

NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

Form N-30D

November 07, 2002

Annual Report August 31, 2002

Nuveen  
Municipal Closed-End  
Exchange-Traded  
Funds

CALIFORNIA  
NPC  
NCL  
NCU  
NAC  
NVX  
NZH  
NKL

Photo of: 2 men and child walking.

Photo of: 2 women talking to 2 children.

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

THE NUVEEN  
INVESTOR

See Page 13

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Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

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Chairman of the Board

Sidebar text:" I urge you to consider receiving future Fund reports and other information electronically ...see the inside front cover of this report for detailed instructions."

Dear

Shareholder

I am pleased to report that during the period covered by this report, your Fund continued to meet its objective of providing attractive tax-free monthly income, while at the same time offering opportunities to reduce overall portfolio volatility. Detailed information on your Fund's performance can be found in the Portfolio Managers' Comments and Performance Overview sections of this report. I urge you to take the time to read them.

I also urge you to consider receiving future Fund reports and other information electronically via the Internet and e-mail rather than in hard copy. Not only will you be able to receive the information faster, but this also may help lower Fund expenses. Sign up is quick and easy - see the inside front cover of this report for detailed instructions.

In uncertain markets like these, prudent investors understand the importance of diversification, balance and risk management - all attributes your Nuveen Fund can bring to your portfolio. In addition to providing you with tax-free income, your Nuveen Fund also features several characteristics that can help make it an essential part of your overall investment strategy. These include careful research, constant surveillance and judicious trading by Nuveen's seasoned portfolio management team, with every action designed to supplement income, improve call structure, better adapt to current market conditions or increase diversification.

For more than 100 years, Nuveen has specialized in offering quality investments such as these Nuveen Funds to those seeking to accumulate and preserve wealth. Our mission continues to be to assist you and your financial advisor by offering the investment services and products that can help you meet your financial objectives. We thank you for continuing to choose Nuveen Investments as a partner as you work toward that goal.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

October 15, 2002

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Nuveen California Municipal Closed-End Exchange-Traded Funds  
(NPC, NCL, NCU, NAC, NVX, NZH, NKL)

Portfolio Managers'  
Comments

Portfolio managers Steve Krupa and Bill Fitzgerald discuss economic conditions, key investment strategies, and the recent performance of the Nuveen California Funds. Steve, who joined Nuveen in 1979, has managed NPC and NCL since 2001.

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With 14 years of investment management experience at Nuveen, Bill assumed portfolio management responsibility for NCU in 1998, NAC in 1999, NVX and NZH upon their inceptions in 2001, and NKL upon its inception in March 2002.

### WHAT WERE THE MAJOR DRIVERS OF THE U.S. ECONOMY AND THE MUNICIPAL MARKET DURING THIS REPORTING PERIOD?

The two major forces at work during the twelve months ended August 31, 2002, were continued weakness in the U.S. economy and the Federal Reserve's efforts to address this situation by lowering short-term interest rates and maintaining them at 40-year lows. The events of September 11, 2001, and the uncertain geopolitical climate that followed also have impacted the economy and the markets.

In the municipal market, the general economic environment of the past twelve months, including a sluggish recovery and lack of inflationary pressures, helped many bonds perform well. The first eight months of 2002 saw a continuation of the trend toward increased municipal issuance at the national level, with \$219.6 billion in new supply, up 21% over January-August 2001. On the demand side, municipal bonds continued to be highly sought after by individual investors looking for diversification, tax-free income, and an alternative to a volatile stock market. Institutional investors, especially traditional purchasers such as property/ casualty insurance companies, have also been active buyers in the municipal market.

### HOW WAS THE ECONOMIC AND MUNICIPAL ENVIRONMENT IN CALIFORNIA?

California's economy paralleled the national condition, and was characterized by a general slowdown, tepid recovery, and little job growth. As of August 2002, the state unemployment rate was 6.2%, up from 5.5% a year earlier and higher than the national average of 5.7%. In general, southern California has outperformed the northern part of the state over the past year, which continues to be hampered by the downturn in the technology industry.

Shortly after the closing date for this report, California approved its state budget for fiscal year 2003, which began July 1, 2002. The two-month delay in passage was caused by legislators' inability to reach agreement on ways to eliminate a \$24 billion deficit, a product of last year's recession, this year's weak recovery and the poor performance of the equity markets. Through most of the 1990s, California's tech-heavy economy produced high levels of income tax revenue from the exercise of stock options, as well as capital gains taxes from the sale of appreciated investments. From a budgetary perspective, the state has had a difficult time adjusting to the changed equity market environment, as personal income tax revenue declined 24% during fiscal year 2002.

The budget for fiscal year 2003 was balanced through a combination of expense reductions, new debt issuance, and fund transfers. However, some concerns remain that the state's new budget could hurt local governments by cutting tax reimbursements to cities, counties and school districts. The current budget also left unresolved California's structural budget deficit, i.e., the state continues to spend significantly more than it is earning through recurring revenues. As a result, California faces an estimated \$10 billion shortfall in fiscal year 2004. The state's ability to find new revenue sources will be an important factor in demonstrating to the market that California can make the necessary changes to close its structural budget imbalance.

