

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC

Form N-30D

April 01, 2003

SEMIANNUAL REPORT January 31, 2003

Nuveen
Municipal Closed-End
Exchange-Traded
Funds

ARIZONA
NAZ
NFZ
NKR
NXE

TEXAS
NTX

PHOTO OF: Girl and woman looking at photo album.
PHOTO OF: 2 men talking.

DEPENDABLE,
TAX-FREE INCOME
BECAUSE
IT'S NOT WHAT YOU EARN,
IT'S WHAT YOU KEEP. (R)

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Photo of: Timothy R. Schwertfeger
Chairman of the Board

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THIS REPORT FOR STEP-BY-STEP INSTRUCTIONS."

Dear
SHAREHOLDER

Once again, I am pleased to write that during the period covered by this report your Nuveen Fund continued to meet its objective of providing attractive monthly income free from federal income taxes and, where applicable, state income taxes. Detailed information on your Fund's performance can be found in the Portfolio Manager's Comments and on the Performance Overview pages within this report. Please take the time to read them.

In addition to providing regular tax-free income, we believe that a municipal bond investment like your Nuveen Fund also may offer opportunities to reduce the risk of your overall investment portfolio. This is because the prices of municipal bonds may move differently than the prices of the common stocks, mutual funds or other investments you may own. Since one part of your portfolio may be going up when another is going down, portfolio diversification may reduce your overall risk. Your financial advisor can explain the advantages of portfolio diversification in more detail. I urge you to contact him or her soon for more information on this important investment strategy.

I also urge you to consider receiving future Fund reports and other Fund information by e-mail and the Internet. Not only will you be able to receive the information faster, but this also may help lower your Fund's expenses. Sign up is quick and easy - see the inside front cover of this report for step-by-step instructions.

For more than 100 years, Nuveen has specialized in offering quality investments such as your Nuveen Fund to those seeking to accumulate and preserve wealth. Our commitment to careful research, constant surveillance and judicious trading by a seasoned portfolio management team has never been stronger. Our mission continues to be to assist you and your financial advisor by offering the investment solutions and services that can help you meet your financial objectives. We thank you for choosing us as a partner as you work toward that goal.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

March 17, 2003

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Nuveen Municipal Closed-End Exchange-Traded Funds
(NAZ, NFZ, NKR, NXE, NTX)

Portfolio Manager's
COMMENTS

Portfolio manager Rick Huber reviews U.S. and state economic conditions, key investment strategies, and the recent performance of the Arizona and Texas

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Funds. Rick, who has eighteen years of investment management experience, assumed portfolio management responsibility for the Nuveen Arizona and Texas Funds in January 2003.

WHAT WERE THE MAJOR FACTORS AFFECTING THE U.S. ECONOMY AND THE MUNICIPAL MARKET DURING THIS REPORTING PERIOD?

In a number of ways, economic and market conditions have not changed significantly since our last shareholder report dated July 31, 2002. We believe the most influential factors shaping the U.S. economy and the municipal market over this reporting period continued to be the slow pace of economic growth and the relatively low levels of interest rates. Geopolitical uncertainty and the ongoing threat of terrorism also had an economic impact during this period.

In the municipal market, the sluggish economic recovery and lack of inflationary pressures continued to help many bonds perform well during much of the period ended January 31, 2003. In calendar year 2002, new municipal supply nationwide topped \$357 billion, increasing 25% over 2001 levels and eclipsing the previous record of \$292 billion set in 1993. This trend continued during January 2003, with a record \$23.4 billion in new supply issued during the month. Demand for municipal bonds also remained strong, as many individual investors continued to seek investments offering tax-free income and diversification for their portfolios. Institutional investors, especially traditional municipal bond purchasers such as property/casualty insurance companies, also were active buyers in the municipal market.

HOW WERE ECONOMIC AND MARKET CONDITIONS IN THESE TWO STATES?

In 2002, both Arizona and Texas followed the general trend of increased municipal issuance, with \$7.7 billion and \$26.6 billion in new supply, respectively. This represented an increase of 58% over 2001 issuance for Arizona, while Texas, the third largest state issuer behind New York and California, saw an increase of 7%. During January 2003, Arizona (\$934 million) and Texas (\$2.2 billion) continued to see strong new issue supply.

On the economic front, Arizona has shown some early indications of recovery, largely as the result of increased defense-related spending and improved demand in the high-tech sector, particularly for semiconductors. The recent upturn in manufacturing output also provided some encouraging signs. Despite these improvements in the Arizona economy, the state's financial position continued to erode over most of 2002, reflecting a marked decline in sales and income tax collections as well as increased expenditures for health and social services, corrections, and education. Revenue adjustments were used to cover budget shortfalls. Although the state alleviated its immediate fiscal difficulties by using a number of one-time measures, reserves are now depleted and the governor has indicated that increases in corporate and personal income taxes are under consideration. Overall, the state's debt burden remains relatively low and, over the longer term, healthy demographic trends, affordable housing, and comparatively low business costs are expected to help the Arizona economy perform well.

The Texas economy also remained weak, as the state experienced the loss of a substantial number of high-paying jobs in technology and telecommunications as well as problems related to accounting irregularities within the energy industry. Cross-border trade and business activity with Mexico has been

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affected by disagreements over water rights as the Southwest continued to suffer from persistent drought. Going forward, Texas is expected to benefit from new defense spending contracts since the state serves as home to more than 200,000 military personnel. For the 2002-2003 biennium, Texas is estimating a state budget shortfall of about \$1.8 billion, due primarily to weaker than expected sales tax revenues. If no new revenue programs are added, this shortfall is projected to rise to \$9.9 billion for the 2004-2005 biennium. Despite its continued reliance on the energy industry, Texas has robust research and high-tech sectors, positive demographic trends, and relatively low business and housing costs, which should help the state's long-term economic performance.

Despite their budgetary problems, the credit ratings of both states remained intact over the reporting period, although the outlook for Arizona was rated negative by both Moody's and Standard & Poor's. Both rating agencies maintained a stable outlook for Texas. As of January 31, 2003, the Moody's/S&P credit ratings, respectively, for Arizona were A1/AA- and Aa1/AA+ for Texas. Over coming months, we will continue to closely monitor the budgetary situations in both states for any potential impact on their credit ratings.

HOW DID THESE NUVEEN FUNDS PERFORM OVER THE TWELVE MONTHS ENDED JANUARY 31, 2003?

Individual results for the Arizona and Texas Funds, as well as certain benchmarks, are presented in the accompanying table.

	MARKET YIELD		TOTAL RETURN ON NAV	LEHMAN TOTAL RETURN1	LIPPER AVERAGE2
	1/31/03	TAXABLE- EQUIVALENT3	1 YEAR ENDED 1/31/03	1 YEAR ENDED 1/31/03	1 YEAR ENDED 1/31/03
NAZ	5.88%	8.84%	5.53%	7.46%	10.12%
NFZ	5.73%	8.62%	10.73%	7.46%	10.12%
NKR	5.56%	8.36%	NA	-	-
NXE	5.95%	8.95%	NA	-	-
NTX	6.57%	9.39%	6.69%	7.46%	10.12%

Past performance is not predictive of future results.

For additional information, see the individual Performance Overview for your Fund in this report.

For the twelve months ended January 31, 2003, NFZ outperformed the unleveraged, unmanaged Lehman Brothers Municipal Bond Index. We believe that much of this outperformance can be attributed to the Fund's relatively long leverage-adjusted duration⁴ when compared with the duration of the Lehman Index. A longer duration generally will help a Fund to perform well during periods of declining interest rates, as was the case over much of the twelve-month period. As of January 31, 2003, the duration of NFZ was 11.58, compared with 7.91 for the Lehman index.

Since there is no Lipper peer group for Arizona funds, we also have compared NFZ's performance with the Lipper Other States peer group average. While NFZ modestly outperformed this average, a direct comparison may have limited usefulness because Funds from nine other states, each reflecting specific conditions and market environments, are brought together to calculate the Other

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States average.

- 1 The total annual returns on common share net asset value (NAV) for these Nuveen Funds are compared with the total annual return of the Lehman Brothers Municipal Bond Index, an unleveraged national index comprising a broad range of investment-grade municipal bonds. Results for the Lehman index do not reflect any expenses.
- 2 The total returns of the Arizona and Texas Funds are compared with the average annualized return of the 31 funds in the Lipper Other States Municipal Debt Funds category. Fund and Lipper returns account for Fund leverage, Fund expenses and assume reinvestment of dividends.
- 3 The taxable-equivalent yield represents the yield that must be earned on a taxable investment in order to equal the yield of the Nuveen Fund on an after-tax basis. The taxable-equivalent yield is based on the Fund's market yield on the indicated date and a federal income tax rate of 30% plus the applicable state income tax rate. The combined federal and state tax rate used in Arizona is 33.5%. Because Texas has no state income tax, NTX's taxable-equivalent yield is based on the federal income tax rate of 30%.
- 4 Duration is a measure of a Fund's NAV volatility in reaction to interest rate movements. Fund duration, also known as leverage-adjusted duration, takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund. References to duration in this commentary are intended to indicate Fund duration unless otherwise noted.

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The other two Funds in this report with at least one year of operating history, NAZ and NTX, each underperformed the Lehman index and Lipper Other States average. Looking at NAZ, that Fund's leverage-adjusted duration as of January 31, 2003, was a comparatively short 8.36, reflecting relatively high call exposure when compared with a Fund like NFZ. As noted, a Fund with a shorter duration would not have been expected to perform as well as a longer duration Fund over the twelve months ended January 31, 2003. In addition, NAZ's performance during the period was affected by several credit issues. For example, NAZ holds \$2 million (par value) in revenue bonds issued by the Arizona Health Facilities Authority for Phoenix Children's Hospital. The price of these Baa2 rated hospital bonds depreciated 12% over the twelve months ended January 31, 2003, due to weak financial performance. The Fund also held approximately \$1.6 million (par value) of pollution control bonds issued on behalf of Nevada Power that did traded at about 87 cents on the dollar as of January 31, 2003.

The performance of NTX was impacted by its holdings of bonds backed by American Airlines (AMR). Over the past year, the market value of most airline-backed bonds has fallen, due in part to a general decline in passenger volume and in part due to the market's expectation of a bankruptcy filing by United Air Lines, which took place in December 2002. As of January 31, 2002, NTX held \$2.6 million par value of its portfolio in AMR-backed bonds issued for facilities at Dallas-Fort Worth International Airport. These bonds depreciated to 27 cents on the dollar from \$1.03 over the twelve-month period, costing the Fund approximately 125 basis points in total return performance.

HOW DID THE MARKET ENVIRONMENT AFFECT THE FUNDS' DIVIDENDS AND SHARE PRICES?

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As the Federal Reserve continued to keep short-term interest rates at historically low levels, the dividend-payment capabilities of these Funds benefited from their use of leverage, a strategy that can potentially enhance the dividends paid to common shareholders. The amount of this benefit is tied in part to the short-term rates the Funds pay their MuniPreferred(R) shareholders. Low short-term rates, such as those currently in effect, can enable the Funds to reduce the amount of income they pay preferred share holders, which can leave more earnings to support common share dividends.

During the year ended January 31, 2003, the relatively low level of short-term interest rates enabled us to implement two dividend increases in NAZ, NFZ and NTX. The two Funds introduced in 2002 - NKR in March and NXE in September - began paying their monthly dividends last year as anticipated.

Generally, the share prices of all five Funds remained essentially flat or fell modestly over the twelve-month period, reflecting the general weakening of bond prices during October and November 2002. This decline was especially pronounced in NXE, which was introduced in September 2002. As of January 31, 2003, NAZ, NFZ and NKR were trading at premiums to their common share net asset values; while NXE and NTX were trading at discounts (see charts on the individual Performance Overview pages).

WHAT KEY STRATEGIES WERE USED TO MANAGE THESE NUVEEN FUNDS DURING THE YEAR ENDED JANUARY 31, 2003?

