

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC
Form N-CSRS
April 08, 2005

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07278

Nuveen Arizona Premium Income Municipal Fund, Inc.

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: July 31

Date of reporting period: January 31, 2005

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

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

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ITEM 1. REPORTS TO STOCKHOLDERS.

SEMIANNUAL REPORT January 31, 2005

Nuveen Investments
Municipal Closed-End
Exchange-Traded
Funds

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

NUVEEN TEXAS QUALITY INCOME MUNICIPAL FUND
NTX

Photo of: Man and woman sitting on porch.
Photo of: 2 children sitting in the grass.

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

Logo: NUVEEN Investments

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

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NUVEEN FUND REPORTS FASTER.

NO MORE WAITING.
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an e-mail as soon as your Nuveen Investments Fund information is ready -- no
more waiting for delivery by regular mail. Just click on the link within the
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WWW.INVESTORDELIVERY.COM
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and statements from your financial

advisor or brokerage account.

OR

WWW.NUVEEN.COM/ACCOUNTACCESS
if you get your Nuveen Fund dividends
and statements directly from Nuveen.

(Be sure to have the address sheet that accompanied this report handy. You'll need it to complete the enrollment process.)

Logo: NUVEEN Investments

Photo: Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

Chairman's
LETTER TO SHAREHOLDERS

I am pleased to report that over the six-month period covered by this semiannual report your Fund continued to provide you with monthly tax-free income and an attractive total return. For more details about the management strategy and performance of your Fund, please see the Portfolio Managers' Perspective and Performance Overview sections of this report.

As I noted in my last letter to you, our conversations with financial advisors and investors suggest that many of you may be wondering whether long-term interest rates will soon begin to rise substantially, how high they might go, and whether that makes this a good time to adjust your holdings of fixed-income investments. We can't answer that question for you - no one knows what the future will bring.

What we do know from our experience is that a well-balanced portfolio, structured and carefully monitored with the help of a trusted investment professional, can be an important component in helping you achieve your long-term financial goals. In

"IN FACT, A WELL-DIVERSIFIED PORTFOLIO MAY ACTUALLY HELP TO REDUCE YOUR OVERALL INVESTMENT RISK."

fact, a well-diversified portfolio may actually help to reduce your overall investment risk. That is one reason why we believe that a municipal bond investment like your Nuveen Fund can be an important building block in a comprehensive investment program designed to perform well in a variety of market conditions.

As in past reports, I 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 instructions.

At Nuveen Investments, our mission continues to be to assist you and your

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

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

March 15, 2005

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

Portfolio Managers'
COMMENTS

Portfolio managers Scott Romans and Cathryn Steeves review key investment strategies and the semiannual performance of these Funds. Scott, who joined Nuveen in 2000, has managed the Arizona Funds (NAZ, NFZ, NKR and NXE) since November 2003. Cathryn, who has been with Nuveen since 1996, assumed portfolio management responsibility for NTX in August 2004.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE ARIZONA AND TEXAS FUNDS DURING THE SIX MONTHS ENDED JANUARY 31, 2005?

Between August 2004 and January 2005, the Federal Reserve introduced four one-quarter-point increases in the fed funds rate, raising this short-term target from 1.25% to 2.25%. (On February 2, 2005, following the end of this reporting period, the Fed announced another 0.25% increase, bringing the fed funds rate to 2.50%.) With the market anticipating increases in interest rates throughout the period, our focus centered on finding bonds that we believed could add immediate value to the Funds' portfolios while also preserving their ability to perform well under a variety of future market scenarios.

During this six-month period, municipal issuance in both Arizona and Texas declined substantially from that of the previous six months. However, Texas typically ranks among the nation's largest municipal issuers, and supply in Arizona for 2004 as a whole exceeded that of the preceding year. As a result, we continued to find attractive opportunities to make trades that we thought would benefit the Funds.

In general, our purchase activities for all these Funds emphasized finding premium bonds (those trading above their par value) with intermediate and long-intermediate maturities - that is, bonds that matured in 20 to 25 years for the Arizona Funds and in 15 to 23 years for NTX. In many cases, bonds in these parts of the yield curve offered yields similar to those of longer-term bonds with less inherent interest rate risk (the risk that the value of a Fund's portfolio will decline if market interest rates rise, since bond prices move in the opposite direction of interest rates).

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Some of the additions to our portfolios during this period were financed with the proceeds from sales of lower-rated holdings, as we took advantage of opportunities to selectively trim some of our concentrated BBB and nonrated positions. Because lower-rated bonds generally performed well over the past year, demand for these bonds was strong and we were able to obtain attractive prices for the bonds we sold. This process enabled us to reduce some of our more concentrated credit positions. At the same time, we improved the Funds' diversification by reinvesting the proceeds in other lower-rated and nonrated credits when the market provided suitable opportunities.

Among the additions to some of the Arizona Funds during this period were nonrated bonds issued by Estrella Mountain Ranch Community Facilities District and securities rated BBB- issued by the Tucson Industrial Development Authority (IDA) for the Agribusiness and Equine Center, a charter school. In NTX, in addition to trimming concentrated credit positions, we also worked to reduce our holdings of pre-refunded bonds, which tended to underperform in the interest rate environment prevalent over the six-month period.

Another strategy designed to help us reduce interest rate risk is to hedge some of our interest rate exposure in the derivatives markets. During this period, we employed this strategy in NFZ, NKR and NXE. Our sole objective was to reduce these Funds' durations (sensitivity to interest rate changes) without having a negative impact on their income streams or common share dividends over the short term. The costs of the hedges are reflected as additions or subtractions to the Funds' net asset values (NAV) as the market values of the hedges fluctuate. The hedges succeeded in reducing the volatility of the Funds' NAVs over the course of this reporting period. At the same time, the hedges had negative market values as of January 31, 2005, because long-term interest rates fell and bond prices rose during most of the time the hedges were in place. Please note that the hedges were put in place because the Funds' portfolio durations (and therefore their interest rate-related price volatility) were greater than the desired levels. This means that, although the hedges lost value because bond prices in fact went up after the hedges were entered, the Funds' longer-than-target portfolio durations resulted in interest rate-driven increases in value that were greater than if the portfolio durations

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had been at the target levels, and these excess interest rate-driven portfolio returns roughly coincided with and offset the losses on the hedges.

HOW DID THE FUNDS PERFORM?

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

TOTAL RETURNS ON NET ASSET VALUE* For periods ended 1/31/05

| ARIZONA FUNDS | 6-MONTH | 1-YEAR | 5-YEAR | 10-YEAR |
|---------------|---------|--------|--------|---------|
| NAZ | 7.93% | 8.55% | 7.92% | 7.11% |
| NFZ | 7.44% | 7.51% | NA | NA |
| NKR | 8.25% | 8.35% | NA | NA |
| NXE | 8.74% | 8.84% | NA | NA |

 TEXAS FUND

| | | | | |
|---|--------|-------|--------|-------|
| NTX | 7.03% | 7.46% | 9.47% | 7.57% |
| Lehman Brothers Municipal Bond Index ¹ | 4.80% | 4.86% | 7.50% | 6.86% |
| Lipper Other States Municipal Debt Funds Average ² | 12.14% | 7.17% | 11.32% | 9.15% |

*Six-month returns are cumulative; returns for one year, five years, and ten years are annualized.

Past performance is not predictive of future results. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

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

For the six months ended January 31, 2005, the cumulative return on NAV for each of the Arizona and Texas Funds outperformed the return on the Lehman Brothers Municipal Bond Index. While these Funds underperformed the Lipper Other States category for this period, it is important to note that the Lipper return represents the overall average of returns for funds from 10 different states exhibiting a variety of municipal market conditions. We believe this makes direct comparisons between specific Funds and the Other States category average less meaningful.

The primary factor benefiting the six-month performances of these Funds relative to that of the unleveraged Lehman Brothers index was the Funds' use of financial leverage. While leveraging can add volatility to the Funds' NAVs and share prices, especially during periods when interest rates rise, this strategy also can provide opportunities for

- 1 The Lehman Brothers Municipal Bond Index is an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. Results for the Lehman indexes do not reflect any expenses.
- 2 The Lipper Other States Municipal Debt Funds category average is calculated using the returns of all closed-end exchange-traded funds in this category for each period as follows: 6 months, 44; 1 year, 44; 5 years, 19; and 10 years, 17. Fund and Lipper returns assume reinvestment of dividends.

additional income and total return for common shareholders when short-term interest rates remain relatively low and long-term rates fall or remain fairly constant, as they did during this reporting period.

In general, shorter-term municipal rates tended to rise during this six-month period and longer-term rates tended to fall, causing a flattening of the municipal yield curve. As a result, bonds with longer maturities or greater sensitivity to interest rate movements generally tended to perform better than

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bonds with shorter maturities or less interest rate sensitivity. This benefited newer Funds like NKR and NXE, which were introduced in 2002, since they had less exposure to the shorter end of the yield curve than the three older Funds. This accounted for most of the performance differential between these Funds over the six-month reporting period.

All of the Funds benefited from their holdings of lower quality bonds, which generally outperformed other credit quality sectors as the economy improved. For example, the top performing holding in both NAZ and NFZ during this reporting period was a B- rated pollution control revenue bond issued by Coconino County for Nevada Power Company. Bonds backed by the 1998 master tobacco settlement agreement also were among the lower-rated credits that produced strong results during this period as the litigation environment improved. As of January 31, 2005, NAZ, NXE and NTX held positions in tobacco bonds.

Among the sectors making positive contributions to the Funds' cumulative six-month returns was healthcare, especially hospital bonds, which ranked second in terms of performance among the Lehman municipal revenue sectors for the period. The healthcare weighting in each of these Funds increased over this six-month period.

Pre-refunded bonds tended to underperform during this reporting period, due primarily to their shorter effective maturities. Older Funds typically have more advance refunded bonds than the more recently introduced Funds. As of January 31, 2005, the two oldest Funds in this report--NAZ and NTX--had 9% and 7%, respectively, of their portfolios pre-refunded, although NFZ, which was introduced in 2001, held 8% in pre-refunded bonds. These holdings served as a mild constraint on the performances of these Funds during this period. By comparison, NKR held 2% of its portfolio in pre-refunded bonds, while NXE had less than 1% as of the end of the period.

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HOW WERE THE FUNDS POSITIONED IN TERMS OF CREDIT QUALITY AND BOND CALLS AS OF JANUARY 31, 2005?

We continued to believe that, given the current geopolitical and economic climate, maintaining strong credit quality was an important requirement. As of January 31, 2005, all five of these Funds continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA among the Arizona Funds ranging from 73% in NFZ to 78% in NKR and NXE to 82% in NAZ, while NTX had 78% of its portfolio allocated to bonds rated AAA/U.S. guaranteed and AA.

On January 31, 2005, potential call exposure for the period 2005 through 2007 ranged from zero in NXE and 1% in NKR to 7% in NAZ, 9% in NTX and 10% in NFZ. The number of actual bond calls in all of these Funds depends largely on future market interest rates.

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Dividend and Share Price
INFORMATION

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As short-term interest rates remained relatively low throughout this reporting period, the leveraged structures of these five Funds continued to support their dividend-paying capabilities. The extent of this benefit is tied in part to the short-term rates these Funds pay their MuniPreferred(R) shareholders. During periods of low short-term rates, leveraged Funds generally pay lower dividends to their MuniPreferred shareholders, which can leave more earnings to support common share dividends. This strategy helped to maintain the dividends of NFZ, NKR, NXE and NTX throughout the reporting period. NAZ, which was introduced in 1992, saw some of its older, higher-yielding holdings retired or called, and the resulting reduction in income caused by reinvesting the assets at today's lower rates led to two dividend cuts in that Fund during the course of this reporting period.

In addition, due to capital gains generated by normal portfolio activity, common shareholders of NFZ and NKR received capital gains distributions of \$0.0436 and \$0.1191 per share, respectively, at the end of December 2004.

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

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At the end of the reporting period, the Funds' share prices were trading at premiums and discounts to their NAVs as shown in the accompanying chart:

| FUND | 1/31 PREM/DISC | PERIOD AVG. PREM/DISC |
|------|----------------|-----------------------|
| NAZ | 7.62% | 10.22% |
| NFZ | 6.41% | 2.62% |
| NKR | 0.44% | - 0.01% |
| NXE | - 0.94% | - 2.62% |
| NTX | - 2.68% | - 1.88% |

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Nuveen Arizona Premium Income Municipal Fund, Inc.
NAZ

Performance

OVERVIEW As of January 31, 2005

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Pie Chart:

CREDIT QUALITY

(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 69% |
| AA | 13% |
| A | 5% |
| BBB | 9% |
| NR | 1% |
| BB or Lower | 3% |

Bar Chart:

2004-2005 MONTHLY TAX-FREE DIVIDENDS PER SHARE

| | |
|-----|--------|
| Feb | 0.0765 |
| Mar | 0.0765 |
| Apr | 0.0765 |
| May | 0.0765 |
| Jun | 0.0765 |
| Jul | 0.0765 |
| Aug | 0.0765 |
| Sep | 0.074 |
| Oct | 0.074 |
| Nov | 0.074 |
| Dec | 0.071 |
| Jan | 0.071 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|--------|-------|
| 2/1/04 | 16.55 |
| | 16.22 |
| | 16.31 |
| | 16.36 |
| | 16.75 |
| | 16.75 |
| | 17 |
| | 16.97 |
| | 16.85 |
| | 16.96 |
| | 16.72 |
| | 16.84 |
| | 16.77 |
| | 16.75 |
| | 16.75 |
| | 16.9 |
| | 16.76 |
| | 16.8 |
| | 16.72 |
| | 16.72 |
| | 16.74 |
| | 16.7 |
| | 16.8 |
| | 16.7 |
| | 16.99 |
| | 16.75 |
| | 16.83 |
| | 16.88 |
| | 16.93 |
| | 16.96 |
| | 16.93 |
| | 16.9 |
| | 17.02 |