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During the first eight months of 2002, California issued \$25.4 billion in new bonds, up more than 11% over the same period in 2001. Given the state's continued need to fund operating deficits, issuance is expected to remain heavy. Chief among the scheduled offerings is \$11.8 billion in power bonds issued by

the Department of Water Resources. This issue, which represents the largest bond offering in municipal history, would reimburse California's general fund for the \$6.6 billion the state spent to purchase power for investor-owned utilities during the 2001 power crisis. Also on the calendar is \$4.5 billion in revenue bonds secured by the state's share of the proceeds from the master settlement agreement with the major tobacco companies. Following a Moody's downgrade in November 2001, credit ratings for state-issued general obligation debt have remained intact at A1/A+/AA. As of August 2002, Moody's, Standard & Poor's and Fitch all maintained a negative outlook for the state due to concerns about budget issues and near-term liquidity.

HOW DID THESE NUVEEN CALIFORNIA FUNDS PERFORM OVER THE PAST TWELVE MONTHS? During the twelve months ended August 31, 2002, the Fed's policy of maintaining short-term interest rates at relatively low levels, combined with generally favorable market conditions, created a positive total return environment for municipal bonds and bond funds. Individual results for the Nuveen California Funds, as well as for relevant indexes, are presented in the accompanying table.

|     | MARKET YIELD |                                     | TOTAL RETURN<br>ON NAV     | LEHMAN<br>TOTAL RETURN <sup>1</sup> | LIPPER<br>AVERAGE <sup>2</sup> |
|-----|--------------|-------------------------------------|----------------------------|-------------------------------------|--------------------------------|
|     | 8/31/02      | TAXABLE-<br>EQUIVALENT <sup>3</sup> | 1 YEAR<br>ENDED<br>8/31/02 | 1 YEAR<br>ENDED<br>8/31/02          | 1 YEAR<br>ENDED<br>8/31/02     |
| NPC | 5.49%        | 8.65%                               | 6.47%                      | 5.62%                               | 5.32%                          |
| NCL | 5.80%        | 9.13%                               | 6.29%                      | 5.62%                               | 5.32%                          |
| NCU | 6.04%        | 9.51%                               | 7.48%                      | 5.61%                               | 5.51%                          |
| NAC | 6.06%        | 9.54%                               | 6.75%                      | 5.61%                               | 5.51%                          |
| NVX | 6.13%        | 9.65%                               | 3.90%                      | 5.61%                               | 5.51%                          |
| NZH | 6.17%        | 9.72%                               | NA                         | -                                   | -                              |
| NKL | 6.08%        | 9.57%                               | NA                         | -                                   | -                              |

Past performance is not predictive of future results.

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

In a market characterized by rising bond values, funds with longer durations<sup>4</sup> typically would be expected to outperform funds and indexes with shorter durations. As of August 31, 2002, the durations of the seven Nuveen California Funds in this report ranged from 7.25 to 12.55, with six of the seven showing durations greater than the 8.49 average duration of the unleveraged Lehman Brothers California Tax-Exempt Bond Index.

In addition to duration, the relative performance of these Funds also was influenced by factors such as credit quality, portfolio trading activity, call exposure, and price movement of individual holdings. NVX's underperformance, for example, was due in part to this portfolio's holding of airline-backed Los Angeles International Airport bonds, which accounted for about 1.6% of the Fund's net assets at the beginning of this fiscal year. The value of these bonds fell about 75% over the twelve months ended August 31, 2002, in part because of the decline in air travel over the past year.

On the other hand, NCU benefited as interest rates declined during the second half of the Fund's fiscal year. As bond prices rose in response to the declining rates, several of this Fund's holdings were priced to their call dates rather than their maturity dates. As a result, these bonds were priced to a significantly shorter portion of the yield curve, causing their prices to increase even more. One example was the Fund's holding of Riverside County Redevelopment Agency securities for the Jurupa Valley Project Area. The prices of these bonds increased to 104.05 from 101.79 during the reporting period, helping the Fund show strong total return performance for the year ended August 31, 2002.

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

As the Fed continued to keep short-term interest rates relatively low, the dividend-paying capabilities of these Funds benefited from their use of leverage, a strategy that can potentially enhance the dividends

- 1 The total annual returns on common share net asset value for NPC and NCL are compared with the total annual return of the Lehman Brothers California Insured Tax-Exempt Bond Index, an unleveraged index comprising a broad range of insured California municipal bonds, while the annual returns of the non-insured Funds are compared with the annual return of the Lehman California Tax-Exempt Bond Index, an unleveraged index comprising a broad range of investment-grade California municipal bonds. Results for the Lehman indexes do not reflect any expenses.
- 2 The total returns of NPC and NCL are compared with the average annualized return of the 9 funds in the Lipper California Insured Municipal Debt Funds category, while the total returns of the non-insured Funds are compared with the return of the 21 funds in the Lipper California Municipal Debt Funds category. Fund and Lipper returns assume reinvestment of dividends.
- 3 The taxable-equivalent yield represents the yield that must be earned on a taxable investment in order to equal the yield of the Nuveen Fund on an after-tax basis. The taxable-equivalent yield is based on the Fund's market yield on the indicated date and a combined federal and state income tax rate of 36.5%.
- 4 Duration is a measure of a Fund's NAV volatility in reaction to interest rate movements. Fund duration, also known as leverage-adjusted duration, takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund. References to duration in this commentary are intended to indicate Fund duration unless otherwise noted.