Over the twelve-month period, our strategic focus for all of the Funds continued to be on diversifying the portfolios, enhancing call protection, and positioning the Funds more defensively in anticipation

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of potential changes in the interest rate environment. Given the recent slope of the municipal yield curve, we sought bonds that mature about 20 years from now. Many of these bonds offered yields similar to those of longer bonds, but we believed they had less interest rate risk. The purchase of these long-intermediate bonds helped to moderate the durations of most of the Funds, making their portfolios less sensitive to interest rate changes while still allowing them to provide competitive yields and returns. The lone exception was NAZ, where the reinvestment of proceeds from called bonds into the 20-year part of the yield curve actually led to a very modest lengthening of the Fund's duration.

In the current geopolitical and economic climate, we believe that maintaining strong credit quality is a key requirement. As of January 31, 2003, each of these Funds continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. Guaranteed and AA ranging from 74% to 90%. In general, our weightings in higher quality bonds also tended to benefit the performance of these Funds during the past year.

In September 2002, we introduced the Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE). This Fund is now fully invested and paid its first dividend in December 2002.

WHAT IS YOUR OUTLOOK FOR THE MUNICIPAL MARKET IN GENERAL AND THESE NUVEEN FUNDS IN PARTICULAR?

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Our outlook for the fixed-income markets remains generally positive. We continue to believe the U.S. economy is headed for an eventual recovery, but one that may be less robust and slower to arrive than some are predicting. We expect inflation and interest rates to remain relatively low over the near term, while new municipal volume nationally should continue to be strong. Given the budget deficits faced by these states, we expect to see significant issuance of new municipal debt in Arizona and Texas as well. We think demand for tax-exempt municipal bonds also should remain solid, as investors continue to look for ways to generate tax-free income and diversify to reduce their overall investment risk.

We are keeping a close eye on call exposure. For example, NAZ, which was introduced in 1992, is now at a point in its life cycle that often is associated with heightened call exposure. This Fund faces potential calls on almost 29% of its portfolio over the rest of 2003 and 2004. NTX is a little further along in working through its potential calls, although it too faces a heightened potential for calls over the next two years. The number of actual calls experienced in either of these Funds will depend largely on market interest rates over the coming months and years. We plan to take advantage of what we think will be an adequate supply of new issues in both Arizona and Texas to continue helping these Funds to work through their call exposure. The other three Funds are relatively new and do not face any significant call exposure over the next few years.

In the months ahead, specific areas of concentration will include monitoring credit quality, seeking to enhance dividend-paying capabilities, diversifying holdings, and moderating durations through the purchase of suitable long-intermediate bonds. In general, we plan to remain focused on strategies that we believe will add value for the Funds' shareholders. We believe the attractive tax-free income and opportunity for portfolio diversification offered by these Funds will continue to make them valuable components of investors' long-range financial plans.

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Nuveen Arizona Premium Income Municipal Fund, Inc.

Performance

OVERVIEW As of January 31, 2003

NAZ

Pie Chart:

CREDIT QUALITY

AAA/U.S. GUARANTEED	62%
AA	16%
A	6%
BBB	13%
NR	1%
BB OR LOWER	2%

PORTFOLIO STATISTICS

Share Price	\$15.60
Common Share Net Asset Value	\$14.14

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Market Yield	5.88%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	8.40%
Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹	8.84%
Net Assets Applicable to Common Shares (\$000)	\$62,538
Average Effective Maturity (Years)	15.43
Leverage-Adjusted Duration	8.36

AVERAGE ANNUAL TOTAL RETURN (Inception 11/92)

	ON SHARE PRICE	ON NAV
1-Year	2.22%	5.53%
5-Year	4.60%	4.02%
10-Year	6.08%	5.91%

TOP FIVE SECTORS (as a % of total investments)

U.S. Guaranteed	26%
Tax Obligation/Limited	19%
Healthcare	16%
Tax Obligation/General	12%
Utilities	9%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE	
2/02	0.0725
3/02	0.0745
4/02	0.0745
5/02	0.0745
6/02	0.0765
7/02	0.0765
8/02	0.0765
9/02	0.0765
10/02	0.0765
11/02	0.0765
12/02	0.0765
1/03	0.0765

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

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2/1/02	16.15
	16.15
	16.07
	16.25
	16.37
	16.49
	16.1
	15.89
	16.08
	16.3
	16.29
	16.35
	16.4
	16.55
	16.58
	16.58
	16.45
	16.45
	16.43
	16.72
	17
	17.18
	17.45
	17.1
	16.65
	16.91
	17
	16.85
	16.9
	16.87
	16.95
	16.98
	16.85
	16.74
	16.48
	16.3
	16.11
	15.93
	15.6
	15.9
	15.72
	15.49
	15.15
	15.16
	15.15
	14.95
	14.67
	15.04
	15.31
	15.15
	15.3
	15.75
1/31/03	15.6

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 33.5%.

Nuveen Arizona Dividend Advantage Municipal Fund

Performance

OVERVIEW As of January 31, 2003

NFZ

Pie Chart:

CREDIT QUALITY

AAA/U.S. GUARANTEED	55%
AA	19%
A	11%
BBB	14%
BB OR LOWER	1%

PORTFOLIO STATISTICS

Share Price	\$15.28
Common Share Net Asset Value	\$14.97
Market Yield	5.73%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	8.19%
Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹	8.62%
Net Assets Applicable to Common Shares (\$000)	\$23,066
Average Effective Maturity (Years)	20.24
Leverage-Adjusted Duration	11.58

AVERAGE ANNUAL TOTAL RETURN (Inception 1/01)

	ON SHARE PRICE	ON NAV
1-Year	5.52%	10.73%
Since Inception	6.60%	8.26%

TOP FIVE SECTORS (as a % of total investments)

Utilities	19%
Housing/Multifamily	16%
Tax Obligation/General	16%
Tax Obligation/Limited	16%

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Healthcare 7%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE2	
2/02	0.07
3/02	0.07
4/02	0.07
5/02	0.07
6/02	0.07
7/02	0.07
8/02	0.07
9/02	0.071
10/02	0.071
11/02	0.071
12/02	0.073
1/03	0.073

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

2/1/02	15.27
	15.3
	15.1
	15.2
	15.01
	15.1
	15.18
	14.97
	14.66
	14.79
	15.03
	15.18
	15.28
	15.73
	15.61
	15.74
	15.75
	15.45
	15.43
	15.57
	15.55
	16
	16.1
	15.9
	15.87
	15.71
	15.8
	15.71
	15.9
	15.41
	15.25
	15.44
	15.38
	15.58
	15.55
	15.6
	15.36
	15.25
	15.15

	15.2
	15.45
	15
	15.2
	15.2
	15.35
	15.25
	15.15
	15.2
	15.5
	15.6
	15.8
	15.5
1/31/03	15.28

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 33.5%.
- 2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2002 of \$0.0438 per share.

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Nuveen Arizona Dividend Advantage Municipal Fund 2

Performance

OVERVIEW As of January 31, 2003

NKR

Pie Chart:

CREDIT QUALITY

AAA/U.S. GUARANTEED	77%
AA	13%
A	3%
BBB	7%

PORTFOLIO STATISTICS

Share Price	\$15.55
Common Share Net Asset Value	\$15.04
Market Yield	5.56%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	7.94%
Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹	8.36%
Net Assets Applicable to Common Shares (\$000)	\$36,356

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Average Effective Maturity (Years)	18.63
Leverage-Adjusted Duration	11.57

CUMULATIVE TOTAL RETURN (Inception 3/02)

	ON SHARE PRICE	ON NAV
Since Inception	8.21%	9.66%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	30%
Tax Obligation/Limited	23%
Education and Civic Organizations	10%
Utilities	9%
Healthcare	7%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

5/02	0.072
6/02	0.072
7/02	0.072
8/02	0.072
9/02	0.072
10/02	0.072
11/02	0.072
12/02	0.072
1/03	0.072

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

3/28/02	15.55
	15.3
	15.17
	15.14
	15.26
	15.22
	15.27
	15.15
	15.02
	15.29
	15.27
	15.31
	15.01
	15.9
	15.6
	15.8
	15.8
	15.51
	15.7

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	15.5
	15.85
	15.65
	15.2
	15.25
	15.31
	15.34
	15.5
	15.68
	15.2
	14.76
	14.78
	14.89
	14.75
	14.7
	15.2
	15.22
	15.29
	15.1
	15.4
	15.49
	15.59
	15.59
	15.5
	15.53
1/31/03	15.55

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 33.5%.
- 2 The Fund also paid shareholders a net ordinary income distribution in December 2002 of \$0.0122 per share.

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Nuveen Arizona Dividend Advantage Municipal Fund 3

Performance

OVERVIEW As of January 31, 2003

NXE

Pie Chart:

CREDIT QUALITY

AAA/U.S. GUARANTEED	76%
AA	13%
A	5%
BBB	6%

PORTFOLIO STATISTICS

Share Price \$13.52

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Common Share Net Asset Value	\$13.91
Market Yield	5.95%
Taxable-Equivalent Yield (Federal Income Tax Rate)1	8.50%
Taxable-Equivalent Yield (Federal and State Income Tax Rate)1	8.95%
Net Assets Applicable to Common Shares (\$000)	\$42,653
Average Effective Maturity (Years)	19.69
Leverage-Adjusted Duration	13.26

CUMULATIVE TOTAL RETURN (Inception 9/02)

	ON SHARE PRICE	ON NAV
Since Inception	-8.54%	-1.52%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	20%
Tax Obligation/Limited	14%
Utilities	13%
Education and Civic Organizations	13%
Housing/Multifamily	11%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE

11/02	0.067
12/02	0.067
1/03	0.067

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

9/27/02	15
	15.02
	15
	15
	15
	15
	15
	14.95
	14.38
	14.15
	13.9

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	13.81
	13.54
	13.72
	14.09
	13.65
	13.5
	13.6
1/31/03	13.52

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 33.5%.

9

Nuveen Texas Quality Income Municipal Fund

Performance

OVERVIEW As of January 31, 2003

NTX

Pie Chart:

CREDIT QUALITY

AAA/U.S. GUARANTEED	63%
AA	14%
A	12%
BBB	10%
BB OR LOWER	1%

PORTFOLIO STATISTICS

Share Price	\$14.43
Common Share Net Asset Value	\$14.90
Market Yield	6.57%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	9.39%
Net Assets Applicable to Common Shares (\$000)	\$141,092
Average Effective Maturity (Years)	21.08
Leverage-Adjusted Duration	10.36

AVERAGE ANNUAL TOTAL RETURN (Inception 10/91)

	ON SHARE PRICE	ON NAV
1-Year	3.65%	6.69%

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5-Year	4.62%	4.92%
10-Year	6.44%	6.78%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	22%
Healthcare	14%
Water and Sewer	9%
Education and Civic Organizations	8%
Tax Obligation/Limited	8%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

2/02	0.0765
3/02	0.078
4/02	0.078
5/02	0.078
6/02	0.079
7/02	0.079
8/02	0.079
9/02	0.079
10/02	0.079
11/02	0.079
12/02	0.079
1/03	0.079

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

2/1/02	14.84
	15.1
	15.04
	15.08
	15.2
	14.82
	14.86
	14.85
	14.55
	14.76
	14.6
	14.75
	14.74
	15.09
	15
	15.05
	15.05
	15.1
	15.2
	15.2
	15.35
	15.4

	15.56
	15.42
	15.34
	15.06
	15.17
	15.41
	15.51
	15.24
	15.1
	15.39
	15.38
	15.54
	15.66
	15.56
	15.37
	14.31
	14.09
	14.56
	14.48
	14.23
	14.11
	14.35
	14.39
	14.19
	14.08
	14.39
	14.63
	14.25
	14.19
	14.35
1/31/03	14.43

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%.
- 2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2002 of \$0.0112 per share.

Shareholder
MEETING REPORT

The Shareholder Meeting was held in Chicago, Illinois on October 23, 2002.

