCOUNT
JPC	-15.59%	-10.25%
JQC	-14.72%	-11.06%

On February 3, 2006, the Funds' Board of Trustees approved an open market share repurchase program, as part of a broad, ongoing program of activity designed to support the market prices of the Funds' common shares.

9

Nuveen Preferred and Convertible Income Fund  
JPC

Performance

OVERVIEW As of December 31, 2005

Pie Chart:

PORTFOLIO ALLOCATION

(as a % of total investments)

\$25 Par (or similar) Securities	36.6%
Convertible Bonds	24.3%
Capital Preferred Securities	20.0%
Corporate Bonds	10.4%
Convertible Preferred Securities	7.6%
Short-Term Investments	1.1%

Bar Chart:

2005 MONTHLY DISTRIBUTIONS PER SHARE

Jan	0.1005
Feb	0.1005
Mar	0.096
Apr	0.096
May	0.096
Jun	0.09
Jul	0.09
Aug	0.09
Sep	0.085
Oct	0.085
Nov	0.085
Dec	0.085

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

1/01/05 14.26

14.34  
14.32  
14.47  
14.47  
14.45  
14.5  
14.35  
14.36  
14.28  
14.26  
14.23  
14.27  
14.23  
14.21  
14.15  
14.09  
14.24  
14.35  
14.43  
14.5  
14.56  
14.53  
14.59  
14.69  
14.66  
14.68  
14.75  
14.6  
14.65  
14.57  
14.51  
14.45  
14.29  
14.08  
14.34  
14.47  
14.54  
14.63  
14.62  
14.55  
14.41  
14.34  
14.35  
14.38  
14.1  
14  
13.69  
13.39  
13.29  
13.06  
13.22  
13.05  
12.82  
12.69  
12.42  
12.51  
12.32  
12.55  
12.87  
13.08  
12.97  
13.04

12.9  
12.98  
13  
13  
12.9  
12.94  
12.83  
12.8  
12.6  
12.58  
12.62  
12.59  
12.55  
12.62  
12.63  
12.67  
12.8  
12.93  
12.93  
12.93  
12.89  
12.99  
13.14  
13.13  
13.09  
13.13  
13.2  
13.11  
13.11  
13.1  
13.05  
13.02  
13.05  
13.01  
13.12  
13.17  
13.19  
13.23  
13.25  
13.25  
13.36  
13.43  
13.44  
13.36  
13.36  
13.41  
13.35  
13.4  
13.41  
13.13  
13.19  
13.2  
13.24  
13.28  
13.25  
13.28  
13.42  
13.46  
13.44  
13.39  
13.37  
13.37

13.35  
13.34  
13.32  
13.39  
13.38  
13.46  
13.5  
13.57  
13.55  
13.57  
13.52  
13.56  
13.51  
13.45  
13.4  
13.38  
13.34  
13.4  
13.5  
13.61  
13.72  
13.72  
13.64  
13.61  
13.64  
13.55  
13.46  
13.31  
13.35  
13.44  
13.24  
13.18  
13.14  
13.16  
13.15  
13.13  
13.13  
13.14  
13.11  
13.15  
13.17  
13.2  
13.26  
13.3  
13.32  
13.31  
13.31  
13.28  
13.2  
13.23  
13.21  
13.21  
13.09  
12.99  
12.9  
12.81  
12.73  
12.62  
12.72  
12.65  
12.49  
12.46

12.35  
12.54  
12.57  
12.63  
12.55  
12.63  
12.57  
12.47  
12.37  
12.39  
12.33  
12.11  
11.84  
11.99  
11.95  
12.08  
12.02  
11.92  
12.05  
12.07  
12.02  
11.95  
11.92  
11.99  
12.08  
12  
12.05  
12.12  
12.09  
12.06  
12.15  
12.23  
12.16  
12.03  
12.07  
12.05  
12.05  
12.05  
12.12  
12.01  
11.93  
12.06  
12.12  
12.14  
12.13  
12.12  
12.11  
12.16  
12.11  
12.03  
12.04  
12.04  
11.98  
11.99  
11.9  
11.88  
11.86  
11.88  
11.79  
11.7  
11.78  
11.69

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

	11.77
	11.88
	11.94
	11.93
	11.97
12/31/05	11.97

(Sidebar)

PORTFOLIO STATISTICS

Common Share Price	\$11.97
Common Share Net Asset Value	\$14.18
Premium/(Discount) to NAV	-15.59%
Latest Dividend	\$.0850
Market Yield	8.52%
Net Assets Applicable to Common Shares (\$000)	\$1,419,946

AVERAGE ANNUAL TOTAL RETURN  
(Inception 3/26/03)

	ON SHARE PRICE	ON NAV
1-Year	-7.63%	1.32%
Since Inception	1.16%	8.73%

INDUSTRIES  
(as a % of total investments)

Commercial Banks	21.5%
Insurance	12.0%
Real Estate	8.7%
Capital Markets	6.7%
Diversified Financial Services	5.5%
Media	4.7%
Hotels, Restaurants & Leisure	3.4%
Oil, Gas & Consumable Fuels	3.2%
Thrifts & Mortgage Finance	2.5%
Pharmaceuticals	2.2%
Semiconductors & Equipment	1.9%

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Specialty Retail	1.7%
-----	
Energy Equipment & Services	1.7%
-----	
Biotechnology	1.6%
-----	
Electric Utilities	1.6%
-----	
Short-Term Investments	1.1%
-----	
Other	20.0%
-----	

TOP FIVE ISSUERS  
(EXCLUDING SHORT-TERM INVESTMENTS)  
(as a % of total investments)

Wachovia Corporation	2.0%
-----	
HBSC Holdings Public Limited Company	1.8%
-----	
JPMorgan Chase & Company	1.7%
-----	
ING Group NV	1.7%
-----	
Union Planters Corporation	1.6%
-----	

10

Nuveen Preferred and Convertible Income Fund 2  
JQC

Performance

OVERVIEW As of December 31, 2005

Pie Chart:

PORTFOLIO ALLOCATION

(as a % of total investments)

\$25 Par (or similar) Securities	34.8%
Convertible Bonds	23.0%
Capital Preferred Securities	21.9%
Corporate Bonds	10.3%
Convertible Preferred Securities	8.5%
Short-Term Investments	1.5%

Bar Chart:

2005 MONTHLY DISTRIBUTIONS PER SHARE

Jan	0.0975
Feb	0.0975
Mar	0.093
Apr	0.093
May	0.093
Jun	0.0885
Jul	0.0885
Aug	0.0885
Sep	0.084
Oct	0.084

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Nov	0.084
Dec	0.084

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

1/01/05	13.87
	13.88
	13.83
	13.91
	13.94
	13.99
	14.02
	13.93
	13.93
	13.89
	13.88
	13.83
	13.85
	13.85
	13.85
	13.8
	13.76
	13.86
	13.95
	13.98
	14.05
	14.04
	14
	14.12
	14.22
	14.25
	14.35
	14.37
	14.28
	14.15
	14.17
	14.14
	14.02
	13.85
	13.67
	13.98
	14.04
	14.06
	14.09
	14.07
	14.04
	13.91
	13.84
	13.83
	13.88
	13.54
	13.48
	13.21
	13.02
	12.94
	12.75
	12.9
	12.82
	12.59
	12.56



12.33  
12.4  
12.3  
12.55  
12.72  
12.76  
12.64  
12.73  
12.63  
12.69  
12.69  
12.74  
12.69  
12.74  
12.61  
12.54  
12.4  
12.45  
12.57  
12.54  
12.47  
12.44  
12.42  
12.4  
12.39  
12.52  
12.6  
12.6  
12.7  
12.76  
12.92  
12.88  
12.78  
12.82  
12.85  
12.78  
12.74  
12.74  
12.77  
12.78  
12.82  
12.83  
12.85  
12.94  
12.91  
12.86  
12.83  
12.9  
12.97  
13.08  
13.09  
13.07  
13.07  
13.16  
13.14  
13.12  
13.08  
12.9  
12.98  
12.94  
12.96  
13.07

13.05  
13.05  
13.1  
13.09  
13.1  
13.05  
13.05  
13.06  
13.06  
13.1  
13.09  
13.13  
13.23  
13.32  
13.38  
13.4  
13.39  
13.34  
13.35  
13.42  
13.47  
13.41  
13.28  
13.28  
13.26  
13.3  
13.35  
13.39  
13.48  
13.48  
13.44  
13.47  
13.4  
13.35  
13.24  
13.04  
13.06  
13.18  
13.04  
13.02  
13.06  
13.03  
13.16  
13  
12.98  
12.99  
12.92  
12.94  
12.98  
13.05  
13.09  
13.06  
13.08  
13.11  
13.17  
13.16  
13.13  
13.02  
13.04  
13.06  
12.94  
12.9

12.86  
12.76  
12.6  
12.58  
12.57  
12.47  
12.37  
12.37  
12.24  
12.46  
12.42  
12.54  
12.49  
12.45  
12.4  
12.26  
12.29  
12.25  
12.27  
11.97  
11.81  
11.86  
11.89  
11.88  
11.87  
11.75  
11.89  
11.83  
11.83  
11.74  
11.74  
11.84  
11.95  
11.91  
11.88  
11.98  
11.91  
11.89  
11.95  
12  
11.93  
11.87  
11.88  
11.85  
11.87  
11.91  
11.98  
11.9  
11.81  
11.94  
12.02  
12.02  
12.01  
12  
11.99  
12.04  
12.02  
11.92  
11.89  
11.89  
11.85  
11.82

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

	11.72
	11.71
	11.7
	11.7
	11.66
	11.63
	11.68
	11.67
	11.79
	12.03
	12.01
	12.01
	12.11
12/31/05	12.11

(Sidebar)

PORTFOLIO STATISTICS

Common Share Price	\$12.11
Common Share Net Asset Value	\$14.20
Premium/(Discount) to NAV	-14.72%
Latest Dividend	\$.0840
Market Yield	8.32%
Net Assets Applicable to Common Shares (\$000)	\$2,002,079

AVERAGE ANNUAL TOTAL RETURN  
(Inception 6/25/03)

	ON SHARE PRICE	ON NAV
1-Year	-4.40%	1.41%
Since Inception	-0.19%	7.64%

INDUSTRIES  
(as a % of total investments)

Commercial Banks	21.6%
Insurance	12.8%
Real Estate	7.7%
Capital Markets	7.0%
Diversified Financial Services	6.0%
Media	5.0%
Oil, Gas & Consumable Fuels	3.5%

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Hotels, Restaurants & Leisure	3.4%
-----	
Pharmaceuticals	2.0%
-----	
Specialty Retail	2.0%
-----	
Biotechnology	1.8%
-----	
Semiconductors & Equipment	1.8%
-----	
Energy Equipment & Services	1.5%
-----	
Diversified Telecommunication Services	1.5%
-----	
Electric Utilities	1.4%
-----	
Short-Term Investments	1.5%
-----	
Other	19.5%
-----	

TOP FIVE ISSUERS  
(EXCLUDING SHORT-TERM INVESTMENTS)  
(as a % of total investments)

Wachovia Corporation	2.2%
-----	
JPMorgan Chase & Company	2.1%
-----	
Banco Santander Central Hispano S.A.	1.6%
-----	
HBOS Public Limited Company	1.6%
-----	
ING Group NV	1.6%
-----	

11

Shareholder  
MEETING REPORT

Approval of the new investment management agreement and sub-advisory agreements were the proposals voted upon at the July 26, 2005, shareholder meeting held at The Northern Trust Bank.

Approval of the Board Members was the proposal voted upon at the November 15, 2005, shareholder meeting held at the offices of Nuveen Investments.

-----  
APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENT WAS REACHED AS FOLLOWS:

Common  
Preferred s  
voting tog

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

	as a
For	95,40
Against	88
Abstain	1,03
<hr/>	
Total	97,32

APPROVAL OF THE NEW SUB-ADVISORY AGREEMENT BETWEEN NUVEEN ASSET MANAGEMENT AND FROLEY, REVY INVESTMENT CO., INC. WAS REACHED AS FOLLOWS:

	Common Preferred voting to as a
For	95,41
Against	89
Abstain	1,01
<hr/>	
Total	97,32

APPROVAL OF THE NEW SUB-ADVISORY AGREEMENT BETWEEN NUVEEN ASSET MANAGEMENT AND SPECTRUM ASSET MANAGEMENT, INC. WAS REACHED AS FOLLOWS:

	Common Preferred s voting tog as a
For	95,37
Against	91
Abstain	1,03
<hr/>	
Total	97,32

APPROVAL OF THE NEW SUB-ADVISORY AGREEMENT BETWEEN NUVEEN ASSET MANAGEMENT AND SYMPHONY ASSET MANAGEMENT LLC WAS REACHED AS FOLLOWS:

	Common Preferred s voting tog as a
For	95,35
Against	91
Abstain	1,05
<hr/>	
Total	97,32

Report of  
INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

THE BOARD OF TRUSTEES AND SHAREHOLDERS  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND  
NUVEEN PREFERRED AND CONVERTIBLE INCOME FUND 2

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Preferred and Convertible Income Fund and Nuveen Preferred and Convertible Income Fund 2 as of December 31, 2005, and the related statements of operations for the year then ended, and the statements of changes in net assets and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Nuveen Preferred and Convertible Income Fund and Nuveen Preferred and Convertible Income Fund 2 at December 31, 2005, and the results of their operations for the year then ended, and changes in their net assets and their financial highlights for the periods indicated therein in conformity with U.S. generally accepted accounting principles.

Ermst & Young LLP

Chicago, Illinois  
February 14, 2006

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Nuveen Preferred and Convertible Income Fund (JPC)  
 Portfolio of  
 INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
CONVERTIBLE PREFERRED SECURITIES - 11.2% (7.6% OF TOTAL INVESTMENTS)		
CHEMICALS - 0.6%		
133,290	Celanese Corporation	4.250%
112,625	Huntsman Corporation	5.000%
-----		
Total Chemicals		
-----		
COMMERCIAL BANKS - 2.1%		
10,730,000	Fortis Insurance NV, 144A	7.750%
97,950	HSEC Finance Corporation	8.875%
257,400	Marshall and Ilsley Corporation	6.500%
105,800	Washington Mutual, Inc., Unit 1 Trust	5.375%
-----		
Total Commercial Banks		
-----		
CONSUMER FINANCE - 0.7%		
9,800,000	SLM Corporation	4.150%
-----		
ELECTRIC UTILITIES - 0.8%		
66,200	Entergy Corporation	7.625%
1,835,000	PG&E Corporation	9.500%
56,800	PNM Resources Inc.	6.750%
-----		
Total Electric Utilities		
-----		
ENERGY EQUIPMENT & SERVICES - 0.1%		
25,000	Hanover Compressor Capital Trust	7.250%
-----		
HEALTH CARE PROVIDERS & SERVICES - 0.4%		
80,300	Omnicare Capital Trust II, Series B	4.000%
-----		
HOUSEHOLD DURABLES - 0.3%		
106,675	Newell Financial Trust I	5.250%
-----		
INSURANCE - 3.1%		
74,400	Aspen Insurance Holdings Limited	5.625%
368,765	Genworth Financial Inc.	6.000%



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

61,200	Hartford Financial Services Group, Inc.	7.000%
114,000	IPC Holdings Limited	7.250%
418,700	MetLife Inc., Convertible, Series B	6.375%
45,000	Platinum Underwriters Holdings Limited, Series A	6.000%
202,250	The Chubb Corporation	7.000%

-----  
Total Insurance  
-----

MEDIA - 0.6%

185,000	Emmis Communications Corporation, Series A	6.250%
---------	--	--------

-----  
METALS & MINING - 0.3%

3,120	Freeport McMoran Copper & Gold, Inc.	5.500%
-------	--------------------------------------	--------

-----  
OIL, GAS & CONSUMABLE FUELS - 0.8%

25,925	Amerada Hess Corporation	7.000%
67,725	Chesapeake Energy Corporation	4.500%
23,425	Chesapeake Energy Corporation, 144A	5.000%

-----  
Total Oil, Gas & Consumable Fuels  
-----

PHARMACEUTICALS - 0.5%

126,150	Schering-Plough Corporation	6.000%
---------	-----------------------------	--------

15

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
THRIFTS & MORTGAGE FINANCE - 0.4%		
63,350	New York Community Bancorp Inc Capital Trust V	6.000%
87,475	PMI Group Inc.	5.875%

-----  
Total Thrifts & Mortgage Finance  
-----

U.S. AGENCY - 0.5%

81	Fannie Mae	5.375%
----	------------	--------

-----  
Total Convertible Preferred Securities (cost \$150,740,427)  
-----

SHARES	DESCRIPTION(1)	COUPON
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

\$25 PAR (OR SIMILAR) SECURITIES - 54.3% (36.6% OF TOTAL INVESTMENTS)

CAPITAL MARKETS - 5.5%

2,500	ABN AMRO North America, Series L, 144A, (3)	6.460%
18,000	Bear Stearns Capital Trust III	7.800%
500	BNY Capital Trust IV, Series E	6.875%
309,700	BNY Capital Trust V, Series F	5.950%
148,000	Compass Capital Trust III	7.350%
10,500	CSFB USA, Series 2002-10 (SATURNS)	7.000%
29,700	First Union Capital II, Series II (CORTS)	7.500%
41,500	First Union Institutional Capital II (CORTS)	8.200%
4,000	Goldman Sachs Capital I, Series A (CORTS)	6.000%
46,400	Goldman Sachs Group Inc., (3)	6.200%
2,000	Goldman Sachs Group Inc., PPLUS, Series GSC-3	6.000%
13,100	Goldman Sachs Group Inc., Series 2003-06 (SATURNS)	6.000%
3,800	Goldman Sachs Group Inc., Series 2004-06 (SATURNS)	6.000%
39,600	Goldman Sachs Group Inc., Series 2004-4 (CORTS)	6.000%
3,000	Goldman Sachs Group Incorporated (SATURNS)	5.750%
528,988	Lehman Brothers Holdings Capital Trust III, Series K	6.375%
2,400	Lehman Brothers Holdings Capital Trust IV, Series L	6.375%
6,000	Lehman Brothers Holdings Capital Trust V, Series M	6.000%
1,000,000	Mellon Capital II, Series B	7.995%
29,900	Merrill Lynch Capital Trust II	8.000%
29,000	Merrill Lynch Preferred Capital Trust	7.750%
149,500	Merrill Lynch Preferred Capital Trust III	7.000%
124,400	Merrill Lynch Preferred Capital Trust IV	7.120%
242,500	Merrill Lynch Preferred Capital Trust V	7.280%
23,300	Morgan Stanley (PPLUS)	7.050%
71,100	Morgan Stanley Capital Trust II	7.250%
365,739	Morgan Stanley Capital Trust III	6.250%
717,800	Morgan Stanley Capital Trust IV	6.250%
18,200	Morgan Stanley Capital Trust V	5.750%
23,200	Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS)	7.650%

-----  
Total Capital Markets  
-----

COMMERCIAL BANKS - 10.5%

92,400	Abbey National plc, Series B	7.250%
20,700	Abbey National plc, Series B	7.375%
173,100	Abbey National PLC, Series C	7.375%
40,800	ABN AMRO Capital Fund Trust V	5.900%
10,000	ABN AMRO Capital Trust Fund VII	6.080%
73,500	ASBC Capital I	7.625%
68,785	BAC Capital Trust I	7.000%
136,755	BAC Capital Trust II	7.000%
284,700	BAC Capital Trust III	7.000%
59,750	Banco Santander	6.410%
63,400	Banco Totta & Acores Finance, Series A	8.875%
8,200	BancorpSouth Capital Trust I	8.150%
207,400	Banesto Holdings, Series A, 144A	10.500%
81,700	Bank One Capital Trust VI	7.200%
35,700	BankNorth Capital Trust II	8.000%
15	BBVA Privanza International Gibraltar, 144A	7.764%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