16.99
16.94
17.05
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17.22
17.25
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17.4
17.13
17.15
17.1
17.05
16.95
17.15
16.55
16.82
16.76
16.73
16.65
16.62
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16
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15.58
15.56
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15.6
15.55
15.52
15.03
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14.8
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15.09
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15.35
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15.04
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15.27
15.27
15.17
15.3
15.5
15.54
15.95
15.93
15.94
15.77
15.73
15.71
15.85
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15.81
16
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16.6
16.56
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16.51
16.5
16.44
16.42
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16.61
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15.61
15.55
15.46

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| | |
|---------|--------|
| | 15.47 |
| | 15.4 |
| | 15.4 |
| | 15.33 |
| | 15.37 |
| | 15.46 |
| | 15.32 |
| | 15.33 |
| | 15.335 |
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| | 15.33 |
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| | 15.45 |
| | 15.37 |
| | 15.27 |
| | 15.22 |
| | 15.22 |
| | 15.21 |
| | 15.21 |
| | 15.35 |
| | 15.49 |
| | 15.62 |
| | 15.61 |
| | 15.52 |
| | 15.6 |
| | 15.71 |
| | 15.66 |
| 1/31/05 | 15.82 |

FUND SNAPSHOT

| | |
|---|----------|
| Share Price | \$15.82 |
| Common Share Net Asset Value | \$14.70 |
| Premium/(Discount) to NAV | 7.62% |
| Market Yield | 5.39% |
| Taxable-Equivalent Yield ¹ | 7.87% |
| Net Assets Applicable to Common Shares (\$000) | \$65,491 |
| Average Effective Maturity (Years) | 16.90 |
| Leverage-Adjusted Duration | 8.65 |

AVERAGE ANNUAL TOTAL RETURN

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(Inception 11/19/92)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 6.50% | 7.93% |
| 1-Year | 2.92% | 8.55% |
| 5-Year | 8.27% | 7.92% |
| 10-Year | 7.73% | 7.11% |

SECTORS

(as a % of total investments)

| | |
|--------------------------------------|-------|
| Tax Obligation/Limited | 35.2% |
| Water and Sewer | 14.1% |
| Healthcare | 13.3% |
| U.S. Guaranteed | 12.2% |
| Utilities | 7.2% |
| Education and Civic Organizations | 6.5% |
| Housing/Multifamily | 5.9% |
| Other | 5.6% |

- 1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

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Nuveen Arizona Dividend Advantage Municipal Fund
NFZ

Performance

OVERVIEW As of January 31, 2005

Pie Chart:

CREDIT QUALITY

(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 53% |
| AA | 20% |
| A | 11% |
| BBB | 14% |
| NR | 1% |
| BB or Lower | 1% |

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Bar Chart:

2004-2005 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

| | |
|-----|--------|
| Feb | 0.0765 |
| Mar | 0.0765 |
| Apr | 0.0765 |
| May | 0.0765 |
| Jun | 0.0765 |
| Jul | 0.0765 |
| Aug | 0.0765 |
| Sep | 0.0765 |
| Oct | 0.0765 |
| Nov | 0.0765 |
| Dec | 0.0765 |
| Jan | 0.0765 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|--------|-------|
| 2/1/04 | 17.17 |
| | 16.99 |
| | 16.8 |
| | 16.89 |
| | 16.9 |
| | 16.9 |
| | 16.88 |
| | 16.71 |
| | 16.71 |
| | 16.71 |
| | 16.71 |
| | 16.89 |
| | 16.9 |
| | 16.9 |
| | 16.75 |
| | 16.85 |
| | 16.62 |
| | 16.67 |
| | 16.7 |
| | 16.7 |
| | 16.7 |
| | 16.75 |
| | 16.7 |
| | 16.75 |
| | 16.8 |
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| | 16.71 |
| | 16.85 |
| | 16.85 |
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16.9
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14.7
14.65
14.83
14.84
14.61
14.61
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14.6
14.65
14.65
14.57
14.3
14.03
14.2
13.95
13.65
13.78
13.8
13.86
13.91
13.69
13.69
13.84
13.85
13.92
14.14
14.12
14.12
13.98
14
14.3
14.28
14.32
14.22
14.34
14.31
13.6
13.79
13.64
13.65
13.64
13.75
13.81
13.81
13.76
13.98
13.93

13.87
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14.45
14.55
14.65
14.75
14.67
15.05
15.08
15.25
15.24
15.28
15.3
15.2
15.1
15.05
15.05
15.1
14.9
15.15
15.25
15.4
15.4
15.4
15.25
15.15
15.15
15.26
15.46
15.7
15.39
15.4
15.4
15.8
15.8
15.9
16.1
16.06
15.6
15.85
15.75
15.85
16
16
16.05
16.02
16
15.98
15.98
15.92
15.73
15.8
15.9
15.77
15.65
15.51
15.42
15.45
15.54
15.58
15.45

15.46
15.75
15.62
15.7
15.74
15.75
15.63
15.63
15.73
15.66
15.85
15.88
15.88
16.06
16.35
16.4
16.4
16.4
16.4
16.25
16.1
16.1
15.85
15.86
15.85
15.7
15.7
15.89
15.85
15.85
16
15.75
15.59
15.55
15.5
15.33
15.4
15.6
15.7
15.78
15.74
15.64
15.74
15.92
15.8
15.8
15.8
15.42
15.36
15.29
15.58
15.58
15.49
15.44
15.44
15.45
15.34
15.46
15.47
15.47
15.28
15.28

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| | |
|---------|-------|
| | 15.38 |
| | 15.47 |
| | 15.56 |
| | 15.87 |
| | 15.7 |
| | 15.67 |
| | 15.67 |
| | 15.65 |
| | 15.76 |
| | 15.65 |
| | 15.75 |
| | 16.2 |
| | 16.13 |
| | 16.13 |
| | 16.65 |
| | 16.65 |
| | 16.8 |
| | 16.65 |
| | 16.74 |
| | 16.74 |
| | 16.74 |
| | 16.75 |
| | 16.75 |
| | 16.75 |
| | 16.75 |
| | 16.7 |
| | 16.7 |
| 1/31/05 | 16.6 |

FUND SNAPSHOT

| | |
|---|----------|
| Share Price | \$16.60 |
| Common Share Net Asset Value | \$15.60 |
| Premium/(Discount) to NAV | 6.41% |
| Market Yield | 5.53% |
| Taxable-Equivalent Yield ¹ | 8.07% |
| Net Assets Applicable to Common Shares (\$000) | \$24,100 |
| Average Effective Maturity (Years) | 16.71 |
| Leverage-Adjusted Duration | 7.97 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 1/30/01)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 11.25% | 7.44% |
| 1-Year | 2.84% | 7.51% |

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| | | |
|-----------------|-------|-------|
| Since Inception | 8.65% | 8.45% |
|-----------------|-------|-------|

SECTORS
(as a % of total investments)

| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 41.3% |
| Utilities | 14.9% |
| Housing/Multifamily | 10.7% |
| Healthcare | 8.1% |
| U.S. Guaranteed | 7.9% |
| Education and Civic Organizations | 6.7% |
| Water and Sewer | 5.1% |
| Other | 5.3% |

- 1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.
- 2 The Fund also paid shareholders a capital gains distribution in December 2004 of \$0.0436 per share.

12

Nuveen Arizona Dividend Advantage Municipal Fund 2
NKR

Performance
OVERVIEW As of January 31, 2005

Pie Chart:
CREDIT QUALITY
(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 67% |
| AA | 11% |
| A | 11% |
| BBB | 9% |
| NR | 1% |
| BB or Lower | 1% |

Bar Chart:
2004-2005 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

| | |
|-----|-------|
| Feb | 0.072 |
| Mar | 0.072 |
| Apr | 0.072 |

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| | |
|-----|-------|
| May | 0.072 |
| Jun | 0.072 |
| Jul | 0.072 |
| Aug | 0.072 |
| Sep | 0.072 |
| Oct | 0.072 |
| Nov | 0.072 |
| Dec | 0.072 |
| Jan | 0.072 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|--------|-------|
| 2/1/04 | 14.86 |
| | 15.07 |
| | 15.05 |
| | 15.2 |
| | 15.31 |
| | 15.26 |
| | 15.15 |
| | 15.12 |
| | 15.13 |
| | 15.12 |
| | 15.13 |
| | 15.34 |
| | 15.36 |
| | 15.18 |
| | 15.1 |
| | 15.15 |
| | 15.15 |
| | 15.15 |
| | 15.15 |
| | 15.15 |
| | 15.1 |
| | 15.24 |
| | 15.3 |
| | 15.35 |
| | 15.44 |
| | 15.4 |
| | 15.45 |
| | 15.66 |
| | 15.46 |
| | 15.55 |
| | 15.71 |
| | 15.79 |
| | 15.6 |
| | 15.51 |
| | 15.77 |
| | 15.75 |
| | 15.73 |
| | 15.61 |
| | 15.76 |
| | 15.71 |
| | 15.69 |
| | 15.69 |
| | 15.91 |
| | 15.95 |
| | 15.7 |
| | 15.6 |
| | 15.44 |
| | 15.42 |

15.45
15.3
15.2
15.17
14.83
15.08
15.02
14.9
14.65
14.65
14.55
14.45
14.56
14.5
14.53
14.6
14.64
14.64
14.62
14.65
14.64
14.3
14.64
14.19
14.19
14.23
14.22
14.35
14.35
14.35
14.41
14.36
14.35
14.58
14.58
14.6
14.6
14.5
14.47
14.42
14.51
14.37
14.36
14.14
14.05
13.93
14.01
13.82
13.99
14.01
14.05
14.05
13.92
14.01
14.1
14.25
14.6
14.69
14.64
14.8
14.83
14.95

14.98
14.98
15
14.82
14.82
14.82
14.82
14.68
14.68
14.68
14.6
14.6
14.9
14.8
14.66
14.66
14.82
14.82
14.98
14.86
15.05
14.96
15.02
15.24
15.15
15.13
15.14
15.15
15.18
15.22
15.188
15.21
15.05
15.07
15.1
15.1
15.2
15.16
15.19
15.29
15.23
15.39
15.33
15.5
15.35
15.5
15.4
15.48
15.48
15.48
15.5
15.35
15.65
15.64
15.55
15.42
15.55
15.62
15.7
15.68
15.5
15.5

15.5
15.5
15.47
15.47
15.5
15.5
15.46
15.46
15.46
15.46
15.54
15.53
15.8
15.49
15.34
15.49
15.54
15.53
15.54
15.77
15.77
15.78
15.84
15.61
15.62
15.07
15.07
15.3
15.3
15.35
15.43
15.55
15.66
15.66
15.66
15.75
15.78
16
16.15
16.15
16.14
15.81
15.81
15.73
15.77
15.77
15.78
15.75
15.68
15.7
15.44
15.42
15.48
15.54
15.4
15.41
15.5
15.69
15.59
15.59
15.75
15.8

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| | |
|---------|-------|
| | 15.8 |
| | 15.76 |
| | 16 |
| | 16 |
| | 15.9 |
| | 15.92 |
| | 16.1 |
| | 16.22 |
| | 16.2 |
| | 16.84 |
| | 16.95 |
| | 16.67 |
| | 16.47 |
| | 16.12 |
| | 15.95 |
| | 15.84 |
| | 15.8 |
| | 15.9 |
| | 15.92 |
| | 15.96 |
| | 16.07 |
| 1/31/05 | 15.85 |

FUND SNAPSHOT

| | |
|---|----------|
| Share Price | \$15.85 |
| Common Share Net Asset Value | \$15.78 |
| Premium/(Discount) to NAV | 0.44% |
| Market Yield | 5.45% |
| Taxable-Equivalent Yield ¹ | 7.96% |
| Net Assets Applicable to Common Shares (\$000) | \$38,232 |
| Average Effective Maturity (Years) | 16.56 |
| Leverage-Adjusted Duration | 7.76 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 3/25/02)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 10.76% | 8.25% |
| 1-Year | 13.23% | 8.35% |
| Since Inception | 8.11% | 9.62% |

SECTORS

(as a % of total investments)

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| | |
|-----------------------------------|-------|
| Tax Obligation/Limited | 30.9% |
| Tax Obligation/General | 26.1% |
| Healthcare | 12.6% |
| Education and Civic Organizations | 7.0% |
| Water and Sewer | 5.8% |
| Housing/Multifamily | 5.3% |
| Utilities | 4.8% |
| Other | 7.5% |

- 1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.
- 2 The Fund also paid shareholders a capital gains distribution in December 2004 of \$0.1191 per share.