NAZ

APPROVAL OF THE BOARD MEMBERS
WAS REACHED AS FOLLOWS:

Common Pre
Shares Ser

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Robert P. Bremner	
For	4,253,887
Withhold	46,142
<hr/>	
Total	4,300,029

Lawrence H. Brown	
For	4,252,274
Withhold	47,755
<hr/>	
Total	4,300,029

Anne E. Impellizzeri	
For	4,244,781
Withhold	55,248
<hr/>	
Total	4,300,029

Peter R. Sawers	
For	4,252,274
Withhold	47,755
<hr/>	
Total	4,300,029

Judith M. Stockdale	
For	4,253,887
Withhold	46,142
<hr/>	
Total	4,300,029

William J. Schneider	
For	--
Withhold	--
<hr/>	
Total	--

Timothy R. Schwertfeger	
For	--
Withhold	--
<hr/>	
Total	--

APPROVAL OF THE BOARD MEMBERS
WAS REACHED AS FOLLOWS:

=====
Robert P. Bremner
For
Withhold

Total
=====

=====
Lawrence H. Brown
For
Withhold

Total
=====

=====
Anne E. Impellizzeri
For
Withhold

Total
=====

=====
Peter R. Sawers
For
Withhold

Total
=====

=====
Judith M. Stockdale
For
Withhold

Total
=====

=====
William J. Schneider
For
Withhold

Total
=====

=====
Timothy R. Schwertfeger
For
Withhold

Total
=====

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Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ)

Portfolio of
INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

	CONSUMER STAPLES - 1.5%	
\$ 1,000	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2002 Refunding, 5.375%, 5/15/33	5/12 at 100

	EDUCATION AND CIVIC ORGANIZATIONS - 9.1%	
1,000	Arizona State University, Certificates of Participation, Series 2002, 5.375%, 7/01/19	7/12 at 100
1,750	Student Loan Acquisition Authority of Arizona, Student Loan Revenue Bonds, Series 1994B, Subordinated Fixed Rate Bonds, 6.600%, 5/01/10 (Alternative Minimum Tax)	5/04 at 102
1,250	Industrial Development Authority of the City of Glendale, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31	5/11 at 101
1,400	Southern Arizona Capital Facilities Financing Corporation, Student Housing Revenue Bonds, La Aldea Project at the University of Arizona, Series 2002, 5.000%, 9/01/23	9/12 at 100

	HEALTHCARE - 22.8%	
2,000	Arizona Health Facilities Authority, Hospital Revenue Bonds, Phoenix Children's Hospital, Series 1999A, 6.125%, 11/15/22	11/09 at 100
2,125	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25	12/10 at 102
2,000	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, 1999 Series A, 6.625%, 7/01/20	7/10 at 101
3,000	Industrial Development Authority of the City of Mesa, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.750%, 1/01/25	1/10 at 101
515	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Hospital Revenue Bonds, 2000 Series A, Hospital de la Concepcion Project, 6.375%, 11/15/15	11/10 at 101
1,500	Industrial Development Authority of the City of Scottsdale, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at 101

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2,000	University Medical Center Corporation, Tucson, Arizona, Hospital Revenue Refunding Bonds, Series 1992, 6.250%, 7/01/16	7/03 at 101
1,055	Industrial Development Authority of the City of Winslow, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital Project, Series 1998, 5.500%, 6/01/22	6/08 at 101

HOUSING/MULTIFAMILY - 12.1%

2,011	Industrial Development Authority of the City of Glendale, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized Mortgage Loan - Maridale Apartments Project, Series 2000A, 7.500%, 10/20/35	10/10 at 105
1,275	Industrial Development Authority of the County of Maricopa, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized - Villas at Augusta Project, Series 2000, 6.400%, 10/20/20	10/10 at 105
400	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized - Campagne Place on Jackson Project, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax)	6/11 at 102
3,215	Industrial Development Authority of the County of Tucson, Arizona, Senior Living Facilities Revenue Bonds, The Christian Care Project, Series 2000A, 5.625%, 7/01/20	7/10 at 101

HOUSING/SINGLE FAMILY - 1.6%

160	Industrial Development Authority of the City of Phoenix, Arizona, Statewide Single Family Mortgage Revenue Bonds, Series 1995, 6.150%, 6/01/08 (Alternative Minimum Tax)	6/05 at 102
500	Industrial Development Authority of the City of Phoenix, Arizona, Single Family Mortgage Revenue Bonds, Series 2000-1B, 7.350%, 6/01/31 (Alternative Minimum Tax)	6/10 at 105

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Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ) (continued)
Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
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HOUSING/SINGLE FAMILY (continued)

\$	285	Industrial Development Authority of the County of Pima, Arizona, Single Family Mortgage Revenue Bonds, Series 1997A, 6.250%, 11/01/30 (Alternative Minimum Tax)	5/07 at 102
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LONG-TERM CARE - 1.7%

1,000	Industrial Development Authority of the County of Mohave, Arizona, Healthcare Revenue Refunding Bonds, GNMA Collateralized - Chris Ridge and Silver Ridge Village Projects, Series 1996, 6.375%, 11/01/31	5/06 at 103
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TAX OBLIGATION/GENERAL - 16.7%

City of Glendale, Arizona, General Obligation Bonds, Series 2002 Refunding:		
1,875	5.000%, 7/01/15	7/11 at 100
500	5.000%, 7/01/18	7/11 at 100
1,000	Washington Elementary School District No. 6 of Maricopa County, Arizona, General Obligation Bonds, Series 2002A Refunding, 5.375%, 7/01/15	No Opt. C
1,400	Chandler Unified School District No. 80 of Maricopa County, Arizona, General Obligation Refunding Bonds, Series 1993, 5.950%, 7/01/10	7/03 at 101
3,000	City of Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/18	7/09 at 100
Commonwealth of Puerto Rico, Public Improvement General Obligation Bonds, Series 2002A:		
1,000	5.500%, 7/01/19	No Opt. C
500	5.375%, 7/01/28	7/11 at 100
585	Tempe Union High School District No. 213 of Maricopa County, Arizona, General Obligation Bonds, Series 1994, 6.000%, 7/01/12	7/04 at 101

TAX OBLIGATION/LIMITED - 27.3%

City of Bullhead, Arizona, Bullhead Parkway Improvement District Improvement Bonds:		
910	6.100%, 1/01/08	7/03 at 103
970	6.100%, 1/01/09	7/03 at 103
1,500	Industrial Development Authority of the County of Maricopa, Arizona, Education Revenue Bonds (Arizona Charter Schools Project I), Series 2000A, 6.750%, 7/01/29	7/10 at 102
3,400	Maricopa County, Arizona, Stadium District Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18	6/12 at 100
Industrial Development Authority of the City of Phoenix, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC Project, Series 2000:		
1,000	5.375%, 9/15/22	9/10 at 100
2,000	5.500%, 9/15/27	9/10 at 100
2,150	Phoenix Civic Plaza Building Corporation, Arizona, Senior Lien Excise Tax Revenue Bonds, Series 1994, 6.000%, 7/01/14	7/05 at 101
1,200	Prescott Valley Municipal Facilities Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003,	1/13 at 100

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5.000%, 1/01/27

1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Bonds, Series 2002D Refunding, 5.125%, 7/01/24	7/12 at 100
500	City of Surprise Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2000, 5.700%, 7/01/20	7/09 at 101
500	City of Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20	7/08 at 100
1,100	City of Tucson, Arizona, Junior Lien Street and Highway User Revenue Bonds, Series 1994-E (2000), 5.000%, 7/01/18	7/10 at 100

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
	U.S. GUARANTEED - 37.4%	
\$ 635	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10)	7/10 at 100
3,500	Industrial Development Authority of the County of Maricopa, Arizona, Samaritan Health Services, Hospital System Revenue Refunding Bonds, Series 1990A, 7.000%, 12/01/16	No Opt. C
	Industrial Development Authority of the County of Mohave, Arizona, Hospital System Revenue Refunding Bonds (Medical Environments, Inc. and Phoenix Baptist Hospital and Medical Center Inc.), Series 1993:	
5,000	6.750%, 7/01/08 (Pre-refunded to 7/01/03)	7/03 at 102
1,000	7.000%, 7/01/16 (Pre-refunded to 7/01/03)	7/03 at 102
2,700	City of Phoenix Civic Improvement Corporation, Arizona, Wastewater System Lease Revenue Bonds, Series 1993, 6.125%, 7/01/23 (Pre-refunded to 7/01/03)	7/03 at 102
2,000	City of Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded to 7/01/10)	7/10 at 101
1,000	Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series B, 6.500%, 7/01/27 (Pre-refunded to 7/01/10)	7/10 at 101
1,415	Tempe Union High School District No. 213 of Maricopa County, Arizona, General Obligation Bonds, Series 1994, 6.000%, 7/01/12 (Pre-refunded to 7/01/04)	7/04 at 101
3,000	City of Tucson, Arizona, General Obligation Bonds, Series 1984-G (1994), 6.250%, 7/01/18 (Pre-refunded to 7/01/04)	7/04 at 101
725	City of Tucson, Arizona, Certificates of Participation, Series 1994, 6.375%, 7/01/09 (Pre-refunded to 7/01/04)	7/04 at 100

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UTILITIES - 12.6%

1,000	Arizona Power Authority, Power Resource Revenue Bonds, Special Obligation Crossover Refunding, Series 2001, Hoover Uprating Project, 5.250%, 10/01/15	No Opt. C
1,615	Coconino County Pollution Control Corporation, Arizona, Pollution Control Revenue Bonds (Nevada Power Company Project), Series 1996, 6.375%, 10/01/36 (Alternative Minimum Tax)	10/06 at 102
2,000	Industrial Development Authority of the County of Mohave, Arizona, Industrial Development Revenue Bonds, 1994 Series (Citizen Utilities Company Projects), 6.600%, 5/01/29 (Alternative Minimum Tax)	11/03 at 101
500	Navajo County Pollution Control Corporation, Arizona, Pollution Control Revenue Refunding Bonds, Arizona Public Service Company, 1993 Series A, 5.875%, 8/15/28	8/03 at 102
1,200	Industrial Development Authority of the County of Pima, Arizona, Industrial Development Lease Obligation Refunding Revenue Bonds, 1988 Series A, Irvington Project, 7.250%, 7/15/10	7/03 at 102
500	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Refunding Revenue Bonds, 2002 Series A, 5.000%, 1/01/31	1/12 at 101
1,450	Industrial Development Authority of the County of Yavapai, Arizona, Industrial Development Revenue Bonds, 1998 Series, Citizens Utilities Company Project, 5.450%, 6/01/33 (Alternative Minimum Tax)	6/07 at 101

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Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ) (continued)
Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
<hr/>		
WATER AND SEWER - 2.4%		
\$ 1,500	City of Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26	7/12 at 100
<hr/>		
\$ 86,271	Total Long-Term Investments (cost \$86,474,489) - 145.2%	
<hr/>		
Other Assets Less Liabilities - 2.8%		
<hr/>		
Preferred Shares, at Liquidation Value - (48.0)%		
<hr/>		
Net Assets Applicable to Common Shares - 100%		
<hr/>		

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.

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* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

*** Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.

N/R Investment is not rated.

See accompanying notes to financial statements.