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paid to common shareholders. This is due to the fact that the extent of this benefit is tied in part to the short-term rates the Funds pay their MuniPreferred(R) shareholders. Low short-term rates, such as those currently in effect, can enable the Funds to reduce the amount of income they pay preferred shareholders, which can leave more earnings to support common share dividends.

During the fiscal year ended August 31, 2002, steady or falling short-term interest rates enabled us to implement three dividend increases in NCL and NCU, two in NPC and NAC, and one in NVX. Among the newer Funds, NZH maintained stable, attractive dividends during this period, while NKL, which was introduced in March 2002, declared its first monthly dividend in May.

Given the volatility of the equity markets over past year, investors seem to have continued to evaluate their asset allocation plans. We believe many made slow, but significant, shifts to bonds and bond funds to take better advantage of the balance offered by fixed-income investments. Over this period, the share prices of the Nuveen Funds covered in this report remained relatively stable or exhibited modest declines. As of August 31, 2002, all of these Funds were trading at modest discounts to their common share net asset values (see charts on individual Performance Overview pages).

WHAT KEY STRATEGIES WERE USED TO MANAGE THE NUVEEN CALIFORNIA FUNDS DURING THE FISCAL YEAR ENDED AUGUST 31, 2002?

Looking first at the insured Funds, we believed NPC and NCL were well positioned structurally to take advantage of the interest rate environment of the past twelve months. Our strategic focus continued to be on increasing call protection and finding undervalued bonds. Specifically, we purchased tax-backed bonds issued to finance infrastructure improvements in various areas of the state and to support future growth and development of communities in all regions.

In the non-insured Funds, our focus was on shifting the maturity structure of these Funds from long to long/intermediate by selling bonds in the 20- to 25-year part of the yield curve and replacing them with bonds in the 15- to 20-year range. Essentially, our strategy involved positioning the portfolios more defensively in anticipation of potential changes in the interest rate environment. We believed that bonds in the 15- to 20-year part of the yield curve offered greater opportunities for price appreciation and would perform well if and when interest rates rose. Our recent purchases were primarily AAA insured bonds offering higher coupons, as we believe these issues will provide better downside protection in the event of a decline in bond prices. We also made some strategic investments in non-rated assessment district bonds with maturities of 20 years, primarily housing project issues, to provide enhanced yield and diversification. Overall, we believed the Funds were adequately weighted in the healthcare and multifamily housing sectors, which helped Fund performance over the past twelve months. During this time, we made no new investments in the transportation sector, while avoiding general obligation bonds due to budget uncertainties.

As a result of the yield curve positioning of the non-insured Funds, as well as market moves affecting both types of Funds, the durations of the Nuveen California Funds generally shortened over the past six months. We believed this would help make our portfolios less sensitive to interest rate changes while still providing yields and returns that were competitive with longer duration funds.

In the current market environment, we believed that maintaining strong credit quality remains a key requirement for all of the Funds. As of August 31, 2002, each of the non-insured Funds continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging

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from 60% to 84%. All of these non-insured Funds also had a portion of their assets invested in BBB and non-rated bonds, which can serve to enhance the Funds' income streams. The insured Funds are 100% invested in insured and/or U.S. guaranteed securities, which means that credit quality is not an issue.

In March 2002, we introduced the Nuveen Insured California Dividend Advantage Municipal Fund (NKL). This Fund is now fully invested and, in our opinion, performing well for shareholders. As mentioned earlier, NKL declared its first dividend on schedule in May 2002, and we believe the Fund's holdings place it in an excellent position to pay attractive, dependable dividends on a monthly basis

going forward. In assembling NKL, the majority of our purchases were 30-year bonds, with a focus on income. In keeping with our outlook, we are now working to reposition this Fund more defensively by systematically selling longer bonds and buying those in the 15- to 20-year range.

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

In general, our outlook for the fixed-income markets over the next twelve months remains positive. We believe the U.S. economy is headed for an eventual recovery, but one that could be slower to arrive and offer a slower rate of growth than some are currently predicting. We also expect inflation and interest rates to remain relatively low over the near term, while new municipal volume should continue to be strong. Currently, national issuance is on pace to exceed the record of \$292 billion set in 1993. Demand for tax-exempt municipal bonds should remain solid, as investors look for ways to rebalance their portfolios and reduce risk. One item that will bear watching, however, is any increase in budgetary pressure at the city and county levels that could potentially result in credit rating downgrades, among bonds issued by these entities.