13

Nuveen Arizona Dividend Advantage Municipal Fund 3
 NXE

Performance
 OVERVIEW As of January 31, 2005

Pie Chart:
 CREDIT QUALITY
 (as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 63% |
| AA | 15% |
| A | 7% |
| BBB | 12% |
| NR | 1% |
| BB or Lower | 2% |

Bar Chart:
 2004-2005 MONTHLY TAX-FREE DIVIDENDS PER SHARE

| | |
|-----|-------|
| Feb | 0.067 |
| Mar | 0.067 |
| Apr | 0.067 |
| May | 0.067 |
| Jun | 0.067 |
| Jul | 0.067 |
| Aug | 0.067 |
| Sep | 0.067 |
| Oct | 0.067 |
| Nov | 0.067 |
| Dec | 0.067 |

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Jan 0.067

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

| | |
|--------|-------|
| 2/1/04 | 14.25 |
| | 14 |
| | 14.02 |
| | 14.32 |
| | 14.15 |
| | 14.25 |
| | 14.2 |
| | 14.09 |
| | 14.05 |
| | 14.05 |
| | 14.18 |
| | 14.15 |
| | 14.25 |
| | 14.28 |
| | 14.01 |
| | 14.1 |
| | 14.13 |
| | 14.13 |
| | 14.23 |
| | 14.23 |
| | 14.35 |
| | 14.51 |
| | 14.4 |
| | 14.44 |
| | 14.46 |
| | 14.77 |
| | 14.69 |
| | 14.69 |
| | 14.35 |
| | 14.3 |
| | 14.45 |
| | 14.4 |
| | 14.43 |
| | 14.38 |
| | 14.55 |
| | 14.7 |
| | 14.74 |
| | 14.58 |
| | 14.58 |
| | 14.77 |
| | 14.76 |
| | 14.76 |
| | 14.85 |
| | 14.88 |
| | 14.7 |
| | 14.6 |
| | 14.41 |
| | 14.55 |
| | 14.58 |
| | 14.5 |
| | 14.3 |
| | 14.15 |
| | 13.82 |
| | 13.71 |
| | 13.87 |
| | 13.95 |

13.87
13.75
13.76
13.68
13.65
13.65
13.61
13.3
13.35
13.4
13.19
13.25
12.89
12.34
12.4
12.35
12.3
12.39
12.39
12.34
12.28
12.28
12.43
12.6
12.77
12.6
12.76
12.78
12.78
12.62
12.75
12.8
12.7
12.76
12.8
13.11
13
12.54
12.56
12.54
12.55
12.55
12.75
12.79
12.58
12.65
12.75
12.84
12.95
12.93
12.9
13.25
13.15
13.25
13.29
13.38
13.42
13.32
13.39
13.35
13.49
13.5

13.61
13.5
13.58
13.35
13.35
13.268
13.35
13.3
13.3
13.3
13.18
13.36
13.7
13.74
13.79
13.78
13.79
13.76
13.6
13.65
13.65
13.65
13.67
13.56
13.6
13.6
13.65
13.61
13.71
13.72
13.9
13.9
13.85
13.66
13.68
13.65
13.65
13.65
13.72
13.64
13.98
14.15
14.05
13.9
13.92
14.21
14.28
14.23
14.16
14.29
14.2
14.1
14.08
14
14.01
14.01
14.09
13.85
14.11
14.11
14.21
14.15

14.21
14.41
14.47
14.42
14.49
14.54
14.55
14.6
14.5
14.5
14.47
14.4
14.4
14.45
14.45
14.61
14.66
14.66
14.35
14.18
14.05
14.2
14.23
14.04
14.18
14.16
14.04
13.89
14.07
14.04
14.25
14.26
14.07
13.99
14.02
14.05
14.15
14.15
14.03
14.2
14.14
14.15
14.08
14.01
14.15
13.97
13.95
13.9
13.97
14.04
14.06
14.06
13.98
14.04
14.08
14.14
14.14
14.18
14.2
14.22
14.29
14.35

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| | |
|---------|-------|
| | 14.33 |
| | 14.49 |
| | 14.35 |
| | 14.4 |
| | 14.55 |
| | 14.6 |
| | 14.65 |
| | 14.5 |
| | 14.5 |
| | 14.54 |
| | 14.59 |
| | 14.66 |
| | 14.71 |
| 1/31/05 | 14.68 |

FUND SNAPSHOT

| | |
|---|----------|
| Share Price | \$14.68 |
| Common Share Net Asset Value | \$14.82 |
| Premium/(Discount) to NAV | -0.94% |
| Market Yield | 5.48% |
| Taxable-Equivalent Yield1 | 8.00% |
| Net Assets Applicable to Common Shares (\$000) | \$45,456 |
| Average Effective Maturity (Years) | 18.10 |
| Leverage-Adjusted Duration | 7.46 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 9/25/02)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 13.54% | 8.74% |
| 1-Year | 10.30% | 8.84% |
| Since Inception | 4.74% | 7.07% |

SECTORS

(as a % of total investments)

| | |
|------------------------|-------|
| Tax Obligation/Limited | 27.5% |
| Tax Obligation/General | 15.9% |
| Healthcare | 14.7% |
| Education and Civic | |

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| | |
|---------------------|-------|
| Organizations | 10.6% |
| ----- | ----- |
| Transportation | 9.1% |
| ----- | ----- |
| Housing/Multifamily | 7.1% |
| ----- | ----- |
| Water and Sewer | 6.6% |
| ----- | ----- |
| Other | 8.5% |
| ----- | ----- |

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.5%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

14

Nuveen Texas Quality Income Municipal Fund
NTX

Performance
OVERVIEW As of January 31, 2005

Pie Chart:
CREDIT QUALITY
(as a % of total investments)

| | |
|---------------------|-----|
| AAA/U.S. Guaranteed | 64% |
| AA | 14% |
| A | 9% |
| BBB | 12% |
| BB or Lower | 1% |

Bar Chart:
2004-2005 MONTHLY TAX-FREE DIVIDENDS PER SHARE

| | |
|-----|------|
| Feb | 0.08 |
| Mar | 0.08 |
| Apr | 0.08 |
| May | 0.08 |
| Jun | 0.08 |
| Jul | 0.08 |
| Aug | 0.08 |
| Sep | 0.08 |
| Oct | 0.08 |
| Nov | 0.08 |
| Dec | 0.08 |
| Jan | 0.08 |

Line Chart:
SHARE PRICE PERFORMANCE
Weekly Closing Price
Past performance is not predictive of future results.

| | |
|--------|-------|
| 2/1/04 | 15.1 |
| | 15.23 |
| | 15.23 |
| | 15.11 |
| | 15.22 |

15.15
15.26
15.2
15.25
15.29
15.59
15.7
15.58
15.55
15.48
15.41
15.45
15.42
15.5
15.5
15.66
15.8
15.8
15.84
15.91
16.03
15.83
15.64
15.71
15.66
15.6
15.52
15.64
15.7
15.8
15.78
15.66
15.7
15.7
15.7
15.7
15.65
15.65
15.71
15.5
15.05
14.65
14.91
14.85
14.94
14.84
14.57
14.2
14.49
14.25
14.23
14.13
13.8
13.7
13.56
13.65
13.53
13.58
13.68
13.72
13.73
13.7

13.55
13.23
12.93
13.15
13.27
13.25
13.36
13.46
13.21
13.52
13.51
13.37
13.35
13.62
13.63
13.94
13.87
13.87
13.86
14.01
14.2
14.19
14.16
14.13
14.15
14.1
13.9
13.99
13.88
13.94
14.11
14
14.024
14.024
14.12
13.96
14
13.92
13.95
13.97
14.15
14.25
14.4
14.35
14.3
14.4
14.24
14.24
14.17
14.21
14.25
14.25
14.2
14.27
14.2
14.3
14.16
14.39
14.4
14.59
14.59
14.4

14.5
14.56
14.51
14.76
14.85
14.85
14.5
14.48
14.61
14.58
14.65
14.6
14.65
14.65
14.75
14.77
14.97
14.96
15
15
15.05
15.07
15.1
15.12
15.11
15.17
15.3
15.13
15.1
15.12
15.13
15.2
15.1
15.07
14.97
15.12
15.05
15.15
15.26
15.38
15.14
14.99
14.99
14.98
15
15.01
15.09
15.24
15.25
15.31
15.47
15.7
15.49
15.5
15.55
15.47
15.46
15.46
15.31
15.52
15.52
15.52

15.56
15.56
15.6
15.67
15.7
15.71
15.4
15.2
15.3
15.36
15.25
15.44
15.62
15.75
15.78
15.81
15.52
15.56
15.52
15.53
15.63
15.63
15.54
15.6
15.5
15.59
15.58
15.43
15.45
15.4
15.39
15.31
15.2
15.15
15.134
15.05
14.99
14.98
14.86
14.91
14.8
14.87
14.93
14.92
15.01
15.06
15.08
15.15
15.19
15.11
15.15
15.19
15.02
15.08
15.02
15.09
15.14
15.14
15.25
15.27
15.22
15.19

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| | |
|---------|-------|
| | 15.26 |
| | 15.21 |
| 1/31/05 | 15.27 |

FUND SNAPSHOT

| | |
|---|-----------|
| Share Price | \$15.27 |
| Common Share Net Asset Value | \$15.69 |
| Premium/(Discount) to NAV | -2.68% |
| Market Yield | 6.29% |
| Taxable-Equivalent Yield1 | 8.74% |
| Net Assets Applicable to Common Shares (\$000) | \$148,672 |
| Average Effective Maturity (Years) | 18.14 |
| Leverage-Adjusted Duration | 7.98 |

AVERAGE ANNUAL TOTAL RETURN
(Inception 10/17/91)

| | ON SHARE PRICE | ON NAV |
|-------------------------|----------------|--------|
| 6-Month (Cumulative) | 7.99% | 7.03% |
| 1-Year | 7.47% | 7.46% |
| 5-Year | 11.63% | 9.47% |
| 10-Year | 7.93% | 7.57% |

SECTORS

(as a % of total investments)

| | |
|--------------------------------------|-------|
| Tax Obligation/General | 21.8% |
| Healthcare | 16.6% |
| Tax Obligation/Limited | 9.7% |
| Education and Civic Organizations | 8.7% |
| U.S. Guaranteed | 7.7% |
| Water and Sewer | 7.5% |
| Housing/Multifamily | 5.7% |
| Utilities | 5.7% |

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| | |
|----------------|-------|
| Long-Term Care | 5.0% |
| ----- | ----- |
| Other | 11.6% |
| ----- | ----- |

1 Taxable-equivalent yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. For investments that generate qualified dividend income, the taxable-equivalent yield is lower.

15

Shareholder
MEETING REPORT

The Shareholder Meeting was held in San Francisco, California, on November 17, 2004.

| | NAZ | | NFZ | |
|--|--|--|--|--|
| APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS: | | | | |
| | Common and MuniPreferred shares voting together as a class | MuniPreferred shares voting together as a class | Common and MuniPreferred shares voting together as a class | MuniPrefer shares vot toget as a cl |
| Robert P. Bremner | | | | |
| For | 4,192,096 | -- | 1,531,590 | |
| Withhold | 19,677 | -- | 2,105 | |
| Total | 4,211,773 | -- | 1,533,695 | |
| Lawrence H. Brown | | | | |
| For | 4,191,599 | -- | 1,531,590 | |
| Withhold | 20,174 | -- | 2,105 | |
| Total | 4,211,773 | -- | 1,533,695 | |
| Jack B. Evans | | | | |
| For | 4,183,638 | -- | 1,526,690 | |
| Withhold | 28,135 | -- | 7,005 | |
| Total | 4,211,773 | -- | 1,533,695 | |
| William C. Hunter | | | | |
| For | 4,183,638 | -- | 1,526,690 | |
| Withhold | 28,135 | -- | 7,005 | |
| Total | 4,211,773 | -- | 1,533,695 | |
| William J. Schneider | | | | |
| For | -- | 1,018 | -- | |
| Withhold | -- | 4 | -- | |

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| | | | |
|-------------------------|-----------|-------|-----------|
| Total | -- | 1,022 | -- |
| ===== | | | |
| Timothy R. Schwertfeger | | | |
| For | -- | 1,018 | -- |
| Withhold | -- | 4 | -- |
| ----- | | | |
| Total | -- | 1,022 | -- |
| ===== | | | |
| Judith M. Stockdale | | | |
| For | 4,183,638 | -- | 1,526,690 |
| Withhold | 28,135 | -- | 7,005 |
| ----- | | | |
| Total | 4,211,773 | -- | 1,533,695 |
| ===== | | | |

16

NXE

APPROVAL OF THE BOARD MEMBERS
WAS REACHED AS FOLLOWS:

| | Common and MuniPreferred shares voting together as a class | MuniPreferred shares voti togeth as a cla |
|----------------------|--|--|
| ===== | | |
| Robert P. Bremner | | |
| For | 3,036,999 | |
| Withhold | 8,978 | |
| ----- | | |
| Total | 3,045,977 | |
| ===== | | |
| Lawrence H. Brown | | |
| For | 3,036,999 | |
| Withhold | 8,978 | |
| ----- | | |
| Total | 3,045,977 | |
| ===== | | |
| Jack B. Evans | | |
| For | 3,029,299 | |
| Withhold | 16,678 | |
| ----- | | |
| Total | 3,045,977 | |
| ===== | | |
| William C. Hunter | | |
| For | 3,034,811 | |
| Withhold | 11,166 | |
| ----- | | |
| Total | 3,045,977 | |
| ===== | | |
| William J. Schneider | | |
| For | -- | 8 |

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| | | |
|-------------------------|-----------|---|
| Withhold | -- | 8 |
| Total | -- | 8 |
| ===== | | |
| Timothy R. Schwertfeger | | |
| For | -- | 8 |
| Withhold | -- | |
| Total | -- | 8 |
| ===== | | |
| Judith M. Stockdale | | |
| For | 3,031,811 | |
| Withhold | 14,166 | |
| Total | 3,045,977 | |
| ===== | | |

17

Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ)
 Portfolio of
 INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|------------------------|---|---------------------|
| ----- | | |
| | CONSUMER STAPLES - 1.4% (1.0% OF TOTAL INVESTMENTS) | |
| \$ 940 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |
| ----- | | |
| | EDUCATION AND CIVIC ORGANIZATIONS - 9.4% (6.5% OF TOTAL INVESTMENTS) | |
| 1,000 | Arizona State University, Certificates of Participation, Series 2002, 5.375%, 7/01/19 - MBIA Insured | 7/12 at 100 |
| 1,000 | Arizona State University, System Revenue Bonds, Series 2002, 5.000%, 7/01/25 - FGIC Insured | 7/12 at 100 |
| 1,250 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31 | 5/11 at 101 |
| 1,050 | Northern Arizona University, System Revenue Bonds, Series 2002, 5.000%, 6/01/34 - FGIC Insured | 6/12 at 100 |
| 1,500 | Tempe Industrial Development Authority, Arizona, Lease Revenue Bonds, Arizona State University Foundation Project, Series 2003, 5.000%, 7/01/34 - AMBAC Insured | 7/13 at 100 |
| ----- | | |
| | HEALTHCARE - 19.3% (13.3% OF TOTAL INVESTMENTS) | |
| 2,000 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 1999A, | 11/09 at 100 |

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6.125%, 11/15/22

| | | |
|-------|---|--------------|
| 1,000 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25 | 12/10 at 102 |
| 800 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 2,150 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 3,000 | Mesa Industrial Development Authority, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.750%, 1/01/25 - MBIA Insured | 1/10 at 101 |
| 515 | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Hospital Revenue Bonds, Hospital de la Concepcion, Series 2000A, 6.375%, 11/15/15 | 11/10 at 101 |
| 1,500 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 | 12/11 at 101 |
| 1,055 | Winslow Industrial Development Authority, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital Project, Series 1998, 5.500%, 6/01/22 | 6/08 at 101 |