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Nuveen Arizona Dividend Advantage Municipal Fund (NFZ)
Portfolio of
INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

	EDUCATION AND CIVIC ORGANIZATIONS - 10.1%	
\$ 1,020	Industrial Development Authority of the City of Mesa, Arizona, Student Housing Revenue Bonds, ASU East/Maricopa County Community College District - Williams Campus Project, Series 2001A, 6.000%, 7/01/26	7/11 at 101
1,000	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Series 1999, Ana G. Mendez University System Project, 5.375%, 2/01/29	2/09 at 101
300	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Series 2001, University of the Sacred Heart Project, 5.250%, 9/01/21	9/11 at 100

	HEALTHCARE - 11.1%	
550	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20	12/10 at 102
920	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, 1999 Series A, 6.625%, 7/01/20	7/10 at 101
1,000	Industrial Development Authority of the City of Scottsdale,	12/11 at 101

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Arizona, Hospital Revenue Bonds, Scottsdale Healthcare,
Series 2001, 5.800%, 12/01/31

HOUSING/MULTIFAMILY - 24.5%

1,000	Industrial Development Authority of the County of Maricopa, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms Apartments Project, Series 1999A, 5.900%, 7/01/29	7/09 at 102
1,000	Industrial Development Authority of the County of Maricopa, Arizona, Multifamily Housing Revenue Bonds, Sun King Apartments Project, Series 2000A, 6.750%, 5/01/31	5/10 at 102
1,125	Industrial Development Authority of the County of Maricopa, Arizona, Multifamily Housing Revenue Bonds, Syl-Mar Apartments Project, Series 2001, 5.650%, 4/20/21 (Alternative Minimum Tax)	10/11 at 103
275	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, Series 2001, GNMA Collateralized - Campaigne Place on Jackson Project, 5.700%, 6/20/31 (Alternative Minimum Tax)	6/11 at 102
1,000	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, Series 2001, GNMA Collateralized - Bay Club Apartments Project, 5.900%, 11/20/31	11/11 at 105
1,000	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, Series 2002A, GNMA Collateralized - Liberty Cove Apartments, 5.050%, 10/20/32	10/12 at 102

HOUSING/SINGLE FAMILY - 4.5%

995	Industrial Development Authority of the County of Pima, Arizona, Single Family Mortgage Revenue Bonds, Series 2001-A4, 5.050%, 5/01/17	11/10 at 101
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LONG-TERM CARE - 4.4%

1,000	Mesa County, Colorado, Residential Care Facilities Mortgage Revenue Bonds, Series 2001A, Hilltop Community Resources Inc. Obligated Group Projects, 5.375%, 12/01/28	12/11 at 101
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TAX OBLIGATION/GENERAL - 23.1%

1,500	Washington Elementary School District No. 6 of Maricopa County, Arizona, General Obligation Bonds, Series 2002A Refunding, 5.375%, 7/01/15	No Opt. C
1,000	City of Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/17	7/09 at 100
1,000	City of Phoenix, Arizona, General Obligation Refunding Bonds, Series 1995A, 5.000%, 7/01/19	7/05 at 101

Nuveen Arizona Dividend Advantage Municipal Fund (NFZ) (continued)
Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

TAX OBLIGATION/GENERAL (continued)		
\$ 500	Commonwealth of Puerto Rico, Public Improvement General Obligation Bonds of 2002, Series A, 5.500%, 7/01/29	No Opt. C
1,020	City of Tucson, Arizona, General Obligation Refunding Bonds, Series 1997, 5.000%, 7/01/19	7/07 at 100

TAX OBLIGATION/LIMITED - 23.1%		
700	Arizona School Facilities Board, State School Improvement Revenue Bonds, Series 2001, 5.500%, 7/01/18	7/11 at 100
1,415	State of Arizona, Certificates of Participation, Series 2002A, 4.800%, 11/01/15	5/12 at 100
2,000	Industrial Development Authority of the County of Maricopa, Arizona, Education Revenue Bonds, Horizon Community Learning Center Project, Series 2000, 6.350%, 6/01/26	6/07 at 102
900	Industrial Development Authority of the City of Phoenix, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC II Project, Series 2001, 5.250%, 9/15/16	3/12 at 100

U.S. GUARANTEED - 8.7%		
500	Industrial Development Authority of the County of Maricopa, Arizona, Baptist Hospital System Revenue Refunding Bonds, Series 1995, 5.500%, 9/01/16 (Pre-refunded to 9/01/05)	9/05 at 101
1,350	Puerto Rico Infrastructure Financing Authority, Special Obligation Bonds, 2000 Series A, 5.500%, 10/01/40	10/10 at 101

UTILITIES - 27.9%		
1,500	Arizona Power Authority, Power Resource Revenue Bonds, Special Obligation Crossover Refunding, Series 2001, Hoover Uprating Project, 5.250%, 10/01/17	No Opt. C
500	Coconino County Pollution Control Corporation, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1997B, 5.800%, 11/01/32 (Alternative Minimum Tax)	5/03 at 102

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1,000	City of Mesa, Arizona, Utility Systems Revenue Bonds, Series 2000, 5.125%, 7/01/19	7/09 at 100
1,000	City of Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17	No Opt. C
350	Puerto Rico Electric Power Authority, Power Revenue Bonds, 2002 Series II, 5.125%, 7/01/26	7/12 at 101
805	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Refunding Revenue Bonds, 1997 Series A, 5.000%, 1/01/20	1/08 at 101
1,000	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Refunding Revenue Bonds, 2002 Series A, 5.250%, 1/01/18	1/12 at 101

	WATER AND SEWER - 11.0%	
1,025	City of Chandler, Arizona, Water and Sewer Revenue Bonds, Series 2001, 4.500%, 7/01/18	7/10 at 101
1,500	City of Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26	7/12 at 100

\$ 32,750	Total Long-Term Investments (cost \$33,156,423) - 148.4%	
=====		
	Other Assets Less Liabilities - 3.6%	

	Preferred Shares, at Liquidation Value - (52.0)%	

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

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.

* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

See accompanying notes to financial statements.

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)
Portfolio of
INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
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EDUCATION AND CIVIC ORGANIZATIONS - 14.5%

\$	510	Arizona State University, Certificates of Participation, Series 2002, 7/12 at 100 5.125%, 7/01/26	
		Arizona Board of Regents, Arizona State University, System Revenue Bonds, Series 2002:	
	1,000	5.000%, 7/01/25	7/12 at 100
	715	5.750%, 7/01/27	7/12 at 100
	1,250	Industrial Development Authority of the City of Glendale, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31	5/11 at 101
	320	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Series 1999, Ana G. Mendez University System Project, 5.375%, 2/01/19	2/09 at 101
		Arizona Board of Regents, Certificates of Participation, University of Arizona Project, Series 2002A:	
	750	5.500%, 6/01/18	6/12 at 100
	500	5.125%, 6/01/22	6/12 at 100

HEALTHCARE - 10.2%

	735	Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21	2/12 at 101
	1,000	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, 1999 Series A, 6.625%, 7/01/20	7/10 at 101
	500	Industrial Development Authority of the County of Maricopa, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West Project, 1998 Series A, 5.000%, 7/01/21	7/08 at 101
	500	Industrial Development Authority of the County of Maricopa, Arizona, Hospital Revenue Bonds, Series 1998, Mayo Clinic Hospital, 5.250%, 11/15/37	5/08 at 101
	1,000	Industrial Development Authority of the City of Mesa, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.625%, 1/01/29	1/10 at 101

HOUSING/MULTIFAMILY - 7.5%

	1,000	Industrial Development Authority of the County of Maricopa, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized - Pine Ridge, Cambridge Court, Cove on 44th and Fountain Place Apartments Projects, Series 2001-A1 Refunding, 6.000%, 10/20/31	10/11 at 105
	1,425	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, Series 2002, GNMA Collateralized - Summit Apartments Project, 6.450%, 7/20/32	7/12 at 105

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	HOUSING/SINGLE FAMILY - 1.3%		
465	Industrial Development Authority of the County of Pima, Arizona, Single Family Mortgage Revenue Bonds, Series 2001-A1, 5.350%, 11/01/24 (Alternative Minimum Tax)		11/10 at 101

	TAX OBLIGATION/GENERAL - 44.3%		
1,725	City of Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/17		7/12 at 100
1,000	Town of Gilbert, Arizona, General Obligation Bonds, Series 2002A, 5.000%, 7/01/18		7/11 at 100
	Washington Elementary School District No. 6 of Maricopa County, Arizona, General Obligation Bonds, Series 2002A Refunding:		
1,000	5.375%, 7/01/15		No Opt. C
2,000	5.375%, 7/01/16		No Opt. C
2,165	Paradise Valley Unified School District No. 69 of Maricopa County, Arizona, General Obligation Bonds, Series 2002A Refunding, 5.250%, 7/01/14		No Opt. C

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Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR) (continued)
Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
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	TAX OBLIGATION/GENERAL (continued)		
\$ 1,000	City of Mesa, Arizona, General Obligation Bonds, Series 2000, 6.500%, 7/01/11		No Opt. C
1,405	City of Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15		No Opt. C
	City of Phoenix, Arizona, General Obligation Bonds, Various Purpose, Series 2002B:		
1,700	5.000%, 7/01/22		7/12 at 100
250	5.000%, 7/01/27		7/12 at 100
1,000	Apache Junction Unified School District No. 43 of Pinal County, Arizona, General Obligation Refunding Bonds, Series 2001, 5.750%, 7/01/15		No Opt. C
1,500	City of Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24		7/11 at 100

	TAX OBLIGATION/LIMITED - 34.4%		
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	State of Arizona, Certificates of Participation, Series 2002A:	
750	5.000%, 11/01/17	5/12 at 100
1,000	5.000%, 11/01/18	5/12 at 100
500	5.000%, 11/01/20	5/12 at 100
1,000	Maricopa County Public Finance Authority, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15	7/11 at 100
	Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002:	
840	5.375%, 6/01/18	6/12 at 100
2,645	5.375%, 6/01/19	6/12 at 100
1,500	Industrial Development Authority of the City of Phoenix, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC II Project, Series 2001, 5.250%, 9/15/16	3/12 at 100
500	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 1996Y, 5.500%, 7/01/36	7/16 at 100
500	Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series D, 5.000%, 7/01/32	7/12 at 100
1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Bonds, Series 2002D Refunding, 5.125%, 7/01/24	7/12 at 100
1,000	City of Tucson, Arizona, Junior Lien Street and Highway User Revenue Bonds, Series 1994-E (2000), 5.000%, 7/01/18	7/10 at 100
640	City of Yuma Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2001, 5.000%, 7/01/21	7/10 at 100

	TRANSPORTATION - 5.6%	
1,000	City of Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 1998A, 5.000%, 7/01/25	7/08 at 101
1,000	City of Phoenix Civic Improvement Corporation, Arizona, Airport Revenue Bonds, Series 2002B Senior Lien, 5.250%, 7/01/27 (Alternative Minimum Tax)	7/12 at 100

	U.S. GUARANTEED - 8.3%	
1,215	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/12 (Pre-refunded to 7/01/10)	7/10 at 100
1,500	Puerto Rico Infrastructure Financing Authority, Special Obligation Bonds, 2000 Series A, 5.500%, 10/01/40	10/10 at 101

	UTILITIES - 13.4%	
1,115	Arizona Power Authority, Power Resource Revenue Bonds, Special Obligation Crossover Refunding, Series 2001, Hoover Upgrading Project, 5.250%, 10/01/15	No Opt. C

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1,000	City of Mesa, Arizona, Utility System Revenue Bonds, Series 2002, 5.000%, 7/01/20	7/11 at 100
1,000	City of Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17	No Opt. C
1,500	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Refunding Revenue Bonds, 2002 Series A, 5.000%, 1/01/31	1/12 at 101

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

	WATER AND SEWER - 7.5%	
\$ 500	Industrial Development Authority of the County of Maricopa, Arizona, Water System Improvement Revenue Bonds, Chaparral City Water Company Project, Series 1997A, 5.400%, 12/01/22 (Alternative Minimum Tax)	12/07 at 102
1,000	City of Phoenix Civic Improvement Corporation, Arizona, Water System Junior Lien Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22	No Opt. C
1,000	City of Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/18	7/12 at 102

\$ 50,120	Total Long-Term Investments (cost \$51,384,766) - 147.0%	
=====		
	Other Assets Less Liabilities - 3.9%	

	Preferred Shares, at Liquidation Value - (50.9)%	

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

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.

* Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings: Using the higher of Standard & Poor's or Moody's rating.

See accompanying notes to financial statements.