SHARES	DESCRIPTION(1)	COUPON
COMMERCIAL BANKS (continued)		
62,300	Chittenden Capital Trust I	8.000%
107,000	Cobank ABC, 144A, (3)	7.000%
84,900	Comerica Capital Trust I	7.600%
306,079	Fleet Capital Trust VII	1.800%
338,700	Fleet Capital Trust VIII	7.200%
775,300	HSBC Finance Corporation	6.875%
48,500	HSBC Finance Corporation	6.000%
2,300	HSBC Holdings plc, Series A	6.200%
15,700	KeyCorp, Series 2001-7 (CORTS)	7.750%
27,100	KeyCorp, Series B (CORTS)	8.250%
164,700	National Commerce Capital Trust II	7.700%
32,900	National Westminster Bank plc, Series A	7.875%
87,100	PNC Capital Trust	6.125%
24,000	Regions Finance Trust I	8.000%
175,000	Royal Bank of Scotland Group plc, Series L	5.750%
91,395	Royal Bank of Scotland Group plc, Series N	6.350%
87,500	SunTrust Capital Trust IV	7.125%
74,300	SunTrust Capital Trust V	7.050%
71,100	USB Capital Trust III	7.750%
199,300	USB Capital Trust IV	7.350%
81,200	USB Capital Trust V	7.250%
400,700	USB Capital Trust VI	5.750%
36,050	USB Capital Trust VII	5.875%
33,400	VNB Capital Trust I	7.750%
47,100	Well Fargo Capital Trust IX	5.625%
10,400	Wells Fargo Capital Trust IV	7.000%
80,735	Wells Fargo Capital Trust V	7.000%
15,100	Wells Fargo Capital Trust VI	6.950%
230,700	Wells Fargo Capital Trust VII	5.850%
2,100	Wells Fargo Capital Trust VIII	5.625%
80,700	Zions Capital Trust B	8.000%
Total Commercial Banks		
COMPUTERS & PERIPHERALS - 0.1%		
41,500	IBM Inc. (CORTS)	7.125%
21,000	IBM Inc., Series 2001-1 (SATURNS)	7.125%
4,100	IBM Inc., Trust Certificates, Series 2001-2	7.100%
2,400	IBM Trust II (CORTS)	7.125%
9,400	IBM Trust III (CORTS)	7.200%
1,700	IBM Trust IV (CORTS)	7.000%
Total Computers & Peripherals		
CONSUMER FINANCE - 0.3%		
28,200	Household Capital Trust VI	8.250%
39,600	Household Capital Trust VII	7.500%
79,400	SLM Corporation	6.000%
Total Consumer Finance		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

DIVERSIFIED FINANCIAL SERVICES - 6.0%

15,100	BBVA Preferred Capital Ltd., Series B	7.750%
190,000	CIT Group Inc., Series A, (3)	6.350%
15,400	CIT Group Incorporated (CORTS)	7.750%
220,900	Citigroup Capital Trust IX	6.000%
86,200	Citigroup Capital Trust VII	7.125%
368,100	Citigroup Capital Trust VIII	6.950%
4,800	Citigroup Capital Trust XI	6.000%
33,200	Citigroup Inc., Series F, (3)	6.365%
94,000	Citigroup Inc., Series G, (3)	6.213%
59,300	Citigroup Inc., Series H, (3)	6.231%
64,600	Citigroup Inc., Series M, (3)	5.864%
5,400	General Electric Capital Corporation	5.875%

17

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
DIVERSIFIED FINANCIAL SERVICES (continued)		
33,100	General Electric Capital Corporation	6.625%
3,800	General Electric Capital Corporation (CORTS)	6.000%
782,875	ING Group N.V.	7.050%
565,718	ING Group N.V.	7.200%
16,800	ING Group N.V.	6.200%
32,200	JPM Capital Trust (CORTS)	7.200%
2,200	JPM Capital Trust I, Series 2001-1, Class A-1 (CORTS)	7.850%
52,200	JPMorgan Chase & Company (PCARS)	7.125%
395,367	JPMorgan Chase Capital Trust X	7.000%
22,800	JPMorgan Chase Capital Trust XVI	6.350%
47,200	JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS)	7.125%
-----		
Total Diversified Financial Services		
-----		
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.5%		
19,600	AT&T Inc.	7.000%
19,300	BellSouth Capital Funding (CORTS)	7.100%
11,900	BellSouth Corporation	7.125%
17,400	BellSouth Corporation (CORTS)	7.000%
33,100	BellSouth Corporation, Series 2001-3 (SATURNS)	7.125%
10,000	BellSouth Inc. (CORTS)	7.000%
17,700	BellSouth Telecommunications (PPLUS)	7.300%
45,050	Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS)	7.875%
17,500	Verizon Communications (CORTS)	7.625%
22,200	Verizon Communications (CORTS)	7.375%
4,700	Verizon Communications, Series 2004-1 (SATURNS)	6.125%
1,300	Verizon Global Funding Corporation Trust III, Series III (CORTS)	6.250%
13,900	Verizon New England Inc., Series B	7.000%
44,755	Verizon South Inc., Series F	7.000%
-----		
Total Diversified Telecommunication Services		
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

ELECTRIC UTILITIES - 1.1%		
10,000	Consolidated Edison Company	7.250%
7,000	Consolidated Edison Company of New York Inc.	7.500%
22,200	DTE Energy Trust I	7.800%
40,670	Entergy Louisiana Inc.	7.600%
44,570	Georgia Power Capital Trust V	7.125%
6,600	Georgia Power Company	5.700%
3,000	Georgia Power Company	5.750%
228,700	Georgia Power Company	5.900%
11,300	National Rural Utilities Cooperative Finance Corporation	7.600%
1,100	National Rural Utilities Cooperative Finance Corporation	7.400%
6,500	National Rural Utilities Cooperative Finance Corporation	6.100%
4,600	National Rural Utilities Cooperative Finance Corporation	5.950%
1,300	Southern Company Capital Trust I (CORTS)	8.000%
2,100	Southern Company Capital Trust I (CORTS)	7.375%
113,432	Tennessee Valley Authority, Series D	6.750%
134,400	Virginia Power Capital Trust	7.375%
-----		
Total Electric Utilities		
-----		
FOOD PRODUCTS - 0.4%		
58,000	Dairy Farmers of America Inc., 144A, (3)	7.875%
-----		
GAS UTILITIES - 0.0%		
23,000	AGL Capital Trust II	8.000%
-----		
HEALTH CARE PROVIDERS & SERVICES - 0.5%		
274,000	Aetna Inc.	8.500%
-----		
INSURANCE - 11.4%		
538,010	Ace Ltd., Series C	7.800%
982,000	Aegon N.V.	6.375%
62,600	Aegon N.V.	6.500%

18

SHARES	DESCRIPTION(1)	COUPON
-----		
INSURANCE (continued)		
17,800	Allstate Insurance Company (CORTS)	8.000%
4,400	AMBAC Financial Group Inc.	7.000%
53,200	AMBAC Financial Group Inc.	5.950%
6,200	AMBAC Financial Group Inc.	5.875%
1,220,900	Delphi Financial Group, Inc.	8.000%
170,005	EverestRe Capital Trust II	6.200%
109,800	EverestRe Group Limited	7.850%
13,000	Financial Security Assurance Holdings	6.875%
82,200	Financial Security Assurance Holdings	6.250%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

225,500	Hartford Capital Trust III, Series C	7.450%
37,900	Hartford Life Capital Trust II, Series B	7.625%
38,400	Lincoln National Capital Trust V, Series E	7.650%
7,100	Lincoln National Capital Trust VI	6.750%
557,500	MetLife Inc., Series B, (3)	6.500%
4,300	PartnerRe Limited	7.900%
964,100	PartnerRe Limited, Series C	6.750%
2,600	PartnerRe Limited, Series D	6.500%
81,700	PLC Capital Trust III	7.500%
39,100	PLC Capital Trust IV	7.250%
8,000	PLC Capital Trust V	6.125%
37,400	Prudential plc	6.750%
325,410	RenaissanceRe Holdings Limited, Series B	7.300%
12,000	RenaissanceRe Holdings Limited, Series C	6.080%
96,100	RenaissanceRe Holdings Ltd., Series A	8.100%
26,900	Safeco Capital Trust I (CORTS)	8.700%
25,100	Safeco Capital Trust I (CORTS)	8.750%
11,500	Safeco Capital Trust I, Series 2001-4 (CORTS)	8.750%
39,100	Safeco Capital Trust III (CORTS)	8.072%
14,400	Safeco Capital Trust IV (CORTS)	8.375%
47,400	Safeco Corporation, Series 2001-7 (SATURNS)	8.250%
43,900	Safeco Corporation, Series 2002-5 (SATURNS)	8.250%
19,400	Saint Paul Capital Trust I	7.600%
34,100	Torchmark Capital Trust I	7.750%
74,000	W.R. Berkley Capital Trust, Series 2002-1 (CBTCS)	8.125%
14,200	W.R. Berkley Corporation	6.750%
86,700	XL Capital Ltd, Series A	8.000%
292,100	XL Capital Ltd, Series B	7.625%
-----		
	Total Insurance	
-----		
	MEDIA - 0.1%	
43,700	CBS Corporation	7.300%
3,700	The Walt Disney Company	7.000%
-----		
	Total Media	
-----		
	MULTI-UTILITIES - 0.2%	
55,600	Dominion CNG Capital Trust I	7.800%
57,400	Energy East Capital Trust I	8.250%
-----		
	Total Multi-Utilities	
-----		
	OIL, GAS & CONSUMABLE FUELS - 0.9%	
477,200	Nexen, Inc.	7.350%
1,000	TransCanada Pipeline	8.250%
-----		
	Total Oil, Gas & Consumable Fuels	
-----		
	REAL ESTATE - 12.7%	
22,575	AMB Property Corporation, Series O	7.000%
10,700	AvalonBay Communities, Inc., Series H	8.700%
3,000	BRE Properties, Series B	8.080%
22,500	BRE Properties, Series C	6.750%
345,825	CarrAmerica Realty Corporation, Series E	7.500%
20,600	Developers Diversified Realty Corporation, Series F	8.600%
658,185	Developers Diversified Realty Corporation, Series G	8.000%
74,000	Developers Diversified Realty Corporation, Series H	7.375%

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
REAL ESTATE (continued)		
81,100	Duke Realty Corporation, Series L	6.600%
208,656	Equity Office Properties Trust, Series G	7.750%
19,200	Equity Residential Properties Trust, Series C	9.125%
11,800	Equity Residential Properties Trust, Series D	8.600%
424,173	Equity Residential Properties Trust, Series N	6.480%
7,000	HRPT Properties Trust, Series A	9.875%
309,900	HRPT Properties Trust, Series B	8.750%
741,483	Kimco Realty Corporation, Series F	6.650%
13,693	New Plan Excel Realty Trust, Series D	7.800%
974,075	New Plan Excel Realty Trust, Series E	7.625%
32,982	Prologis Trust, Series C	8.540%
13,600	Prologis Trust, Series G	6.750%
13,000	PS Business Parks, Inc., Series F	8.750%
2,000	PS Business Parks, Inc., Series K	7.950%
51,900	Public Storage, Inc., Series E	6.750%
15,000	Public Storage, Inc., Series F	6.450%
159,800	Public Storage, Inc., Series R	8.000%
34,900	Public Storage, Inc., Series S	7.875%
28,200	Public Storage, Inc., Series T	7.625%
30,200	Public Storage, Inc., Series U	7.625%
32,300	Public Storage, Inc., Series V	7.500%
3,000	Public Storage, Inc., Series X	6.450%
186,500	Regency Centers Corporation	7.450%
32,000	Regency Centers Corporation	6.700%
7,000	Simon Property Group, Inc., Series G	7.890%
500,000	Ventas Realty LP, Series WI	7.125%
2,200	Vornado Realty Trust, Series F	6.750%
16,800	Vornado Realty Trust, Series G	6.625%
3,400	Vornado Realty Trust, Series H	6.750%
51,200	Vornado Realty Trust, Series I	6.625%
1,462,445	Wachovia Preferred Funding Corporation	7.250%
707,700	Weingarten Realty Trust, Preferred Securities	6.750%
-----		
Total Real Estate		
-----		
SPECIALTY RETAIL - 0.0%		
13,800	Sherwin Williams Company, Series III (CORTS)	7.250%
-----		
THRIFTS & MORTGAGE FINANCE - 2.3%		
4,300	Countrywide Capital Trust II, Series II (CORTS)	8.000%
98,600	Countrywide Capital Trust III (PPLUS)	8.050%
1,201,200	Countrywide Capital Trust IV	6.750%
-----		
Total Thrifts & Mortgage Finance		
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

U.S. AGENCY - 1.0%

86,000	Fannie Mae, (3)	5.125%
17,000	Federal Home Loan Mortgage Corporation	5.300%
23,200	Federal Home Loan Mortgage Corporation	5.810%
90,200	Federal Home Loan Mortgage Corporation, (3)	6.000%
20,600	Federal Home Loan Mortgage Corporation, (3)	6.140%
12,000	Federal Home Loan Mortgage Corporation, (3)	5.100%
8,000	Federal Home Loan Mortgage Corporation, (3)	5.000%
47,300	Federal Home Loan Mortgage Corporation, (3)	5.100%

Total U.S. Agency

WIRELESS TELECOMMUNICATION SERVICES - 0.8%

34,100	AT&T Wireless (CORTS)	8.000%
18,300	AT&T Wireless, Series 2002-B (SATURNS)	9.250%
93,500	Telephone and Data Systems Inc.	7.600%
33,900	United States Cellular Corporation	8.750%
272,100	United States Cellular Corporation	7.500%

Total Wireless Telecommunication Services

Total \$25 Par (or similar) Securities (cost \$779,428,006)

20

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURITY
CONVERTIBLE BONDS - 36.0% (24.3% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 1.8%			
\$ 2,900	AAR Corporation, 144A	2.875%	2/01/
5,205	Armor Holdings Inc.	2.000%	11/01/
2,570	Ceradyne Inc.	2.875%	12/15/
6,900	L-3 Communications Corporation, Series 144A	3.000%	8/01/
6,460	Lockheed Martin Corporation	4.090%	8/15/
24,035	Total Aerospace & Defense		
AIRLINES - 0.7%			
2,740	Continental Airlines, Inc.	5.000%	6/15/
5,875	JetBlue Airways Corporation	3.750%	3/15/
8,615	Total Airlines		
AUTOMOBILES - 0.1%			
785	Fleetwood Enterprises Inc., 144A	5.000%	12/15/



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

BIOTECHNOLOGY - 2.4%				
8,700	Amgen Inc.		0.000%	3/01/
1,320	CV Therapeutics Inc.		2.750%	5/16/
1,645	CV Therapeutics Inc.		3.250%	8/16/
9,075	Genzyme Corporation		1.250%	12/01/
6,000	Invitrogen Corporation		2.000%	8/01/
6,900	Medimmune Inc.		1.000%	7/15/
33,640	Total Biotechnology			
CAPITAL MARKETS - 0.3%				
3,595	BlackRock Inc.		2.625%	2/15/
COMMERCIAL SERVICES & SUPPLIES - 0.5%				
6,435	Electronic Data Systems, Convertible Senior Notes, 144A		3.875%	7/15/
COMMUNICATIONS EQUIPMENT - 1.9%				
7,057	Ciena Corporation		3.750%	2/01/
5,565	Comverse Technology, Inc.		0.000%	5/15/
4,095	Lucent Technologies Inc.		2.750%	6/15/
2,985	Nortel Networks Corp.		4.250%	9/01/
3,355	Powerwave Technologies Inc.		1.825%	11/15/
1,240	Powerwave Technologies Inc.		1.875%	11/15/
24,297	Total Communications Equipment			
CONTAINERS & PACKAGING - 0.5%				
7,205	Sealed Air Corporation, 144A		3.000%	6/30/
DIVERSIFIED FINANCIAL SERVICES - 0.5%				
7,500	CapitalSource Inc.		3.500%	7/15/
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.2%				
2,425	CenturyTel Inc.		4.750%	8/01/
ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.6%				
13,125	Roper Industries Inc.		1.481%	1/15/
1,360	Vishay Intertechnology Inc.		3.625%	8/01/
14,485	Total Electronic Equipment & Instruments			
ENERGY EQUIPMENT & SERVICES - 2.2%				
2,600	Cal Dive International Inc.		3.250%	12/15/
3,135	Diamond Offshore Drilling, Inc.		1.500%	4/15/
8,800	Nabors Industries Inc.		0.000%	6/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

2,325	Oil States International Inc., Series 144A	2.375%	7/01/
5,265	Pride International Inc.	3.250%	5/01/
2,440	Schlumberger Limited	2.125%	6/01/
<hr/>			
24,565	Total Energy Equipment & Services		
<hr/>			

21

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
<hr/>			
	GAS UTILITIES - 0.2%		
\$ 40	Southern Union Company, Series B	5.750%	8/16/
<hr/>			
	HEALTH CARE EQUIPMENT & SUPPLIES - 1.9%		
4,315	Advanced Medical Optics	2.500%	7/15/
8,835	Fisher Scientific International Inc.	3.250%	3/01/
13,680	Medtronic, Inc.	1.250%	9/15/
<hr/>			
26,830	Total Health Care Equipment & Supplies		
<hr/>			
	HEALTH CARE PROVIDERS & SERVICES - 0.4%		
6,210	Roche Holdings Inc., 144A	0.000%	7/25/
<hr/>			
	HOTELS, RESTAURANTS & LEISURE - 2.7%		
5,770	Caesars Entertainment Inc.	4.115%	4/15/
11,300	Carnival Corporation	1.132%	4/29/
3,315	Hilton Hotels Corporation	3.375%	4/15/
5,400	Kerzner International Limited, 144A	2.375%	4/15/
6,305	Scientific Games Corporation	0.750%	12/01/
2,915	Starwood Hotels and Resorts Worldwide Inc.	3.500%	5/16/
<hr/>			
35,005	Total Hotels, Restaurants & Leisure		
<hr/>			
	INDUSTRIAL CONGLOMERATES - 1.5%		
10,275	3M Company	0.000%	11/21/
5,120	Tyco International Group SA	3.125%	1/15/
3,350	Tyco International Group SA, Convertible Notes, 144A	3.125%	1/15/
<hr/>			
18,745	Total Industrial Conglomerates		
<hr/>			
	INSURANCE - 0.8%		
7,555	American Equity Investment Life Holding Company	5.250%	12/06/
2,300	American International Group Inc.	0.500%	5/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

9,855	Total Insurance		
-----			
	INTERNET SOFTWARE & SERVICES - 0.5%		
7,100	Open Solutions Inc.	1.467%	2/02/
5,845	Open Solutions Inc., 144A	1.467%	2/02/
12,945	Total Internet Software & Services		
-----			
	IT SERVICES - 0.1%		
2,100	Digital River Inc.	1.250%	1/01/
-----			
	LEISURE EQUIPMENT & PRODUCTS - 0.5%		
6,195	K2 Corporation, Convertible Notes, 144A	5.000%	6/15/
-----			
	MACHINERY - 0.3%		
4,180	AGCO Corporation, Series B	1.750%	12/31/
-----			
	MEDIA - 3.6%		
325	Comcast Corporation	2.000%	10/15/
4,000	Echostar Communications Corporation, Convertible Subordinated Notes	5.750%	5/15/
6,365	Liberty Media Corporation	0.750%	3/30/
10,850	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock	3.500%	1/15/
1,775	Lions Gate Entertainment Corporation, 144A	2.938%	10/15/
2,500	Lions Gate Entertainment Corporation, 144A	3.625%	3/15/
3,425	Sinclair Broadcast Group, Convertible Senior Subordinated Notes, 144A	4.875%	7/15/
2,600	Sirius Satellite Radio Inc.	3.250%	10/15/
96	Tribune Company, Exchangeable Subordinated Debentures	2.000%	5/15/
31,936	Total Media		
-----			
	MULTI-UTILITIES - 0.5%		
6,325	Dominion Resources Inc., Series C	2.125%	12/15/
-----			
22			
PRINCIPAL			
AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
-----			
	OIL, GAS & CONSUMABLE FUELS - 1.7%		
\$ 1,175	Chesapeake Energy Corporation, 144A	2.750%	11/15/
17,480	Devon Energy Corporation	4.900%	8/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