HOUSING/MULTIFAMILY - 8.5% (5.9% OF TOTAL INVESTMENTS)

| | | |
|-------|--|-------------|
| 400 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax) | 6/11 at 102 |
| 530 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
| 1,000 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Mortgage Loan Multifamily Housing Revenue Bonds, Camelback Crossings Apartments Project, Series 2000, 6.350%, 9/20/35 | 9/10 at 103 |
| 3,215 | Tucson Industrial Development Authority, Arizona, Senior Living Facilities Revenue Bonds, Christian Care Project, Series 2000A, 5.625%, 7/01/20 - RAAI Insured | 7/10 at 101 |

HOUSING/SINGLE FAMILY - 0.1% (0.0% OF TOTAL INVESTMENTS)

| | | |
|----|---|-------------|
| 40 | Phoenix Industrial Development Authority, Arizona, Statewide Single Family Mortgage Revenue Bonds, Series 1995, 6.150%, 6/01/08 (Alternative Minimum Tax) | 6/05 at 102 |
|----|---|-------------|

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---|--|------------------------|
| ----- | | |
| INDUSTRIALS - 2.1% (1.5% OF TOTAL INVESTMENTS) | | |
| \$ 1,345 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08) | No Opt. C |
| ----- | | |
| LONG-TERM CARE - 0.6% (0.3% OF TOTAL INVESTMENTS) | | |
| 345 | Mohave County Industrial Development Authority, Arizona, GNMA Collateralized Healthcare Revenue Refunding Bonds, Chris Ridge and Silver Village Projects, Series 1996, 6.375%, 11/01/31 | 5/06 at 103 |
| ----- | | |
| TAX OBLIGATION/GENERAL - 4.0% (2.8% OF TOTAL INVESTMENTS) | | |
| 1,525 | Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, 5.000%, 7/01/21 - FSA Insured | 7/14 at 100 |
| 500 | Puerto Rico, General Obligation and Public Improvement Bonds, Series 2002A, 5.500%, 7/01/19 - FGIC Insured | No Opt. C |
| 330 | Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.375%, 7/01/28 | 7/11 at 100 |
| ----- | | |
| TAX OBLIGATION/LIMITED - 50.9% (35.2% OF TOTAL INVESTMENTS) | | |
| 1,985 | Arizona School Facilities Board, State School Improvement Revenue Bonds, Series 2003, 5.000%, 7/01/21 | 7/13 at 100 |
| 2,000 | Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2004A, 5.750%, 7/01/18 - AMBAC Insured | 7/14 at 100 |
| 2,000 | Arizona State Transportation Board, Subordinate Highway Revenue Bonds, Series 2004B, 5.000%, 7/01/22 | 7/14 at 100 |
| 3,000 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A: 5.375%, 7/01/20 - MBIA Insured | 7/13 at 100 |
| 1,000 | 5.375%, 7/01/21 - MBIA Insured | 7/13 at 100 |
| 815 | Bullhead City, Arizona, Special Assessment Bonds, Parkway District Improvements, Series 1993: 6.100%, 1/01/08 | 7/05 at 101 |
| 875 | 6.100%, 1/01/09 | 7/05 at 101 |
| 524 | Estrella Mountain Ranch Community Facilities District, | 7/10 at 102 |

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| | | |
|-------|--|--------------|
| | Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | |
| 575 | Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/28 - AMBAC Insured | 7/13 at 100 |
| 3,400 | Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| | Phoenix Industrial Development Authority, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC Project, Series 2000: | |
| 1,000 | 5.375%, 9/15/22 - AMBAC Insured | 9/10 at 100 |
| 2,000 | 5.500%, 9/15/27 - AMBAC Insured | 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 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Subordinate Lien Excise Tax Revenue Bonds, Series 2003A, 5.000%, 7/01/21 - MBIA Insured | 7/13 at 100 |
| 1,200 | Prescott Valley Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured | 1/13 at 100 |
| 1,000 | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 | 7/12 at 100 |
| 805 | Scottsdale Preserve Authority, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.000%, 7/01/16 - FGIC Insured | No Opt. C |
| 1,350 | Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured | 7/14 at 100 |
| 500 | Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20 - MBIA Insured | 7/08 at 100 |
| 1,100 | Tucson, Arizona, Junior Lien Street and Highway User Revenue Bonds, Series 2000E, 5.000%, 7/01/18 - FGIC Insured | 7/10 at 100 |
| 1,300 | Virgin Islands Public Finance Authority, Gross Receipts Taxes Loan Notes, Series 2003, 5.000%, 10/01/33 - RAAI Insured | 10/14 at 100 |

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Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|---|------------------------|
| ----- | | |
| | U.S. GUARANTEED *** - 17.6% (12.2% OF TOTAL INVESTMENTS) | |
| \$ 480 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10) | 7/10 at 100 |

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| | | |
|-------|--|-------------|
| 2,250 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Refunding Bonds, Samaritan Health Services, Series 1990A, 7.000%, 12/01/16 - MBIA Insured | No Opt. C |
| 2,300 | Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/18 (Pre-refunded to 7/01/09) - FGIC Insured | 7/09 at 100 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded to 7/01/10) - FGIC Insured | 7/10 at 101 |
| 1,000 | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 6.500%, 7/01/27 (Pre-refunded to 7/01/10) | 7/10 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 (Pre-refunded to 9/01/12) - MBIA Insured | 9/12 at 100 |
| 500 | Surprise Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2000, 5.700%, 7/01/20 (Pre-refunded to 7/01/09) - FGIC Insured | 7/09 at 101 |

UTILITIES - 10.5% (7.2% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 1,000 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15 | No Opt. C |
| 1,000 | Coconino County, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1996, 6.375%, 10/01/36 (Alternative Minimum Tax) | 10/06 at 102 |
| 905 | Pima County Industrial Development Authority, Arizona, Lease Obligation Revenue Refunding Bonds, Tucson Electric Power Company, Series 1988A, 7.250%, 7/15/10 - FSA Insured | 7/05 at 101 |
| 2,000 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A: 5.125%, 1/01/27 | 1/12 at 101 |
| 1,000 | 5.000%, 1/01/31 | 1/12 at 101 |
| 530 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22 | 1/13 at 100 |

WATER AND SEWER - 20.4% (14.1% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 1,825 | Arizona Water Infrastructure Finance Authority, Water Quality Revenue Bonds, Series 2004A: 5.000%, 10/01/19 | 10/14 at 100 |
| 1,815 | 5.000%, 10/01/22 | 10/14 at 100 |
| 1,005 | Cottonwood, Arizona, Senior Lien Sewerage Revenue Bonds, Series 2004, 5.000%, 7/01/24 - XLCA Insured | 7/14 at 100 |
| 3,500 | Glendale, Arizona, Water and Sewer Revenue Bonds, | 7/13 at 100 |

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| | | |
|-----|--|-------------|
| | Subordinate Lien, Series 2003, 5.000%, 7/01/28 - AMBAC Insured | |
| 600 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 875 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - MBIA Insured | 7/14 at 100 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|---|------------------------|
| ----- | | |
| | WATER AND SEWER (continued) | |
| \$ 1,250 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21 - FGIC Insured | No Opt. C |
| 1,500 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured | 7/12 at 100 |
| ----- | | |
| \$ 87,304 | Total Long-Term Investments (cost \$88,790,839) - 144.8% | |
| ===== | | |
| | Other Assets Less Liabilities - 1.0% | |
| ----- | | |
| | Preferred Shares, at Liquidation Value - (45.8)% | |
| ----- | | |
| | 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 unless otherwise noted.

* 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.

Nuveen Arizona Dividend Advantage Municipal Fund (NFZ)
Portfolio of
INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|--|---|------------------------|
| ----- | | |
| EDUCATION AND CIVIC ORGANIZATIONS - 9.9% (6.7% OF TOTAL INVESTMENTS) | | |
| \$ 1,020 | Mesa Industrial Development Authority, 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, Ana G. Mendez University System, Series 1999, 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, University of the Sacred Heart, Series 2001, 5.250%, 9/01/21 | 9/11 at 100 |
| ----- | | |
| HEALTHCARE - 12.0% (8.1% OF TOTAL INVESTMENTS) | | |
| 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 |
| 365 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 750 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 1,000 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 | 12/11 at 101 |
| ----- | | |
| HOUSING/MULTIFAMILY - 15.8% (10.7% OF TOTAL INVESTMENTS) | | |
| 1,000 | Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms Apartments, Series 1999A, 5.900%, 7/01/29 - MBIA Insured | 7/09 at 102 |
| 1,125 | Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Syl-Mar Apartments, Series 2001, 5.650%, 4/20/21 (Alternative Minimum Tax) | 10/11 at 103 |

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| | | |
|---|---|--------------|
| 275 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax) | 6/11 at 102 |
| 205 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
| 1,000 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Mortgage Loan Multifamily Housing Revenue Bonds, Camelback Crossings Apartments Project, Series 2000, 6.350%, 9/20/35 | 9/10 at 103 |
| ----- | | |
| HOUSING/SINGLE FAMILY - 1.1% (0.8% OF TOTAL INVESTMENTS) | | |
| 260 | Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 2001A-4, 5.050%, 5/01/17 | 11/10 at 101 |
| ----- | | |
| INDUSTRIALS - 2.2% (1.5% OF TOTAL INVESTMENTS) | | |
| 510 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08) | No Opt. C |
| ----- | | |
| TAX OBLIGATION/GENERAL - 4.4% (3.0% OF TOTAL INVESTMENTS) | | |
| 1,020 | Tucson, Arizona, General Obligation Refunding Bonds, Series 1997, 5.000%, 7/01/19 | 7/07 at 100 |
| ----- | | |
| TAX OBLIGATION/LIMITED - 61.2% (41.3% OF TOTAL INVESTMENTS) | | |
| 700 | Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2001, 5.500%, 7/01/18 | 7/11 at 100 |
| 2,750 | Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2004A, 5.750%, 7/01/18 - AMBAC Insured | 7/14 at 100 |
| 1,000 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/21 - MBIA Insured | 7/13 at 100 |

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

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TAX OBLIGATION/LIMITED (continued)

| | | | |
|-------|-------|---|-------------|
| \$ | 203 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| | 1,180 | Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/23 - AMBAC Insured | 7/13 at 100 |
| | 2,000 | Maricopa County Industrial Development Authority, Arizona, Education Revenue Bonds, Horizon Community Learning Center Project, Series 2000, 6.350%, 6/01/26 - ACA Insured | 6/07 at 102 |
| | 900 | Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II Project, Series 2001, 5.250%, 9/15/16 - AMBAC Insured | 3/12 at 100 |
| | 680 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
| | 2,675 | Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/21 | 7/13 at 100 |
| | 1,000 | Tempe, Arizona, Excise Tax Revenue Bonds, Series 2004, 5.250%, 7/01/20 - AMBAC Insured | 7/14 at 100 |
| | 305 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| ----- | | | |
| | | U.S. GUARANTEED *** - 11.7% (7.9% OF TOTAL INVESTMENTS) | |
| | 1,000 | Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/17 (Pre-refunded to 7/01/09) - FGIC Insured | 7/09 at 100 |
| | 1,000 | Mesa, Arizona, Utility System Revenue Bonds, Series 2000, 5.125%, 7/01/19 (Pre-refunded to 7/01/09) - FGIC Insured | 7/09 at 100 |
| | | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A: | |
| | 140 | 5.000%, 1/01/20 (Pre-refunded to 1/01/08) | 1/08 at 101 |
| | 430 | 5.000%, 1/01/20 (Pre-refunded to 1/01/08) | 1/08 at 101 |
| ----- | | | |
| | | UTILITIES - 22.0% (14.9% OF TOTAL INVESTMENTS) | |
| | 1,500 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/17 | No Opt. C |
| | 500 | Coconino County, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1997B, 5.800%, 11/01/32 (Alternative Minimum Tax) | 5/05 at 100 |
| | 1,000 | Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17 - FGIC Insured | No Opt. C |

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| | | |
|-------|---|-------------|
| 350 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2002II, 5.125%, 7/01/26 - FSA Insured | 7/12 at 101 |
| 1,000 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A, 5.250%, 1/01/18 | 1/12 at 101 |
| 200 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22 | 1/13 at 100 |
| 235 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A, 5.000%, 1/01/20 | 1/08 at 101 |

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Nuveen Arizona Dividend Advantage Municipal Fund (NFZ) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|---|------------------------|
| | | |
| | WATER AND SEWER - 7.6% (5.1% OF TOTAL INVESTMENTS) | |
| \$ 225 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 1,500 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured | 7/12 at 100 |
| | | |
| \$ 32,853 | Total Long-Term Investments (cost \$33,571,712) - 147.9% | |
| | | |
| | Other Assets Less Liabilities - 1.9% | |
| | | |
| | Preferred Shares, at Liquidation Value - (49.8)% | |
| | | |
| | Net Assets Applicable to Common Shares - 100% | |
| | | |

FORWARD SWAP CONTRACTS OUTSTANDING AT JANUARY 31, 2005:

| | NOTIONAL AMOUNT | EFFECTIVE DATE |
|--|--------------------|-------------------|
| Agreement with Morgan Stanley dated August 4, 2004, to pay semi-annually the notional amount multiplied by 5.660% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | \$600,000 | 2/16/ |
| Agreement with Goldman Sachs dated December 6, 2004, to pay semi-annually the notional amount multiplied by 5.324% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States | | |

Dollar - London Inter-Bank Offered Rates).

200,000

7/11/

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
 - (2) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.
 - * 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.