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Portfolio of
INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
<hr/>		
	CONSUMER STAPLES - 4.5%	
\$ 2,000	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2002 Refunding, 5.375%, 5/15/33	5/12 at 100
<hr/>		
	EDUCATION AND CIVIC ORGANIZATIONS - 18.9%	
2,000	Arizona Board of Regents, Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27	7/12 at 100
1,000	Student Loan Acquisition Authority of Arizona, Student Loan Revenue Refunding Bonds, Senior Series 1999A-1, 5.750%, 5/01/15 (Alternative Minimum Tax)	11/09 at 102
1,130	Arizona State University, Main Campus Project Energy Conservation Revenue Bonds, Energy Management Services LLC, Series 2002, 5.250%, 7/01/18	7/12 at 100
500	Industrial Development Authority of the City of Glendale, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28	5/08 at 101
1,000	Tucson Industrial Development Authority, Arizona, Lease Revenue Bonds, University of Arizona - Marshall Foundation Project, Series 2002A, 5.000%, 7/15/32	7/12 at 100
2,000	Arizona Board of Regents, Certificates of Participation, University of Arizona Projects, Series 2002B, 5.125%, 6/01/20	6/12 at 100
<hr/>		
	HEALTHCARE - 14.5%	
	Arizona Health Facilities Authority, Hospital Revenue Bonds, Phoenix Children's Hospital, Series 1999A:	
750	6.125%, 11/15/22	11/09 at 100
520	6.250%, 11/15/29	11/09 at 100
1,000	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20	12/10 at 102
250	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, 1999 Series A, 6.625%, 7/01/20	7/10 at 101
500	Industrial Development Authority of the County of Maricopa, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West Project, 1998 Series A, 5.000%, 7/01/21	7/08 at 101
2,000	Industrial Development Authority of the County of Maricopa, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37	5/08 at 101
1,250	Industrial Development Authority of the City of Scottsdale,	12/11 at 101

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Arizona, Hospital Revenue Bonds, Scottsdale Healthcare,
Series 2001, 5.800%, 12/01/31

HOUSING/MULTIFAMILY - 16.0%		
1,750	Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Senior Revenue Bonds, National Voluntary Health Facilities II Project, Series 1998A, 5.100%, 1/01/33	1/18 at 100
1,545	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized - Campaigne Place on Jackson Project, Series 2001, 5.600%, 6/20/21 (Alternative Minimum Tax)	6/11 at 102
2,480	Industrial Development Authority of the City of Phoenix, Arizona, Multifamily Housing Revenue Bonds, GNMA Collateralized - Liberty Cove Apartments, Series 2002A: 4.950%, 10/20/22 (Alternative Minimum Tax)	10/12 at 102
1,000	5.050%, 10/20/32 (Alternative Minimum Tax)	10/12 at 102

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
<hr/>		
TAX OBLIGATION/GENERAL - 29.6%		
\$ 660	City of Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/18	7/12 at 100
2,250	DC Ranch Community Facilities District of Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27	7/13 at 100
1,930	City of Glendale, Arizona, General Obligation Bonds, Series 2002 Refunding, 5.000%, 7/01/19	7/11 at 100
1,000	Peoria Unified School District No. 11 of Maricopa County, Arizona, General Obligation Bonds, Series 2002 Refunding, 5.000%, 7/01/15	No Opt. C
765	Paradise Valley Unified School District No. 69 of Maricopa County, Arizona, General Obligation Bonds, Series 2002 Refunding, 5.000%, 7/01/15	No Opt. C
1,000	Queen Creek Unified School District No. 95 of Maricopa County, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/14	No Opt. C
2,000	Commonwealth of Puerto Rico, Public Improvement Refunding Bonds, General Obligation Bonds, Series 1997, 6.500%, 7/01/15	No Opt. C
1,500	Commonwealth of Puerto Rico, Public Improvement Refunding Bonds, General Obligation Bonds, 2002 Series A, 5.500%, 7/01/20	No Opt. C
440	City of Tucson, Arizona, General Obligation Bonds, Series 2001B, 5.000%, 7/01/20	7/11 at 100

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TAX OBLIGATION/LIMITED - 20.9%		
2,000	Arizona School Facilities Board, State School Improvement Revenue Bonds, Series 2002, 5.250%, 7/01/20	7/12 at 100
1,000	Arizona Municipal Financing Program, Certificates of Participation, City of Goodyear Loan, Series 31, 7.250%, 8/01/09	No Opt. C
2,000	Arizona Transportation Board, Highway Revenue Bonds, Series 2001, 5.250%, 7/01/20	7/11 at 100
1,000	Arizona Department of Transportation, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/22	7/12 at 100
680	Avondale Municipal Development Corporation, Arizona, Excise Tax Revenue Bonds, Series 2002, 5.000%, 7/01/16	7/12 at 100
	Cochise County, Arizona, Certificates of Participation, Series 2002:	
805	4.500%, 8/01/16	8/13 at 100
840	4.500%, 8/01/17	8/13 at 100

TRANSPORTATION - 13.8%		
	Phoenix Civic Improvement Corporation, Arizona, Airport Revenue Bonds, Series 2002B Senior Lien:	
1,000	5.750%, 7/01/16 (Alternative Minimum Tax)	7/12 at 100
2,300	5.250%, 7/01/21 (Alternative Minimum Tax)	7/12 at 100
2,450	Tucson Airport Authority Inc., Arizona, Revenue Bonds, Series 2001B Refunding, 5.000%, 6/01/20 (Alternative Minimum Tax)	6/11 at 100

UTILITIES - 20.0%		
1,750	Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A, 5.050%, 5/01/29	11/12 at 100
3,000	City of Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17	No Opt. C
2,000	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Refunding Revenue Bonds, Series 2002A, 5.125%, 1/01/27	1/12 at 101
1,000	Salt River Project Agricultural Improvement and Power District, Arizona, Salt River Project Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/31	1/13 at 100
500	Industrial Development Authority of the County of Yavapai, Arizona, Industrial Development Revenue Bonds, 1998 Series, Citizens Utilities Company Project, 5.450%, 6/01/33 (Alternative Minimum Tax)	6/07 at 101

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Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) (continued)
 Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
	WATER AND SEWER - 10.6%	
\$ 1,000	City of Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21	7/11 at 100
1,250	City of Phoenix Civic Improvement Corporation, Arizona, Water System Junior Lien Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21	No Opt. C
2,000	City of Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/18	7/12 at 100
\$ 60,795	Total Long-Term Investments (cost \$64,104,317) - 148.8%	
	SHORT-TERM INVESTMENTS - 0.9%	
400	Industrial Development Authority of the City of Phoenix, Arizona, Revenue Bonds, Series 2001, Valley of the Sun YMCA Project, Variable Rate Demand Bonds, 1.350%, 1/01/31+	
\$ 400	Total Short-Term Investments (cost \$400,000)	
	Other Assets Less Liabilities - 1.9%	
	Preferred Shares, at Liquidation Value - (51.6)%	
	Net Assets Applicable to Common Shares - 100%	

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.
- * Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
- ** Ratings: Using the higher of Standard & Poor's or Moody's rating.
- + Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

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Nuveen Texas Quality Income Municipal Fund (NTX)
 Portfolio of
 INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

	BASIC MATERIALS - 5.6%	
\$ 4,500	Cass County Industrial Development Corporation, Texas, Environmental Improvement Revenue Bonds, 2000 Series A, International Paper Company Project, 6.600%, 3/15/24 (Alternative Minimum Tax)	3/10 at 101
3,000	Guadalupe-Blanco River Authority, Texas, Sewage and Solid Waste Disposal Facility Bonds, E.I. du Pont de Nemours and Company Project), Series 1996, 6.400%, 4/01/26 (Alternative Minimum Tax)	4/06 at 102

	CONSUMER STAPLES - 2.0%	
3,000	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2002 Refunding, 5.375%, 5/15/33	5/12 at 100

	EDUCATION AND CIVIC ORGANIZATIONS - 11.7%	
205	Brazos Higher Education Authority, Inc., Texas, Student Loan Revenue Refunding Bonds, Subordinate Series 1993A-2, 6.800%, 12/01/04 (Alternative Minimum Tax)	No Opt. C
1,000	City of Georgetown, Texas, Higher Education Finance Corporation, Higher Education Revenue Bonds, Series 1994, Southwestern University Project, 6.300%, 2/15/14	2/04 at 100
1,000	Raven Hills Higher Education Corporation, Texas, Student Housing Revenue Bonds, Cardinal Village LLC - Lamar University Project, Series 2001A, 5.250%, 8/01/24	8/11 at 100
3,000	Texas State University System, Financing Revenue Bonds, Series 2002 Refunding, 5.000%, 3/15/20	No Opt. C
1,445	Tyler Junior College District, Smith and Van Zanlt Counties, Texas, Combined Fee Improvement Revenue and Refunding Bonds, Series 1994, 5.900%, 8/15/13	8/04 at 100
2,330	Universal City Education Facilities Corporation, Texas, Revenue Bonds, Wayland Baptist University Project, Series 2001, 5.625%, 3/01/26	3/11 at 102
2,000	Board of Regents of the University of Houston System, Texas, Consolidated Revenue Bonds, Series 1995, 6.000%, 2/15/17	2/05 at 100
5,000	University of North Texas Board of Regents, Financing System	4/12 at 100

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Revenue Bonds, Series 2001, 5.000%, 4/15/24

ENERGY - 4.3%		
5,000	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Refining and Marketing Company Project, Series 1998, 5.600%, 4/01/32 (Alternative Minimum Tax)	4/08 at 102
1,800	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project, Series 1999, 5.700%, 4/01/32 (Alternative Minimum Tax)	4/09 at 101

HEALTHCARE - 20.2%		
3,500	Abilene Health Facilities Development Corporation, Texas, Hospital Revenue Refunding and Improvement Bonds, Hendrick Medical Center Project, Series 1995C, 6.150%, 9/01/25	9/05 at 102
	Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000:	
2,000	6.875%, 10/01/20	10/10 at 101
3,250	6.375%, 10/01/25	10/10 at 101
1,500	Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, St. Luke's Episcopal Hospital, Series 2001A, 5.500%, 2/15/21	8/11 at 100
2,000	Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Memorial Hermann Healthcare System, Series 2001A, 6.375%, 6/01/29	6/11 at 101
5,750	Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11	No Opt. C
2,000	North Central Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Baylor Health Care System Project, Series 2001A, 5.125%, 5/15/29	5/11 at 100

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
 Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
HEALTHCARE (continued)		
\$ 1,760	Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19	8/09 at 102
1,050	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Series 1998, Adventist Health	11/08 at 101

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System/Sunbelt Obligated Group, 5.375%, 11/15/20

3,500	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Series 2000, Adventist Health System/Sunbelt Obligated Group, 6.625%, 11/15/20	11/10 at 101
2,000	Tom Green County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Shannon Health System Project, Series 2001, 6.750%, 5/15/21	5/11 at 101
1,000	Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Health Center, Series 2001, 6.000%, 7/01/31	7/12 at 100

HOUSING/MULTIFAMILY - 8.9%

Bexar County Housing Finance Corporation, Texas, Multifamily Housing Revenue Bonds, Waters at Northern Hills Apartments Project, Series 2001A:		
2,000	6.000%, 8/01/31	8/11 at 102
750	6.050%, 8/01/36	8/11 at 102
Grand Prairie Housing Finance Corporation, Texas, Multifamily Housing Revenue Bonds, Landings at Carrier Project, GNMA Series 2000A:		
1,000	6.650%, 9/20/22	9/10 at 105
2,030	6.750%, 9/20/28	9/10 at 105
5,668	Houston Housing Finance Corporation, Texas, Multifamily Housing Revenue Bonds, RRG Apartments Project, GNMA Collateralized Mortgage, Series 2001, 6.250%, 9/20/35	9/11 at 105