2,075	McMoran Exploration Corporation, Notes, 144A	6.000%	7/02/
20,730	Total Oil, Gas & Consumable Fuels		
PHARMACEUTICALS - 2.6%			
3,250	Alexion Pharmaceuticals Inc.	1.375%	2/01/
3,390	Alexion Pharmaceuticals Inc., 144A	1.375%	2/01/
9,550	Allergan Inc., Convertible Zero Coupon Senior Notes	0.000%	11/06/
7,050	Alza Corporation	0.000%	7/28/
6,575	Teva Pharmaceutical Finance, Series B	0.250%	2/01/
6,400	Wyeth, 144A	1.000%	1/15/
36,215	Total Pharmaceuticals		
REAL ESTATE - 0.1%			
1,535	Avatar Holdings Inc., 144A	4.500%	4/01/
ROAD & RAIL - 0.6%			
7,700	CSX Corporation	0.000%	10/30/
585	Yellow Roadway Corporation	3.375%	11/25/
8,285	Total Road & Rail		
SEMICONDUCTORS & EQUIPMENT - 2.7%			
3,100	Agere Systems Inc.	6.500%	12/15/
5,015	ASM International NV	4.250%	12/06/
4,890	ASM Lithography Holding NV	5.750%	10/15/
4,000	FEI Company, Convertible Notes	5.500%	8/15/
6,200	Intel Corporation, 144A	2.950%	12/15/
6,475	LSI Logic Corporation	4.000%	5/15/
3,360	Micron Technology, Inc.	2.500%	2/01/
5,775	RF Micro Devices, Inc.	1.500%	7/01/
38,815	Total Semiconductors & Equipment		
SOFTWARE - 1.0%			
6,600	Mentor Graphics Corporation, Convertible Subordinated Notes	6.875%	6/15/
3,350	Sybase Inc., 144A	1.750%	2/22/
3,475	Sybase, Inc.	1.750%	2/22/
13,425	Total Software		
SPECIALTY RETAIL - 1.5%			
4,510	Dick's Sporting Goods Inc.	1.606%	2/18/
6,710	Lowe's Companies, Inc.	0.861%	10/19/
3,545	Sonic Automotive Inc., Convertible Senior Subordinated Notes	5.250%	5/07/
8,775	The TJX Companies, Inc.	0.000%	2/13/
23,540	Total Specialty Retail		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

TRADING COMPANIES & DISTRIBUTORS - 0.2%			
2,830	GATX Corporation	7.500%	2/01/
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.9%			
3,495	American Tower Corporation	3.000%	8/15/
6,500	NII Holdings Inc., 144A	2.750%	8/15/
-----			
9,995	Total Wireless Telecommunication Services		
-----			
473,318	Total Convertible Bonds (cost \$482,939,613)		
-----			

23

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
-----			
CORPORATE BONDS - 15.5% (10.4% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 0.3%			
\$ 3,500	K&F Acquisition Inc.	7.750%	11/15/
-----			
AUTO COMPONENTS - 0.4%			
1,600	Affinia Group Inc.	9.000%	11/30/
2,575	Keystone Automotive Operations Inc.	9.750%	11/01/
2,500	Tenneco Auto, Inc.	10.250%	7/15/
-----			
6,675	Total Auto Components		
-----			
CHEMICALS - 0.6%			
2,000	Freeport McMoran Resources Inc.	7.000%	2/15/
1,000	Nell AF Sarl	8.375%	8/15/
1,335	OM Group Inc.	9.250%	12/15/
3,000	Resolution Performance Products LLC	8.000%	12/15/
1,500	Rockwood Specialties Group Inc., Series WI	7.500%	11/15/
-----			
8,835	Total Chemicals		
-----			
COMMERCIAL BANKS - 0.2%			
2,500	HBOS plc, Series 144A	6.413%	9/29/
-----			
COMMERCIAL SERVICES & SUPPLIES - 0.6%			
1,000	Allied Waste North America	7.875%	4/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

667	Allied Waste North America, Series B	9.250%	9/01/
4,015	DST Systems Inc.	4.125%	8/15/
1,000	National Mentor Inc.	9.625%	12/01/
<hr/>			
6,682	Total Commercial Services & Supplies		
<hr/>			
	CONTAINERS & PACKAGING - 0.5%		
1,520	Berry Plastics Corporation	10.750%	7/15/
2,000	MDP Acquisitions plc, Senior Notes	9.625%	10/01/
2,000	Owens-Brockway Glass Containers, Guaranteed Senior Note	8.250%	5/15/
2,000	Owens-Illinois Inc.	7.800%	5/15/
<hr/>			
7,520	Total Containers & Packaging		
<hr/>			
	DIVERSIFIED TELECOMMUNICATION SERVICES - 0.3%		
2,000	INTELSAT Bermuda Limited, Series 144A	8.250%	1/15/
1,500	Valor Telecommunications Enterprises LLC	7.750%	2/15/
<hr/>			
3,500	Total Diversified Telecommunication Services		
<hr/>			
	ELECTRIC UTILITIES - 0.5%		
3,000	Midwest Generation LLC	8.750%	5/01/
500	Mirant North America LLC, 144A	7.375%	12/31/
3,000	Sierra Pacific Resources, Series 144A	6.750%	8/15/
<hr/>			
6,500	Total Electric Utilities		
<hr/>			
	ENERGY EQUIPMENT & SERVICES - 0.2%		
1,000	Lone Star Technologies Inc.	9.000%	6/01/
1,500	Pride International Inc.	7.375%	7/15/
<hr/>			
2,500	Total Energy Equipment & Services		
<hr/>			
	FOOD & STAPLES RETAILING - 0.1%		
2,000	Stater Brothers Holdings Inc.	8.125%	6/15/
<hr/>			
	FOOD PRODUCTS - 0.5%		
5,943	Dole Foods Company	7.875%	7/15/
356	Dole Foods Company	8.875%	3/15/
<hr/>			
6,299	Total Food Products		
<hr/>			
	HEALTH CARE PROVIDERS & SERVICES - 0.6%		
2,000	Omnicare, Inc.	6.875%	12/15/
1,500	Quintiles Transnational Corporation	10.000%	10/01/
1,300	Select Medical Corporation	7.625%	2/01/
1,000	U.S. Oncology Inc.	9.000%	8/15/
2,500	U.S. Oncology Inc.	10.750%	8/15/
<hr/>			
8,300	Total Health Care Providers & Services		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

24

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
HOTELS, RESTAURANTS & LEISURE - 2.3%			
\$ 2,000	Boyd Gaming Corporation	8.750%	4/15/
2,000	Boyd Gaming Corporation	7.750%	12/15/
2,552	Dominos Inc.	8.250%	7/01/
1,500	Herbst Gaming Inc.	7.000%	11/15/
2,900	Intrawest Corporation	7.500%	10/15/
2,000	Landry's Restaurants Inc., Series B	7.500%	12/15/
1,600	Park Place Entertainment	8.125%	5/15/
2,500	Park Place Entertainment	7.000%	4/15/
6,000	Penn National Gaming Inc., Senior Subordinated Notes	8.875%	3/15/
750	Pinnacle Entertainment Inc.	8.750%	10/01/
2,000	Pinnacle Entertainment Inc.	8.250%	3/15/
2,000	Town Sports International Inc.	9.625%	4/15/
4,000	Universal City Development Partners	11.750%	4/01/
31,802	Total Hotels, Restaurants & Leisure		
HOUSEHOLD DURABLES - 1.0%			
2,000	K. Hovnanian Enterprises Inc., Senior Subordinated Notes	8.875%	4/01/
3,000	KB Home	8.625%	12/15/
3,300	Stanley Works Capital Trust I, 144A	5.902%	12/01/
5,175	Technical Olympic USA Inc., Senior Subordinated Notes	10.375%	7/01/
13,475	Total Household Durables		
HOUSEHOLD PRODUCTS - 0.1%			
1,650	Central Garden & Pet Company	9.125%	2/01/
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1%			
1,239	NRG Energy Inc., Series WI	8.000%	12/15/
INSURANCE - 0.3%			
1,700	AIG Capital Trust I, 144A	5.900%	12/21/
2,000	Fairfax Financial Holdings Ltd.	7.750%	4/26/
3,700	Total Insurance		
IT SERVICES - 0.5%			
1,625	Global Cash Access LLC	8.750%	3/15/
4,750	SunGard Data Systems Inc., Series 144A	9.125%	8/15/
6,375	Total IT Services		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

---

MACHINERY - 0.6%			
1,220	Terex Corporation, Senior Subordinated Notes	10.375%	4/01/
6,095	Terex Corporation, Senior Subordinated Notes	9.250%	7/15/
1,000	The Greenbrier Companies, Inc.	8.375%	5/15/
200	The Greenbrier Companies, Inc., 144A	8.375%	5/15/
8,515	Total Machinery		

---

MEDIA - 2.6%			
4,000	Allbritton Communications Company, Series B	7.750%	12/15/
2,000	American Media Operations Inc.	8.875%	1/15/
3,530	American Media Operations Inc., Series B	10.250%	5/01/
5,000	Cablevision Systems Corporation	7.250%	7/15/
1,000	Cablevision Systems Corporation, Series B	8.125%	8/15/
2,000	Charter Communications Operating LLC, 144A	8.000%	4/30/
1,500	Lowes Cineplex Entertainment Corporation, Series WI	9.000%	8/01/
2,800	Mail-Well I Corporation, Senior Unsecured Note, 144A	9.625%	3/15/
1,950	Panamsat Corporation	9.000%	8/15/
6,000	Primedia Inc., Senior Notes	8.875%	5/15/
4,550	Vertis Inc.	9.750%	4/01/
4,000	Young Broadcasting Inc., Senior Subordinated Note	10.000%	3/01/
38,330	Total Media		

---

METALS & MINING - 0.2%			
2,000	Chaparral Steel Company	10.000%	7/15/

---

25

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
OIL, GAS & CONSUMABLE FUELS - 0.7%			
\$ 2,400	Baytex Energy Ltd.	9.625%	7/15/
400	Chaparral Energy Inc., 144A	8.500%	12/01/
2,345	Chesapeake Energy Corporation	7.750%	1/15/
2,000	Hilcorp Energy I LP/Hilcorp Finance Company, Series 144A	7.750%	11/01/
2,000	SemGroup LP, 144A	8.750%	11/15/
250	Whiting Petroleum Corporation, Series 144A	7.000%	2/01/
9,395	Total Oil, Gas & Consumable Fuels		
PAPER & FOREST PRODUCTS - 0.5%			
2,000	Georgia Pacific Corporation, Debentures	7.700%	6/15/
5,000	Georgia Pacific Corporation, Notes	8.125%	5/15/

---



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

7,000	Total Paper & Forest Products		
-----			
	PERSONAL PRODUCTS - 0.1%		
1,500	Prestige Brands Inc.	9.250%	4/15/
-----			
	PHARMACEUTICALS - 0.2%		
2,000	Alpharma Inc., Reg S	8.625%	5/01/
-----			
	REAL ESTATE - 0.2%		
1,625	CB Richard Ellis Services Inc.	9.750%	5/15/
1,000	Trustreet Properties, Inc.	7.500%	4/01/
-----			
2,625	Total Real Estate		
-----			
	SEMICONDUCTORS & EQUIPMENT - 0.1%		
800	Avago Technologies Finance Pte. Ltd., 144A	10.125%	12/01/
-----			
	SPECIALTY RETAIL - 0.9%		
4,100	Asbury Automotive Group Inc.	9.000%	6/15/
1,000	GSC Holdings Corporation, 144A	8.000%	10/01/
1,120	Movie Gallery Inc., Series WI	11.000%	5/01/
2,000	Stripes Acquisition/Susser Finance Corporation, Series 144A	10.625%	12/15/
5,000	Warnaco Inc., Senior Notes	8.875%	6/15/
-----			
13,220	Total Specialty Retail		
-----			
	TEXTILES & APPAREL - 0.2%		
3,000	Jostens IH Corporation	7.625%	10/01/
-----			
	TRADING COMPANIES & DISTRIBUTORS - 0.1%		
2,000	United Rentals North America Inc.	6.500%	2/15/
-----			
213,437	Total Corporate Bonds (cost \$220,800,130)		
-----			
PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURI
-----			
	CAPITAL PREFERRED SECURITIES - 29.6% (20.0% OF TOTAL INVESTMENTS)		
	CAPITAL MARKETS - 4.1%		
2,500	Ahmanson Capital Trust I, 144A	8.360%	12/01/
1,000	BT Capital Trust, Series B1	7.900%	1/15/
4,850	BT Institutional Capital Trust A, 144A	8.090%	12/01/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

3,000	BT Institutional Capital Trust B, 144A	7.750%	12/01/
1,250	C.A. Preferred Fund Trust II	7.000%	10/30/
27,500	C.A. Preferred Funding Trust	7.000%	1/30/
3,000	First Security Capital I	8.410%	12/15/
8,000	UBS Preferred Funding Trust I	8.622%	10/29/
3,800	Washington Mutual Capital Trust I	8.375%	6/01/

-----  
Total Capital Markets  
-----

COMMERCIAL BANKS - 19.1%

3,000	AB Svensk Exportkredit, 144A	6.375%	10/27/
9,500	Abbey National Capital Trust I	8.963%	6/30/
6,500	AgFirst Farm Credit Bank	7.300%	12/15/

26

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURI
--------------------------------------	----------------	--------	--------

-----  
COMMERCIAL BANKS (continued)  
-----

3,000	Bank One Capital III	8.750%	9/01/
1,000	BankAmerica Capital II, Series 2	8.000%	12/15/
6,000	BankBoston Capital Trust I, Series B	8.250%	12/15/
2,000	BanPonce Trust I, Series A	8.327%	2/01/
13,030	Barclays Bank plc, 144A (5)	8.550%	6/15/
3,000	Centura Capital Trust I, 144A	8.845%	6/01/
1,500	DBS Capital Funding Corporation, 144A	7.657%	3/15/
1,000	First Chicago NBD Institutional Capital, 144A	7.950%	12/01/
6,200	First Empire Capital Trust I	8.234%	2/01/
2,000	First Midwest Bancorp Inc.	6.950%	12/01/
30,000	HBOS Capital Funding LP, Notes	6.850%	3/23/
2,400	HSBC Capital Funding LP, 144A	9.547%	12/31/
5,750	HSBC Capital Funding LP, Debt	10.176%	6/30/
11,000	KBC Bank Fund Trust III, 144A	9.860%	5/02/
1,000	KeyCorp Capital II	6.875%	3/17/
6,300	KeyCorp Institutional Capital Trust A	7.826%	12/01/
18,600	Lloyds TSB Bank plc, Subordinated Note	6.900%	11/22/
20,000	M&I Capital Trust A	7.650%	12/01/
5,000	NB Capital Trust IV	8.250%	4/15/
1,000	North Fork Capital Trust I, Capital Securities	8.700%	12/15/
12,000	North Fork Capital Trust II	8.000%	12/15/
1,000	Popular North American Capital Trust I	6.564%	9/15/
16,500	RBS Capital Trust B	6.800%	12/31/
100	Reliance Capital Trust I, Series B	8.170%	5/01/
2,365	SocGen Real Estate Company LLC, 144A	7.640%	12/29/
8,000	Sparebanken Rogaland, Notes, 144A	6.443%	5/01/
10,500	St. George Funding Company LLC	8.485%	6/30/
1,650	Swedbank ForeningsSparbanken AB, 144A	9.000%	9/17/
2,000	Unicredito Italiano Capital Trust, 144A	9.200%	4/05/
300	Union Planters Preferred Fund, 144A	7.750%	7/15/
100	Wachovia Capital Trust I, Capital Securities, 144A	7.640%	1/15/
5,000	Zions Institutional Capital Trust, Series A	8.536%	12/15/

-----  
Total Commercial Banks  
-----

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

DIVERSIFIED FINANCIAL SERVICES - 1.6%				
4,000	BNP Paribas Capital Trust		7.200%	12/31/
14,025	Chase Capital Trust I, Series A		7.670%	12/01/
15	Citigroup Capital X		6.100%	9/30/
2,800	Old Mutual Capital Funding, Notes		8.000%	6/22/
-----				
Total Diversified Financial Services				
-----				
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.9%				
10	Centaur Funding Corporation, Series B, 144A		9.080%	4/21/
-----				
INSURANCE - 2.2%				
250	Allstate Financing II		7.830%	12/01/
2,300	American General Capital II		8.500%	7/01/
4,000	Mangrove Bay, Class 3, 144A		6.102%	7/15/
1,000	MIC Financing Trust I		8.375%	2/01/
7,250	Prudential plc		6.500%	6/29/
9,500	Sun Life Canada Capital Trust, Capital Securities, 144A		8.526%	5/06/
5,000	Zurich Capital Trust I, 144A		8.376%	6/01/
-----				
Total Insurance				
-----				
OIL, GAS & CONSUMABLE FUELS - 0.6%				
1,200	KN Capital Trust I, Preferred Securities		8.560%	4/15/
6,110	KN Capital Trust III		7.630%	4/15/
-----				
Total Oil, Gas & Consumable Fuels				
-----				

27

Nuveen Preferred and Convertible Income Fund (JPC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)		COUPON	MATURI
-----				
THRIFTS & MORTGAGE FINANCE - 1.0%				
12,250	Dime Capital Trust I, Series A		9.330%	5/06/
1,000	Great Western Financial Trust II, Series A		8.206%	2/01/
-----				
Total Thrifts & Mortgage Finance				
-----				
U.S. AGENCY - 0.1%				
48	Fannie Mae		5.100%	4/15/
-----				
Total Capital Preferred Securities (cost \$427,858,329)				
-----				

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURITY
SHORT-TERM INVESTMENTS - 1.7% (1.1% OF TOTAL INVESTMENTS)			
\$ 24,130	Repurchase Agreement with State Street Bank, dated 12/30/05, repurchase price \$24,139,066, collateralized by \$17,905,000, U.S. Treasury Bonds, 7.875%, due 2/15/21, value \$24,619,375	3.250%	1/03/21
=====			
Total Short-Term Investments (cost \$24,130,352)			
-----			
Total Investments (cost \$2,085,896,857) - 148.3%			
-----			
Other Assets Less Liabilities - 1.6%			
-----			
Preferred Shares, at Liquidation Value - (49.9)%			
-----			
Net Assets Applicable to Common Shares - 100%			
=====			

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2005

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE PAID BY THE FUND (ANNUALIZED)	FIXED RATE PAYMENT FREQUENCY	FLOATING RATE RECEIVED BY THE FUND (4)	FLOATING RATE P FRE
JPMorgan	\$71,000,000	1.974%	Monthly	4.370%	M
JPMorgan	71,000,000	3.395%	Monthly	4.320%	M
JPMorgan	71,000,000	2.994%	Monthly	4.370%	M
Morgan Stanley	71,000,000	2.567%	Monthly	4.370%	M
Morgan Stanley	71,000,000	3.406%	Monthly	4.370%	M

=====

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
  - (2) Ratings (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below Baa by Moody's Investor Services, Inc. or BBB by Standard and Poor's group are considered to be below investment grade.
  - (3) Security is eligible for the Dividends Received Deduction.
  - (4) Based on LIBOR (London Interbank Offered Rate).
  - (5) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees.
- N/R Investment is not rated.

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

144A Securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.

Reg S Regulation S allows U.S. companies to sell securities to persons or entities located outside of the U.S. without registering those securities with the Securities and Exchange Commission. Specifically, Reg S provides a safe harbor from the registration requirements of the Securities Act for the offers and sales of securities by both foreign and domestic issuers that are made outside the United States.

CBTCS Corporate Backed Trust Certificates.

CORTS Corporate Backed Trust Securities.

PCARS Public Credit and Repackaged Securities.

PPLUS PreferredPlus Trust.

SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

28

Nuveen Preferred and Convertible Income Fund 2 (JQC)  
Portfolio of  
INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
CONVERTIBLE PREFERRED SECURITIES - 12.5% (8.5% OF TOTAL INVESTMENTS)		
CHEMICALS - 0.6%		
179,435	Celanese Corporation	4.250%
152,195	Huntsman Corporation	5.000%
-----		
Total Chemicals		
-----		
COMMERCIAL BANKS - 2.3%		
12,090,000	Fortis Insurance NV, 144A	7.750%
130,500	HSBC Finance Corporation	8.875%
351,450	Marshall and Ilsley Corporation	6.500%
273,600	National Australia Bank Limited	7.875%
115,725	Washington Mutual, Inc., Unit 1 Trust	5.375%
-----		
Total Commercial Banks		
-----		
CONSTRUCTION MATERIALS - 0.4%		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

161,900	TXI Capital Trust I	6.500%
-----		
	CONSUMER FINANCE - 0.7%	
13,400,000	SLM Corporation	4.150%
-----		
	ELECTRIC UTILITIES - 1.2%	
90,550	Entergy Corporation	7.625%
154,500	FPL Group Inc.	8.000%
2,630,000	PG&E Corporation	9.500%
76,430	PNM Resources Inc.	6.750%
-----		
	Total Electric Utilities	
-----		
	HEALTH CARE EQUIPMENT & SUPPLIES - 0.3%	
124,000	Baxter International Inc.	7.000%
-----		
	HEALTH CARE PROVIDERS & SERVICES - 0.4%	
109,300	Omnicare Capital Trust II, Series B	4.000%
-----		
	HOUSEHOLD DURABLES - 0.4%	
187,325	Newell Financial Trust I	5.250%
-----		
	INSURANCE - 2.8%	
100,500	Aspen Insurance Holdings Limited	5.625%
503,775	Genworth Financial Inc.	6.000%
154,575	IPC Holdings Limited	7.250%
570,475	MetLife Inc., Convertible, Series B	6.375%
62,000	Platinum Underwriters Holdings Limited, Series A	6.000%
276,200	The Chubb Corporation	7.000%
-----		
	Total Insurance	
-----		
	MEDIA - 0.3%	
137,000	Emmis Communications Corporation, Series A	6.250%
-----		
	METALS & MINING - 0.3%	
4,265	Freeport McMoran Copper & Gold, Inc.	5.500%
-----		
	OIL, GAS & CONSUMABLE FUELS - 1.3%	
34,725	Amerada Hess Corporation	7.000%
91,900	Chesapeake Energy Corporation	4.500%
31,950	Chesapeake Energy Corporation, 144A	5.000%
222,100	Teekay Shipping Corporation	7.250%
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Total Oil, Gas & Consumable Fuels

---

PHARMACEUTICALS - 0.6%		
217,875	Schering-Plough Corporation	6.000%

---

29

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
THRIFTS & MORTGAGE FINANCE - 0.4%		
86,650	New York Community Bancorp Inc Capital Trust V	6.000%
140,000	PMI Group Inc.	5.875%
-----		
Total Thrifts & Mortgage Finance		
-----		
U.S. AGENCY - 0.5%		
111	Fannie Mae	5.375%
-----		
Total Convertible Preferred Securities (cost \$232,961,858)		
-----		
\$25 PAR (OR SIMILAR) SECURITIES - 50.9% (34.8% OF TOTAL INVESTMENTS)		
-----		
AUTOMOBILES - 0.0%		
3,000	DaimlerChrysler AG (CORTS)	7.875%
2,200	DaimlerChrysler Corp. (PPLUS)	7.250%
-----		
Total Automobiles		
-----		
CAPITAL MARKETS - 4.4%		
113,300	Bear Stearns Capital Trust III	7.800%
27,000	BNY Capital Trust IV, Series E	6.875%
306,984	BNY Capital Trust V, Series F	5.950%
218,000	Compass Capital Trust III	7.350%
31,600	CSFB USA, Series 2002-10 (SATURNS)	7.000%
49,000	First Union Capital II, Series II (CORTS)	7.500%
22,600	First Union Institutional Capital II (CORTS)	8.200%
18,800	First Union Institutional Capital II, Series III (CORTS)	7.500%
5,300	Goldman Sachs Capital I (CORTS)	6.000%
1,400	Goldman Sachs Capital I, Series A (CORTS)	6.000%
8,800	Goldman Sachs Group Inc., (3)	6.200%
9,400	Goldman Sachs Group Inc., PPLUS, Series GSC-3	6.000%
12,300	Goldman Sachs Group Inc., Series 2003-06 (SATURNS)	6.000%
4,800	Goldman Sachs Group Inc., Series 2004-04 (SATURNS)	6.000%
1,300	Goldman Sachs Group Inc., Series 2004-06 (SATURNS)	6.000%
198,350	Lehman Brothers Holdings Inc., Series C, (3)	5.940%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

96,800	Lehman Brothers Holdings Inc., Series D, (3)	5.670%
425,000	Lehman Brothers Holdings Inc., Series F, (3)	6.500%
71,500	Merrill Lynch Capital Trust II	8.000%
48,400	Merrill Lynch Preferred Capital Trust	7.750%
264,400	Merrill Lynch Preferred Capital Trust III	7.000%
188,800	Merrill Lynch Preferred Capital Trust IV	7.120%
283,400	Merrill Lynch Preferred Capital Trust V	7.280%
117,980	Morgan Stanley (PPLUS)	7.050%
211,850	Morgan Stanley Capital Trust II	7.250%
203,200	Morgan Stanley Capital Trust III	6.250%
138,400	Morgan Stanley Capital Trust IV	6.250%
14,100	Morgan Stanley Capital Trust V	5.750%
13,400	UBS Preferred Funding Trust III	7.250%
50,300	Washington Mutual Capital Trust I, Series 2001-22, Class A-1 (CORTS)	7.650%

-----  
Total Capital Markets  
-----

COMMERCIAL BANKS - 11.2%

58,700	Abbey National plc, Series B	7.250%
36,200	Abbey National plc, Series B	7.375%
303,200	Abbey National PLC, Series C	7.375%
863,770	ABN AMRO Capital Fund Trust V	5.900%
79,779	ABN AMRO Capital Fund Trust VI	6.250%
17,021	ABN AMRO Capital Trust Fund VII	6.080%
115,200	ASBC Capital I	7.625%
203,410	BAC Capital Trust I	7.000%
560,200	BAC Capital Trust II	7.000%
163,900	BAC Capital Trust III	7.000%
1,010,000	Banco Santander	6.410%
71,750	Banco Totta & Acores Finance, Series A	8.875%
5,600	BancorpSouth Capital Trust I	8.150%
13,400	Banesto Holdings, Series A, 144A	10.500%
167,700	Bank One Capital Trust VI	7.200%
53,200	BankNorth Capital Trust II	8.000%
145,700	Chittenden Capital Trust I	8.000%

30

-----  
SHARES      DESCRIPTION(1)      COUPON  
-----

COMMERCIAL BANKS (continued)

146,500	Cobank ABC, 144A, (3)	7.000%
118,600	Comerica Capital Trust I	7.600%
17,400	Fleet Capital Trust II (CORTS)	8.000%
512,200	Fleet Capital Trust VII	1.800%
430,300	Fleet Capital Trust VIII	7.200%
62,400	HSBC Finance Corporation	6.875%
37,600	KeyCorp (PCARS)	7.500%
135,700	KeyCorp Capital Trust V	5.875%
29,600	KeyCorp, Series 2001-7 (CORTS)	7.750%
35,800	KeyCorp, Series B (CORTS)	8.250%
92,600	National Commerce Capital Trust II	7.700%
63,900	National Westminster Bank plc, Series A	7.875%
21,700	ONB Capital Trust II	8.000%



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

54,400	PNC Capital Trust	6.125%
26,400	Regions Finance Trust I	8.000%
270,700	Royal Bank of Scotland Group plc, Series L	5.750%
124,740	Royal Bank of Scotland Group plc, Series N	6.350%
160,600	SunTrust Capital Trust IV	7.125%
110,300	SunTrust Capital Trust V	7.050%
664,800	USB Capital Trust III	7.750%
348,900	USB Capital Trust IV	7.350%
301,200	USB Capital Trust V	7.250%
31,800	USB Capital Trust VI	5.750%
39,200	USB Capital Trust VII	5.875%
39,100	VNB Capital Trust I	7.750%
11,000	Well Fargo Capital Trust IX	5.625%
40,000	Wells Fargo Capital Trust IV	7.000%
483,400	Wells Fargo Capital Trust V	7.000%
115,100	Wells Fargo Capital Trust VI	6.950%
236,550	Wells Fargo Capital Trust VII	5.850%
21,800	Wells Fargo Capital Trust VIII	5.625%
117,800	Zions Capital Trust B	8.000%
-----		
Total Commercial Banks		
-----		
COMPUTERS & PERIPHERALS - 0.1%		
17,600	IBM Inc. (CORTS)	7.125%
28,700	IBM Inc., Series 2001-1 (SATURNS)	7.125%
13,700	IBM Trust II (CORTS)	7.125%
8,000	IBM Trust III (CORTS)	7.200%
24,800	IBM Trust IV (CORTS)	7.000%
-----		
Total Computers & Peripherals		
-----		
CONSUMER FINANCE - 0.7%		
40,900	Household Capital Trust VI	8.250%
99,400	Household Capital Trust VII	7.500%
28,400	SLM Corporation	6.000%
174,000	SLM Corporation, Series A, (3)	6.970%
-----		
Total Consumer Finance		
-----		
DIVERSIFIED FINANCIAL SERVICES - 5.5%		
13,800	BBVA Preferred Capital Ltd., Series B	7.750%
236,500	CIT Group Inc., Series A, (3)	6.350%
27,700	CIT Group Incorporated (CORTS)	7.750%
270,700	Citigroup Capital Trust IX	6.000%
197,400	Citigroup Capital Trust VII	7.125%
1,138,322	Citigroup Capital Trust VIII	6.950%
24,000	Citigroup Inc., Series H, (3)	6.231%
3,200	Citigroup, Series CIT (CORTS)	6.750%
63,100	General Electric Capital Corporation	5.875%
40,500	General Electric Capital Corporation	6.625%
1,900	General Electric Capital Corporation (CORTS)	6.000%
755,475	ING Group N.V.	7.050%
592,320	ING Group N.V.	7.200%
43,200	JPM Capital Trust (CORTS)	7.200%

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

31

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
-----		
DIVERSIFIED FINANCIAL SERVICES (continued)		
9,900	JPM Capital Trust I, Series 2001-1, Class A-1 (CORTS)	7.850%
71,965	JPMorgan Chase & Company (PCARS)	7.125%
22,000	JPMorgan Chase Capital Trust IX, Series I	7.500%
712,420	JPMorgan Chase Capital Trust X	7.000%
32,200	JPMorgan Chase Capital Trust XVI	6.350%
73,600	JPMorgan Chase Trust, Series 2002-6, Class A (SATURNS)	7.125%
-----		
Total Diversified Financial Services		
-----		
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.6%		
68,900	AT&T Inc.	7.000%
37,900	BellSouth Capital Funding (CORTS)	7.100%
29,100	BellSouth Corporation (CORTS)	7.000%
50,600	BellSouth Corporation, Series 2001-3 (SATURNS)	7.125%
32,600	BellSouth Inc. (CORTS)	7.000%
71,000	BellSouth Telecommunications (PPLUS)	7.300%
60,600	Deutsche Telekom International Finance B.V., Series 2001-24, Class A-1 (CORTS)	7.875%
27,300	Verizon Communications (CORTS)	7.625%
48,100	Verizon Communications (CORTS)	7.375%
50,700	Verizon New England Inc., Series B	7.000%
30,300	Verizon South Inc., Series F	7.000%
-----		
Total Diversified Telecommunication Services		
-----		
ELECTRIC UTILITIES - 0.6%		
6,000	Consolidated Edison Company	7.250%
16,300	Consolidated Edison Company of New York Inc.	7.500%
21,100	DTE Energy Trust I	7.800%
28,900	Entergy Louisiana Inc.	7.600%
8,300	Entergy Mississippi Inc.	7.250%
3,000	Georgia Power Capital Trust V	7.125%
6,900	Georgia Power Company	5.700%
1,500	Georgia Power Company	5.900%
130,000	Interstate Power and Light Company, (3)	7.100%
11,700	Mississippi Power Capital Trust II	7.200%
4,500	National Rural Utilities Cooperative Finance Corporation	7.600%
5,200	National Rural Utilities Cooperative Finance Corporation	7.400%
1,500	National Rural Utilities Cooperative Finance Corporation	6.100%
1,900	National Rural Utilities Cooperative Finance Corporation	5.950%
33,600	Northern States Power Company	8.000%
34,300	Southern Company Capital Trust I (CORTS)	7.375%
15,300	Southern Company Capital Trust I (CORTS)	8.190%
13,100	Southern Company Capital Trust VI	7.125%
8,100	Tennessee Valley Authority, Series A	4.081%
122,500	Virginia Power Capital Trust	7.375%
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Total Electric Utilities

FOOD PRODUCTS - 0.4%		
75,000	Dairy Farmers of America Inc., 144A, (3)	7.875%
GAS UTILITIES - 0.1%		
75,300	AGL Capital Trust II	8.000%
HEALTH CARE PROVIDERS & SERVICES - 0.7%		
587,500	Aetna Inc.	8.500%
INDUSTRIAL CONGLOMERATES - 0.0%		
5,000	General Electric Company, Series GE (CORTS)	6.800%
INSURANCE - 11.3%		
1,127,233	Ace Ltd., Series C	7.800%
1,398,400	Aegon N.V.	6.375%
6,100	Allstate Corporation (PCARS)	7.150%
1,500	AMBAC Financial Group Inc.	7.000%
90,300	AMBAC Financial Group Inc.	5.950%
676,401	Delphi Financial Group, Inc.	8.000%
198,456	EverestRe Capital Trust II	6.200%

32

SHARES	DESCRIPTION(1)	COUPON
INSURANCE (continued)		
95,500	EverestRe Group Limited	7.850%
12,600	Financial Security Assurance Holdings	6.875%
338,200	Hartford Capital Trust III, Series C	7.450%
45,700	Hartford Life Capital Trust II, Series B	7.625%
56,500	Lincoln National Capital Trust V, Series E	7.650%
1,404,000	Lincoln National Capital Trust VI	6.750%
827,600	MetLife Inc., Series B, (3)	6.500%
82,700	PartnerRe Limited	7.900%
903,702	PartnerRe Limited, Series C	6.750%
80,400	PLC Capital Trust III	7.500%
68,700	PLC Capital Trust IV	7.250%
23,900	PLC Capital Trust V	6.125%
38,800	Prudential plc	6.750%
124,700	RenaissanceRe Holdings Limited, Series B	7.300%
3,400	RenaissanceRe Holdings Limited, Series C	6.080%
115,800	RenaissanceRe Holdings Ltd., Series A	8.100%
23,100	Safeco Capital Trust I (CORTS)	8.750%
29,300	Safeco Capital Trust I (CORTS)	8.700%
22,100	Safeco Capital Trust I, Series 2001-4 (CORTS)	8.750%
47,200	Safeco Capital Trust III (CORTS)	8.072%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

17,200	Safeco Capital Trust IV (CORTS)	8.375%
39,300	Safeco Corporation, Series 2001-7 (SATURNS)	8.250%
39,800	Safeco Corporation, Series 2002-5 (SATURNS)	8.250%
6,700	Saint Paul Capital Trust I	7.600%
61,600	Torchmark Capital Trust I	7.750%
121,600	W.R. Berkley Capital Trust, Series 2002-1 (CBTCS)	8.125%
709,300	W.R. Berkley Corporation	6.750%
68,800	XL Capital Ltd, Series A	8.000%
103,900	XL Capital Ltd, Series B	7.625%
-----		
	Total Insurance	
-----		
	IT SERVICES - 0.0%	
2,500	Vertex Industries Inc. (PPLUS)	7.625%
-----		
	MEDIA - 0.1%	
52,700	CBS Corporation	7.300%
5,500	The Walt Disney Company	7.000%
1,200	Walt Disney Company (CORTS)	6.875%
-----		
	Total Media	
-----		
	MULTILINE RETAIL - 0.0%	
4,000	Nordstrom Inc. (CORTS)	7.625%
-----		
	MULTI-UTILITIES - 0.2%	
52,400	Dominion CNG Capital Trust I	7.800%
30,700	Dominion Resources Capital Trust II	8.400%
88,100	Energy East Capital Trust I	8.250%
-----		
	Total Multi-Utilities	
-----		
	OIL, GAS & CONSUMABLE FUELS - 0.9%	
685,000	Nexen, Inc.	7.350%
-----		
	PHARMACEUTICALS - 0.1%	
50,000	Bristol Myers Squibb Company (CORTS)	6.250%
-----		
	REAL ESTATE - 11.2%	
243,757	AMB Property Corporation, Series O	7.000%
77,100	AvalonBay Communities, Inc., Series H	8.700%
220,400	BRE Properties, Series B	8.080%
111,466	BRE Properties, Series D	6.750%
617,657	CarrAmerica Realty Corporation, Series E	7.500%
104,300	Developers Diversified Realty Corporation, Series G	8.000%
1,264,845	Developers Diversified Realty Corporation, Series H	7.375%
125,600	Duke Realty Corporation, Series L	6.600%
98,000	Duke-Weeks Realty Corporation	6.625%

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

SHARES	DESCRIPTION(1)	COUPON
REAL ESTATE (continued)		
25,000	Duke-Weeks Realty Corporation, Series B	7.990%
5,400	Duke-Weeks Realty Corporation, Series I	8.450%
193,200	Equity Office Properties Trust, Series G	7.750%
3,200	Equity Residential Properties Trust, Series C	9.125%
15,400	Equity Residential Properties Trust, Series D	8.600%
348,622	Equity Residential Properties Trust, Series N	6.480%
140,000	Federal Realty Investment Trust	8.500%
10,400	First Industrial Realty Trust, Inc., Series C	8.625%
426,229	HRPT Properties Trust, Series A	9.875%
459,400	HRPT Properties Trust, Series B	8.750%
99,800	New Plan Excel Realty Trust, Series E	7.625%
3,997	Prologis Trust, Series C	8.540%
96,275	Prologis Trust, Series G	6.750%
299,600	PS Business Parks, Inc.	7.000%
2,000	PS Business Parks, Inc., Series F	8.750%
700	PS Business Parks, Inc., Series K	7.950%
243,000	PS Business Parks, Inc., Series L	7.600%
149,000	Public Storage, Inc., Series E	6.750%
14,600	Public Storage, Inc., Series F	6.450%
31,400	Public Storage, Inc., Series Q	8.600%
156,850	Public Storage, Inc., Series R	8.000%
55,860	Public Storage, Inc., Series S	7.875%
45,000	Public Storage, Inc., Series T	7.625%
174,000	Public Storage, Inc., Series U	7.625%
31,500	Public Storage, Inc., Series V	7.500%
166,100	Regency Centers Corporation	7.450%
20,500	Simon Property Group, Inc., Series F	8.750%
20,650	Simon Property Group, Inc., Series G	7.890%
2,600	United Dominion Realty Trust	8.600%
500,000	Ventas Realty LP, Series WI	7.125%
30,000	Vornado Realty Trust, Series E	7.000%
1,200	Vornado Realty Trust, Series F	6.750%
165,000	Vornado Realty Trust, Series G	6.625%
183,000	Vornado Realty Trust, Series H	6.750%
76,776	Vornado Realty Trust, Series I	6.625%
1,987,734	Wachovia Preferred Funding Corporation	7.250%
130,300	Weingarten Realty Trust, Series E	6.950%
Total Real Estate		
SPECIALTY RETAIL - 0.0%		
30,300	Sherwin Williams Company, Series III (CORTS)	7.250%
THRIFTS & MORTGAGE FINANCE - 1.0%		
81,500	Countrywide Capital Trust II, Series II (CORTS)	8.000%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

70,800	Countrywide Capital Trust III (PPLUS)	8.050%
668,400	Countrywide Capital Trust IV	6.750%
3,800	Countrywide Financial Corporation Capital Trust I (CORTS)	8.000%
4,200	Washington Mutual Incorporated (CORTS)	7.750%

-----  
 Total Thrifts & Mortgage Finance  
 -----

U.S. AGENCY - 1.0%

6,700	Fannie Mae, (3)	4.750%
23,100	Fannie Mae, (3)	5.125%
30,000	Fannie Mae, (3)	5.810%
44,300	Fannie Mae, (3)	6.129%
23,000	Federal Home Loan Mortgage Corporation	5.300%
34,700	Federal Home Loan Mortgage Corporation, (3)	5.000%
59,100	Federal Home Loan Mortgage Corporation, (3)	6.000%
108,000	Federal Home Loan Mortgage Corporation, (3)	6.140%
40,000	Federal Home Loan Mortgage Corporation, (3)	5.100%
48,300	Federal Home Loan Mortgage Corporation, (3)	5.100%