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)
 Portfolio of
 INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---|---|------------------------|
| EDUCATION AND CIVIC ORGANIZATIONS - 10.2% (7.0% OF TOTAL INVESTMENTS) | | |
| \$ 715 | Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 - FGIC Insured | 7/12 at 100 |
| 1,250 | Glendale Industrial Development Authority, 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, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/19 | 2/09 at 101 |
| 750 | University of Arizona, Certificates of Participation, Series 2002A: 5.500%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| 500 | 5.125%, 6/01/22 - AMBAC Insured | 6/12 at 100 |

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HEALTHCARE - 18.4% (12.6% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 735 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21 | 2/12 at 101 |
| 400 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 600 | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20 | 4/14 at 100 |
| 1,375 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 500 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37 | 5/08 at 101 |
| 1,000 | Mesa Industrial Development Authority, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.625%, 1/01/29 - MBIA Insured | 1/10 at 101 |
| 1,000 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 | 12/11 at 101 |
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33 | 8/13 at 100 |

HOUSING/MULTIFAMILY - 7.7% (5.3% OF TOTAL INVESTMENTS)

| | | |
|-------|---|--------------|
| 1,000 | Maricopa County Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Refunding Bonds, Pine Ridge, Cambridge Court, Cove on 44th and Fountain Place Apartments, Series 2001A-1, 6.000%, 10/20/31 | 10/11 at 105 |
| 1,425 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Summit Apartments, Series 2002, 6.450%, 7/20/32 | 7/12 at 105 |
| 325 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |

HOUSING/SINGLE FAMILY - 0.3% (0.3% OF TOTAL INVESTMENTS)

| | | |
|-----|---|--------------|
| 125 | Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 2001A-1, 5.350%, 11/01/24 (Alternative Minimum Tax) | 11/10 at 101 |
|-----|---|--------------|

INDUSTRIALS - 2.2% (1.5% OF TOTAL INVESTMENTS)

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| | | |
|-----|--|-----------|
| 810 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08) | No Opt. C |
|-----|--|-----------|

TAX OBLIGATION/GENERAL - 38.2% (26.1% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 1,725 | Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/17 | 7/12 at 100 |
| 1,000 | Gilbert, Arizona, General Obligation Bonds, Series 2002A, 5.000%, 7/01/18 - AMBAC Insured | 7/11 at 100 |

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Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

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

TAX OBLIGATION/GENERAL (continued)

| | | |
|----------|--|-------------|
| | Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A: | |
| \$ 1,000 | 5.375%, 7/01/15 - FSA Insured | No Opt. C |
| 1,000 | 5.375%, 7/01/16 - FSA Insured | No Opt. C |
| 1,165 | Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Series 2002A, 5.250%, 7/01/14 - FGIC Insured | No Opt. C |
| 1,000 | Mesa, Arizona, General Obligation Bonds, Series 2000, 6.500%, 7/01/11 - FGIC Insured | No Opt. C |
| 1,405 | Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15 - FGIC Insured | No Opt. C |
| | Phoenix, Arizona, Various Purpose General Obligation Bonds, Series 2002B: | |
| 1,700 | 5.000%, 7/01/22 | 7/12 at 100 |
| 500 | 5.000%, 7/01/27 | 7/12 at 100 |
| 1,000 | Pinal County Unified School District 43, Apache Junction, Arizona, General Obligation Refunding Bonds, Series 2001, 5.750%, 7/01/15 - FGIC Insured | No Opt. C |
| 1,500 | Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 | 7/11 at 100 |

TAX OBLIGATION/LIMITED - 45.0% (30.9% OF TOTAL INVESTMENTS)

Arizona State, Certificates of Participation, Series 2002A:

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| | | |
|-------|--|--------------|
| 750 | 5.000%, 11/01/17 - MBIA Insured | 5/12 at 100 |
| 1,000 | 5.000%, 11/01/18 - MBIA Insured | 5/12 at 100 |
| 500 | 5.000%, 11/01/20 - MBIA Insured | 5/12 at 100 |
| 1,000 | Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/21 | 7/12 at 100 |
| 322 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| 670 | Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured | 7/13 at 100 |
| 1,000 | Maricopa County Public Finance Authority, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15 - AMBAC Insured | 7/11 at 100 |
| | Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002: | |
| 840 | 5.375%, 6/01/18 - AMBAC Insured | 6/12 at 100 |
| 2,645 | 5.375%, 6/01/19 - AMBAC Insured | 6/12 at 100 |
| 1,000 | Mesa, Arizona, Street and Highway User Tax Revenue Bonds, Series 2004, 5.125%, 7/01/23 - FSA Insured | 7/14 at 100 |
| 1,500 | Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II Project, Series 2001, 5.250%, 9/15/16 - AMBAC Insured | 3/12 at 100 |
| 460 | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24 | 12/14 at 100 |
| 1,070 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
| 1,000 | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 | 7/12 at 100 |
| 480 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| 1,000 | Tucson, Arizona, Junior Lien Street and Highway User Revenue Bonds, Series 2000E, 5.000%, 7/01/18 - FGIC Insured | 7/10 at 100 |
| 640 | Yuma Municipal Property Corporation, Arizona, Municipal Facilities Tax Revenue Bonds, Series 2001, 5.000%, 7/01/21 - AMBAC Insured | 7/10 at 100 |
| ----- | | |
| | TRANSPORTATION - 5.5% (3.7% OF TOTAL INVESTMENTS) | |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 1998A, 5.000%, 7/01/25 - FSA Insured | 7/08 at 101 |

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1,000 Phoenix, Arizona, Civic Improvement Corporation, Senior Lien 7/12 at 100
 Airport Revenue Bonds, Series 2002B, 5.250%, 7/01/27
 (Alternative Minimum Tax) - FGIC Insured

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|------------------------|---|---------------------|
| ----- | | |
| | U.S. GUARANTEED *** - 3.0% (2.0% OF TOTAL INVESTMENTS) | |
| \$ 1,000 | Maricopa County Unified School District 89, Dysart, Arizona, General Obligation Bonds, Series 2004B, 5.250%, 7/01/20 (Pre-refunded to 7/01/14) - FSA Insured | 7/14 at 100 |
| ----- | | |
| | UTILITIES - 7.1% (4.8% OF TOTAL INVESTMENTS) | |
| 1,115 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15 | No Opt. C |
| 1,000 | Mesa, Arizona, Utility System Revenue Bonds, Series 2002, 5.000%, 7/01/20 - FGIC Insured | 7/11 at 100 |
| 320 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22 | 1/13 at 100 |
| ----- | | |
| | WATER AND SEWER - 8.5% (5.8% OF TOTAL INVESTMENTS) | |
| 500 | Maricopa County Industrial Development Authority, Arizona, Water System Improvement Revenue Bonds, Chaparral City Water Company, Series 1997A, 5.400%, 12/01/22 (Alternative Minimum Tax) - AMBAC Insured | 12/07 at 102 |
| 360 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22 - FGIC Insured | No Opt. C |
| 1,000 | Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2002, 5.500%, 7/01/18 - FGIC Insured | 7/12 at 102 |
| ----- | | |
| \$ 50,997 | Total Long-Term Investments (cost \$52,124,847) - 146.1% | |
| ===== | | |
| | Other Assets Less Liabilities - 2.3% | |
| ----- | | |
| | Preferred Shares, at Liquidation Value - (48.4)% | |
| ----- | | |
| | Net Assets Applicable to Common Shares - 100% | |

=====

FORWARD SWAP CONTRACTS OUTSTANDING AT JANUARY 31, 2005:

| | NOTIONAL AMOUNT | EFFECTIVE DATE |
|---|--------------------|-------------------|
| ----- | | |
| Agreement with Morgan Stanley dated August 4, 2004, to pay semi-annually the notional amount multiplied by 5.660% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | \$1,100,000 | 2/16/05 |
| Agreement with Goldman Sachs dated December 6, 2004, to pay semi-annually the notional amount multiplied by 5.324% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | 800,000 | 7/11/05 |
| Agreement with JP Morgan dated January 11, 2005, to pay semi-annually the notional amount multiplied by 5.235% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | 750,000 | 8/17/05 |
| ----- | | |

=====

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
 - (2) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.
 - * 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.
- N/R Investment is not rated.

See accompanying notes to financial statements.

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|--|---|------------------------|
| ----- | | |
| CONSUMER STAPLES - 4.0% (2.7% OF TOTAL INVESTMENTS) | | |
| \$ 1,880 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |
| ----- | | |
| EDUCATION AND CIVIC ORGANIZATIONS - 15.6% (10.6% OF TOTAL INVESTMENTS) | | |
| 2,000 | Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 - FGIC Insured | 7/12 at 100 |
| 1,000 | Arizona Student Loan Acquisition Authority, Student Loan Revenue Refunding Bonds, Senior Series 1999A-1, 5.750%, 5/01/15 (Alternative Minimum Tax) | 11/09 at 102 |
| 1,130 | Energy Management Services LLC, Arizona State University, Energy Conservation Revenue Bonds, Main Campus Project, Series 2002, 5.250%, 7/01/18 - MBIA Insured | 7/12 at 100 |
| 270 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28 | 5/08 at 101 |
| 2,000 | University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 - AMBAC Insured | 6/12 at 100 |
| ----- | | |
| HEALTHCARE - 21.7% (14.7% OF TOTAL INVESTMENTS) | | |
| | Arizona Health Facilities Authority, Hospital System 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 |
| 300 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 | 7/10 at 101 |
| 625 | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20 | 4/14 at 100 |
| 1,825 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at 100 |
| 2,000 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37 | 5/08 at 101 |
| 1,250 | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 | 12/11 at 101 |

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| | | |
|---|--|--------------|
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33 | 8/13 at 100 |
| ----- | | |
| HOUSING/MULTIFAMILY - 10.5% (7.1% OF TOTAL INVESTMENTS) | | |
| 2,500 | Maricopa County Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Villas at Augusta, Series 2000, 6.500%, 10/20/33 | 10/10 at 105 |
| 1,545 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson, Series 2001, 5.600%, 6/20/21 (Alternative Minimum Tax) | 6/11 at 102 |
| 380 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Park Lee Apartments, Series 2004A, 5.050%, 10/20/44 (Alternative Minimum Tax) | 4/15 at 100 |
| ----- | | |
| INDUSTRIALS - 2.1% (1.4% OF TOTAL INVESTMENTS) | | |
| 945 | Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08) | No Opt. C |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---|---|---------------------|
| ----- | | |
| TAX OBLIGATION/GENERAL - 23.5% (15.9% OF TOTAL INVESTMENTS) | | |
| \$ 660 | Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/18 | 7/12 at 100 |
| 2,250 | DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 - AMBAC Insured | 7/13 at 100 |
| 1,930 | Glendale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/19 | 7/11 at 100 |
| 1,000 | Maricopa County Unified School District 11, Peoria, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/15 - FSA Insured | No Opt. C |
| 765 | Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Second Series 2002, 5.000%, 7/01/15 - FSA Insured | No Opt. C |
| 1,575 | Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, | 7/14 at 100 |

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| | | |
|-------|--|--------------|
| | 5.000%, 7/01/20 - FSA Insured | |
| 1,150 | Scottsdale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/16 | No Opt. C |
| 440 | Tucson, Arizona, General Obligation Bonds, Series 2001B, 5.000%, 7/01/20 | 7/11 at 100 |
| ----- | | |
| | TAX OBLIGATION/LIMITED - 40.8% (27.5% OF TOTAL INVESTMENTS) | |
| 2,000 | Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2002, 5.250%, 7/01/20 | 7/12 at 100 |
| 3,000 | Arizona State Transportation Board, Highway Revenue Refunding Bonds, Series 2002A, 5.250%, 7/01/18 | 7/12 at 102 |
| 1,000 | Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/22 | 7/12 at 100 |
| 2,660 | Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/20 - MBIA Insured (PLG) | 7/13 at 100 |
| 376 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at 102 |
| 800 | Goodyear Community Facilities Utility District 1, Arizona, General Obligation Bonds, Series 2003, 5.350%, 7/15/28 - ACA Insured | 7/13 at 100 |
| 2,000 | Mohave County, Arizona, Certificates of Participation, Series 2004, 5.250%, 7/01/19 - AMBAC Insured | 7/14 at 100 |
| 540 | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24 | 12/14 at 100 |
| 1,250 | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt. C |
| 2,770 | Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22 | 7/13 at 100 |
| 565 | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 | 9/14 at 100 |
| ----- | | |
| | TRANSPORTATION - 13.5% (9.1% OF TOTAL INVESTMENTS) | |
| | Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B: | |
| 1,000 | 5.750%, 7/01/16 (Alternative Minimum Tax) - FGIC Insured | 7/12 at 100 |
| 2,300 | 5.250%, 7/01/21 (Alternative Minimum Tax) - FGIC Insured | 7/12 at 100 |
| 2,450 | Tucson Airport Authority Inc., Arizona, Revenue Refunding | 6/11 at 100 |

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Bonds, Series 2001B, 5.000%, 6/01/20 (Alternative Minimum Tax) - AMBAC Insured

| | | |
|--|---|-------------|
| U.S. GUARANTEED *** - 0.6% (0.3% OF TOTAL INVESTMENTS) | | |
| 230 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28 (Pre-refunded to 5/15/08) | 5/08 at 101 |

| | | |
|--|---|--------------|
| UTILITIES - 6.0% (4.1% OF TOTAL INVESTMENTS) | | |
| 1,250 | Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A, 5.050%, 5/01/29 - AMBAC Insured | 11/12 at 100 |
| 360 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B: 5.000%, 1/01/22 | 1/13 at 100 |
| 1,000 | 5.000%, 1/01/31 | 1/13 at 100 |

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Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|--|--|------------------------|
| <hr/> | | |
| WATER AND SEWER - 9.7% (6.6% OF TOTAL INVESTMENTS) | | |
| \$ 650 | Arizona Water Infrastructure Finance Authority, Water Quality Revenue Bonds, Series 2004A, 5.000%, 10/01/22 | 10/14 at 100 |
| 405 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured | 7/13 at 100 |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21 - FGIC Insured | 7/11 at 100 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/18 - FGIC Insured | 7/12 at 100 |
| <hr/> | | |
| \$ 62,296 | Total Long-Term Investments (cost \$64,469,098) - 148.0% | |
| <hr/> | | |
| Other Assets Less Liabilities - 0.4% | | |
| <hr/> | | |
| Preferred Shares, at Liquidation Value - (48.4)% | | |
| <hr/> | | |
| Net Assets Applicable to Common Shares - 100% | | |
| <hr/> | | |

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FORWARD SWAP CONTRACTS OUTSTANDING AT JANUARY 31, 2005:

| | NOTIONAL AMOUNT | EFFECTIVE DATE |
|---|--------------------|-------------------|
| ----- | | |
| Agreement with Morgan Stanley dated August 4, 2004, to pay semi-annually the notional amount multiplied by 5.660% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | \$2,000,000 | 2/16/05 |
| Agreement with Goldman Sachs dated December 6, 2004, to pay semi-annually the notional amount multiplied by 5.324% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | 1,000,000 | 7/11/05 |
| Agreement with JP Morgan dated January 11, 2005, to pay semi-annually the notional amount multiplied by 5.235% (annualized) and receive quarterly the notional amount multiplied by the three-month USD-LIBOR (United States Dollar - London Inter-Bank Offered Rates). | 850,000 | 8/17/05 |
| ----- | | |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.
- * 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 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.
- N/R Investment is not rated.
- (PLG) Portion of security, with an aggregate market value of \$337,248, has been pledged to collateralize the net payment obligations under forward swap contracts.