Most of these Funds continue to offer excellent levels of call protection through 2002 and 2003, with call exposure ranging from 0% in NKL to 19% in NPC. NPC, which reaches its 10-year anniversary in November 2002, faces a slightly higher level of potential calls during this period, as the Fund works its way through the phase of its life cycle often associated with increased call exposure. In this Fund, as well as in NCL and NCU, which are approaching their 10-year anniversaries in 2003, we have been proactive in selling callable bonds and reinvesting the proceeds further out on the yield curve to enhance total return potential and support the Funds' dividends. The number of actual calls experienced by these Funds will depend largely on market interest rates over this time. In general, we believe the call exposure of these Funds is very manageable, and we foresee no problems in working through it.

In coming months, we plan to remain focused on strategies that add value for our shareholders, provide support for the Funds' dividends, and fully utilize Nuveen's experience and research expertise. Specific areas of concentration will include enhancing portfolio call protection, managing interest rate volatility through the purchase of bonds in the 15- to 20-year part of the yield curve, and taking advantage of additional opportunities to position our portfolios more defensively. The heavy issuance anticipated in the California market should enhance our ability to find such opportunities. In addition, as energy markets in California continue to stabilize, we expect there to be no significant impact on the portfolios' holdings as a result of the 2001 power crisis. Overall, we believe the Nuveen California Funds are well positioned for the market environment ahead. In our opinion, they continue to represent an important element of investors' long-range financial programs, providing dependable tax-free income, diversification, and balance in uncertain times.

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Nuveen Insured California Premium Income Municipal Fund, Inc.

Performance

Overview As of August 31, 2002

NPC

Pie Chart:

CREDIT QUALITY

Insured

82%



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U.S. Guaranteed 18%

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price                                      | \$15.85   |
| Common Share Net Asset Value                     | \$16.17   |
| Market Yield                                     | 5.49%     |
| Taxable-Equivalent Yield                         |           |
| (Federal Income Tax Rate) <sup>1</sup>           | 7.84%     |
| Taxable-Equivalent Yield                         |           |
| (Federal and State Income Tax Rate) <sup>1</sup> | 8.65%     |
| Net Assets Applicable to                         |           |
| Common Shares (\$000)                            | \$104,137 |
| Average Effective Maturity (Years)               | 20.46     |
| Leverage-Adjusted Duration                       | 9.05      |

ANNUALIZED TOTAL RETURN (Inception 11/92)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 6.73%          | 6.47%  |
| 5-Year          | 7.65%          | 6.70%  |
| Since Inception | 6.42%          | 7.15%  |

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/General            | 25% |
| U.S. Guaranteed                   | 18% |
| Tax Obligation/Limited            | 15% |
| Water and Sewer                   | 14% |
| Education and Civic Organizations | 7%  |

Bar chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|        |        |
|--------|--------|
| 9/1/01 | 0.0705 |
| 10/01  | 0.0705 |
| 11/01  | 0.0705 |
| 12/01  | 0.0715 |
| 1/02   | 0.0715 |
| 2/02   | 0.0715 |
| 3/02   | 0.0725 |

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|         |        |
|---------|--------|
| 4/02    | 0.0725 |
| 5/02    | 0.0725 |
| 6/02    | 0.0725 |
| 7/02    | 0.0725 |
| 8/31/02 | 0.0725 |

Line chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

|        |       |
|--------|-------|
| 9/1/01 | 15.42 |
|        | 15.57 |
|        | 15    |
|        | 15.25 |
|        | 15.45 |
|        | 15.2  |
|        | 15.2  |
|        | 15.6  |
|        | 15.87 |
|        | 15.9  |
|        | 15.91 |
|        | 15.71 |
|        | 15.95 |
|        | 15.9  |
|        | 15.5  |
|        | 15.79 |
|        | 15.5  |
|        | 15.5  |
|        | 15.7  |
|        | 15.69 |
|        | 15.85 |
|        | 15.9  |
|        | 16    |
|        | 15.84 |
|        | 15.95 |
|        | 15.9  |
|        | 15.75 |
|        | 15.25 |
|        | 14.84 |
|        | 14.78 |
|        | 14.83 |
|        | 14.95 |
|        | 15.1  |
|        | 15.23 |
|        | 15.35 |
|        | 15.5  |
|        | 15.49 |
|        | 15.44 |
|        | 15.51 |
|        | 15.77 |
|        | 15.5  |
|        | 15.54 |
|        | 15.6  |
|        | 16.05 |
|        | 16.09 |
|        | 15.95 |
|        | 15.75 |
|        | 16.05 |
|        | 16.05 |
|        | 16    |

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8/31/02 16.2  
15.85

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

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Nuveen Insured California Premium Income Municipal Fund 2, Inc.