-----  
 Total U.S. Agency  
 -----

34

SHARES	DESCRIPTION(1)	COUPON
-----		
WIRELESS TELECOMMUNICATION SERVICES - 0.8%		
60,100	AT&T Wireless (CORTS)	8.000%
28,000	AT&T Wireless, Series 2002-B (SATURNS)	9.250%
117,300	Telephone and Data Systems Inc.	7.600%
50,600	United States Cellular Corporation	8.750%
344,100	United States Cellular Corporation	7.500%

-----  
 Total Wireless Telecommunication Services  
 -----

Total \$25 Par (or similar) Securities (cost \$1,038,896,453)  
 -----

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURITY
-----			
CONVERTIBLE BONDS - 33.8% (23.0% OF TOTAL INVESTMENTS)			
AEROSPACE & DEFENSE - 1.6%			
\$ 3,860	AAR Corporation, 144A	2.875%	2/01/
4,600	Armor Holdings Inc.	2.000%	11/01/
3,515	Ceradyne Inc.	2.875%	12/15/
9,450	L-3 Communications Corporation, Series 144A	3.000%	8/01/
8,815	Lockheed Martin Corporation	4.090%	8/15/
-----			
30,240	Total Aerospace & Defense		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

-----				
AIRLINES - 0.7%				
3,735	Continental Airlines, Inc.		5.000%	6/15/
7,985	JetBlue Airways Corporation		3.750%	3/15/
-----				
11,720	Total Airlines			
-----				
AUTOMOBILES - 0.1%				
1,025	Fleetwood Enterprises Inc., 144A		5.000%	12/15/
-----				
BIOTECHNOLOGY - 2.6%				
11,800	Amgen Inc.		0.000%	3/01/
5,000	Cephalon Inc.		0.000%	6/15/
1,780	CV Therapeutics Inc.		2.750%	5/16/
2,250	CV Therapeutics Inc.		3.250%	8/16/
12,400	Genzyme Corporation		1.250%	12/01/
8,000	Invitrogen Corporation		2.000%	8/01/
9,450	Medimmune Inc.		1.000%	7/15/
-----				
50,680	Total Biotechnology			
-----				
CAPITAL MARKETS - 0.3%				
4,855	BlackRock Inc.		2.625%	2/15/
-----				
COMMERCIAL BANKS - 0.2%				
4,000	U.S. Bancorp, Series 144A		2.660%	8/21/
-----				
COMMERCIAL SERVICES & SUPPLIES - 0.4%				
7,000	Electronic Data Systems, Convertible Senior Notes, 144A		3.875%	7/15/
-----				
COMMUNICATIONS EQUIPMENT - 1.3%				
9,200	Ciena Corporation		3.750%	2/01/
5,595	Lucent Technologies Inc.		2.750%	6/15/
3,905	Nortel Networks Corp.		4.250%	9/01/
4,475	Powerwave Technologies Inc.		1.825%	11/15/
1,700	Powerwave Technologies Inc.		1.875%	11/15/
-----				
24,875	Total Communications Equipment			
-----				
CONSTRUCTION & ENGINEERING - 0.4%				
8,500	Quanta Services Incorporated		4.000%	7/01/
-----				
CONTAINERS & PACKAGING - 0.5%				
9,825	Sealed Air Corporation, 144A		3.000%	6/30/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

---

DIVERSIFIED FINANCIAL SERVICES - 0.6%				
10,325	CapitalSource Inc.		3.500%	7/15/
2,650	JMH Finance Limited		4.750%	9/06/
<hr/>				
12,975	Total Diversified Financial Services			

---

35

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)		COUPON	MATURI
<hr/>				
DIVERSIFIED TELECOMMUNICATION SERVICES - 0.2%				
\$ 3,325	CenturyTel Inc.		4.750%	8/01/
<hr/>				
ELECTRONIC EQUIPMENT & INSTRUMENTS - 0.7%				
17,940	Roper Industries Inc.		1.481%	1/15/
3,510	Vishay Intertechnology Inc.		3.625%	8/01/
<hr/>				
21,450	Total Electronic Equipment & Instruments			
<hr/>				
ENERGY EQUIPMENT & SERVICES - 2.1%				
3,495	Cal Dive International Inc.		3.250%	12/15/
4,200	Diamond Offshore Drilling, Inc.		1.500%	4/15/
12,025	Nabors Industries Inc.		0.000%	6/15/
3,185	Oil States International Inc., Series 144A		2.375%	7/01/
7,115	Pride International Inc.		3.250%	5/01/
3,325	Schlumberger Limited		2.125%	6/01/
<hr/>				
33,345	Total Energy Equipment & Services			
<hr/>				
GAS UTILITIES - 0.1%				
30	Southern Union Company, Series B		5.750%	8/16/
<hr/>				
HEALTH CARE EQUIPMENT & SUPPLIES - 1.7%				
5,745	Advanced Medical Optics		2.500%	7/15/
8,195	Fisher Scientific International Inc.		3.250%	3/01/
18,695	Medtronic, Inc.		1.250%	9/15/
<hr/>				
32,635	Total Health Care Equipment & Supplies			
<hr/>				
HEALTH CARE PROVIDERS & SERVICES - 0.3%				



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

8,510	Roche Holdings Inc., 144A	0.000%	7/15/
-----			
	HOTELS, RESTAURANTS & LEISURE - 2.9%		
7,875	Caesars Entertainment Inc.	4.115%	4/15/
18,205	Carnival Corporation	1.132%	4/29/
8,535	Hilton Hotels Corporation	3.375%	4/15/
7,125	Kerzner International Limited, 144A	2.375%	4/15/
8,475	Scientific Games Corporation	0.750%	12/01/
3,875	Starwood Hotels and Resorts Worldwide Inc.	3.500%	5/16/
-----			
54,090	Total Hotels, Restaurants & Leisure		
-----			
	INDUSTRIAL CONGLOMERATES - 1.1%		
5,720	3M Company	0.000%	11/21/
7,200	Tyco International Group SA	3.125%	1/15/
4,650	Tyco International Group SA, Convertible Notes, 144A	3.125%	1/15/
-----			
17,570	Total Industrial Conglomerates		
-----			
	INSURANCE - 0.6%		
10,315	American Equity Investment Life Holding Company	5.250%	12/06/
-----			
	INTERNET SOFTWARE & SERVICES - 0.4%		
7,800	Open Solutions Inc.	1.467%	2/02/
7,885	Open Solutions Inc., 144A	1.467%	2/02/
-----			
15,685	Total Internet Software & Services		
-----			
	IT SERVICES - 0.1%		
2,900	Digital River Inc.	1.250%	1/01/
-----			
	LEISURE EQUIPMENT & PRODUCTS - 0.1%		
1,165	K2 Corporation, Convertible Notes, 144A	5.000%	6/15/
-----			
	MACHINERY - 0.3%		
5,635	AGCO Corporation, Series B	1.750%	12/31/
-----			
	MEDIA - 3.3%		
415	Comcast Corporation	2.000%	10/15/
8,480	Liberty Media Corporation	0.750%	3/30/
14,725	Liberty Media Corporation, Senior Debentures Exchangeable for Motorola Common Stock	3.500%	1/15/
26,800	Liberty Media Corporation, Senior Debentures, Exchangeable for PCS Common Stock, Series 1	4.000%	11/15/
2,395	Lions Gate Entertainment Corporation, 144A	2.938%	10/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

36

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURITY
	MEDIA (continued)		
\$ 3,300	Lions Gate Entertainment Corporation, 144A	3.625%	3/15/
3,500	Sirius Satellite Radio Inc.	3.250%	10/15/
59,615	Total Media		
	MULTI-UTILITIES - 0.5%		
8,625	Dominion Resources Inc., Series C	2.125%	12/15/
	OIL, GAS & CONSUMABLE FUELS - 1.6%		
1,600	Chesapeake Energy Corporation, 144A	2.750%	11/15/
23,475	Devon Energy Corporation	4.900%	8/15/
1,720	McMoran Exploration Corporation, Notes, 144A	6.000%	7/02/
26,795	Total Oil, Gas & Consumable Fuels		
	PHARMACEUTICALS - 2.2%		
4,150	Alexion Pharmaceuticals Inc.	1.375%	2/01/
4,580	Alexion Pharmaceuticals Inc., 144A	1.375%	2/01/
13,055	Allergan Inc., Convertible Zero Coupon Senior Notes	0.000%	11/06/
9,450	Teva Pharmaceutical Finance, Series B	0.250%	2/01/
8,500	Wyeth, 144A	1.000%	1/15/
39,735	Total Pharmaceuticals		
	REAL ESTATE - 0.1%		
2,040	Avatar Holdings Inc., 144A	4.500%	4/01/
	ROAD & RAIL - 0.5%		
10,500	CSX Corporation	0.000%	10/30/
	SEMICONDUCTORS & EQUIPMENT - 2.5%		
8,325	Agere Systems Inc.	6.500%	12/15/
6,710	ASM International NV	4.250%	12/06/
5,500	ASM Lithography Holding NV	5.750%	10/15/
8,450	Intel Corporation, 144A	2.950%	12/15/
9,220	LSI Logic Corporation	4.000%	5/15/
4,590	Micron Technology, Inc.	2.500%	2/01/
7,370	RF Micro Devices, Inc.	1.500%	7/01/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

50,165	Total Semiconductors & Equipment		
-----			
	SOFTWARE - 0.8%		
7,100	Mentor Graphics Corporation, Convertible Subordinated Notes	6.875%	6/15/
4,525	Sybase Inc., 144A	1.750%	2/22/
4,880	Sybase, Inc.	1.750%	2/22/
-----			
16,505	Total Software		
-----			
	SPECIALTY RETAIL - 2.0%		
7,820	Charming Shoppes Inc.	4.750%	6/01/
6,130	Dick's Sporting Goods Inc.	1.606%	2/18/
9,170	Lowe's Companies, Inc.	0.861%	10/19/
5,135	Sonic Automotive Inc., Convertible Senior Subordinated Notes	5.250%	5/07/
11,975	The TJX Companies, Inc.	0.000%	2/13/
-----			
40,230	Total Specialty Retail		
-----			
	TRADING COMPANIES & DISTRIBUTORS - 0.2%		
3,860	GATX Corporation	7.500%	2/01/
-----			
	WIRELESS TELECOMMUNICATION SERVICES - 0.8%		
4,755	American Tower Corporation	3.000%	8/15/
9,000	NII Holdings Inc., 144A	2.750%	8/15/
-----			
13,755	Total Wireless Telecommunication Services		
-----			
644,175	Total Convertible Bonds (cost \$639,874,795)		
-----			

37

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
-----			
	CORPORATE BONDS - 15.1% (10.3% OF TOTAL INVESTMENTS)		
	AEROSPACE & DEFENSE - 0.2%		
\$ 3,500	K&F Acquisition Inc.	7.750%	11/15/
-----			
	AUTO COMPONENTS - 0.3%		
1,950	Affinia Group Inc.	9.000%	11/30/
1,300	Keystone Automotive Operations Inc.	9.750%	11/01/
3,000	Tenneco Auto, Inc.	10.250%	7/15/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

6,250	Total Auto Components		
	BUILDING PRODUCTS - 0.2%		
4,000	Jacuzzi Brands, Inc.	9.625%	7/01/
	CHEMICALS - 0.7%		
2,000	Nell AF Sarl	8.375%	8/15/
6,500	OM Group Inc.	9.250%	12/15/
3,500	Resolution Performance Products LLC	8.000%	12/15/
3,000	Rockwood Specialties Group Inc., Series WI	7.500%	11/15/
15,000	Total Chemicals		
	COMMERCIAL BANKS - 0.2%		
4,000	HBOS plc, Series 144A	6.413%	9/29/
	COMMERCIAL SERVICES & SUPPLIES - 0.5%		
5,500	DST Systems Inc.	4.125%	8/15/
2,000	National Mentor Inc.	9.625%	12/01/
7,500	Total Commercial Services & Supplies		
	CONTAINERS & PACKAGING - 0.6%		
2,000	Berry Plastics Corporation	10.750%	7/15/
3,450	MDP Acquisitions plc, Senior Notes	9.625%	10/01/
3,000	Owens-Brockway Glass Containers, Guaranteed Senior Note	8.250%	5/15/
3,000	Owens-Illinois Inc.	7.500%	5/15/
11,450	Total Containers & Packaging		
	DIVERSIFIED CONSUMER SERVICES - 0.1%		
2,000	Service Corporation International	7.700%	4/15/
	DIVERSIFIED TELECOMMUNICATION SERVICES - 0.1%		
2,000	INTELSAT Bermuda Limited, Series 144A	8.250%	1/15/
750	Syniverse Technologies Inc., Series B	7.750%	8/15/
2,750	Total Diversified Telecommunication Services		
	ELECTRIC UTILITIES - 0.2%		
2,000	Midwest Generation LLC	8.750%	5/01/
500	Mirant North America LLC., 144A	7.375%	12/31/
1,000	Sierra Pacific Resources, Series 144A	6.750%	8/15/
3,500	Total Electric Utilities		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

ENERGY EQUIPMENT & SERVICES - 0.1%				
2,500	Pride International Inc.		7.375%	7/15/
FOOD & STAPLES RETAILING - 0.1%				
3,000	Stater Brothers Holdings Inc.		8.125%	6/15/
FOOD PRODUCTS - 0.8%				
7,610	Del Monte Corporation		8.625%	12/15/
7,000	Dole Foods Company		8.750%	7/15/
1,096	Dole Foods Company		8.625%	5/01/
15,706	Total Food Products			
HEALTH CARE PROVIDERS & SERVICES - 0.4%				
3,000	Quintiles Transnational Corporation		10.000%	10/01/
700	Select Medical Corporation		7.625%	2/01/
3,000	U.S. Oncology Inc.		10.750%	8/15/
6,700	Total Health Care Providers & Services			

38

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)		COUPON	MATURI
HOTELS, RESTAURANTS & LEISURE - 2.1%				
\$ 5,190	Aztar Corporation		9.000%	8/15/
2,345	Boyd Gaming Corporation		8.750%	4/15/
4,075	Boyd Gaming Corporation		7.750%	12/15/
3,172	Dominos Inc.		8.250%	7/01/
1,500	Herbst Gaming Inc.		7.000%	11/15/
4,100	Intrawest Corporation		7.500%	10/15/
2,000	Landry's Restaurants Inc., Series B		7.500%	12/15/
2,000	MGM Mirage, Inc.		6.750%	8/01/
1,000	Park Place Entertainment		9.375%	2/15/
1,000	Park Place Entertainment		7.875%	3/15/
4,000	Penn National Gaming Inc., Senior Subordinated Notes		8.875%	3/15/
3,000	Pinnacle Entertainment Inc.		8.750%	10/01/
2,000	Pinnacle Entertainment Inc.		8.250%	3/15/
4,000	Universal City Development Partners		11.750%	4/01/
39,382	Total Hotels, Restaurants & Leisure			
HOUSEHOLD DURABLES - 0.7%				
4,500	K. Hovnanian Enterprises Inc., Senior Subordinated Notes		8.875%	4/01/

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

5,000	KB Home	8.625%	12/15/
4,600	Stanley Works Capital Trust I, 144A	5.902%	12/01/
<hr/>			
14,100	Total Household Durables		
<hr/>			
INDEPENDENT POWER PRODUCERS & ENERGY TRADERS - 0.1%			
1,239	NRG Energy Inc., Series WI	8.000%	12/15/
<hr/>			
INSURANCE - 0.2%			
2,300	AIG Capital Trust I, 144A	5.900%	12/21/
2,500	Fairfax Financial Holdings Ltd	7.750%	4/26/
<hr/>			
4,800	Total Insurance		
<hr/>			
IT SERVICES - 0.4%			
1,950	Global Cash Access LLC	8.750%	3/15/
4,750	SunGard Data Systems Inc., Series 144A	9.125%	8/15/
<hr/>			
6,700	Total IT Services		
<hr/>			
MACHINERY - 0.4%			
3,000	Terex Corporation, Senior Subordinated Notes	10.375%	4/01/
3,000	Terex Corporation, Senior Subordinated Notes	9.250%	7/15/
1,000	The Greenbrier Companies, Inc.	8.375%	5/15/
800	The Greenbrier Companies, Inc., 144A	8.375%	5/15/
<hr/>			
7,800	Total Machinery		
<hr/>			
MEDIA - 3.7%			
6,900	Allbritton Communications Company, Series B	7.750%	12/15/
2,000	AMC Entertainment Inc.	8.000%	3/01/
1,345	American Media Operations Inc.	8.875%	1/15/
5,100	American Media Operations Inc., Series B	10.250%	5/01/
3,000	Cablevision Systems Corporation	7.250%	7/15/
2,000	Cablevision Systems Corporation	8.125%	7/15/
5,000	Cablevision Systems Corporation, Series B	8.125%	8/15/
2,000	Charter Communications Operating LLC, 144A	8.000%	4/30/
6,000	Cinemark USA Inc.	9.000%	2/01/
1,000	Dex Media West LLC	8.500%	8/15/
2,198	Dex Media West LLC	9.875%	8/15/
3,000	Lowes Cineplex Entertainment Corporation, Series WI	9.000%	8/01/
3,855	Mail-Well I Corporation, Senior Unsecured Note, 144A	9.625%	3/15/
4,000	Medianews Group Inc.	6.375%	4/01/
1,950	Panamsat Corporation	9.000%	8/15/
7,000	Primedia Inc., Senior Notes	8.875%	5/15/
2,000	R. H. Donnelley Finance Corp 1	10.875%	12/15/
2,000	Sun Media Corporation	7.625%	2/15/
6,200	Vertis Inc.	9.750%	4/01/
2,000	Young Broadcasting Inc.	8.750%	1/15/
5,500	Young Broadcasting Inc., Senior Subordinated Note	10.000%	3/01/
<hr/>			
74,048	Total Media		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

39

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
	METALS & MINING - 0.3%		
\$ 3,000	Chaparral Steel Company	10.000%	7/15/
1,682	United States Steel Corporation	9.750%	5/15/
4,682	Total Metals & Mining		
	MULTI-UTILITIES - 0.0%		
500	Northwestern Corporation	5.875%	11/01/
	OIL, GAS & CONSUMABLE FUELS - 0.6%		
600	Chaparral Energy Inc., 144A	8.500%	12/01/
4,345	Chesapeake Energy Corporation	7.750%	1/15/
2,000	Hilcorp Energy I LP/Hilcorp Finance Company, Series 144A	7.750%	11/01/
2,000	Premcor Refining Group Inc.	7.500%	6/15/
3,000	SemGroup LP, 144A	8.750%	11/15/
250	Whiting Petroleum Corporation, Series 144A	7.000%	2/01/
12,195	Total Oil, Gas & Consumable Fuels		
	PAPER & FOREST PRODUCTS - 0.3%		
2,000	Georgia Pacific Corporation, Debentures	7.700%	6/15/
5,000	Georgia Pacific Corporation, Notes	8.125%	5/15/
7,000	Total Paper & Forest Products		
	PERSONAL PRODUCTS - 0.1%		
1,600	Prestige Brands Inc.	9.250%	4/15/
	PHARMACEUTICALS - 0.1%		
2,000	Alpharma Inc., Reg S	8.625%	5/01/
	REAL ESTATE - 0.1%		
1,000	Trustreet Properties, Inc.	7.500%	4/01/
	SEMICONDUCTORS & EQUIPMENT - 0.1%		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

1,200	Avago Technologies Finance Pte. Ltd., 144A	10.125%	12/01/
-----			
SPECIALTY RETAIL - 0.9%			
6,000	Asbury Automotive Group Inc.	9.000%	6/15/
1,000	GSC Holdings Corporation, 144A	8.000%	10/01/
1,110	Movie Gallery Inc., Series WI	11.000%	5/01/
1,000	Quiksilver Inc.	6.875%	4/15/
8,000	Warnaco Inc., Senior Notes	8.875%	6/15/
-----			
17,110	Total Specialty Retail		
-----			
TEXTILES & APPAREL - 0.2%			
4,000	Jostens IH Corporation	7.625%	10/01/
-----			
TRADING COMPANIES & DISTRIBUTORS - 0.1%			
2,000	United Rentals North America Inc.	6.500%	2/15/
-----			
WIRELESS TELECOMMUNICATION SERVICES - 0.2%			
4,000	Nextel Communications, Inc., Series D	7.375%	8/01/
-----			
293,212	Total Corporate Bonds (cost \$304,127,859)		
-----			
PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURI
-----			
CAPITAL PREFERRED SECURITIES - 32.2% (21.9% OF TOTAL INVESTMENTS)			
CAPITAL MARKETS - 5.7%			
6,273	BT Capital Trust, Series B1	7.900%	1/15/
15,000	BT Institutional Capital Trust A, 144A	8.090%	12/01/
2,000	BT Institutional Capital Trust B, 144A	7.750%	12/01/
1,250	C.A. Preferred Fund Trust II	7.000%	10/30/
32,750	C.A. Preferred Funding Trust	7.000%	1/30/
3,000	Compass Trust I, Series A	8.230%	1/15/
3,500	First Union Capital Trust II, Series A	7.950%	11/15/
500	First Union Institutional Capital II	7.850%	1/01/