See accompanying notes to financial statements.

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INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|--|------------------------|
| ----- | | |
| | CONSUMER STAPLES - 1.9% (1.2% OF TOTAL INVESTMENTS) | |
| \$ 2,820 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | 5/12 at 100 |
| ----- | | |
| | EDUCATION AND CIVIC ORGANIZATIONS - 12.5% (8.7% OF TOTAL INVESTMENTS) | |
| 1,000 | Raven Hills Higher Education Corporation, Texas, Student Housing Revenue Bonds, Lamar University - Cardinal Village LLC, Series 2001A, 5.250%, 8/01/24 - MBIA Insured | 8/11 at 100 |
| | Texas Public Finance Authority, Revenue Bonds, Texas Southern University Financing System, Series 2003: | |
| 1,710 | 5.000%, 5/01/18 - FGIC Insured | 5/13 at 100 |
| 1,795 | 5.000%, 5/01/19 - FGIC Insured | 5/13 at 100 |
| 1,885 | 5.000%, 5/01/20 - FGIC Insured | 5/13 at 100 |
| 2,000 | Texas State University System, Financing Revenue Refunding Bonds, Series 2002, 5.000%, 3/15/20 - FSA Insured | 3/12 at 100 |
| 1,665 | Texas State University System, Financing Revenue Bonds, Series 2004, 5.000%, 3/15/24 - FSA Insured | 9/14 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 |
| 5,000 | University of North Texas, Financing System Revenue Bonds, Series 2001, 5.000%, 4/15/24 - FSA Insured | 4/12 at 100 |
| ----- | | |
| | ENERGY - 2.0% (1.4% OF TOTAL INVESTMENTS) | |
| 3,000 | Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project, Series 1998, 5.600%, 4/01/32 (Alternative Minimum Tax) | 4/08 at 102 |
| ----- | | |
| | HEALTHCARE - 24.0% (16.6% OF TOTAL INVESTMENTS) | |
| 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 - MBIA Insured | 9/05 at 102 |
| | Brazoria County Health Facilities Development Corporation, Texas, Revenue Bonds, Brazosport Memorial Hospital, Series 2004: | |
| 1,745 | 5.250%, 7/01/20 - RAAI Insured | 7/14 at 100 |
| 1,835 | 5.250%, 7/01/21 - RAAI Insured | 7/14 at 100 |
| | Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, | |

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| Series 2000: | | |
|--------------|---|--------------|
| 2,000 | 6.875%, 10/01/20 - RAAI Insured | 10/10 at 101 |
| 3,250 | 6.375%, 10/01/25 - RAAI Insured | 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 Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Baylor Healthcare System, Series 2001A, 5.125%, 5/15/29 | 5/11 at 100 |
| 1,760 | Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19 | 8/09 at 102 |
| 2,000 | Richardson Hospital Authority, Texas, Revenue Bonds, Richardson Regional Medical Center, Series 2004, 5.875%, 12/01/24 | 12/13 at 100 |
| 1,050 | Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 1998, 5.375%, 11/15/20 | 11/08 at 101 |

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|---|------------------------|
| ----- | | |
| | HEALTHCARE (continued) | |
| \$ 3,500 | Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 2000, 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 Healthcare Center, Series 2001, 6.000%, 7/01/31 | 7/12 at 100 |
| ----- | | |
| | HOUSING/MULTIFAMILY - 8.3% (5.7% OF TOTAL INVESTMENTS) | |
| | Bexar County Housing Finance Corporation, Texas, Insured Multifamily Housing Revenue Bonds, Waters at Northern Hills | |

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Apartments Project, Series 2001A:
 2,000 6.000%, 8/01/31 - MBIA Insured 8/11 at 102
 750 6.050%, 8/01/36 - MBIA Insured 8/11 at 102

Grand Prairie Housing Finance Corporation, Texas, GNMA
 Multifamily Housing Revenue Bonds, Landings of Carrier Project,
 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, GNMA 9/11 at 105
 Collateralized Mortgage Multifamily Housing Revenue
 Bonds, RRG Apartments Project, Series 2001, 6.250%, 9/20/35

HOUSING/SINGLE FAMILY - 5.4% (3.7% OF TOTAL INVESTMENTS)

2,800 El Paso Housing Finance Corporation, Texas, GNMA 4/11 at 106
 Collateralized Single Family Mortgage Revenue Bonds,
 Series 2001A-3, 6.180%, 4/01/33
 205 Galveston Property Finance Authority Inc., Texas, Single 3/05 at 100
 Family Mortgage Revenue Bonds, Series 1991A,
 8.500%, 9/01/11
 200 Houston Housing Finance Corporation, Texas, Single Family 6/05 at 100
 Mortgage Revenue Refunding Bonds, Series 1993A,
 5.950%, 12/01/10 - FSA Insured
 1,405 Texas Department of Housing, Single Family Mortgage 9/06 at 102
 Revenue Bonds, Series 1996E, 6.000%, 9/01/17 -
 MBIA Insured
 2,930 Texas Department of Housing and Community Affairs, 3/12 at 100
 Single Family Mortgage Bonds, Series 2002B,
 5.550%, 9/01/33 (Alternative Minimum Tax) - MBIA Insured
 130 Victoria Housing Finance Corporation, Texas, FNMA No Opt. C
 Single Family Mortgage Revenue Refunding Bonds,
 Series 1995, 8.125%, 1/01/11

LONG-TERM CARE - 7.2% (5.0% OF TOTAL INVESTMENTS)

Bell County Health Facilities Development Corporation,
 Texas, Retirement Facility Revenue Bonds, Buckner Retirement
 Services Inc. Obligated Group, 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, 1/08 at 105
 Texas, Tax-Exempt Mortgage Revenue Bonds, South Central
 Nursing Homes Inc., Series 1997A, 6.000%, 1/01/37 -
 MBIA Insured

MATERIALS - 4.3% (3.0% OF TOTAL INVESTMENTS)

3,000 Cass County Industrial Development Corporation, Texas, 3/10 at 101

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Environmental Improvement Revenue Bonds, International
Paper Company Project, Series 2000A, 6.600%, 3/15/24
(Alternative Minimum Tax)

| | | |
|-------|---|-------------|
| 3,000 | Guadalupe-Blanco River Authority, Texas, Sewage and Solid Waste Disposal Facility Bonds, E.I. DuPont de Nemours and Company Project, Series 1996, 6.400%, 4/01/26 (Alternative Minimum Tax) | 4/06 at 102 |
|-------|---|-------------|

TAX OBLIGATION/GENERAL - 31.6% (21.8% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 4,130 | Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1992, 0.000%, 8/15/14 - MBIA Insured | 8/09 at 75 |
| 2,595 | Denton County, Texas, Permanent Improvement General Obligation Bonds, Series 2005, 5.000%, 7/15/25 | 7/12 at 100 |
| 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 |

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

TAX OBLIGATION/GENERAL (continued)

| | | |
|----------|---|-------------|
| \$ 1,750 | El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21 - FSA Insured | 2/12 at 100 |
| 2,000 | Harlingen Independent School District, Cameron County, Texas, Unlimited Tax School Building Bonds, Series 1999, 5.650%, 8/15/29 | 8/09 at 100 |
| | Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003: | |
| 2,500 | 5.000%, 2/15/20 - AMBAC Insured | 2/13 at 100 |
| 2,235 | 5.000%, 2/15/21 - AMBAC Insured | 2/13 at 100 |
| 1,500 | Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21 | 2/11 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 |
| 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 |
| 1,000 | Mansfield Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2004, 5.000%, 2/15/20 | 2/14 at 100 |

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| | | |
|-------|---|--------------|
| 1,545 | Montgomery County, Texas, General Obligation Refunding Bonds, Series 1997, 0.000%, 3/01/14 - MBIA Insured | 9/07 at 100 |
| 925 | 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 | Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 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 - AMBAC Insured | 8/12 at 100 |
| 1,250 | Southside Independent School District, Bexar County, Texas, General Obligation Bonds, Series 2004A, 5.000%, 8/15/22 | 8/14 at 100 |
| 1,140 | Sunnyvale School District, Texas, General Obligation Bonds, Series 2004, 5.250%, 2/15/25 | 2/14 at 100 |
| 2,000 | Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/23 | 8/11 at 100 |
| 1,500 | Texas, General Obligation Refunding Bonds, Public Finance Authority, Series 2002, 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 Obligation School Building Bonds, Series 2000, 5.500%, 2/15/25 | 2/10 at 100 |
| | West Texas Independent School District, McLennan and Hill Counties, General Obligation Refunding Bonds, Series 1998: | |
| 1,000 | 0.000%, 8/15/22 | 8/13 at 61 |
| 1,000 | 0.000%, 8/15/24 | 8/13 at 54 |
| 1,800 | Williamson County, Texas, General Obligation Bonds, Series 2002, 5.500%, 2/15/16 - FSA Insured | 2/12 at 100 |

TAX OBLIGATION/LIMITED - 14.0% (9.7% OF TOTAL INVESTMENTS)

| | | |
|-------|--|--------------|
| 4,500 | Austin, Texas, Subordinate Lien Hotel Occupancy Tax Revenue Refunding Bonds, Series 1999, 5.800%, 11/15/29 - AMBAC Insured | 11/09 at 100 |
| | Bexar County, Texas, Combined Tax and Revenue Certificates of Obligation, Series 2004: | |
| 1,235 | 5.000%, 6/15/17 | 6/14 at 100 |
| 1,295 | 5.000%, 6/15/18 | 6/14 at 100 |
| 1,260 | 5.000%, 6/15/19 | 6/14 at 100 |
| 1,275 | Copperas Cove, Texas, Certificates of Obligation, Series 2003, 5.000%, 8/15/23 - MBIA Insured | 8/12 at 100 |

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| | | |
|-------|---|--------------|
| 2,305 | Corpus Christi, Texas, Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation, Series 2002, 5.500%, 9/01/21 - FSA Insured | 9/12 at 100 |
| 2,250 | Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G, 5.250%, 11/15/22 - MBIA Insured | 11/11 at 100 |
| 1,000 | Laredo, Texas, Sports Venue Sales Tax Revenue Bonds, Series 2001, 5.300%, 3/15/26 - FGIC Insured | 3/09 at 100 |

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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
Portfolio of INVESTMENTS January 31, 2005 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|---------------------------|---|------------------------|
| ----- | | |
| | TAX OBLIGATION/LIMITED (continued) | |
| \$ 1,255 | Pasadena, Texas, Certificates of Obligation, Series 2002, 5.125%, 4/01/24 - FGIC Insured | 4/11 at 100 |
| 2,685 | San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, Henry B. Gonzalez Convention Center Project, Series 1996, 5.700%, 8/15/26 - FGIC Insured | 8/06 at 102 |
| ----- | | |
| | TRANSPORTATION - 3.3% (2.3% OF TOTAL INVESTMENTS) | |
| 1,000 | Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 2003, 5.250%, 11/15/16 - MBIA Insured | 11/13 at 100 |
| 2,600 | Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax) | 11/09 at 101 |
| 2,000 | Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000A, 5.625%, 7/01/30 (Alternative Minimum Tax) - FSA Insured | 7/10 at 100 |
| ----- | | |
| | U.S. GUARANTEED *** - 11.2% (7.7% OF TOTAL INVESTMENTS) | |
| 160 | Abilene Housing Development Corporation, Texas, Section 8 First Lien Revenue Bonds, Abilene East Apartments, Series 1978, 7.000%, 7/01/08 | No Opt. C |
| 520 | Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10) | 7/10 at 100 |
| 1,450 | Galveston Industrial Development Corporation, Texas, Sales Tax Revenue Bonds, Series 1995, 5.750%, 9/01/15 (Pre-refunded to 9/01/05) - AMBAC Insured | 9/05 at 100 |

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| | | |
|-------|---|--------------|
| 5,275 | Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2000B, 5.250%, 12/01/30 (Pre-refunded to 12/01/10) - FGIC Insured | 12/10 at 100 |
| 1,000 | North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System, Series 1996B, 5.750%, 6/01/26 - MBIA Insured | No Opt. C |
| 1,075 | Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25 (Pre-refunded to 8/15/10) | 8/10 at 100 |
| 2,500 | Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack, Series 1993, 8.750%, 12/15/18 (Pre-refunded to 12/15/17) | 12/17 at 100 |
| 1,895 | San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, Henry B. Gonzalez Convention Center Project, Series 1996, 5.700%, 8/15/26 (Pre-refunded to 8/15/06) - FGIC Insured | 8/06 at 102 |
| 665 | San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992, 6.500%, 5/15/10 - MBIA Insured | No Opt. C |

 UTILITIES - 8.2% (5.7% OF TOTAL INVESTMENTS)

| | | |
|-------|---|-------------|
| 2,560 | Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company Project, Series 1999C, 7.700%, 3/01/32 (Alternative Minimum Tax) | 4/13 at 101 |
| 2,400 | Brazos River Authority, Texas, Revenue Bonds, Reliant Energy Inc., 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) - AMBAC Insured | 2/10 at 100 |
| 1,500 | Matagorda County Navigation District 1, Texas, Pollution Control Revenue Refunding Bonds, Central Power and Light Company Project, Series 1993, 6.000%, 7/01/28 - MBIA Insured | 7/05 at 100 |
| 1,000 | Matagorda County Navigation District 1, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999B, 5.950%, 5/01/30 (Alternative Minimum Tax) | 5/09 at 101 |
| 1,750 | San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds, Series 2002, 5.375%, 2/01/20 | 2/12 at 100 |