HOUSING/SINGLE FAMILY - 6.8%

2,800	El Paso Housing Finance Corporation, Texas, Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33	4/11 at 106
360	City of Galveston Property Finance Authority, Inc., Texas, Single Family Mortgage Revenue Bonds, Series 1991A, 8.500%, 9/01/11	3/03 at 102
650	Houston Housing Finance Corporation, Texas, Single Family Mortgage Revenue Refunding Bonds, Series 1993A, 5.950%, 12/01/10	6/03 at 102
1,945	Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Bonds, 1996 Series E, 6.000%, 9/01/17	9/06 at 102
3,000	Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Bonds, 2002 Series B, 5.550%, 9/01/33 (Alternative Minimum Tax)	3/12 at 100
385	Victoria Housing Finance Corporation, Texas, Single Family Mortgage Revenue Refunding Bonds, Series 1995, 8.125%, 1/01/11	No Opt. C

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LONG-TERM CARE - 7.2%

	Bell County Health Facilities Development Corporation, Texas, Retirement Facility Revenue Bonds, Buckner Retirement Services, Inc. Obligated Group Project, Series 1998:	
3,400	5.250%, 11/15/19	11/08 at 101
5,000	5.250%, 11/15/28	11/08 at 101
2,000	Tarrant County Health Facilities Development Corporation, Texas, Tax-Exempt Mortgage Revenue Bonds, South Central Nursing Homes Inc. Project, Series 1997A, 6.000%, 1/01/37	1/08 at 105

TAX OBLIGATION/GENERAL - 32.3%

4,130	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1992, 0.000%, 8/15/14	8/09 at 75
1,450	Donna Independent School District, Hidalgo County, Texas, Unlimited Tax School Building Bonds, Series 2000, 6.000%, 2/15/17	2/11 at 100
1,750	El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21	2/12 at 100
2,000	Harlingen Consolidated Independent School District, Cameron County, Texas, Unlimited Tax School Building Bonds, Series 1999, 5.650%, 8/15/29	8/09 at 100
2,000	Harris County, Texas, Tax and Revenue Certificates of Obligation, Series 2001, 5.000%, 8/15/27	8/11 at 100

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
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TAX OBLIGATION/GENERAL (continued)

\$	1,500	Judson Independent School District, Bexar County, Texas, General Obligation Bonds, Series 2002 Refunding, 5.250%, 2/01/21	2/11 at 100
	1,250	Katy Independent School District, Counties of Harris, Fort Bend and Waller, Texas, General Obligation Bonds, Series 2002A, 5.000%, 2/15/32	2/12 at 100
	2,600	Klein Independent School District, Harris County, Texas, Unlimited Tax Schoolhouse Bonds, Series 1999A, 5.000%, 8/01/18	8/09 at 100
	1,500	Lake Dallas Independent School District, Denton County, Texas, General Obligation Building Bonds, Series 2001, 5.000%, 8/15/30	8/11 at 100
	5,220	Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 0.000%, 8/15/21	8/09 at 46
	1,545	Montgomery County, Texas, General Obligation Bonds, Series 1997 Refunding, 0.000%, 3/01/14	9/07 at 72

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2,000	Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25	8/10 at 100
500	Commonwealth of Puerto Rico, Public Improvement General Obligation Bonds of 2002, Series A, 5.500%, 7/01/29	No Opt. C
1,825	Socorro Independent School District, El Paso County, Texas, General Obligation Bonds, Series 1996, 5.750%, 2/15/21	2/06 at 100
1,440	South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17	8/12 at 100
2,000	State of Texas, General Obligation Bonds, Veterans Land Board, Series 1994, 6.400%, 12/01/24 (Alternative Minimum Tax)	12/04 at 100
3,490	State of Texas, General Obligation Bonds, Veterans Housing Assistance Program Fund, Series 1993, 6.800%, 12/01/23 (Alternative Minimum Tax)	12/03 at 102
2,000	State of Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/23	8/11 at 100
1,500	State of Texas, General Obligation Bonds, Public Finance Authority, Series 2002 Refunding, 5.000%, 10/01/18	10/12 at 100
1,795	United Independent School District, Webb County, Texas, Unlimited Tax School Building Bonds, Series 2000, 5.375%, 8/15/18	8/12 at 100
5,290	Weslaco Independent School District, Hidalgo County, Texas, General School Building Obligation Bonds, Series 2000, 5.500%, 2/15/25	2/10 at 100
	West Independent School District, McLennan and Hill Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1998:	
1,000	0.000%, 8/15/22	8/13 at 61
1,000	0.000%, 8/15/23	8/13 at 57
1,000	0.000%, 8/15/24	8/13 at 54
1,800	Williamson County, Texas, General Obligation Road Bonds, Series 2002, 5.500%, 2/15/16	2/12 at 100

TAX OBLIGATION/LIMITED - 11.0%

4,500	City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 1999, 5.800%, 11/15/29	11/09 at 100
2,305	Corpus Christi, Texas, Certificates of Obligation, Limited Tax and Hotel Occupancy Tax Revenue Bonds, Series 2002, 5.500%, 9/01/21	9/12 at 100
2,250	Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G, 5.250%, 11/15/22	11/11 at 100
1,000	City of Laredo, Texas, Sports Venue Sales Tax Revenue Bonds, Series 2001, 5.300%, 3/15/26	3/09 at 100

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4,580 City of San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, 8/06 at 102
 Henry B. Gonzalez Convention Center Project, 5.700%, 8/15/26

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
 Portfolio of INVESTMENTS January 31, 2003 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO

	TRANSPORTATION - 5.5%	
\$ 3,005	Alliance Airport Authority, Inc., Texas, Special Facilities Revenue Bonds, Series 1990, American Airlines, Inc. Project, 7.500%, 12/01/29 (Alternative Minimum Tax)	6/03 at 100
2,600	Dallas - Fort Worth International Airport Facility Improvement Corporation, Texas, American Airlines, Inc. Revenue Bonds, Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax)	11/09 at 101
1,000	Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 1994, 5.375%, 8/15/20	8/04 at 102
2,000	City of Houston, Texas, Airport System Subordinate Lien Revenue Bonds, Series 2000A, 5.625%, 7/01/30 (Alternative Minimum Tax)	7/10 at 100
3,000	Texas Turnpike Authority, Central Texas Turnpike System First Tier Revenue Bonds, Series 2002A, 5.500%, 8/15/39	8/12 at 100

	U.S. GUARANTEED - 9.3%	
230	Abilene Housing Development Corporation, Texas, First Lien Revenue Bonds, Series 1978, 7.000%, 7/01/08	No Opt. C
1,000	Caddo Mills Independent School District, Hunt County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1995, 6.375%, 8/15/25 (Pre-refunded to 2/15/05)	2/05 at 100
690	Children's Trust Fund, Puerto Rico, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10)	7/10 at 100
1,185	Fort Bend County Levee Improvement District No. 11, A Political Subdivision of the State of Texas, Unlimited Tax Levee Improvement Bonds, Series 1994, 6.900%, 9/01/17 (Pre-refunded to 9/01/04)	9/04 at 100
1,450	Industrial Development Corporation of the City of Galveston, Texas, Sales Tax Revenue Bonds, Series 1995, 5.750%, 9/01/15 (Pre-refunded to 9/01/05)	9/05 at 100
800	City of Laredo, Webb County, Texas, Combination Tax and Waterworks System Revenue Certificates of Obligation, Series 1994, 5.625%, 8/15/11 (Pre-refunded to 8/15/04)	8/04 at 100

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1,000	North Central Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Presbyterian Healthcare System Project, Series 1996B, 5.750%, 6/01/26	No Opt. C
2,500	Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack Project, Series 1993, 8.750%, 12/15/17	No Opt. C
665	City of San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992, 6.500%, 5/15/10	No Opt. C
1,500	Texas Health Facilities Development Corporation, Hospital Revenue Bonds, All Saints Episcopal Hospitals of Fort Worth Project, Series 1993B, 6.250%, 8/15/22 (Pre-refunded to 8/15/03)	8/03 at 102

UTILITIES - 8.1%

2,500	Brazos River Authority, Texas, Revenue Refunding Bonds, Reliant Energy Incorporated Project, Series 1999A, 5.375%, 4/01/19	4/09 at 101
2,000	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2000, 5.750%, 2/15/15 (Alternative Minimum Tax)	2/10 at 100
1,500	Matagorda County Navigation District Number One, Texas, Pollution Control Revenue Refunding Bonds, Central Power and Light Company Project, Series 1993, 6.000%, 7/01/28	7/03 at 102
1,000	Matagorda County Navigation District Number One, Texas, Revenue Refunding Bonds, Reliant Energy Project, Series B, 5.950%, 5/01/30 (Alternative Minimum Tax)	5/09 at 101
2,000	Sabine River Authority of Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company Project, Series 2001A, 5.500%, 5/01/22 (Mandatory put 11/01/11)	No Opt. C
2,750	City of San Antonio, Texas, Electric and Gas System Revenue Bonds, Series 2002 Refunding, 5.375%, 2/01/20	2/12 at 100

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
---------------------------	----------------	------------------------

WATER AND SEWER - 12.7%

\$ 3,500	City of Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2002A, 5.000%, 12/01/30	12/12 at 100
7,000	City of Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 1998A, 0.000%, 12/01/27	No Opt. C
5,275	City of Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2000B, 5.250%, 12/01/30	12/10 at 100
800	City of Houston, Texas, Water and Sewer System Junior Lien	12/07 at 101

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		Revenue Bonds, Series 1997A Refunding, 5.375%, 12/01/27	
3,500		City of Houston, Texas, Water and Sewer System Junior Lien Revenue Bonds, Series 2001A Refunding, 5.500%, 12/01/17	12/11 at 100
1,000		City of San Antonio, Texas, Water System Senior Lien Refunding Bonds, Refunding Series 2002, 5.000%, 5/15/28	5/12 at 100
1,500		Texas Water Development Board, State Revolving Fund, Senior Lien Revenue Bonds, Series 1999A, 5.500%, 7/15/21	7/09 at 100

\$	216,748	Total Long-Term Investments (cost \$198,960,337) - 145.6%	
=====			
		Other Assets Less Liabilities - 3.3%	

		Preferred Shares, at Liquidation Value - (48.9)%	

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

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.
 - * Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
 - ** Ratings: Using the higher of Standard & Poor's or Moody's rating.
 - *** Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Such securities are normally considered to be equivalent to AAA rated securities.
- N/R Investment is not rated.

See accompanying notes to financial statements.

Statement of
ASSETS AND LIABILITIES January 31, 2003 (Unaudited)

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)

ASSETS			
Investments in municipal securities, at market value	\$90,811,955	\$34,226,023	\$53,459,839
Temporary investments in short-term securities, at amortized cost, which approximates market value	--	--	--
Cash	1,070,745	549,051	1,058,003

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Receivables:			
Interest	763,767	325,247	374,029
Investments sold	10,103	--	--
Other assets	456	1,107	4,097

Total assets	92,657,026	35,101,428	54,895,968

LIABILITIES			
Accrued expenses:			
Management fees	51,131	10,424	16,333
Organization and offering costs	--	7,713	4,673
Other	67,179	15,919	17,967
Preferred share dividends payable	821	1,035	609

Total liabilities	119,131	35,091	39,582

Preferred shares, at liquidation value	30,000,000	12,000,000	18,500,000

Net assets applicable to			
Common shares	\$62,537,895	\$23,066,337	\$36,356,386
=====			
Common shares outstanding	4,421,760	1,541,057	2,416,665
=====			
Net asset value per Common share outstanding			
(net assets applicable to Common			
shares, divided by			
Common shares outstanding)	\$ 14.14	\$ 14.97	\$ 15.04
=====			
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:			

Common shares, \$.01 par value per share	\$ 44,218	\$ 15,411	\$ 24,167
Paid-in surplus	61,405,810	21,783,407	34,223,343
Undistributed net investment income	627,302	191,586	10,398
Accumulated net realized gain (loss)			
from investments	(3,876,901)	6,333	23,405
Net unrealized appreciation			
(depreciation) of investments	4,337,466	1,069,600	2,075,073

Net assets applicable to Common shares	\$62,537,895	\$23,066,337	\$36,356,386
=====			
Authorized shares:			
Common	200,000,000	Unlimited	Unlimited
Preferred	1,000,000	Unlimited	Unlimited
=====			

See accompanying notes to financial statements.