Performance

Overview As of August 31, 2002

NCL

Pie Chart:

CREDIT QUALITY

|                             |     |
|-----------------------------|-----|
| Insured                     | 88% |
| Insured and U.S. Guaranteed | 9%  |
| U.S. Guaranteed             | 3%  |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$14.80   |
| Common Share Net Asset Value                                     | \$15.08   |
| Market Yield   | 5.80%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate)1           | 8.29%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate)1 | 9.13%     |
| Net Assets Applicable to<br>Common Shares (\$000)                | \$190,870 |
| Average Effective Maturity (Years)                               | 17.39     |
| Leverage-Adjusted Duration                                       | 7.25      |

ANNUALIZED TOTAL RETURN (Inception 3/93)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 5.57%          | 6.29%  |
| 5-Year          | 7.70%          | 7.14%  |
| Since Inception | 5.71%          | 6.46%  |

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TOP FIVE SECTORS (as a % of total investments)

|                        |     |
|------------------------|-----|
| Tax Obligation/Limited | 36% |
| U.S. Guaranteed        | 12% |
| Tax Obligation/General | 11% |
| Utilities              | 9%  |
| Water and Sewer        | 8%  |

Bar Chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|       |        |
|-------|--------|
| 9/01  | 0.067  |
| 10/01 | 0.067  |
| 11/01 | 0.067  |
| 12/01 | 0.0685 |
| 1/02  | 0.0685 |
| 2/02  | 0.0685 |
| 3/02  | 0.07   |
| 4/02  | 0.07   |
| 5/02  | 0.07   |
| 6/02  | 0.0715 |
| 7/02  | 0.0715 |
| 8/02  | 0.0715 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

|        |       |
|--------|-------|
| 9/1/01 | 14.83 |
|        | 14.84 |
|        | 14.2  |
|        | 14.47 |
|        | 15    |
|        | 14.73 |
|        | 14.94 |
|        | 14.88 |
|        | 15.24 |
|        | 15.47 |
|        | 15.16 |
|        | 14.92 |
|        | 14.84 |
|        | 14.7  |
|        | 14.66 |
|        | 14.36 |
|        | 14.62 |
|        | 14.51 |
|        | 14.45 |
|        | 14.77 |
|        | 14.7  |
|        | 14.71 |
|        | 14.87 |
|        | 14.71 |
|        | 14.87 |
|        | 14.85 |
|        | 14.85 |

|         |       |
|---------|-------|
|         | 14.21 |
|         | 14.05 |
|         | 13.9  |
|         | 14.09 |
|         | 14.08 |
|         | 14.25 |
|         | 14.45 |
|         | 14.7  |
|         | 14.6  |
|         | 14.7  |
|         | 14.66 |
|         | 14.7  |
|         | 14.85 |
|         | 14.74 |
|         | 14.75 |
|         | 14.93 |
|         | 15.23 |
|         | 15.37 |
|         | 15.47 |
|         | 15.23 |
|         | 15.3  |
|         | 15.32 |
|         | 15.16 |
|         | 14.98 |
| 8/31/02 | 14.8  |

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

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Nuveen California Premium Income Municipal Fund

Performance

Overview As of August 31, 2002

NCU

Pie Chart:

CREDITQUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 65% |
| AA                  | 9%  |
| A                   | 4%  |
| BBB                 | 11% |
| NR                  | 8%  |
| Other               | 3%  |

PORTFOLIO STATISTICS

|                              |         |
|------------------------------|---------|
| Share Price                  | \$14.00 |
| Common Share Net Asset Value | \$14.42 |

Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

|  |          |
|--|----------|
| Market Yield   | 6.04%    |
| -----  |          |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 8.63%    |
| -----  |          |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 9.51%    |
| -----  |          |
| Net Assets Applicable to<br>Common Shares (\$000)                            | \$83,249 |
| -----  |          |
| Average Effective Maturity (Years)   | 17.27    |
| -----  |          |
| Leverage-Adjusted Duration   | 10.89    |
| -----  |          |

ANNUALIZED TOTAL RETURN (Inception 6/93)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 4.84%          | 7.48%  |
| 5-Year          | 7.29%          | 7.12%  |
| Since Inception | 5.29%          | 6.21%  |

TOP FIVE SECTORS (as a % of total investments)

|                        |     |
|------------------------|-----|
| Tax Obligation/Limited | 33% |
| Healthcare             | 12% |
| Housing/Multifamily    | 11% |
| U.S. Guaranteed        | 9%  |
| Tax Obligation/General | 8%  |

Bar Chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|       |        |
|-------|--------|
| 9/01  | 0.066  |
| 10/01 | 0.066  |
| 11/01 | 0.066  |
| 12/01 | 0.0675 |
| 1/02  | 0.0675 |
| 2/02  | 0.0675 |
| 3/02  | 0.069  |
| 4/02  | 0.069  |
| 5/02  | 0.069  |
| 6/02  | 0.0705 |
| 7/02  | 0.0705 |
| 8/02  | 0.0705 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

9/1/01 13.81

13.77  
 13.44  
 13.53  
 13.87  
 14.04  
 14.03  
 13.86  
 14.05  
 14.39  
 14.14  
 14.18  
 13.95  
 13.84  
 13.63  
 13.34  
 13.38  
 13.51  
 13.58  
 13.69  
 13.72  
 13.82  
 14.01  
 14  
 13.96  
 13.98  
 13.75  
 13.6  
 13.25  
 13.12  
 13.27  
 13.3  
 13.37  
 13.39  
 13.68  
 13.7  
 13.88  
 13.5  
 13.8  
 14  
 13.9  
 13.9  
 13.83  
 14  
 14.13  
 14.1  
 14.09  
 14.15  
 14.17  
 14.2  
 13.85  
 14