40

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURI
-----			
CAPITAL MARKETS (continued)			
2,000	First Union Institutional Capital Securities I	8.040%	12/01/



Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

19,335	Mellon Capital Trust I, Series A	7.720%	12/01/
9,000	State Street Institutional Capital Trust, 144A	8.035%	3/15/
12,419	Washington Mutual Capital Trust I	8.375%	6/01/

---

Total Capital Markets

---

COMMERCIAL BANKS - 17.9%

2,000	AB Svensk Exportkredit, 144A	6.375%	10/27/
8,000	Abbey National Capital Trust I	8.963%	6/30/
43,100	AgFirst Farm Credit Bank	7.300%	12/15/
12,120	Bank One Capital III	8.750%	9/01/
1,974	BankAmerica Capital II, Series 2	8.000%	12/15/
2,600	BankAmerica Institutional Capital Trust, Series B, 144A	7.700%	12/31/
5,000	BankAmerica Institutional Trust, 144A	8.070%	12/31/
2,000	BankBoston Capital Trust I, Series B	8.250%	12/15/
1,000	BanPonce Trust I, Series A	8.327%	2/01/
4,500	Barclays Bank plc	6.278%	12/15/
4,000	Barclays Bank plc, 144A	8.550%	6/15/
500	Barnett Capital I	8.060%	12/01/
2,200	DBS Capital Funding Corporation, 144A	7.657%	3/15/
4,315	First Chicago NBD Institutional Capital Trust, Series B, 144A	7.750%	12/01/
6,000	First Chicago NBD Institutional Capital, 144A	7.950%	12/01/
5,750	First Empire Capital Trust I	8.234%	2/01/
11,550	First Empire Capital Trust II	8.277%	6/01/
4,250	First Midwest Bancorp Inc.	6.950%	12/01/
41,650	HBOS Capital Funding LP, Notes	6.850%	3/23/
12,838	HSBC Capital Funding LP, 144A	9.547%	12/31/
14,000	HSBC Capital Funding LP, Debt	10.176%	6/30/
19,605	KBC Bank Fund Trust III, 144A	9.860%	5/02/
4,000	KeyCorp Capital III	7.750%	7/15/
15,000	KeyCorp Institutional Capital Trust A	7.826%	12/01/
17,000	Lloyds TSB Bank plc, Subordinated Note	6.900%	11/22/
1,000	Nordbanken AB, 144A	8.950%	11/29/
18,500	North Fork Capital Trust II	8.000%	12/15/
500	PNC Institutional Capital Securities, 144A	7.950%	12/15/
2,000	Popular North American Capital Trust I	6.564%	9/15/
16,750	RBS Capital Trust B	6.800%	12/31/
2,000	Reliance Capital Trust I, Series B	8.170%	5/01/
1,202	Republic New York Capital II, Capital Securities	7.530%	12/04/
6,200	Royal Bank of Scotland Group plc	9.118%	3/31/
4,000	SocGen Real Estate Company LLC, 144A	7.640%	12/29/
4,472	St. George Funding Company LLC, 144A	8.485%	12/31/
2,250	Swedbank ForeningsSparbanken AB, 144A	9.000%	9/17/
13,330	Unicredito Italiano Capital Trust, 144A	9.200%	4/05/
3,800	Union Planters Capital Trust A	8.200%	12/15/
2,000	Zions Institutional Capital Trust, Series A	8.536%	12/15/

---

Total Commercial Banks

---

DIVERSIFIED FINANCIAL SERVICES - 2.6%

9,000	BNP Paribas Capital Trust	7.200%	12/31/
1,000	Citigroup Capital III	7.625%	12/01/
10,000	ING Capital Funding Trust III	8.439%	12/30/
2,150	JPM Capital Trust I	7.540%	1/15/
3,000	JPM Capital Trust II	7.950%	2/01/
23,600	Old Mutual Capital Funding, Notes	8.000%	6/22/

---

Total Diversified Financial Services

---

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

DIVERSIFIED TELECOMMUNICATION SERVICES - 1.2%

19 Centaur Funding Corporation, Series B, 144A 9.080% 4/21/

INSURANCE - 3.9%

987 Allstate Financing II 7.830% 12/01/

41

Nuveen Preferred and Convertible Income Fund 2 (JQC) (continued)  
Portfolio of INVESTMENTS December 31, 2005

PRINCIPAL AMOUNT (000)/ SHARES	DESCRIPTION(1)	COUPON	MATURI
--------------------------------------	----------------	--------	--------

INSURANCE (continued)

10,000	American General Capital II	8.500%	7/01/
4,980	American General Institutional Capital, 144A	8.125%	3/15/
14,250	Mangrove Bay, Class 3, 144A	6.102%	7/15/
3,750	Prudential plc	6.500%	6/29/
13,500	Sun Life Canada Capital Trust, Capital Securities, 144A	8.526%	5/06/
23,000	Zurich Capital Trust I, 144A	8.376%	6/01/

Total Insurance

OIL, GAS & CONSUMABLE FUELS - 0.7%

12,355	KN Capital Trust III	7.630%	4/15/
--------	----------------------	--------	-------

THRIFTS & MORTGAGE FINANCE - 0.2%

500	Countrywide Capital Trust I	8.000%	12/15/
3,365	Great Western Financial Trust II, Series A	8.206%	2/01/

Total Thrifts & Mortgage Finance

U.S. AGENCY - 0.0%

8	Fannie Mae	5.100%	4/15/
---	------------	--------	-------

Total Capital Preferred Securities (cost \$655,426,603)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	COUPON	MATURI
---------------------------	----------------	--------	--------

SHORT-TERM INVESTMENTS - 2.2% (1.5% OF TOTAL INVESTMENTS)

Repurchase Agreement with State Street Bank, dated 12/30/05,

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

repurchase price \$44,921,363, collateralized by  
 \$46,235,000, U.S. Treasury Notes, 4.000%, due 6/15/09,  
 \$ 44,905 valued at \$45,805,523 3.250% 1/03/

-----  
 Total Short-Term Investments (cost \$44,905,147)  
 -----

Total Investments (cost \$2,916,192,715) - 146.7%  
 -----

Other Assets Less Liabilities - 1.5%  
 -----

Preferred Shares, at Liquidation Value - (48.2)%  
 -----

Net Assets Applicable to Common Shares - 100%  
 =====

INTEREST RATE SWAPS OUTSTANDING AT DECEMBER 31, 2005:

COUNTERPARTY	NOTIONAL AMOUNT	FIXED RATE PAID BY THE FUND (ANNUALIZED)	FIXED RATE PAYMENT FREQUENCY	FLOATING RATE RECEIVED BY THE FUND (4)	FLOATING RATE PAYMENT FREQUENCY
JPMorgan	\$97,000,000	3.395%	Monthly	4.320%	M
JPMorgan	97,000,000	3.360%	Monthly	4.370%	M
Morgan Stanley	97,000,000	2.025%	Monthly	4.370%	M
Morgan Stanley	97,000,000	3.048%	Monthly	4.370%	M
Royal Bank of Canada	97,000,000	2.679%	Monthly	4.370%	M

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Ratings (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below Baa by Moody's Investor Services, Inc. or BBB by Standard and Poor's group are considered to be below investment grade.
- (3) Security is eligible for the Dividends Received Deduction.
- (4) Based on LIBOR (London Interbank Offered Rate).
- N/R Investment is not rated.

144A Securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may only be resold in transactions exempt from registration which are normally those transactions with qualified institutional buyers.

Reg S Regulation S allows U.S. companies to sell securities to persons or entities located outside of the U.S. without registering those securities with the Securities and Exchange Commission. Specifically, Reg S

provides a safe harbor from the registration requirements of the Securities Act for the offers and sales of securities by both foreign and domestic issuers that are made outside the United States.

CBTCS Corporate Backed Trust Certificates.

CORTS Corporate Backed Trust Securities.

PCARS Public Credit and Repackaged Securities.

PPLUS PreferredPlus Trust.

SATURNS Structured Asset Trust Unit Repackaging.

See accompanying notes to financial statements.

Statement of  
ASSETS AND LIABILITIES December 31, 2005

-----  
ASSETS

Investments, at value (cost \$2,085,896,857 and \$2,916,192,715, respectively)

Cash

Unrealized appreciation on interest rate swaps

Receivables:

    Dividends

    Interest

    Investments sold

    Reclaims

Other assets

-----  
Total assets

-----  
LIABILITIES

Cash overdraft

Payable for investments purchased

Accrued expenses:

    Management fees

    Other

FundPreferred shares dividends payable

-----  
Total liabilities

-----  
FundPreferred shares, at liquidation value

-----  
Net assets applicable to Common shares

=====  
Common shares outstanding

=====  
Net asset value per Common share outstanding (net assets applicable to  
Common shares, divided by Common shares outstanding)  
=====

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

-----  
Common shares, \$.01 par value per share  
Paid-in surplus  
Undistributed (Over-distribution of) net investment income  
Accumulated net realized gain (loss) from investments and derivative transactions  
Net unrealized appreciation (depreciation) of investments and derivative transactions  
-----

Net assets applicable to Common shares  
=====

Authorized shares:

Common  
FundPreferred shares  
=====

See accompanying notes to financial statements.

43

Statement of  
OPERATIONS Year Ended December 31, 2005

-----  
INVESTMENT INCOME

Dividends (net of foreign tax withheld of \$16,529 and \$27,074, respectively)  
Interest  
-----

Total investment income  
-----

EXPENSES

Management fees  
Dividend expense on securities sold short  
FundPreferred shares - auction fees  
FundPreferred shares - dividend disbursing agent fees  
Shareholders' servicing agent fees and expenses  
Custodian's fees and expenses  
Trustees' fees and expenses  
Professional fees  
Shareholders' reports - printing and mailing expenses  
Stock exchange listing fees  
Investor relations expense  
Other expenses  
-----

Total expenses before custodian fee credit and expense reimbursement

Custodian fee credit  
Expense reimbursement  
-----

Net expenses  
-----

Net investment income  
-----

REALIZED AND UNREALIZED GAIN (LOSS) Net realized gain (loss) from:

Investments  
Futures

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Interest rate swaps  
 Change in net unrealized appreciation (depreciation) of:  
 Investments  
 Futures  
 Interest rate swaps

-----  
 Net realized and unrealized gain (loss)  
 -----

DISTRIBUTIONS TO FUNDPREFERRED SHAREHOLDERS

From net investment income  
 From accumulated net realized gains

-----  
 Decrease in net assets applicable to Common shares from distributions to  
 FundPreferred shareholders  
 -----

Net increase (decrease) in net assets applicable to Common shares from operations  
 =====

See accompanying notes to financial statements.

44

Statement of  
 CHANGES IN NET ASSETS

	PREFERRED AND CONVERTIBLE INCOME (JPC)			
	YEAR ENDED 12/31/05	FIVE MONTHS ENDED 12/31/04	YEAR ENDED 7/31/04	YEAR ENDED 12/31/03
-----				
OPERATIONS				
Net investment income	\$ 112,807,428	\$ 51,569,038	\$ 125,132,929	\$ 157,318,683
Net realized gain (loss) from:				
Investments	19,497,960	2,985,875	27,972,286	12,860,799
Futures	(425,117)	--	--	245,100
Interest rate swaps	1,556,692	(974,786)	(2,330,892)	2,000,191
Change in net unrealized appreciation (depreciation) of:				
Investments	(96,969,970)	85,689,077	39,651,341	(119,738,770)
Futures	325,875	(325,875)	--	424,500
Interest rate swaps	3,055,918	(989,371)	5,573,214	4,331,569
Distributions to FundPreferred shareholders:				
From net investment income	(21,981,246)	(4,040,083)	(8,171,424)	(29,789,687)
From accumulated net realized gains	(482,035)	(1,465,951)	(384,871)	(944,714)
-----				
Net increase (decrease) in net assets applicable to Common shares from operations	17,385,505	132,447,924	187,442,583	26,707,671
-----				
DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(114,775,658)	(50,311,897)	(121,827,639)	(153,140,768)
From accumulated net realized gains	(16,385,704)	(23,388,774)	(4,581,333)	(12,048,934)

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(131,161,362)	(73,700,671)	(126,408,972)	(165,189,702)
CAPITAL SHARE TRANSACTIONS				
Common shares:				
Offering costs adjustments	--	(4,237)	(188,221)	--
Net proceeds from shares issued to shareholders due to reinvestment of distributions	--	--	1,175,103	--
Fund Preferred shares offering costs and adjustments	--	(4,237)	(20,355)	(1,595)
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	--	(8,474)	966,527	(1,595)
Net increase (decrease) in net assets applicable to Common shares	(113,775,857)	58,738,779	62,000,138	(138,483,626)
Net assets applicable to Common shares at the beginning of period	1,533,721,773	1,474,982,994	1,412,982,856	2,140,563,106
Net assets applicable to Common shares at the end of period	\$1,419,945,916	\$1,533,721,773	\$1,474,982,994	\$2,002,079,480
Undistributed (Over-distribution of) net investment income at the end of period	\$ (24,775,814)	\$ (11,275,840)	\$ (5,581,774)	\$ (26,435,019)

See accompanying notes to financial statements.

Notes to  
FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Each Fund seeks to provide high current income by investing primarily in a portfolio of preferred securities, convertible securities and, to a lesser degree, high yield securities. Each Fund may also invest in other debt instruments and common stocks acquired upon conversion of a convertible security.

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

The Board of Trustees of the Funds approved a change in the Funds' fiscal year end from July 31 to December 31 upon completion of the Funds' July 31, 2004 fiscal year.

Effective January 1, 2005, Nuveen Institutional Advisory Corp. ("NIAC") the Funds' previous adviser, and its affiliate, Nuveen Advisory Corp. ("NAC"), were merged into Nuveen Asset Management ("NAM"), each wholly owned subsidiaries of Nuveen Investments, Inc. ("Nuveen"). As a result of the merger, NAM is now the Adviser to all funds previously advised by either NIAC or NAC.

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

### Investment Valuation

Exchange-listed securities and instruments, other than futures, are generally valued at the last sales price on the exchange on which such securities or instruments are primarily traded. Securities or instruments traded on an exchange for which there are no transactions on a given day or securities or instruments not listed on an exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. Futures contracts are valued using the closing settlement price or, in the absence of such a price, at the mean of the bid and asked prices. Prices of other derivative instruments are provided by an independent pricing service approved by the Funds' Board of Trustees. The prices of fixed-income securities are generally also provided by an independent pricing service approved by the Funds' Board of Trustees and based on the mean between the bid and asked prices. When price quotes are not readily available, the pricing service or, in the absence of a pricing service for a particular security or instrument, the Board of Trustees of the Funds, or its designee, may establish fair market value using a wide variety of market data including yields or prices of securities of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant by the pricing service or the Board of Trustee's designee. Short-term investments are valued at amortized cost, which approximates market value.

### Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from investment transactions are determined on the specific identification method. Investments purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At December 31, 2005, there were no such outstanding purchase commitments in either fund.

### Investment Income

Dividend income on securities purchased and dividend expense on securities sold short are recorded on the ex-dividend date or, for foreign securities, when information is available. Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis.



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

### Professional Fees

Professional fees presented in the Statement of Operations consist of legal fees incurred in the normal course of operations, audit fees, tax consulting fees and, in some cases, workout expenditures. Workout expenditures are incurred in an attempt to protect or enhance an investment, or to pursue other claims or legal actions on behalf of Fund shareholders.

### Federal Income Taxes

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

### Dividends and Distributions to Common Shareholders

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

Distributions to Common shareholders are declared monthly. With respect to the Real Estate Investment Trust ("REIT") securities held in the Funds' Portfolio of Investments, distributions received by the Funds are generally comprised of ordinary income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period is not known until after the fiscal year-end. For the fiscal year ended December 31, 2005, the character of distributions to the Funds from the REITs was as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Ordinary income	66.92%	71.62%
Long-term and short-term capital gains	33.08	28.38
Return of REIT capital	--	--
=====		

For the fiscal period ended December 31, 2004, the character of distributions to the Funds from the REITs was as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Ordinary income	83.15%	83.29%
Long-term and short-term capital gains	14.69	15.13
Return of REIT capital	2.16	1.58
=====		

For the fiscal year ended July 31, 2004, the character of distributions to the Funds from the REITs was as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Ordinary income	83.54%	81.49%
Long-term and short-term capital gains	16.33	18.44
Return of REIT capital	.13	.07

47

Notes to  
FINANCIAL STATEMENTS (continued)

For the fiscal year ended December 31, 2005, and the fiscal period ended December 31, 2004, each Fund applied the actual character of distributions reported by the REITs in which the Fund invests to its receipts from the REITs. If a REIT held in the portfolio of investments did not report the actual character of its distributions during the period, the Fund treated the distributions as ordinary income.

For the fiscal year ended July 31, 2004, each Fund applied a percentage estimate for the breakdown of income type, to its receipts from the REITs and treated as income in the Statement of Operations only the amount of ordinary income so calculated. Each Fund adjusted that estimated breakdown of income type (and consequently its net investment income) as necessary in the following calendar year when the REITs informed their shareholders of the actual breakdown of income type.

For the fiscal year ended December 31, 2005, and the fiscal period ended December 31, 2004, each Fund applied the actual character of distributions reported by the REITs in which the Fund invests to the distributions paid to each Fund's shareholders.

With respect to the portion of each Fund's monthly distribution to its shareholders derived from the Fund's investments in REIT securities for the fiscal year ended July 31, 2004, each Fund treated that portion of its distribution as being entirely from net investment income. The Funds recharacterized those distributions as being from ordinary income, long-term and short-term capital gains, and return of capital, if necessary, in the subsequent calendar year, based upon the income type breakdown information conveyed at that time by the REITs whose securities were held in each Fund's portfolio. Consequently, the financial statements for the fiscal year ended July 31, 2004, reflected an over-distribution of net investment income that was at least partly attributable to the fact that, as of the date of the financial statements, some of the amounts received by the Funds from the portfolio REITs, but none of the dividends paid by the Funds to shareholders from the portfolio REITs were treated as something other than ordinary income.

48

FundPreferred Shares

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

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

The number of shares outstanding, by Series and in total, for each Fund is as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Number of shares:		
Series M	4,720	3,860
Series M2	--	3,860
Series T	4,720	3,860
Series T2	--	3,860
Series W	4,720	3,860
Series W2	--	3,860
Series TH	4,720	3,860
Series TH2	--	3,860
Series F	4,720	3,860
Series F2	4,720	3,860
-----		
Total	28,320	38,600
=====		

### Interest Rate Swap Transactions

The Funds may invest in certain derivative financial instruments. The Funds' use of interest rate swap transactions is intended to mitigate the negative impact that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swap transactions involve each Fund's agreement with the counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate each Fund's variable rate payment obligation on Fund Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the interest rate swap contract. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that each Fund is to receive. Interest rate swap positions are valued daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Funds help manage the credit risks associated with interest rate swap transactions by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser continually monitor the financial stability of the swap counterparties.

### Futures Contracts

Each Fund may use futures contracts to hedge against changes in the values of securities the Fund owns. Each Fund bears the market risk arising from changes in the value of these financial instruments. At the time a Fund enters into a futures contract, the Fund deposits and maintains as collateral an initial margin as required by the exchange on which the transaction is affected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses on futures contracts. Risk may arise from the potential inability of the counterparty to meet the terms of the contract. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the time it was closed. At December 31, 2005, there were no open futures contracts in either Fund.