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	PREMIUM INCOME (NAZ)	DIVIDEND ADVANTAGE (NFZ)	DIVIDEND ADVANTAGE 2 (NKR)
INVESTMENT INCOME	\$ 2,552,664	\$878,296	\$1,314,616
EXPENSES			
Management fees	305,278	115,227	180,533
Preferred shares - auction fees	37,808	15,123	23,315
Preferred shares - dividend disbursing agent fees	5,041	5,041	5,041
Shareholders' servicing agent fees and expenses	3,620	314	614
Custodian's fees and expenses	18,467	11,184	15,260
Directors'/Trustees' fees and expenses	528	101	374
Professional fees	5,143	3,982	4,242
Shareholders' reports - printing and mailing expenses	6,281	2,974	4,763
Stock exchange listing fees	6,098	114	--
Investor relations expense	5,018	2,420	3,432
Other expenses	4,937	3,699	991
Total expenses before custodian fee credit and expense reimbursement	398,219	160,179	238,565
Custodian fee credit	(3,000)	(2,613)	(3,458)
Expense reimbursement	--	(53,182)	(83,323)
Net expenses	395,219	104,384	151,784
Net investment income	2,157,445	773,912	1,162,832
REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS			
Net realized gain (loss) from investments	(3,414,735)	21,377	41,801
Change in net unrealized appreciation (depreciation) of investments	2,953,199	213,271	381,210
Net gain (loss) from investments	(461,536)	234,648	423,011
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS			
From net investment income	(170,915)	(54,929)	(108,197)
From accumulated net realized gains from investments	--	(8,316)	(3,802)
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(170,915)	(63,245)	(111,999)
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 1,524,994	\$945,315	\$1,473,844

* For the period September 26, 2002 (commencement of operations) through January 31, 2003.

See accompanying notes to financial statements.

Statement of
CHANGES IN NET ASSETS (Unaudited)

	ARIZONA PREMIUM INCOME (NAZ)		ARIZONA DIVIDEND ADVANTAGE (NFZ)	
	SIX MONTHS ENDED 1/31/03	YEAR ENDED 7/31/02	SIX MONTHS ENDED 1/31/03	YEAR ENDED 7/31/02
OPERATIONS				
Net investment income	\$ 2,157,445	\$ 4,726,364	\$ 773,912	\$ 1,597,000
Net realized gain (loss) from investments	(3,414,735)	(462,165)	21,377	148,980
Change in net unrealized appreciation (depreciation) of investments	2,953,199	(2,058,272)	213,271	425,300
Distributions to Preferred Shareholders:				
From net investment income	(170,915)	(414,197)	(54,929)	(175,120)
From accumulated net realized gains from investments	--	(51,989)	(8,316)	(4,730)
Net increase (decrease) in net assets applicable to Common shares from operations	1,524,994	1,739,741	945,315	1,991,440
DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(2,027,618)	(3,884,716)	(662,565)	(1,291,790)
From accumulated net realized gains from investments	--	(182,992)	(65,547)	(21,210)
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(2,027,618)	(4,067,708)	(728,112)	(1,313,000)
CAPITAL SHARE TRANSACTIONS				
Common shares:				
Net proceeds from sale of shares	--	--	--	--
Net proceeds from shares issued to shareholders due to reinvestment of distributions	164,595	344,887	28,521	39,760
Preferred shares offering costs	--	--	29,976	--
Net increase in net assets applicable to Common shares from capital share transactions	164,595	344,887	58,497	39,760
Net increase (decrease) in net assets applicable to Common shares	(338,029)	(1,983,080)	275,700	718,190
Net assets applicable to Common shares at the beginning of period	62,875,924	64,859,004	22,790,637	22,072,430
Net assets applicable to Common				

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shares at the end of period	\$62,537,895	\$62,875,924	\$23,066,337	\$22,790,633
Undistributed net investment income at the end of period	\$ 627,302	\$ 656,041	\$ 191,586	\$ 135,950

See accompanying notes to financial statements.

	ARIZONA DIVIDEND ADVANTAGE 3 (NYSE)	
	FOR THE PERIOD 9/26/00 (COMMENCEMENT OF OPERATIONS THROUGH 1/31/01)	
OPERATIONS		
Net investment income		\$ 685,390
Net realized gain (loss) from investments		-
Change in net unrealized appreciation (depreciation) of investments		(643,350)
Distributions to Preferred Shareholders:		
From net investment income		(60,910)
From accumulated net realized gains from investments		-
Net increase (decrease) in net assets applicable to Common shares from operations		(18,880)
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income		(616,460)
From accumulated net realized gains from investments		-
Decrease in net assets applicable to Common shares from distributions to Common shareholders		(616,460)
CAPITAL SHARE TRANSACTIONS		
Common shares:		
Net proceeds from sale of shares		43,742,700
Net proceeds from shares issued to shareholders due to reinvestment of distributions		-
Preferred shares offering costs		(554,500)
Net increase in net assets applicable to Common shares from capital share transactions		43,188,200
Net increase (decrease) in net assets applicable to Common shares		42,552,850

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Net assets applicable to Common shares at the beginning of period	100,27

Net assets applicable to Common shares at the end of period	\$42,653,12
=====	
Undistributed net investment income at the end of period	\$ 8,00
=====	

See accompanying notes to financial statements.

Notes to
FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The state funds (the "Funds") covered in this report and their corresponding exchange symbols are Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ), Nuveen Arizona Dividend Advantage Municipal Fund (NFZ), Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR), Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) and Nuveen Texas Quality Income Municipal Fund (NTX). Common shares of Arizona Premium Income (NAZ) and Texas Quality Income (NTX) are traded on the New York Stock Exchange while Common shares of Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) are traded on the American Stock Exchange. The Funds are registered under the Investment Company Act of 1940 as closed-end management investment companies.

Prior to the commencement of operations of Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE), each Fund had no operations other than those related to organizational matters, the initial capital contribution of \$100,275 per Fund by Nuveen Advisory Corp. (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc. (formerly, The John Nuveen Company), and the recording of the organization expenses (\$11,500 per Fund) and their reimbursement by Nuveen Investments, LLC (formerly, Nuveen Investments), also a wholly owned subsidiary of Nuveen Investments, Inc.

Each Fund seeks to provide current income exempt from both regular federal and designated state income taxes, where applicable, by investing primarily in a diversified portfolio of municipal obligations issued by state and local government authorities within a single state.

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

Securities Valuation

The prices of municipal bonds in each Fund's investment portfolio are provided by a pricing service approved by the Fund's Board of Directors/Trustees. When price quotes are not readily available (which is usually the case for municipal securities), the pricing service establishes fair market value based on yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating, indications of value from securities dealers and general market conditions. If it is determined that market prices for a security are unavailable or inappropriate, the Board of Directors/Trustees of the Funds or its designee may establish a fair value for the security. Temporary investments

in securities that have variable rate and demand features qualifying them as short-term securities are valued at amortized cost, which approximates market value.

Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased or sold on a when-issued or delayed delivery basis may have extended settlement periods. The securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets in a separate account with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At January 31, 2003, there were no such outstanding purchase commitments in any of the Funds.

Investment Income

Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis.

Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income to its share holders. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable inter-

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est from municipal securities, which is exempt from regular federal and designated state income taxes, where applicable, to retain such tax-exempt status when distributed to shareholders of the Funds.

Dividends and Distributions to Common Shareholders

Dividends from tax-exempt net investment income are declared and paid monthly. Net realized capital gains and/or market discount from investment transactions, if any, are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Distributions to Common shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, 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 accounting principles generally accepted in the United States. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income, distributions in excess of net realized gains and/or distributions in excess of net ordinary taxable income from investment transactions, where applicable.

Preferred Shares

The Funds have issued and outstanding \$25,000 stated value Preferred shares. Each Fund's Preferred shares are issued in one or more Series. The dividend rate on each Series may change every seven days, as set pursuant to a dutch auction process by the auction agent, and is payable at or near the end of each rate period. The number of Preferred shares outstanding, for each Fund is as follows:

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	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

Number of shares:				
Series M	--	--	--	880
Series T	--	480	--	--
Series W	--	--	740	--
Series TH	1,200	--	--	--

Total	1,200	480	740	880
=====				

Effective November 15, 2002, Arizona Dividend Advantage 3 (NXE) issued 880 Series M, \$25,000 stated value Preferred shares.

Derivative Financial Instruments

The Funds may invest in certain derivative financial instruments including futures, forward, swap, and option contracts, and other financial instruments with similar characteristics. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the period ended January 31, 2003.

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.

Offering Costs

Nuveen Investments, LLC has agreed to pay all offering costs (other than the sales load) that exceed \$.03 per Common share for Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE). Arizona Dividend Advantage 2's (NKR) and Arizona Dividend Advantage 3's (NXE) share of offering costs (\$72,150 and \$91,800, respectively) were recorded as a reduction of the proceeds from the sale of the Common shares.

Costs incurred by Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) in connection with their offering of Preferred shares (\$304,168 and \$554,500, respectively) were recorded as a reduction to paid-in surplus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

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2. FUND SHARES

Transactions in Common and Preferred shares were as follows:

	ARIZONA PREMIUM INCOME (NAZ)		ARIZONA DIVIDEND ADVANTAGE (NFZ)		ARIZONA DIVI ADVANTAGE 2	
	SIX MONTHS ENDED 1/31/03	YEAR ENDED 7/31/02	SIX MONTHS ENDED 1/31/03	YEAR ENDED 7/31/02	SIX MONTHS ENDED 1/31/03	7
Common shares:						
Shares sold	--	--	--	--	--	2
Shares issued to shareholders due to reinvestment of distributions	10,235	21,407	1,862	2,811	3,565	
	10,235	21,407	1,862	2,811	3,565	2
Preferred shares sold	--	--	--	--	--	

	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)		TEXAS QUALI INCOME (NT	
	FOR THE PERIOD 9/26/02 (COMMENCEMENT OF OPERATIONS) THROUGH 1/31/03	SIX MONTHS ENDED 1/31/03	YE	
Common shares:				
Shares sold	3,060,000	--		
Shares issued to shareholders due to reinvestment of distributions	--	4,266		
	3,060,000	4,266		
Preferred shares sold	880	--		

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3. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities and short-term securities during the six months ended January 31, 2003, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE) *	

Purchases:					
Long-term municipal securities	\$3,441,102	\$1,000,000	\$ --	\$64,183,326	\$18,326
Short-term securities	--	--	--	5,100,000	3
Sales and maturities:					
Long-term municipal securities	4,416,350	1,227,445	967,425	--	16,350
Short-term securities	--	--	--	4,700,000	3
=====					

* For the period September 26, 2002 (commencement of operations) through January 31, 2003.

4. INCOME TAX INFORMATION

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing income on taxable market discount securities and timing differences in recognizing certain gains and losses on security transactions.

At January 31, 2003, the cost of investments were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	

Cost of investments	\$86,460,356	\$33,159,598	\$51,383,304	\$64,503,640	\$198,304
=====					

Gross unrealized appreciation and gross unrealized depreciation on investments at January 31, 2003, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	

Gross unrealized:					
Appreciation	\$5,327,078	\$1,137,711	\$2,161,949	\$ 235,846	\$12,824
Depreciation	(975,479)	(71,286)	(85,414)	(878,528)	(5,188)

Net unrealized appreciation (depreciation) on investments	\$4,351,599	\$1,066,425	\$2,076,535	\$(642,682)	\$ 6,636
=====					

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

The tax components of undistributed net investment income and net realized gains at July 31, 2002, the Funds' last fiscal year end, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
Undistributed tax-exempt income	\$984,047	\$237,288	\$177,136
Undistributed ordinary income *	--	2,154	13,996
Undistributed net long-term capital gains	--	63,997	--

The tax character of distributions paid during the period ended July 31, 2002, the Funds' last fiscal year end, were designated for purposes of the dividends paid deduction as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
Distributions from tax-exempt income	\$4,276,629	\$1,469,871	\$393,659
Distributions from ordinary income *	--	25,947	--
Distributions from net long-term capital gains	234,981	--	--

* Ordinary income consists of taxable market discount income and net short-term capital gains, if any.