8/31/02

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

Nuveen California Dividend Advantage Municipal Fund

Performance

Overview As of August 31, 2002

NAC

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 54% |
| AA                  | 6%  |
| A                   | 17% |
| BBB                 | 16% |
| NR                  | 7%  |

PORTFOLIO STATISTICS

|  |                |        |
|--|----------------|--------|
| Share Price  | \$14.55        |        |
| Common Share Net Asset Value   | \$15.24        |        |
| Market Yield   | 6.06%          |        |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 8.66%          |        |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 9.54%          |        |
| Net Assets Applicable to<br>Common Shares (\$000)                            | \$356,821      |        |
| Average Effective Maturity (Years)   | 21.11          |        |
| Leverage-Adjusted Duration   | 11.25          |        |
| ANNUALIZED TOTAL RETURN (Inception 5/99)                                     |                |        |
|  | ON SHARE PRICE | ON NAV |
| 1-Year   | 3.67%          | 6.75%  |
| Since Inception  | 5.14%          | 8.06%  |

TOP FIVE SECTORS (as a % of total investments)

|                        |     |
|------------------------|-----|
| Tax Obligation/Limited | 26% |
| Transportation         | 16% |
| Healthcare             | 11% |
| Housing/Multifamily    | 10% |
| Tax Obligation/General | 9%  |



Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

Bar Chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|       |        |
|-------|--------|
| 9/01  | 0.0705 |
| 10/01 | 0.0705 |
| 11/01 | 0.0705 |
| 12/01 | 0.0705 |
| 1/02  | 0.0705 |
| 2/02  | 0.0705 |
| 3/02  | 0.0725 |
| 4/02  | 0.0725 |
| 5/02  | 0.0725 |
| 6/02  | 0.0735 |
| 7/02  | 0.0735 |
| 8/02  | 0.0735 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

|        |       |
|--------|-------|
| 9/1/01 | 14.66 |
|        | 14.74 |
|        | 14.25 |
|        | 14.24 |
|        | 14.97 |
|        | 14.68 |
|        | 14.75 |
|        | 14.89 |
|        | 14.98 |
|        | 15.15 |
|        | 15.1  |
|        | 15.15 |
|        | 14.66 |
|        | 14.44 |
|        | 14.02 |
|        | 14.05 |
|        | 14.4  |
|        | 14.27 |
|        | 14.32 |
|        | 14.34 |
|        | 14.25 |
|        | 14.59 |
|        | 14.73 |
|        | 14.49 |
|        | 14.38 |
|        | 14.3  |
|        | 14.25 |
|        | 13.93 |
|        | 13.58 |
|        | 13.72 |
|        | 13.85 |
|        | 14.1  |
|        | 13.94 |
|        | 14.18 |
|        | 14.56 |
|        | 14.55 |
|        | 14.58 |
|        | 14.29 |
|        | 14.37 |
|        | 14.48 |
|        | 14.24 |
|        | 14.11 |
|        | 14.44 |

|         |       |
|---------|-------|
|         | 14.58 |
|         | 14.85 |
|         | 14.63 |
|         | 14.74 |
|         | 14.77 |
|         | 14.8  |
|         | 14.65 |
|         | 14.42 |
| 8/31/02 | 14.55 |

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

9

Nuveen California Dividend Advantage Municipal Fund 2

Performance

Overview As of August 31, 2002

NVX

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 79% |
| AA                  | 4%  |
| A                   | 10% |
| BBB                 | 4%  |
| NR                  | 3%  |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$14.28   |
| Common Share Net Asset Value   | \$14.79   |
| Market Yield   | 6.13%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 8.76%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 9.65%     |
| Net Assets Applicable to<br>Common Shares (\$000)                            | \$218,814 |
| Average Effective Maturity (Years)   | 24.47     |
| Leverage-Adjusted Duration   | 12.07     |

ANNUALIZED TOTAL RETURN (Inception 3/01)

ON SHARE PRICE ON NAV

Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

|                 |        |       |
|-----------------|--------|-------|
| 1-Year          | -0.27% | 3.90% |
| Since Inception | 2.18%  | 8.09% |

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/Limited            | 28% |
| Tax Obligation/General            | 20% |
| Healthcare                        | 13% |
| Utilities                         | 10% |
| Education and Civic Organizations | 9%  |

Bar Chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|       |       |
|-------|-------|
| 9/01  | 0.072 |
| 10/01 | 0.072 |
| 11/01 | 0.072 |
| 12/01 | 0.072 |
| 1/02  | 0.072 |
| 2/02  | 0.072 |
| 3/02  | 0.073 |
| 4/02  | 0.073 |
| 5/02  | 0.073 |
| 6/02  | 0.073 |
| 7/02  | 0.073 |
| 8/02  | 0.073 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

|        |       |
|--------|-------|
| 9/1/01 | 15.07 |
|        | 15.04 |
|        | 14.41 |
|        | 15.07 |
|        | 15.2  |
|        | 15    |
|        | 14.95 |
|        | 14.74 |
|        | 15.14 |
|        | 15.1  |
|        | 15.1  |
|        | 14.76 |
|        | 14.89 |
|        | 14.75 |
|        | 14.44 |
|        | 13.97 |
|        | 13.75 |
|        | 14.02 |
|        | 14.37 |
|        | 14.49 |
|        | 14.46 |