Notes to  
FINANCIAL STATEMENTS (continued)

#### Short Sales

The Funds are authorized to make short sales of securities if the Funds own at least an equal amount of such securities or securities convertible into securities of the same issuer. To secure its obligation to deliver securities sold short, the Funds have instructed the custodian to segregate assets in an equivalent amount of the securities sold short or securities convertible into or exchangeable for such securities. The Fund is obligated to pay to the party to which the securities were sold short, dividends declared on the stock by the issuer and records such amounts as expense in the Statement of Operations. Short sales are valued daily and the corresponding unrealized gains or losses are included in "Change in net unrealized appreciation (depreciation) of investments." At December 31, 2005, there were no outstanding short sales in either Fund.

#### Repurchase Agreements

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

#### Offering Costs

Costs incurred by Preferred and Convertible Income 2 (JQC) in connection with its offering of FundPreferred shares (\$19,728,655) during the fiscal year ended July 31, 2004, were recorded as a reduction to paid-in surplus.

#### Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

#### Indemnifications

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

#### Use of Estimates

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

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

2. FUND SHARES

Transactions in Common and FundPreferred shares were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)			PREFERRED AND CONVERTIBLE INCOME 2	
	YEAR ENDED 12/31/05	FOR THE FIVE MONTHS ENDED 12/31/04	YEAR ENDED 7/31/04	YEAR ENDED 12/31/05	FOR THE FIVE MONTHS ENDED 12/31/04
Common shares issued to shareholders due to reinvestment of distributions	--	--	79,185	--	--
	--	--	79,185	--	--
FundPreferred shares sold	--	--	--	--	--

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities and transactions in securities sold short but excluding short-term investments and derivative transactions) during the fiscal year ended December 31, 2005, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Purchases	\$773,346,851	\$1,001,583,371
Sales and maturities	790,526,712	1,006,461,840

Notes to  
FINANCIAL STATEMENTS (continued)

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis based on the information currently available to the Funds. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in the recognition of income and timing differences in recognizing certain gains and losses on investment transactions.

At December 31, 2005, the cost of investments was as follows:

PREFERRED AND	PREFERRED AND
------------------	------------------

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

	CONVERTIBLE INCOME (JPC)	CONVERTIBLE INCOME 2 (JQC)
-----		
Cost of investments	\$2,110,480,376	\$2,944,047,652
=====		

Gross unrealized appreciation and gross unrealized depreciation of investments at December 31, 2005, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	
-----		
Gross unrealized:		
Appreciation		\$ 70,993,985
Depreciation		(75,977,769)
-----		
Net unrealized appreciation (depreciation) of investments		\$ (4,983,784)
=====		

The tax components of undistributed net ordinary income and net realized gains at December 31, 2005, were as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Undistributed net ordinary income*	\$247,471	\$1,795,011
Undistributed net long-term capital gains	--	--
=====		

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

The tax character of distributions paid during the fiscal periods ended December 31, 2005, December 31, 2004, and July 31, 2004, was designated for purposes of the dividends paid deduction as follows:

YEAR ENDED DECEMBER 31, 2005	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
-----		
Distributions from ordinary income*	\$136,580,519	\$182,688,579
Distributions from net long-term capital gains**	16,867,739	12,933,648
=====		

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
FIVE MONTHS ENDED DECEMBER 31, 2004		
Distributions from net ordinary income*	\$82,128,245	\$89,938,792
Distributions from net long-term capital gains	7,112,884	2,762,657

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
YEAR ENDED JULY 31, 2004		
Distributions from net ordinary income*	\$134,895,598	\$162,336,998
Distributions from net long-term capital gains	--	22,781

- \* Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.
- \*\* The Fund designated as a long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Fund related to net capital gain to zero for the tax period ended December 31, 2005.

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

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

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

AVERAGE DAILY MANAGED ASSETS	FUND-LEVEL FEE RATE
For the first \$500 million	.7000%
For the next \$500 million	.6750
For the next \$500 million	.6500
For the next \$500 million	.6250
For Managed Assets over \$2 billion	.6000

Notes to  
FINANCIAL STATEMENTS (continued)

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the table below. As of December 31, 2005, the complex-level fee rate was .1895%.

COMPLEX-LEVEL ASSETS (1)	COMPLEX-LEVEL FEE RATE
For the first \$55 billion	.2000%
For the next \$1 billion	.1800
For the next \$1 billion	.1600
For the next \$3 billion	.1425
For the next \$3 billion	.1325
For the next \$3 billion	.1250
For the next \$5 billion	.1200
For the next \$5 billion	.1175
For the next \$15 billion	.1150
For Managed Assets over \$91 billion(2)	.1400

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

(2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser is responsible for the overall strategy and asset allocation decisions. The Adviser has entered into Sub-Advisory Agreements with Spectrum Asset Management, Inc. ("Spectrum"), Frolely, Revy Investment Co., Inc. ("Frolely, Revy") and Symphony Asset Management, LLC ("Symphony"). Spectrum manages the portion of the Funds' investment portfolios allocated to preferred securities. Frolely, Revy manages the portion of the Funds' investment portfolios allocated to convertible securities. Symphony manages the portion of the Funds' investment portfolios allocated to debt securities. Spectrum, Frolely, Revy and Symphony are compensated for their services to the Funds from the management fees paid to the Adviser. Spectrum also receives compensation on certain portfolio transactions for providing brokerage services to the Funds.

The Funds pay no compensation directly to those of its Trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Trustees has adopted a deferred compensation plan for independent Trustees that enables Trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised Funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised Funds.

54

For the first eight years of Preferred and Convertible Income's (JPC) 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 MARCH 31,		YEAR ENDING MARCH 31,	
2003*	.32%	2008	.32%
2004	.32	2009	.24
2005	.32	2010	.16
2006	.32	2011	.08
2007	.32		

\*From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income (JPC) for any portion of its fees and expenses beyond March 31, 2011.

For the first eight years of Preferred and Convertible Income 2's (JQC) 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 JUNE 30,		YEAR ENDING JUNE 30,	
2003*	.32%	2008	.32%
2004	.32	2009	.24
2005	.32	2010	.16
2006	.32	2011	.08
2007	.32		

\*From the commencement of operations.

The Adviser has not agreed to reimburse Preferred and Convertible Income 2 (JQC) for any portion of its fees and expenses beyond June 30, 2011.

### 6. ANNOUNCEMENT REGARDING PARENT COMPANY OF ADVISER

In early April, 2005, The St. Paul Travelers Companies, Inc. ("St. Paul Travelers"), which owned 79% of Nuveen, (A) completed a public offering of a substantial portion of its equity stake in Nuveen, (B) sold Nuveen \$200 million of its Nuveen shares, (C) entered into an agreement with Nuveen to sell an additional \$400 million of its Nuveen shares on a "forward" basis with payment for and settlement of these shares delayed for several months, and (D) entered into agreements with two unaffiliated investment banking firms to sell an amount equal to most or all of its remaining Nuveen shares for current payment but for future settlement. Transactions (C) and (D) above were settled in late July, which effectively reduced St. Paul Travelers' controlling stake in Nuveen and was deemed an "assignment" (as defined in the 1940 Act) of the investment management agreements between the Funds and the Adviser, which resulted in the

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

automatic termination of each agreement under the 1940 Act. In anticipation of such deemed assignment, the Board of Trustees had approved new ongoing investment management agreements for each Fund and the submission of those agreements for approval by each respective Fund's shareholders, which shareholder approval was received prior to the settlement of transactions (C) and (D). The new ongoing management agreements took effect upon such settlement.

### 7. SUBSEQUENT EVENTS

#### Distributions to Common Shareholders

The Funds declared Common share distributions which were paid on February 1, 2006, to shareholders of record on January 15, 2006, as follows:

	PREFERRED AND CONVERTIBLE INCOME (JPC)	PREFERRED AND CONVERTIBLE INCOME 2 (JQC)
Distribution per share	\$.0850	\$.0840

#### Announcement of Open-Market Share Repurchase Program

On February 3, 2006, the Funds' Board of Trustees approved an open market share repurchase program, as part of a broad, ongoing program of activity designed to support the market prices of the Funds' Common shares. At the Adviser's discretion, each Fund may repurchase up to 10% of its outstanding Common shares.

55

### Financial HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

	Investment Operations					
	Beginning Common Share Net Asset Value	Net Investment Income (a)	Net Realized/ Unrealized Gain (Loss)	Distributions from Net Investment Income to Fund Preferred Share- holders+	Distributions from Capital Gains to Fund Preferred Share- holders+	
PREFERRED AND CONVERTIBLE INCOME (JPC)						
Year Ended 12/31:						
2005	\$15.32	\$1.13	\$ (.74)	\$ (.22)	\$ --	\$ .
8/01/04-12/31/04	14.73	.52	.85	(.04)	(.01)	1.
Year Ended 7/31:						
2004	14.12	1.25	.71	(.08)	--	1.
2003 (b)	14.33	.30	(.02)	(.02)	--	.
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)						

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Year Ended 12/31:						
2005	15.18	1.12	(.70)	(.21)	(.01)	.
8/01/04-12/31/04	14.33	.51	.90	(.05)	--	1.
Year Ended 7/31:						
2004	13.83	1.16	.73	(.08)	--	1.
2003(c)	14.33	.04	(.53)	--	--	(.

			Total Returns		
Offering Costs and FundPreferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value**	Based on Common Share Net Asset Value**	

PREFERRED AND CONVERTIBLE INCOME (JPC)

Year Ended 12/31:					
2005	\$ --	\$14.18	\$11.97	(7.63)%	1.32%
8/01/04-12/31/04	--	15.32	14.33	8.06	9.07
Year Ended 7/31:					
2004	--	14.73	13.95	4.34	13.44
2003(b)	(.17)	14.12	14.57	(.89)	.58

PREFERRED AND CONVERTIBLE INCOME 2 (JQC)

Year Ended 12/31:					
2005	--	14.20	12.11	(4.40)	1.41
8/01/04-12/31/04	--	15.18	13.87	6.20	9.59
Year Ended 7/31:					
2004	(.14)	14.33	13.54	.10	12.25
2003(c)	(.01)	13.83	14.69	(2.07)	(3.49)

Ratios/Supplemental Data

	Before Credit/Reimbursement		After Credit/Reimbursement	
	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++

PREFERRED AND CONVERTIBLE INCOME (JPC)

Year Ended 12/31:					
2005	\$1,419,946	1.50%	7.25%	1.03%	7.7%

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

8/01/04-12/31/04	1,533,722	1.51*	7.66*	1.04*	8.1
Year Ended 7/31:					
2004	1,474,983	1.53	7.90	1.05	8.3
2003 (b)	1,412,983	1.29*	5.67*	.87*	6.0

PREFERRED AND  
CONVERTIBLE  
INCOME 2 (JQC)

Year Ended 12/31:					
2005	2,002,079	1.46	7.25	.99	7.7
8/01/04-12/31/04	2,140,563	1.47*	7.81*	1.00*	8.2
Year Ended 7/31:					
2004	2,021,258	1.47	7.51	1.00	7.9
2003 (c)	1,950,622	.97*	2.86*	.65*	3.1

FundPreferred Shares at End of Period

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

PREFERRED AND  
CONVERTIBLE  
INCOME (JPC)

Year Ended 12/31:			
2005	\$708,000	\$25,000	\$75,139
8/01/04-12/31/04	708,000	25,000	79,157
Year Ended 7/31:			
2004	708,000	25,000	77,083
2003 (b)	708,000	25,000	74,893

PREFERRED AND  
CONVERTIBLE  
INCOME 2 (JQC)

Year Ended 12/31:			
2005	965,000	25,000	76,867
8/01/04-12/31/04	965,000	25,000	80,455
Year Ended 7/31:			
2004	965,000	25,000	77,364
2003 (c)	--	--	--

\* Annualized.

\*\* Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.

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

+ The amounts shown are based on Common share equivalents.

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

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

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

- o Each ratio includes the effect of the dividend expense on securities sold short as follows:

	Ratio of Dividend Expense on Securities Sold Short to Average Net Assets Applicable to Common Shares -----
PREFERRED AND CONVERTIBLE INCOME (JPC)	
Year Ended 12/31:	
2005	.01%
8/01/04-12/31/04	.04*
Year Ended 7/31:	
2004	.03
2003(b)	--
PREFERRED AND CONVERTIBLE INCOME 2 (JQC)	
Year Ended 12/31:	
2005	.01%
8/01/04-12/31/04	.05*
Year Ended 7/31:	
2004	.03
2003(c)	--

- (a) Per share Net Investment Income is calculated using the average daily shares method.
- (b) For the period March 26, 2003 (commencement of operations) through July 31, 2003.
- (c) For the period June 25, 2003 (commencement of operations) through July 31, 2003.

See accompanying notes to financial statements.

56-57 SPREAD

### Board Members AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Fund is currently set at nine. None of the board members who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEARS
--------------------------------	---------------------------------------	---	---

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

Timothy R. Schwertfeger(1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606	Chairman of the Board and Trustee	1994	Chairman (since 1996) and Director of N Inc., Nuveen Investments, LLC, Nuveen A Nuveen Institutional Advisory Corp. (3); of Institutional Capital Corporation; C (since 1997) of Nuveen Asset Management Director of Rittenhouse Asset Managemen Chairman of Nuveen Investments Advisers
---	---	------	--

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Private Investor and Management Consult
--	--------------	------	---

Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606	Board member	1993	Retired (since 1989) as Senior Vice Pre Northern Trust Company; Director (since Advisory Board for Highland Park and Hi Way of the North Shore.
--	--------------	------	--

Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606	Board member	1999	President, The Hall-Perrine Foundation, corporation (since 1996); Director and Fire Group, a publicly held company; Ad University of Iowa; Director, Gazette C of Coe College and Iowa College Foundat Director, Alliant Energy; formerly, Dir Bank of Chicago; formerly, President an SCI Financial Group, Inc., a regional f
---	--------------	------	---

William C. Hunter 3/6/48 333 W. Wacker Drive Chicago, IL 60606	Board member	2004	Dean and Distinguished Professor of Fin Business at the University of Connectic previously, Senior Vice President and D at the Federal Reserve Bank of Chicago (since 1997), Credit Research Center at Director (since 2004) of Xerox Corporat SS&C Technologies, Inc. (May 2005 - Oct
---	--------------	------	--

David J. Kundert 10/28/42 333 W. Wacker Drive Chicago, IL 60606	Board member	2005	Retired (since 2004) as Chairman, JPMor Management, President and CEO, Banc One Advisors Corporation, and President, On Funds; prior thereto, Executive Vice Pr Corporation and Chairman and CEO, Banc Management Group; Board of Regents, Lut member of the Wisconsin Bar Association of Directors, Friends of Boerner Botani
--	--------------	------	---

	POSITION(S)	YEAR FIRST	PRINCIPAL OCCUPATION(S)
NAME, BIRTHDATE	HELD WITH	ELECTED OR	INCLUDING OTHER DIRECTORSHIPS

# Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

AND ADDRESS THE FUNDS APPOINTED (2) DURING PAST 5 YEARS

---

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):

William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Chairman of Miller-Valentine Partners L investment company; formerly, Senior Pa Operating Officer (retired, December 20 Group; formerly, Vice President, Miller Board Member, Chair of the Finance Comm of the Audit Committee of Premier Health not-for-profit company of Miami Valley President, Dayton Philharmonic Orchestr Member, Regional Leaders Forum, which p economic development issues; Director, Coalition; formerly, Member, Community National City Bank, Dayton, Ohio and BU Council, Cleveland Federal Reserve Bank
---	--------------	------	---

Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Executive Director, Gaylord and Dorothy Foundation (since 1994); prior thereto, Great Lakes Protection Fund (from 1990
---	--------------	------	--

Eugene S. Sunshine 1/22/50 333 W. Wacker Drive Chicago, IL 60606	Board member	2005	Senior Vice President for Business and Northwestern University (since 1997); D Chicago Board Options Exchange; Directo National Mentor Holdings, a privately-h of home and community-based services; C 1997), Board of Directors, Rubicon, a p company owned by Northwestern Universit 1997), Evanston Chamber of Commerce and Inventure, a business development organ
---	--------------	------	--

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
--------------------------------	---------------------------------------	---	--

OFFICERS OF THE FUND:

Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative Officer	1988	Managing Director (since 2002), Assista Associate General Counsel, formerly, Vi Assistant General Counsel, of Nuveen In Managing Director (2002-2004), General and Assistant Secretary, formerly, Vice Advisory Corp. and Nuveen Institutional Managing Director (since 2002) and Assi Associate General Counsel, formerly, Vi 1997), of Nuveen Asset Management; Mana (since 2004) and Assistant Secretary (s Investments, Inc.; Assistant Secretary Management Company, LLC. (since 2002); Assistant Secretary of Nuveen Investmen (since 2002); Managing Director, Associ and Assistant Secretary of Rittenhouse Inc. (since 2003); Chartered Financial
--	------------------------------------	------	--

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

59

Board Members  
AND OFFICERS (CONTINUED)

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
----- OFFICERS OF THE FUNDS (CONTINUED): -----			
Julia L. Antonatos 9/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2004	Managing Director (since 2005), formerly (since 2002); formerly, Assistant Vice of Nuveen Investments, LLC; Chartered F
-----	-----	-----	-----
Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	2000	Vice President (since 2002), formerly, President (since 2000) of Nuveen Invest
-----	-----	-----	-----
Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606	Vice President and Treasurer	1999	Vice President of Nuveen Investments, L President and Treasurer (since 1999) of Inc.; Vice President and Treasurer (199 Advisory Corp. and Nuveen Institutional Vice President and Treasurer of Nuveen (since 2002) and of Nuveen Investments 2002); Assistant Treasurer of NWQ Inves Company, LLC. (since 2002); Vice Presid Nuveen Rittenhouse Asset Management, In Chartered Financial Analyst.
-----	-----	-----	-----
John N. Desmond 8/24/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2005	Vice President, Director of Investment Investments, LLC (since January 2005); Business Manager, Deutsche Asset Manage Director, Business Development and Tran Trust Bank Japan (2002-2003); previousl President, Head of Investment Operation Scudder Investments Japan, (2000-2002), President, Head of Plan Administration Services, Scudder Investments (1995-200
-----	-----	-----	-----
Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606	Vice President and Secretary	1998	Vice President (since 2002), Assistant Assistant General Counsel (since 1998) Vice President (since 1998) of Nuveen I Vice President (2002-2004) and Assistan formerly, Assistant Vice President of N and Nuveen Institutional Advisory Corp. Assistant Secretary (since 2005) of Nuv
-----	-----	-----	-----
Lorna C. Ferguson 10/24/45	Vice President	1998	Managing Director (since 2004), formerl Nuveen Investments, LLC, Managing Direc



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

333 W. Wacker Drive  
Chicago, IL 60606

Vice President (1998-2004) of Nuveen Ad  
Nuveen Institutional Advisory Corp.(3);  
(since 2005) of Nuveen Asset Management

William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606	Vice President	1995	Managing Director (since 2002), formerl Nuveen Investments; Managing Director (N Nuveen Advisory Corp. and Nuveen Instit Corp.(3); Managing Director of Nuveen A (since 2001); Vice President of Nuveen Inc. (since 2002); Chartered Financial
---	----------------	------	---

60

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
--------------------------------	---------------------------------------	--	--

OFFICERS OF THE FUNDS (CONTINUED):

Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606	Vice President and Controller	1998	Vice President (since 1993) and Funds C of Nuveen Investments, LLC; formerly, V Funds Controller (1998-2004) of Nuveen Certified Public Accountant.
---	----------------------------------	------	--

James D. Grassi 4/13/56 333 W. Wacker Drive Chicago, IL 60606	Vice President and Chief Compliance Officer	2004	Vice President and Deputy Director of C of Nuveen Investments, LLC, Nuveen Inve Nuveen Asset Management and Rittenhouse Inc.; previously, Vice President and De (2004) of Nuveen Advisory Corp. and Nuv Corp.(3); formerly, Senior Attorney (19 Trust Company.
--	--	------	--

David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	Vice President (since 2000) of Nuveen I LLC; Certified Public Accountant.
--	----------------	------	--

Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	Vice President of Nuveen Investments, L
--	----------------	------	---

Larry W. Martin 7/27/51 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	1988	Vice President, Assistant Secretary and Counsel of Nuveen Investments, LLC; Vic Assistant Secretary of Nuveen Advisory Institutional Advisory Corp.(3); Vice P and Assistant Secretary of Nuveen Inves President (since 2005) and Assistant Se of Nuveen Asset Management; Vice Presid Assistant Secretary and Assistant Gener 1998) of Rittenhouse Asset Management, and Assistant Secretary of Nuveen Inves
--	--	------	--

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and board member of the Adviser.
- (2) Board members serve an indefinite term until his/her successor is elected. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.
- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

61

Reinvest Automatically  
EASILY AND CONVENIENTLY

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

NUVEEN EXCHANGE-TRADED CLOSED-END FUNDS  
DIVIDEND REINVESTMENT PLAN

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

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding.