 WATER AND SEWER - 10.9% (7.5% OF TOTAL INVESTMENTS)

| | | |
|-------|--|--------------|
| | Coastal Water Authority, Texas, Contract Revenue Bonds, Houston Water Projects, Series 2004: | |
| 1,005 | 5.000%, 12/15/20 - FGIC Insured | 12/14 at 100 |
| 1,030 | 5.000%, 12/15/21 - FGIC Insured | 12/14 at 100 |

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| | | |
|-------|---|--------------|
| 3,000 | Houston, Texas, First Lien Combined Utility System Revenue Bonds, Series 2004A, 5.250%, 5/15/23 - FGIC Insured | 5/14 at 100 |
| 3,500 | Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001A, 5.500%, 12/01/17 - FSA Insured | 12/11 at 100 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION(1) | OPTIONAL C PROVISIO |
|--|--|------------------------|
| WATER AND SEWER (continued) | | |
| | Irving, Texas, Subordinate Lien Waterworks and Sewerage Revenue Bonds, Series 2004: | |
| \$ 1,680 | 5.000%, 8/15/22 - AMBAC Insured | 8/14 at 100 |
| 1,760 | 5.000%, 8/15/23 - AMBAC Insured | 8/14 at 100 |
| 1,260 | Rowlett, Rockwall and Dallas Counties, Texas, Waterworks and Sewerage System Revenue Bonds, Series 2004A, 5.000%, 3/01/22 - MBIA Insured | 3/14 at 100 |
| 1,500 | Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1999A, 5.500%, 7/15/21 | 7/09 at 100 |
| \$ 208,748 Total Long-Term Investments (cost \$199,916,477) - 144.8% | | |
| Other Assets Less Liabilities - 1.6% | | |
| Preferred Shares, at Liquidation Value - (46.4)% | | |
| 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 unless otherwise noted.
- * 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, 2005 (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |
|---|---------------------------------------|---|---|
| ASSETS | | | |
| Investments, at market value (cost \$88,790,839, \$33,571,712, \$52,124,847, \$64,469,098, and \$199,916,477, respectively) | \$94,812,517 | \$35,653,224 | \$55,845,706 |
| Cash | 80,006 | 250,482 | 672,231 |
| Receivables: | | | |
| Interest | 701,840 | 288,262 | 419,732 |
| Investments sold | -- | -- | -- |
| Other assets | 1,804 | 1,852 | 3,585 |
| Total assets | 95,596,167 | 36,193,820 | 56,941,254 |
| LIABILITIES | | | |
| Cash overdraft | -- | -- | -- |
| Forward swaps, at value | -- | 73,274 | 176,689 |
| Accrued expenses: | | | |
| Management fees | 51,832 | 10,462 | 16,412 |
| Other | 48,098 | 8,111 | 11,210 |
| Preferred share dividends payable | 4,930 | 2,366 | 4,588 |
| Total liabilities | 104,860 | 94,213 | 208,899 |
| Preferred shares, at liquidation value | 30,000,000 | 12,000,000 | 18,500,000 |
| Net assets applicable to Common shares | \$65,491,307 | \$24,099,607 | \$38,232,355 |
| Common shares outstanding | 4,455,066 | 1,544,931 | 2,422,341 |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 14.70 | \$ 15.60 | \$ 15.78 |
| NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF: | | | |
| Common shares, \$.01 par value per share | \$ 44,551 | \$ 15,449 | \$ 24,223 |
| Paid-in surplus | 61,943,896 | 21,846,926 | 34,310,263 |
| Undistributed net investment income | 190,816 | 231,565 | 169,078 |
| Accumulated net realized gain (loss) from investments and forward swaps | (2,709,634) | (2,571) | 184,621 |
| Net unrealized appreciation (depreciation) of investments and forward swaps | 6,021,678 | 2,008,238 | 3,544,170 |
| Net assets applicable to Common shares | \$65,491,307 | \$24,099,607 | \$38,232,355 |
| Authorized shares: | | | |
| Common | 200,000,000 | Unlimited | Unlimited |

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Preferred 1,000,000 Unlimited Unlimited

See accompanying notes to financial statements.

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Statement of
OPERATIONS Six Months Ended January 31, 2005 (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |
|---|---------------------------------------|---|---|
| INVESTMENT INCOME | \$2,312,826 | \$ 853,933 | \$1,327,736 |
| EXPENSES | | | |
| Management fees | 305,652 | 116,067 | 182,288 |
| Preferred shares - auction fees | 37,808 | 15,123 | 23,315 |
| Preferred shares - dividend disbursing agent fees | 5,042 | 5,042 | 5,042 |
| Shareholders' servicing agent fees and expenses | 2,963 | 201 | 224 |
| Custodian's fees and expenses | 13,418 | 5,900 | 9,389 |
| Directors'/Trustees' fees and expenses | 1,351 | 517 | 806 |
| Professional fees | 5,829 | 5,059 | 5,589 |
| Shareholders' reports - printing and mailing expenses | 7,185 | 2,265 | 3,509 |
| Stock exchange listing fees | 5,529 | 66 | 104 |
| Investor relations expense | 5,400 | 2,416 | 3,769 |
| Other expenses | 6,037 | 4,548 | 5,087 |
| Total expenses before custodian fee credit and expense reimbursement | 396,214 | 157,204 | 239,122 |
| Custodian fee credit | (5,655) | (2,202) | (1,778) |
| Expense reimbursement | -- | (54,108) | (84,979) |
| Net expenses | 390,559 | 100,894 | 152,365 |
| Net investment income | 1,922,267 | 753,039 | 1,175,371 |
| REALIZED AND UNREALIZED GAIN (LOSS) | | | |
| Net realized gain from investments | 282,644 | 17,430 | 234,239 |
| Net realized gain (loss) from forward swaps | -- | (19,865) | (49,915) |
| Change in net unrealized appreciation (depreciation) of investments | 2,849,836 | 1,089,073 | 1,899,238 |
| Change in net unrealized appreciation (depreciation) of forward swaps | -- | (73,274) | (176,689) |
| Net realized and unrealized gain | 3,132,480 | 1,013,364 | 1,906,873 |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS | | | |
| From net investment income | (147,955) | (57,707) | (78,659) |
| From accumulated net realized gains from investments | -- | (4,003) | (19,342) |
| Decrease in net assets applicable to Common shares from distributions | | | |

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| | | | |
|--|-------------|-------------|-------------|
| to Preferred shareholders | (147,955) | (61,710) | (98,001) |
| ----- | | | |
| Net increase in net assets applicable to Common shares from operations | \$4,906,792 | \$1,704,693 | \$2,984,243 |
| ===== | | | |

See accompanying notes to financial statements.

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Statement of
CHANGES IN NET ASSETS (Unaudited)

| | ARIZONA PREMIUM INCOME (NAZ) | | ARIZONA DIVIDEND ADVANTAGE (NFZ) | |
|--|---------------------------------|-----------------------|-------------------------------------|-----------------------|
| | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/04 | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/04 |
| | ----- | | | |
| OPERATIONS | | | | |
| Net investment income | \$ 1,922,267 | \$ 4,078,915 | \$ 753,039 | \$ 1,530,499 |
| Net realized gain (loss) from investments | 282,644 | 713,547 | 17,430 | 108,899 |
| Net realized gain (loss) from forward swaps | -- | -- | (19,865) | -- |
| Change in net unrealized appreciation (depreciation) of investments | 2,849,836 | 1,137,949 | 1,089,073 | 760,100 |
| Change in net unrealized appreciation (depreciation) of forward swaps | -- | -- | (73,274) | -- |
| Distributions to Preferred Shareholders: | | | | |
| From net investment income | (147,955) | (230,103) | (57,707) | (85,899) |
| From accumulated net realized gains from investments | -- | -- | (4,003) | (4,166) |
| ----- | | | | |
| Net increase in net assets applicable to Common shares from operations | 4,906,792 | 5,700,308 | 1,704,693 | 2,309,433 |
| ----- | | | | |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | | | |
| From net investment income | (1,961,146) | (4,076,294) | (708,949) | (1,410,433) |
| From accumulated net realized gains from investments | -- | -- | (67,355) | (64,488) |
| ----- | | | | |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (1,961,146) | (4,076,294) | (776,304) | (1,474,921) |

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CAPITAL SHARE TRANSACTIONS

| | | | | |
|---|--------------|--------------|--------------|-------------|
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | 114,195 | 260,642 | 18,443 | 27,85 |
| Preferred shares offering costs | -- | -- | -- | -- |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 114,195 | 260,642 | 18,443 | 27,85 |
| Net increase in net assets applicable to Common shares | 3,059,841 | 1,884,656 | 946,832 | 862,36 |
| Net assets applicable to Common shares at the beginning of period | 62,431,466 | 60,546,810 | 23,152,775 | 22,290,40 |
| Net assets applicable to Common shares at the end of period | \$65,491,307 | \$62,431,466 | \$24,099,607 | \$23,152,77 |
| Undistributed net investment income at the end of period | \$ 190,816 | \$ 377,650 | \$ 231,565 | \$ 245,18 |

See accompanying notes to financial statements.

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| | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) | |
|--|---------------------------------------|----------------------|
| | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/0 |
| OPERATIONS | | |
| Net investment income | \$ 1,371,064 | \$ 2,721,86 |
| Net realized gain (loss) from investments | 28,867 | (276,08 |
| Net realized gain (loss) from forward swaps | (89,813) | -- |
| Change in net unrealized appreciation (depreciation) of investments | 2,791,251 | 1,955,97 |
| Change in net unrealized appreciation (depreciation) of forward swaps | (285,284) | -- |
| Distributions to Preferred Shareholders: | | |
| From net investment income | (109,175) | (185,51 |
| From accumulated net realized gains from investments | -- | -- |
| Net increase in net assets applicable to Common shares from operations | 3,706,910 | 4,216,23 |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS | | |
| From net investment income | (1,233,031) | (2,465,99 |
| From accumulated net realized gains from investments | -- | -- |

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| | | |
|---|--------------|-------------|
| Decrease in net assets applicable to Common shares from distributions to Common shareholders | (1,233,031) | (2,465,99 |
| CAPITAL SHARE TRANSACTIONS | | |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions | -- | 3,50 |
| Preferred shares offering costs | -- | (18,27 |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | -- | (14,76 |
| Net increase in net assets applicable to Common shares | 2,473,879 | 1,735,47 |
| Net assets applicable to Common shares at the beginning of period | 42,982,521 | 41,247,04 |
| Net assets applicable to Common shares at the end of period | \$45,456,400 | \$42,982,52 |
| Undistributed net investment income at the end of period | \$ 90,558 | \$ 61,70 |

See accompanying notes to financial statements.

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Notes to
FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The state funds (the "Funds") covered in this report and their corresponding common share stock 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 amended, as closed-end management investment companies.

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 U.S. generally accepted accounting principles.

Investment 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, evaluations of anticipated cash flows or collateral and general market conditions. Prices of derivative investments are also provided by an independent pricing service approved by each Fund's Board of Directors/Trustees. If the pricing service is unable to supply a price for a derivative investment each Fund may use a market quote provided by a major broker/dealer in such investments. If it is determined that market prices for an investment are unavailable or inappropriate, the Board of Directors/Trustees of the Funds, or its designee, may establish a fair value for the investment. 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 transactions are determined on the specific identification method. Securities purchased on a when-issued or delayed delivery basis may have extended settlement periods. Any securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At January 31, 2005, 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. Investment income also includes paydown gains and losses, if any.

Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable interest from municipal securities, which is exempt from regular federal and state income taxes, where applicable, to retain such tax-exempt status when distributed to shareholders of the Funds. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal taxation.

Dividends and Distributions to Common Shareholders

Dividends from tax-exempt net investment income are declared 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.

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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 U.S. generally accepted accounting principles.

Preferred Shares

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

| | 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 |
| ===== | | | | |

Forward Swap Transactions

The Funds may invest in certain derivative financial instruments. The Funds' use of forward interest rate swap transactions is intended to mitigate the negative impact that an increase in long-term interest rates could have on Common share net asset value. Forward interest rate swap transactions involve each Fund's agreement with the counterparty to pay, in the future, a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment. The amount of the payment obligation is based on the notional amount of the forward swap contract. The Funds may close out a contract prior to the effective date at which point a realized gain or loss would be recognized. When a forward swap is terminated, it does not involve the delivery of securities or other underlying assets or principal, but rather is settled in cash. Each Fund intends, but is not obligated to, terminate its forward swaps before the effective date. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the credit risk associated with a counterparty failing to honor its commitment to pay any realized gain to the Fund upon termination. To minimize such credit risk, all counterparties are required to pledge collateral daily (based on the daily valuation of each swap) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when any of the Funds have an unrealized loss on a swap contract, the Funds have instructed the custodian to pledge assets of the Funds as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the swap valuations fluctuate, either up or down, by at least the pre-determined threshold amount.