|         |       |
|---------|-------|
|         | 14.48 |
|         | 14.52 |
|         | 14.37 |
|         | 14.45 |
|         | 14.39 |
|         | 14.1  |
|         | 13.79 |
|         | 13.64 |
|         | 13.91 |
|         | 13.69 |
|         | 13.77 |
|         | 13.93 |
|         | 13.95 |
|         | 14    |
|         | 14.25 |
|         | 13.85 |
|         | 14.14 |
|         | 14.24 |
|         | 14.05 |
|         | 13.91 |
|         | 13.81 |
|         | 14.15 |
|         | 14.14 |
|         | 14.49 |
|         | 14.42 |
|         | 14.32 |
|         | 14.27 |
|         | 14.44 |
|         | 14.54 |
|         | 14.35 |
| 8/31/02 | 14.28 |

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

Nuveen California Dividend Advantage Municipal Fund 3

Performance

Overview As of August 31, 2002

NZH

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 75% |
| AA                  | 9%  |
| A                   | 11% |
| BBB                 | 4%  |
| NR                  | 1%  |

PORTFOLIO STATISTICS

-----

Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

|  |           |
|--|-----------|
| Share Price  | \$14.00   |
| Common Share Net Asset Value   | \$14.33   |
| Market Yield   | 6.17%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 8.81%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 9.72%     |
| Net Assets Applicable to<br>Common Shares (\$000)                            | \$345,470 |
| Average Effective Maturity (Years)   | 26.06     |
| Leverage-Adjusted Duration   | 12.55     |

CUMULATIVE TOTAL RETURN (Inception 9/01)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| Since Inception | -1.68%         | 5.32%  |

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/Limited            | 34% |
| Tax Obligation/General            | 20% |
| Water and Sewer                   | 11% |
| Healthcare                        | 9%  |
| Education and Civic Organizations | 8%  |

Bar Chart:

2001-2002 Monthly Tax-Free Dividends Per Share

|       |       |
|-------|-------|
| 11/01 | 0.072 |
| 12/01 | 0.072 |
| 1/02  | 0.072 |
| 2/02  | 0.072 |
| 3/02  | 0.072 |
| 4/02  | 0.072 |
| 5/02  | 0.072 |
| 6/02  | 0.072 |
| 7/02  | 0.072 |
| 8/02  | 0.072 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

|         |       |
|---------|-------|
| 9/28/01 | 15.05 |
|         | 15.03 |
|         | 15.02 |
|         | 15.01 |

|         |       |
|---------|-------|
|         | 15.01 |
|         | 14.83 |
|         | 14.95 |
|         | 14.84 |
|         | 14.29 |
|         | 14.5  |
|         | 14.42 |
|         | 14.33 |
|         | 13.78 |
|         | 13.14 |
|         | 13.87 |
|         | 14.06 |
|         | 14.16 |
|         | 14.07 |
|         | 14.15 |
|         | 14.4  |
|         | 13.97 |
|         | 14.15 |
|         | 13.95 |
|         | 13.95 |
|         | 13.85 |
|         | 13.1  |
|         | 13.49 |
|         | 13.65 |
|         | 13.5  |
|         | 13.82 |
|         | 13.6  |
|         | 13.75 |
|         | 13.75 |
|         | 13.84 |
|         | 13.6  |
|         | 13.76 |
|         | 13.66 |
|         | 13.51 |
|         | 13.65 |
|         | 13.58 |
|         | 13.95 |
|         | 13.9  |
|         | 14.05 |
|         | 13.93 |
|         | 14    |
|         | 13.98 |
|         | 13.91 |
|         | 13.79 |
| 8/31/02 | 14    |

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

Nuveen Insured California Dividend Advantage Municipal Fund

Performance

Overview As of August 31, 2002

Edgar Filing: NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 - Form N-30D

NKL

Pie Chart:

CREDIT QUALITY  
Insured 100%

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$15.00   |
| Common Share Net Asset Value   | \$15.14   |
| Market Yield   | 6.08%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 8.69%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 9.57%     |
| Net Assets Applicable to<br>Common Shares (\$000)                            | \$231,062 |
| Average Effective Maturity (Years)   | 24.92     |
| Leverage-Adjusted Duration   | 12.01     |

CUMULATIVE TOTAL RETURN (Inception 3/02)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| Since Inception | 2.05%          | 7.84%  |

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/Limited            | 32% |
| Tax Obligation/General            | 27% |
| Utilities                         | 16% |
| Water and Sewer                   | 10% |
| Education and Civic Organizations | 7%  |

Bar Chart:

2002 Monthly Tax-Free Dividends Per Share

|      |       |
|------|-------|
| 5/02 | 0.076 |
| 6/02 | 0.076 |
| 7/02 | 0.076 |
| 8/02 | 0.076 |

Line Chart:

Share Price Performance

Weekly Closing Price

Past performance is not predictive of future results.