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

### FLEXIBLE

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

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

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

### CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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

62

### Other Useful INFORMATION

In April, 2005, The St. Paul Travelers Companies, Inc. ("St. Paul Travelers") sold the majority of its controlling equity interest in Nuveen Investments, Inc. ("Nuveen") to the general public. Nuveen is the parent of Nuveen Asset Management ("NAM"), which is each Fund's investment manager. This sale was deemed to be an "assignment" of the investment management agreement between each Fund and NAM and, if applicable, of the sub-advisory agreement between NAM and the Fund's sub-adviser. As required by law, the shareholders of each Fund were asked to approve a new investment management agreement and, if applicable, a new subadvisory agreement that reflected this change in ownership. The shareholders of each Fund voted this approval at a Shareholders' Meeting on July 26, 2005. There were no changes to the investment objectives or management of any Fund as a result of these actions.

### QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

The Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the most recent 12-month period ended June 30, 2005, and (iii) a description of the policies and procedures that the Fund used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at [www.nuveen.com](http://www.nuveen.com). You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

### CEO CERTIFICATION DISCLOSURE

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

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

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

### INVESTMENTS IN SYNTHETIC CONVERTIBLE SECURITIES

Although the Funds' respective prospectuses indicated that they did not currently intend to invest in "synthetic convertible securities", the Funds have now determined to invest up to 10% of their respective Managed Assets in such securities. Synthetic convertibles possess the two principal characteristics of a true convertible security: a fixed-income component, and an equity component. Synthetic convertibles are usually created by third parties (such as investment banks) and typically involve the marrying of non-convertible fixed-income instruments such as bonds or preferred stocks with equity instruments such as warrants or options. Because synthetic convertible securities can sometimes be comprised of two separate and unrelated instruments from unrelated obligors, their performance may differ somewhat from true convertibles.

### DISTRIBUTION INFORMATION

Nuveen Preferred and Convertible Income Fund (JPC) and Nuveen Preferred and Convertible Income Fund 2 (JQC) designate 11.37% and 8.68%, respectively, of dividends declared from net investment income as dividends qualifying for the 70% dividends received deduction for corporations and 14.38% and 12.43%, respectively, as qualified dividend income for individuals under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

### BOARD OF TRUSTEES

Robert P. Bremner  
Lawrence H. Brown  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Timothy R. Schwertfeger  
Judith M. Stockdale  
Eugene S. Sunshine

### FUND MANAGER

Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

### CUSTODIAN

State Street Bank & Trust Company  
Boston, MA

### TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust Company  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071

(800) 257-8787

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
Ernst & Young LLP  
Chicago, IL

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

63

Nuveen Investments:  
SERVING Investors  
For GENERATIONS

Photo of: 2 women looking at a photo album.

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

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

WE OFFER MANY DIFFERENT INVESTING SOLUTIONS FOR OUR CLIENTS' DIFFERENT NEEDS.

Managing more than \$135 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

FIND OUT HOW WE CAN HELP YOU REACH YOUR FINANCIAL GOALS.

To learn more about the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest.

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

Learn more  
about Nuveen Funds at  
[WWW.NUVEEN.COM/ETF](http://WWW.NUVEEN.COM/ETF)

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

Logo: NUVEEN Investments

EAN-F-1205D

ITEM 2. CODE OF ETHICS.

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

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Nuveen Preferred and Convertible Income Fund 2

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

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

### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

FISCAL YEAR ENDED	AUDIT FEES BILLED TO FUND	AUDIT-RELATED FEES BILLED TO FUND	TAX FEES BILLED TO
December 31, 2005	\$ 23,698		\$ 0
Percentage approved pursuant to pre-approval exception	0%		0%
December 31, 2004 (1)	\$ 21,861		\$ 0
Percentage approved pursuant to pre-approval exception	0%		0%

The above "All Other Fees" are fees paid to audit firms to perform agreed upon procedures required by the rating agencies to rate fund preferred shares. The above "Tax Fees" were billed for professional services for tax advice, tax compliance, and tax planning.

- (1) This fund changed its fiscal year end from July 31 to December 31. For the stub period ending, 12/31/04 the fund incurred the following fees : Audit fees of \$21,861 ; Tax fees of \$894 ; and All Other fees of \$1,800.

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

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

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

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

FISCAL YEAR ENDED	AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS	TAX FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS	ALL OTHER BILLED TO A AND AFFILIAT SERVICE PRO
December 31, 2005	\$ 0	\$ 282,575	
Percentage approved pursuant to pre-approval exception	0%	0%	
December 31, 2004	\$ 0	\$ 0	
Percentage approved pursuant to pre-approval exception	0%	0%	

The above "Tax Fees" are primarily fees billed to the Adviser for Fund tax return preparation.

NON-AUDIT SERVICES

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

FISCAL YEAR ENDED	TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND)	TOTAL BILLE AFFILI PROV
December 31, 2005	\$ 8,057	\$ 282,575
December 31, 2004 (2)	\$ 12,896	\$ 0

The above "Non-Audit Fees billed to Adviser" for 2005 include "Tax-Fees" billed to Adviser in the amount of \$282,575 from previous table.

(2) This fund changed its fiscal year end from July 31 to December 31. For the



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

stub period ending, 12/31/04 the fund incurred total Non-Audit fees of \$2,694.

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

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board of Directors or Trustees has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Lawrence H. Brown, Jack B. Evans, William J. Schneider and Eugene S. Sunshine.

### ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

The Adviser has engaged Spectrum Asset Management, Inc. ("Spectrum") for preferred securities, Frolely, Revy Investment Company Inc. ("Frolely, Revy") for convertible securities and Symphony Asset Management, LLC ("Symphony") for high yield fixed income securities, (Spectrum, Frolely, Revy and Symphony are also collectively referred to as "Sub-Advisers") as Sub-Advisers to provide discretionary investment advisory services. As part of these services, the Adviser has also delegated to each Sub-Adviser the full responsibility for proxy voting and related duties in accordance with the Sub-Adviser's policy and procedures. The Adviser periodically will monitor each Sub-Adviser's voting to ensure that they are carrying out their duties. The Sub-Advisers' proxy voting policies and procedures are summarized as follows:

#### SYMPHONY

Symphony uses the proxy voting services of Institutional Shareholder Services ("ISS"). The ISS Proxy Voting Services provide Symphony and its clients with an independent source of proxy voting research and services. The use of ISS is designed to offer client-centered proxy voting which minimizes conflicts of interests between Symphony's interests and those of its clients.

In order to monitor how ISS votes client proxies, Symphony has established a Proxy Voting Review Committee (the "Committee"). The Committee is composed of Symphony's Chief Operating Officer and its Chief Investment Officer. Each year, the Committee reviews ISS proxy voting policies and practices to determine whether such policies and practices are consistent with Symphony's fiduciary duty to the clients for whom Symphony is responsible for voting proxies. During the year, the Committee review how ISS votes on specific issues. From time to time, the Committee discusses the proxy voting process with representatives of

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

ISS in order to ensure that Symphony's client interests are being protected. When Symphony disagrees with ISS' policies with respect to certain issues, Symphony will direct the voting of its clients' proxies according to what Symphony believes is the best interests of its clients.

Clients who have questions about how particular proxies are voted for their account may request such information from Symphony by calling (800) 847-6369.

### FROLEY, REVY

Froley, Revy will vote proxies upon a client's request as set forth in the Investment Management contract. Proxies will be voted in the best interests of the account's participants and beneficiaries. Thus, the primary consideration in voting a proxy is the ultimate economic value of the stock based on Froley, Revy's independent analysis of the stock's investment potential. Froley, Revy utilizes a proxy committee. With respect to each proxy issue, the committee will analyze the economic impact on the company of voting in favor or against the proposal. The committee will vote based on the best ultimate long-term economic interest of the plan. Froley, Revy may determine not to vote proxies relating to certain securities if Froley, Revy determines it would be in its clients' overall best interest not to vote. If Froley, Revy manages the assets of a company or its pension plan and any of Froley, Revy's clients hold any securities of that company, to avoid conflicts of interest, the client will be asked to vote the proxy.

Clients that would like to obtain a copy of Froley, Revy's proxy policies and procedures and/or the voting history for their account may do so by writing to the offices of Froley, Revy Investment Co., Inc. at 10900 Wilshire Blvd. Suite 900, Los Angeles, CA 90024, Attn: Compliance Department.

### SPECTRUM

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

Spectrum has selected Institutional Shareholder Services, Inc. ("ISS") to assist with Spectrum's proxy voting responsibilities. Spectrum generally follows ISS standard proxy voting guidelines which embody the positions and factors Spectrum considers important in casting proxy votes. In connection with each proxy vote, ISS prepares a written analysis and recommendation based on its guidelines. In order to avoid any conflict of interest for ISS, the CCO will require ISS to deliver additional information or certify that ISS has adopted policies and procedures to detect and mitigate such conflicts of interest in issuing voting recommendations. Spectrum also may obtain voting recommendations from two proxy voting services as an additional check on the independence of ISS' voting recommendations.

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

When Spectrum determines not to follow ISS' guidelines or recommendations, Spectrum classifies proxy voting issues into three broad categories: (1) Routine Administrative Items; (2) Special Interest Issues; and (3) Issues having the

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Potential for Significant Economic Impact, and casts proxy votes in accordance with the philosophy and decision guidelines developed for that category in the Voting Policy.

- o Routine Administrative Items. Spectrum is willing to defer to management on matters of a routine administrative nature. Examples of issues on which Spectrum will normally defer to management's recommendation include selection of auditors, increasing the authorized number of common shares and the election of unopposed directors.

- o Special Interest Issues. In general, Spectrum will abstain from voting on shareholder social, political, environmental proposals because their long-term impact on share value cannot be calculated with any reasonable degree of confidence.

- o Issues Having the Potential for Significant Economic Impact. Spectrum is not willing to defer to management on proposals which have the potential for major economic impact on the corporation and value of its shares and believes such issues should be carefully analyzed and decided by shareholders. Examples of such issues are classification of board of directors' cumulative voting and supermajority provisions, defensive strategies (e.g., greenmail prevention), business combinations and restructurings and executive and director compensation.

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

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

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

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

The portfolios of the Funds are managed by three different sub-advisers: Spectrum for preferred securities; Frolely Revy for convertible securities and Symphony for high yield fixed-income securities. Following is disclosure regarding the portfolio managers responsible for each asset class:

#### SPECTRUM ASSET MANAGEMENT - PREFERRED SECURITIES

##### A. PORTFOLIO MANAGER BIOGRAPHIES

BERNARD M. SUSSMAN is Chief Investment Officer and Chairman of Spectrum's Investment Committee. Prior to joining Spectrum in 1995, Mr. Sussman was with Goldman Sachs & Co. for nearly 18 years.

MARK A. LIEB is Chief Financial Officer and is responsible for business development. Prior to founding Spectrum in 1987, Mr. Lieb was a Founder, Director and Partner of DBL Preferred Management, Inc., a wholly owned corporate

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

cash management subsidiary of Drexel Burnham Lambert, Inc.

L. PHILLIP JACOBY, IV is a Senior Vice President and joined Spectrum in 1995. From 1989-1995, Mr. Jacoby was a Senior Investment Officer at USL Capital Corporation (a subsidiary of Ford Motor Corporation) and was co-portfolio manager of a \$600 million preferred stock portfolio.

### B. OTHER ACCOUNTS MANAGED BY SPECTRUM

(a)(1) Identify portfolio manager(s) of the Adviser to be named in the Fund prospectus

(a)(2) For each person identified in column (a)(1), provide number of accounts other than the Funds managed by the person within each category below and the total assets in the accounts managed within each category below

(a)(3) PERFORMANCE categories in column accounts and the t with respect to wh ON THE PERFORMANCE

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts		Registered Investment Companies		Other
	Number of Accounts	Total Assets (\$mills)	Number of Accounts	Total Assets (\$mill)	Number of Accounts	Total Assets (\$mill)	Number of Accounts	Total Assets	
Bernard M. Sussman	10	\$8.12	16	\$2.52	42	\$2.58	-	-	
Mark A. Lieb	10	\$8.12	16	\$2.52	42	\$2.58	-	-	
Phil Jacoby	10	\$8.12	16	\$2.52	38	\$2.57	-	-	

### C. POTENTIAL MATERIAL CONFLICTS OF INTEREST

As described above, the portfolio manager may manage other accounts with investment strategies similar to the Fund, including other investment companies and separately managed accounts. Fees earned by the sub-advisers may vary among these accounts and the portfolio managers may personally invest in some but not all of these accounts. These factors could create conflicts of interest because a portfolio manager may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if a portfolio manager identified a limited investment opportunity that may be appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the sub-advisers believe that these risks are mitigated by the fact that accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

and account sizes, and other factors. In addition, each sub-adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

### D. FUND MANAGER COMPENSATION

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

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

### E. OWNERSHIP OF JQC SECURITIES AS DECEMBER 31, 2005.

	None	\$1-\$10,000	\$10,001-\$50,000	\$50,001-\$100,000	\$100,001-\$500,000
Portfolio Manager					
Bernard M. Sussman				X	
Mark A. Lieb	X				
Phil Jacoby	X				

### FROLEY REVY - CONVERTIBLE SECURITIES

#### A. PORTFOLIO MANAGER BIOGRAPHY

K. ANDREA REVY O'CONNELL, CFA - President and Chairman of FroleY, Revy since 2005 and President and CEO of FR Fund Management LLC since 2000. Previously, President and CEO of FroleY, Revy since 2000.

#### B. OTHER ACCOUNTS MANAGED BY FROLEY REVY

	Number of Accounts	Total assets as of 1
a) Registered Investment Companies	3	\$ 1.6 billion
b) Pooled Investment Vehicles	0	
c) Other Accounts	10	\$ 1 billion

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

No accounts pay fees based on performance.

### C. POTENTIAL MATERIAL CONFLICTS OF INTEREST

As described above, the portfolio manager may manage other accounts with investment strategies similar to the Fund, including other investment companies and separately managed accounts. Fees earned by the sub-advisers may vary among these accounts and the portfolio managers may personally invest in some but not all of these accounts. These factors could create conflicts of interest because a portfolio manager may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if a portfolio manager identified a limited investment opportunity that may be appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the sub-advisers believe that these risks are mitigated by the fact that accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes, and other factors. In addition, each sub-adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

### D. FUND MANAGER COMPENSATION

Froley, Revy's portfolio managers receive base compensation and benefits, which are competitive with the industry standards. Bonuses are a reflection of both the individual's contribution and firm wide profitability. Ms. O'Connell's compensation is not based on the performance of her portfolios and is not directly tied to the gathering of assets. Rather any increases in assets are reflected through overall firm profitability. Ms. O'Connell is a profit participant in the firm and her bonus is based on a percentage of net profitability (including all bonuses paid to employees).

Due to the complex and varying natures of the portfolios managed, there is no simple comparison to an index, nor is compensation tied to performance against an index in the short term. Over a longer cycle, however, actual over and under performance is evaluated.

### E. OWNERSHIP OF JQC SECURITIES AS DECEMBER 31, 2005.

	None	\$1-\$10,000	\$10,001-\$50,000	\$50,001-\$100,000	\$100,001-\$500,000
Portfolio Manager					
Andrea Revy			X		

### SYMPHONY ASSET MANAGEMENT - HIGH YIELD SECURITIES

#### A. PORTFOLIO MANAGER BIOGRAPHIES

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Gunther Stein, Director of Fixed Income Strategies, Portfolio Manager

Gunther Stein is the lead portfolio manager for High Yield strategies at Symphony Asset Management and is the lead portfolio manager of Nuveen's senior loan asset management team. Prior to joining Symphony in 1999, Stein was a high yield portfolio manager at Wells Fargo Bank, where he was responsible for investing in public high yield bonds and bank loans and also managed a team of credit analysts. Stein joined Wells Fargo in 1993 as an Associate in its Loan Syndications/Leveraged Finance Group. Previously, Stein worked for four years as a euro-currency deposit trader with First Interstate Bank. He has also worked for Standard Chartered Bank, Mexico City and Citibank Investment Bank, London. He completed Wells Fargo's Credit Management Training program and holds an M.B.A. from the University of Texas, Austin. He graduated from the University of California at Berkeley with a B.A. in Economics.

Lenny Mason, Portfolio Manager

Lenny Mason is a High Yield portfolio manager for Symphony Asset Management and is also a portfolio manager on the Nuveen's senior loan asset management team. Prior to joining Symphony in 2001, Mason was a Managing Director in FleetBoston's Technology & Communications Group, where he headed its five member Structuring and Advisory Team. He joined FleetBoston in 1995 as an Assistant Vice President in its Media & Communications Group. Previously, Mason worked for Wells Fargo Bank's Corporate Banking Group dealing primarily with leveraged transactions and for Coopers & Lybrand as an auditor. He holds an M.B.A. in Finance from the University of Chicago, a B.S. in Accounting from Babson College and is also a C.P.A.

### B. OTHER ACCOUNTS MANAGED BY SYMPHONY

	GUNTHER STEIN	LENNY MASON
(a) RICS		
Number of accts	7	7
Assets (\$000s)	\$ 2,790,982	\$ 2,790,982
(b) Other pooled accts		
Non-performance fee accts		
Number of accts	2	2
Assets (\$000s)	\$ 520,932	\$ 520,932
Performance fee accts		
Number of accts	9	6
Assets (\$000s)	\$ 846,422	\$ 407,989
(c) Other		
Non-performance fee accts		
Number of accts	5	5
Assets (\$000s)	\$ 1,513	\$ 1,366
Performance fee accts		
Number of accts	3	0
Assets (\$000s)	\$ 262,097	

### C. POTENTIAL MATERIAL CONFLICTS OF INTEREST

As described above, the portfolio manager may manage other accounts with investment strategies similar to the Fund, including other investment companies and separately managed accounts. Fees earned by the sub-advisers may vary among these accounts and the portfolio managers may personally invest in some but not all of these accounts. These factors could create conflicts of interest because a portfolio manager may have incentives to favor certain accounts over others, resulting in other accounts outperforming the Fund. A conflict may also exist if a portfolio manager identified a limited investment opportunity that may be

## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

appropriate for more than one account, but the Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the portfolio manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. However, the sub-advisers believe that these risks are mitigated by the fact that accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes, and other factors. In addition, each sub-adviser has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

### D. FUND MANAGER COMPENSATION

Symphony investment professionals receive competitive base salaries and participate in a bonus pool which is tied directly to the firm's operating income with a disproportionate amount paid to the managers responsible for generating the alpha. The bonus paid to investment personnel is based on acumen, overall contribution and strategy performance. However, there is no fixed formula which guides bonus allocations. Bonuses are paid on an annual basis. In addition, investment professionals may participate in an equity-based compensation pool.

### E. OWNERSHIP OF JQC SECURITIES AS DECEMBER 31, 2005.

	None	\$1-\$10,000	\$10,001-\$50,000	\$50,001-\$100,000	\$100,001-\$500,000
Portfolio Manager					
Gunther Stein	X				
Lenny Mason	X				

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

Not applicable.

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

There were no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board during the reporting period and implemented after the registrant last provided disclosure in response to this Item.

### ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR



## Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

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

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

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

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

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

### SIGNATURES

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

(Registrant) Nuveen Preferred and Convertible Income Fund 2  
-----

By (Signature and Title)\* /s/ Jessica R. Droeger  
-----

Jessica R. Droeger  
Vice President and Secretary

Edgar Filing: NUVEEN PREFERRED CONVERTIBLE INCOME FUND 2 - Form N-CSR

Date: March 8, 2006  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

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

Date: March 8, 2006  
-----

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

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

Date: March 8, 2006  
-----

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