Custodian Fee Credit

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

Indemnifications

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

Use of Estimates

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

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

2. FUND SHARES

Transactions in Common shares were as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | | ARIZONA DIVIDEND ADVANTAGE (NFZ) | | ARIZONA DIVI ADVANTAGE 2 | |
|--|---------------------------------|-----------------------|---------------------------------------|-----------------------|--------------------------------|----|
| | ----- | | ----- | | ----- | |
| | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/04 | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/04 | SIX MONTHS ENDED 1/31/05 | YE |
| Common shares issued to shareholders due to reinvestment of distributions | 7,236 | 16,782 | 1,172 | 1,617 | 2,463 | |
| | ===== | | ===== | | ===== | |
| | | | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) | | TEXAS QUAL INCOME (NT | |
| | | | ----- | | ----- | |
| | | | SIX MONTHS ENDED 1/31/05 | YEAR ENDED 7/31/04 | SIX MONTHS ENDED 1/31/05 | YE |
| | | | | | | |

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| | | | |
|---|----|-----|-------|
| Common shares issued to shareholders due to reinvestment of distributions | -- | 243 | 3,329 |
|---|----|-----|-------|

3. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities during the six months ended January 31, 2005, were as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|----------------------|---------------------------------------|---|---|---|
| Purchases | \$8,392,468 | \$1,510,065 | \$3,448,912 | \$3,881,680 |
| Sales and maturities | 8,215,735 | 1,434,841 | 3,985,359 | 3,406,610 |

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 the treatment of paydown gains and losses on investments, 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, 2005, the cost of investments was as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|---------------------|---------------------------------------|---|---|---|
| Cost of investments | \$88,774,400 | \$33,567,131 | \$52,124,059 | \$64,467,930 |

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

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|-----------------------------------|---------------------------------------|---|---|---|
| Gross unrealized: Appreciation | \$6,271,541 | \$2,093,851 | \$3,747,140 | \$2,788,893 |

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| | | | | |
|--|-------------|-------------|-------------|-------------|
| Depreciation | (233,424) | (7,758) | (25,493) | -- |
| Net unrealized appreciation of investments | \$6,038,117 | \$2,086,093 | \$3,721,647 | \$2,788,893 |

The tax components of undistributed net investment income and net realized gains at July 31, 2004, the Funds' last fiscal year end, were as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|---|---------------------------------------|---|---|---|
| Undistributed net tax-exempt income * | \$704,535 | \$360,168 | \$292,499 | \$266,693 |
| Undistributed net ordinary income ** | -- | -- | -- | 1,432 |
| Undistributed net long-term capital gains | -- | 71,222 | 307,825 | -- |

* Undistributed net tax exempt income (on a tax basis) has not been reduced for the dividend declared on July 1, 2004, paid on August 2, 2004.

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

The tax character of distributions paid during the fiscal year ended July 31, 2004, the Funds' last fiscal year end, was designated for purposes of the dividends paid deduction as follows:

| | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|--|---------------------------------------|---|---|---|
| Distributions from net tax-exempt income | \$4,307,222 | \$1,494,232 | \$2,236,394 | \$2,650,674 |
| Distributions from net ordinary income ** | -- | 68,654 | 110,761 | -- |
| Distributions from net long-term capital gains | -- | -- | 5,257 | -- |

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

At July 31, 2004, the Funds' last fiscal year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

| ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |
|---------------------------------------|---|
|---------------------------------------|---|

| | | | |
|------------------|-------------|-----------|-----|
| ----- | | | |
| Expiration year: | | | |
| 2010 | \$ 2,164 | \$-- | |
| 2011 | 1,436,486 | -- | |
| 2012 | 1,553,628 | 205,820 | 1 |
| ----- | | | |
| Total | \$2,992,278 | \$205,820 | \$2 |
| ===== | | | |

Arizona Dividend Advantage 3 (NXE) elected to defer net realized losses from investments incurred from November 1, 2003 through July 31, 2004 ("post-October losses"), in accordance with Federal income tax regulations. Post-October losses of \$142,044 were treated as having arisen on the first day of the current fiscal year.

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

As approved by the Board of Trustees, effective August 1, 2004, a complex-wide management fee structure was adopted for all funds sponsored by the Adviser, or its predecessor, and its affiliates. This fee structure separates each fund's management fee into two components - a complex-level component, based on the aggregate amount of all fund assets managed by the Adviser and its affiliates, and a specific fund-level component, based only on the amount of assets within each individual fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser and its affiliates. Under no circumstances will this pricing structure result in a fund paying management fees at a rate higher than would otherwise have been applicable had the complex-wide management fee structure not been implemented. As a consequence of this new management fee structure, the funds' effective management fees were reduced by approximately .009% as of February 28, 2005.

Effective August 1, 2004, the annual fund-level fee, payable monthly, for each of the Funds is 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 TOPREFERRED SHARES) | ARIZONA PREMIUM INCOME (NAZ) TEXAS QUALITY INCOME (NTX) FUND-LEVEL FEE RATE |
|---|---|
| For the first \$125 million | .4500% |
| For the next \$125 million | .4375 |
| For the next \$250 million | .4250 |
| For the next \$500 million | .4125 |
| For the next \$1 billion | .4000 |

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| | |
|---------------------------------|-------|
| For the next \$3 billion | .3875 |
| For net assets over \$5 billion | .3750 |

| AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TOPREFERRED SHARES) | ARIZONA DIVIDEND ADVANTAGE (NFZ) ARIZONA DIVIDEND ADVANTAGE 2 (NKR) ARIZONA DIVIDEND ADVANTAGE 3 (NXE) FUND-LEVEL FEE RATE |
|---|---|
| For the first \$125 million | .4500% |
| For the next \$125 million | .4375 |
| For the next \$250 million | .4250 |
| For the next \$500 million | .4125 |
| For the next \$1 billion | .4000 |
| For net assets over \$2 billion | .3750 |

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Effective August 1, 2004, the annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as follows:

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

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

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

Each Fund paid through July 31, 2004, an annual management fee, payable monthly, at the rates set forth below, which were 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 TOPREFERRED SHARES) | ARIZONA PREMIUM INCOME (NAZ) TEXAS QUALITY INCOME (NTX) MANAGEMENT FEE RATE |
|---|---|
|---|---|

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| | |
|---------------------------------|--------|
| 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 |

| AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TOPREFERRED SHARES) | ARIZONA DIVIDEND ADVANTAGE (NFZ) ARIZONA DIVIDEND ADVANTAGE 2 (NKR) ARIZONA DIVIDEND ADVANTAGE 3 (NXE) MANAGEMENT FEE RATE |
|---|---|
| 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 |

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

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

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.

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

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

6. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on March 1, 2005, to shareholders of record on February 15, 2005, as follows:

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

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| | | | | | | |
|----------|-------|------|-------|-------|-------|----|
| 2003 | 14.81 | 1.00 | (.38) | (.07) | (.01) | . |
| 2002 | 14.37 | 1.04 | .36 | (.11) | -- | 1. |
| 2001 (a) | 14.33 | .44 | .23 | (.08) | -- | . |

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

| | | | | | | |
|------------------|-------|-----|-------|-------|-------|----|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2005 (d) | 15.10 | .49 | .78 | (.03) | (.01) | 1. |
| 2004 | 14.57 | .96 | .53 | (.06) | -- | 1. |
| 2003 | 14.88 | .96 | (.31) | (.08) | -- | . |
| 2002 (b) | 14.33 | .24 | .71 | (.02) | -- | . |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

| | | | | | | |
|------------------|-------|-----|-------|-------|----|----|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2005 (d) | 14.01 | .45 | .80 | (.04) | -- | 1. |
| 2004 | 13.45 | .89 | .54 | (.06) | -- | 1. |
| 2003 (c) | 14.33 | .66 | (.67) | (.05) | -- | (. |

TEXAS QUALITY
INCOME (NTX)

| | | | | | | |
|------------------|-------|------|-------|-------|-------|----|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2005 (d) | 15.12 | .50 | .60 | (.05) | -- | 1. |
| 2004 | 14.57 | 1.03 | .55 | (.07) | -- | 1. |
| 2003 | 15.14 | 1.05 | (.58) | (.08) | -- | . |
| 2002 | 15.16 | 1.11 | (.02) | (.10) | (.02) | . |
| 2001 | 14.26 | 1.16 | .88 | (.27) | -- | 1. |
| 2000 | 15.13 | 1.16 | (.74) | (.27) | (.02) | . |

=====

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

=====

ARIZONA PREMIUM
INCOME (NAZ)

| | | | | | | |
|------------------|-------|---------|-----------|--------|-------|--|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2005 (d) | \$ -- | \$14.70 | \$15.8200 | 6.50% | 7.93% | |
| 2004 | -- | 14.04 | 15.2700 | 7.97 | 9.66 | |
| 2003 | -- | 13.66 | 15.0000 | (5.98) | 2.21 | |
| 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 | |

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

| | | | | | | |
|------------------|-----|-------|---------|-------|-------|--|
| ----- | | | | | | |
| Year Ended 7/31: | | | | | | |
| 2005 (d) | -- | 15.60 | 16.6000 | 11.25 | 7.44 | |
| 2004 | -- | 15.00 | 15.4000 | 7.05 | 10.56 | |
| 2003 | .02 | 14.45 | 15.3000 | 3.06 | 3.67 | |

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| | | | | |
|----------|--------|-------|-------|------|
| 2004 | 23,153 | 1.30 | 6.10 | .83 |
| 2003 | 22,290 | 1.35 | 6.11 | .91 |
| 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:

| | | | | |
|----------|--------|-------|-------|------|
| 2005 (d) | 38,232 | 1.26* | 5.73* | .80* |
| 2004 | 36,543 | 1.27 | 5.83 | .80 |
| 2003 | 35,237 | 1.27 | 5.78 | .82 |
| 2002 (b) | 35,913 | 1.19* | 4.43* | .77* |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:

| | | | | |
|----------|--------|-------|-------|------|
| 2005 (d) | 45,456 | 1.24* | 5.63* | .75* |
| 2004 | 42,983 | 1.25 | 5.80 | .76 |
| 2003 (c) | 41,247 | 1.19* | 5.05* | .73* |

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:

| | | | | |
|----------|---------|-------|-------|-------|
| 2005 (d) | 148,672 | 1.18* | 6.41* | 1.16* |
| 2004 | 143,233 | 1.18 | 6.77 | 1.18 |
| 2003 | 137,975 | 1.20 | 6.93 | 1.19 |
| 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 |

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:

| | | | |
|----------|----------|----------|----------|
| 2005 (d) | \$30,000 | \$25,000 | \$79,576 |
| 2004 | 30,000 | 25,000 | 77,026 |
| 2003 | 30,000 | 25,000 | 75,456 |
| 2002 | 30,000 | 25,000 | 77,397 |
| 2001 | 30,000 | 25,000 | 79,049 |
| 2000 | 30,000 | 25,000 | 76,906 |

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:

| | | | |
|----------|--------|--------|--------|
| 2005 (d) | 12,000 | 25,000 | 75,208 |
| 2004 | 12,000 | 25,000 | 73,235 |
| 2003 | 12,000 | 25,000 | 71,438 |
| 2002 | 12,000 | 25,000 | 72,480 |
| 2001 (a) | 12,000 | 25,000 | 70,984 |

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ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

| Year Ended 7/31: | | | |
|------------------|--------|--------|--------|
| 2005 (d) | 18,500 | 25,000 | 76,665 |
| 2004 | 18,500 | 25,000 | 74,382 |
| 2003 | 18,500 | 25,000 | 72,618 |
| 2002 (b) | 18,500 | 25,000 | 73,531 |

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

| Year Ended 7/31: | | | |
|------------------|--------|--------|--------|
| 2005 (d) | 22,000 | 25,000 | 76,655 |
| 2004 | 22,000 | 25,000 | 73,844 |
| 2003 (c) | 22,000 | 25,000 | 71,872 |

TEXAS QUALITY
INCOME (NTX)

| Year Ended 7/31: | | | |
|------------------|--------|--------|--------|
| 2005 (d) | 69,000 | 25,000 | 78,867 |
| 2004 | 69,000 | 25,000 | 76,896 |
| 2003 | 69,000 | 25,000 | 74,991 |
| 2002 | 69,000 | 25,000 | 76,922 |
| 2001 | 69,000 | 25,000 | 76,858 |
| 2000 | 69,000 | 25,000 | 73,782 |

- * Annualized.
- ** Total Investment Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. Total Return on Common Share Net Asset Value is the combination of changes in Common Share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. Total returns are not annualized.
- *** After custodian fee credit and expense reimbursement, where applicable.
- + The amounts shown are based on Common share equivalents.
- ++ 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 30, 2001 (commencement of operations) through July 31, 2001.
- (b) For the period March 25, 2002 (commencement of operations) through July 31, 2002.
- (c) For the period September 25, 2002 (commencement of operations) through July 31, 2003.
- (d) For the six months ended January 31, 2005.

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See accompanying notes to financial statements.

Reinvest Automatically
EASILY AND CONVENIENTLY

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

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

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

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes may be payable on dividends or distributions that are reinvested.

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

FLEXIBLE

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

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

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

in the Plan at this time.

CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

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

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Other Useful
INFORMATION

Effective Jan. 1, 2005, the asset management services and operations of Nuveen Advisory Corp. (NAC) and Nuveen Institutional Advisory Corp (NIAC) became part of Nuveen Asset Management (NAM). This internal consolidation is intended to simplify the delivery of services to the investment management clients of Nuveen Investments. It does not affect the investment objectives or portfolio management of any Fund.

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING

Each Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the most recent 12-month period ended June 30, 2004, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities are available without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com.

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at 1-202-942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to publicinfo@sec.gov or by writing to the SEC's Public Reference Section at 450 Fifth Street NW, Washington, D.C. 20549.

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 that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) 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.

LEVERAGE-ADJUSTED DURATION: Duration is a measure of the sensitivity of a bond or bond Fund's value to changes when interest rates change. 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 longer than the duration of the Fund's portfolio of bonds.

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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 common share NAV per share is calculated by subtracting the liabilities of the Fund (including any MuniPreferred shares issued in order to leverage 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.

BOARD OF DIRECTORS/TRUSTEES

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

FUND MANAGER

Nuveen Asset Management
333 West Wacker Drive
Chicago, IL 60606

CUSTODIAN

State Street Bank & Trust
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

Chapman and Cutler LLP
Chicago, IL

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
Chicago, IL

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 period covered by this report. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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SERVING Investors
For GENERATIONS

Photo of: 2 women looking at a photo album.

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

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

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Managing more than \$115 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

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

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ESA-A-0105D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

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ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Schedule I in Item 1.

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

Not applicable to this filing.

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

Not applicable to this filing.

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

Not applicable.

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

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this Item.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable to this filing.

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

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

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

SIGNATURES

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

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

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

Jessica R. Droeger
Vice President and Secretary

Date: April 8, 2005

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

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

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

Date: April 8, 2005

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

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

Date: April 8, 2005

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