At July 31, 2002, the Funds' last fiscal year end, Arizona Premium Income (NAZ) had an unused capital loss carryforward of \$2,164 available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforward will expire in the year 2010.

The following Funds have elected to defer net realized losses from investments incurred from November 1, 2001 through July 31, 2002 ("post-October losses") in accordance with Federal income tax regulations. The following post-October losses are treated as having arisen in the following year:

 \$460,002
 =====

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under Arizona Premium Income's (NAZ) and Texas Quality Income's (NTX) investment management agreements with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets (including net assets attributable to Preferred shares) of each Fund as follows:

AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES)	MANAGEMENT FEE

For the first \$125 million	.6500%
For the next \$125 million	.6375
For the next \$250 million	.6250
For the next \$500 million	.6125
For the next \$1 billion	.6000
For the next \$3 billion	.5875
For net assets over \$5 billion	.5750
=====	

Under Arizona Dividend Advantage's (NFZ), Arizona Dividend Advantage 2's (NKR) and Arizona Dividend Advantage 3's (NXE) investment management agreements with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets (including net assets attributable to Preferred shares) of each Fund as follows:

AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES)	MANAGEMENT FEE

For the first \$125 million	.6500%
For the next \$125 million	.6375
For the next \$250 million	.6250
For the next \$500 million	.6125
For the next \$1 billion	.6000
For net assets over \$2 billion	.5750
=====	

For the first ten years of Arizona Dividend Advantage's (NFZ) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets (including net assets attributable to Preferred shares), for fees and expenses in the amounts, and for the time periods set forth below:

YEAR ENDING JANUARY 31,		YEAR ENDING JANUARY 31,	

2001*	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

=====

* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage (NFZ) for any portion of its fees and expenses beyond January 31, 2011.

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Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

For the first ten years of Arizona Dividend Advantage 2's (NKR) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets (including net assets attributable to Preferred shares), for fees and expenses in the amounts, and for the time periods set forth below:

YEAR ENDING MARCH 31,		YEAR ENDING MARCH 31,	
2002*	.30%	2008	.25%
2003	.30	2009	.20
2004	.30	2010	.15
2005	.30	2011	.10
2006	.30	2012	.05
2007	.30		

=====

* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage 2 (NKR) for any portion of its fees and expenses beyond March 31, 2012.

For the first eight years of Arizona Dividend Advantage 3's (NXE) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets (including net assets attributable to Preferred shares), for fees and expenses in the amounts, and for the time periods set forth below:

YEAR ENDING SEPTEMBER 30,		YEAR ENDING SEPTEMBER 30,	
2002*	.32%	2007	.32%
2003	.32	2008	.24
2004	.32	2009	.16
2005	.32	2010	.08
2006	.32		

=====

* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage 3 (NXE) for

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any portion of its fees and expenses beyond September 30, 2010.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Funds pay no compensation directly to those of its Directors/Trustees who are affiliated with the Adviser or to their officers, all of whom receive remuneration for their services to the Funds from the Adviser.

6. SUBSEQUENT EVENT - DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid March 3, 2003, to shareholders of record on February 15, 2003, as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)
Dividend per share	\$.0765	\$.0730	\$.0720	\$.0670

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Financial
HIGHLIGHTS (Unaudited)

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Financial
HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

						Investment Operations		
Beginning Common Share Net Asset Value	Net Investment Income	Net Unrealized Investment Gain (Loss)	Distributions from Net Investment Income to Preferred Share- holders+	Distributions from Capital Gains to Preferred Share- holders+				Total
=====								

ARIZONA PREMIUM
INCOME (NAZ)

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Year Ended 7/31:

2003 (d)	\$14.25	\$.49	\$ (.10)	\$ (.04)	\$ --	\$.35
2002	14.77	1.07	(.57)	(.09)	(.01)	.40
2001	14.25	1.09	.50	(.23)	--	1.36
2000	14.90	1.06	(.61)	(.25)	--	.20
1999	15.43	1.07	(.55)	(.21)	--	.31
1998	15.34	1.05	.10	(.23)	--	.92

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:

2003 (d)	14.81	.50	.16	(.04)	(.01)	.61
2002	14.37	1.04	.36	(.11)	--	1.29
2001 (a)	14.33	.44	.23	(.08)	--	.59

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:

2003 (d)	14.88	.48	.17	(.04)	--	.61
2002 (b)	14.33	.24	.71	(.02)	--	.93

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:

2003 (c)	14.33	.22	(.21)	(.02)	--	(.01)
----------	-------	-----	-------	-------	----	-------

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:

2003 (d)	15.14	.53	(.24)	(.05)	--	.24
2002	15.16	1.11	(.02)	(.10)	(.02)	.97
2001	14.26	1.16	.88	(.27)	--	1.77
2000	15.13	1.16	(.74)	(.27)	(.02)	.13
1999	15.90	1.16	(.72)	(.22)	(.02)	.20
1998	15.86	1.17	.07	(.27)	--	.97

Total Returns

	Offering Costs and Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value**	Based on Common Share Net Asset Value**
--	--	---	---------------------------	----------------------------------	---

ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:

2003 (d)	\$--	\$14.14	\$15.6000	(4.99)%	2.46%
2002	--	14.25	16.9000	9.63	2.88
2001	--	14.77	16.3200	17.77	9.74
2000	--	14.25	14.6250	(8.80)	1.61
1999	--	14.90	17.0000	8.67	1.92
1998	--	15.43	16.4375	12.18	6.14

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ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:					
2003 (d)	.02	14.97	15.2800	.05	4.29
2002	--	14.81	15.7500	6.38	9.32
2001 (a)	(.20)	14.37	15.6500	6.76	2.81

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:					
2003 (d)	(.01)	15.04	15.5500	1.30	4.07
2002 (b)	(.16)	14.88	15.8000	6.81	5.38

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:					
2003 (c)	(.21)	13.91	13.5200	(8.54)	(1.52)

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:					
2003 (d)	--	14.90	14.4300	(1.06)	1.63
2002	--	15.14	15.0700	9.29	6.61
2001	--	15.16	14.7300	21.16	12.74
2000	--	14.26	12.9375	(7.93)	1.15
1999	--	15.13	15.1875	2.97	1.21
1998	--	15.90	15.6875	6.45	6.27

Ratios/Supplemental Data

	Before Credit/Reimbursement			After Credit/Reimbursement	
	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets to Common Shares++	Ratio of Net Investment Income to Average Net Assets to Common Shares++	Ratio of Expenses to Average Net Assets to Common Shares++	Ratio of Investment Income to Average Net Assets to Common Shares++
2003 (d)	\$ 62,538	1.25%*	6.76%*	1.24%*	
2002	62,876	1.28	7.45	1.26	
2001	64,859	1.28	7.47	1.27	
2000	62,287	1.26	7.58	1.25	
1999	64,775	1.29	6.88	1.29	
1998	66,546	1.28	6.85	1.28	

ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:					
2003 (d)	\$ 62,538	1.25%*	6.76%*	1.24%*	
2002	62,876	1.28	7.45	1.26	
2001	64,859	1.28	7.47	1.27	
2000	62,287	1.26	7.58	1.25	
1999	64,775	1.29	6.88	1.29	
1998	66,546	1.28	6.85	1.28	

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

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Year Ended 7/31:				
2003 (d)	23,066	1.37*	6.15*	.89*
2002	22,791	1.41	6.72	.93
2001 (a)	22,072	1.43*	5.80*	.95*

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:				
2003 (d)	36,356	1.29*	5.83*	.82*
2002 (b)	35,913	1.19*	4.43*	.77*

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:				
2003 (c)	42,653	1.08*	4.19*	.64*

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:				
2003 (d)	141,092	1.21*	6.96*	1.20*
2002	143,305	1.23	7.40	1.22
2001	143,127	1.21	7.87	1.19
2000	134,637	1.27	8.18	1.26
1999	142,784	1.23	7.31	1.23
1998	149,669	1.22	7.40	1.22

Preferred Shares at End of Period

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

ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:			
2003 (d)	\$30,000	\$25,000	\$77,115
2002	30,000	25,000	77,397
2001	30,000	25,000	79,049
2000	30,000	25,000	76,906
1999	30,000	25,000	78,979
1998	30,000	25,000	80,455

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:			
2003 (d)	12,000	25,000	73,055
2002	12,000	25,000	72,480
2001 (a)	12,000	25,000	70,984

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:			
2003 (d)	18,500	25,000	74,130

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2002 (b)	18,500	25,000	73,531
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ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:			
2003 (c)	22,000	25,000	73,469

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:			
2003 (d)	69,000	25,000	76,120
2002	69,000	25,000	76,922
2001	69,000	25,000	76,858
2000	69,000	25,000	73,782
1999	69,000	25,000	76,733
1998	69,000	25,000	79,228
=====			

- * Annualized.
- ** Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in stock price per share. Total Return on Common Share Net Asset Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in Common share net asset value per share. Total returns are not annualized.
- *** After custodian fee credit and expense reimbursement, where applicable.
- + The amounts shown are based on Common share equivalents.
- ++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares.
- (a) For the period January 31, 2001 (commencement of operations) through July 31, 2001.
- (b) For the period March 26, 2002 (commencement of operations) through July 31, 2002.
- (c) For the period September 26, 2002 (commencement of operations) through January 31, 2003.
- (d) For the six months ended January 31, 2003.

See accompanying notes to financial statements.

42-43 SPREAD

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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 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 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.

FLEXIBILITY

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.

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.

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BOARD OF DIRECTORS/TRUSTEES

Robert P. Bremner
Lawrence H. Brown
Anne E. Impellizzeri
Peter R. Sawers
William J. Schneider
Timothy R. Schwertfeger
Judith M. Stockdale

FUND MANAGER

Nuveen Advisory Corp.
333 West Wacker Drive
Chicago, IL 60606

CUSTODIAN

State Street Bank & Trust
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071
(800) 257-8787

LEGAL COUNSEL

Morgan, Lewis &
Bockius LLP
Washington, D.C.

INDEPENDENT AUDITORS

Ernst & Young LLP
Chicago, IL

POLICY CHANGE

On November 14, 2002, the Board adopted a policy that allows these Funds, in addition to investments in municipal bonds, to invest up to 5% of its net assets (including assets attributable to preferred shares, if any) in tax-exempt or taxable fixed-income securities or equity securities for the purpose of acquiring control of an issuer whose municipal bonds (a) the Fund already owns and (b) have deteriorated or are expected shortly to deteriorate significantly in credit quality, provided Nuveen Advisory determines that such investment should enable the Fund to better maximize the value of its existing investment in such issuer. This policy is a non-fundamental policy of each Fund which means that it can be changed at any time by the Board of Trustees without vote of the shareholders.

GLOSSARY OF TERMS USED IN THIS REPORT

AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return (including change in NAV and reinvested dividends) that would have been necessary on an annual basis to equal the investment's actual performance over the time period being considered.

AVERAGE EFFECTIVE MATURITY: The average of all the maturities of the bonds in a fund's portfolio, computed by weighting each maturity date (the date the security comes due) by the market value of the security. This figure does not account for the likelihood of prepayments or the exercise of call provisions.

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LEVERAGE-ADJUSTED DURATION: Duration is a measure of a bond or bond fund's sensitivity to changes in interest rates. Generally, the longer a bond or fund's duration, the more the price of the bond or fund will change as interest rates change. Leverage-adjusted duration takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund.

MARKET YIELD (ALSO KNOWN AS DIVIDEND YIELD OR CURRENT YIELD): An investment's current annualized dividend divided by its current market price.

NET ASSET VALUE (NAV): A fund's NAV is calculated by subtracting the liabilities of the fund from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

TAXABLE-EQUIVALENT YIELD: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.

Each 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 six-month period ended January 31, 2003. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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