3/28/02 15.15

|         |       |
|---------|-------|
|         | 15    |
|         | 15.05 |
|         | 15.05 |
|         | 15    |
|         | 15.05 |
|         | 15.11 |
|         | 15.08 |
|         | 15.05 |
|         | 15.05 |
|         | 15    |
|         | 14.9  |
|         | 14.84 |
|         | 14.99 |
|         | 14.95 |
|         | 15.22 |
|         | 15.05 |
|         | 14.9  |
|         | 15.1  |
|         | 15.01 |
|         | 15.18 |
|         | 15.1  |
| 8/31/02 | 15    |

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 36.5%.

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V2

THE NUVEEN  
INVESTOR

Photo of: Child standing on chair.

NOW'S THE TIME - MAKE THE MOST OF YOUR FINANCIAL ADVISOR

From the daily ups and downs of the stock market to atypically low interest rates - and everything in between - it's hard to know how to invest your money these days. It's all the more frustrating if you're a do-it-yourself investor.

-----  
According to research conducted for the Forum for Investor Advice, almost half of do-it-yourself investors said being able to access an advisor's investment knowledge would be a primary reason for seeking advice.\*  
-----

Today more than ever, investors may want to consider using a financial advisor. Investing is too important and often too complicated to go it alone. Many investors need a professional who is not only knowledgeable, but someone who understands their unique goals, time horizon and risk tolerance.

If you have an advisor or are looking to get established with one, consider these six ways to make the most of what he or she has to offer.



- o Education. Your advisor can help you understand asset classes, products and financial terms - and the pros and cons of different investment types.
- o Research. How is the investment managed? What are the tax consequences? Are investment fundamentals in place? Let the professionals use their time, connections and expertise to do the homework.
- o Information. In survey after survey, "information" is what investors say they need most from their financial advisors. Account statements, annual reports, prospectuses - even your advisor's web site - are excellent sources of information about your investments and financial news and trends.
- o Recommendations. Beyond information and analysis, your advisor can offer advice, suggestions and insight culled from years of working through a variety of market conditions.

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'(continued on page 17)

\* The Study was conducted in December of 2000 by Market Facts and analyzed by New York based Neuwirth Research.

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Logo: NUVEEN Investments

WHY PROFESSIONAL MANAGEMENT MAKES SENSE WITH MUNICIPAL BOND INVESTING

Municipal bonds, the fourth largest capital market in the United States, have become increasingly popular with individual investors. Federal Reserve Board data shows that individuals owned more than a third, or \$582.3 billion, of the \$1.7 trillion of municipal bonds outstanding on December 31, 2001.

Municipal bonds might be even more popular with individual investors if investing were simple and straightforward. But it isn't. The fact that municipal bonds are complex keeps many retail investors at bay. However, with professional management, the complexities of municipal bonds may be alleviated.

WHAT MAKES MUNICIPAL BONDS SO COMPLICATED?

For starters, the municipal bond market is one of the most fragmented and inefficient of U.S. financial markets. More than 1.5 million issues from 50,000 issuers trade in an institutionally dominated, negotiated market with no central exchange.

This context poses several difficulties for retail investors. First and foremost, current information on municipal bonds, industry conditions and market dynamics isn't readily available to non-professionals. Most information circulates through professional channels among institutional investors, making research all but impossible for individuals.

Professional portfolio managers buy in volume, while retail investors tend to be interested in smaller trades, or "odd lots" that sell for less than \$25,000 or \$50,000. This means individuals seldom obtain the best prices. Individual investors further lament that markups to cover a dealer's bond-selling costs are both prohibitive and non-standardized.

If an individual investor is persistent and confident enough to take the plunge into municipals, he or she might be forced to adhere to a buy-and-hold strategy of bonds with different maturities, or what is commonly called a laddered portfolio. However, bond calls can disturb laddering strategies and force reinvestment decisions at inopportune times.

WHAT'S AN INDIVIDUAL INVESTOR TO DO?

Because of the municipal market's inefficiencies and intricacies, an individual investor may want to rely on a major market participant when considering municipal bonds. If an individual investor is considering a municipal bond investment they may want to look at Nuveen's municipal closed-end exchange-traded funds. Nuveen has over 100 years experience in the municipal bond market and as an influential market leader, it has the ability to negotiate some of the best possible prices. Continuous evaluation and monitoring of the market allows Nuveen to identify investment opportunities and capitalize on market dynamics such as "riding down the yield curve." Simply put, Nuveen buys bonds and sells them before maturity or call date to try to capture any potential gains.

For more information about how professional management of municipal bonds can be used to meet your investing goals, talk with your financial advisor.

Photo of: Child with net for fishing.

Photo of: Man fishing.

The Nuveen Investor Vol 02.2

Logo: NUVEEN Investments

V2

TODAY'S INVESTING WATERS ARE DEEP AND TURBULENT. SOME ARE UNCHARTED. BE SURE YOU'RE PREPARED TO... NAVIGATE THE CURRENTS

INDIVIDUALS WHO INVESTED IN STOCKS IN THE 1990S GOT SPOILED. THEY CAME TO EXPECT DOUBLE-DIGIT ANNUAL RETURNS. EVEN FOR THAT BRIEF FOUR-MONTH PERIOD BETWEEN JULY AND OCTOBER 1998, WHEN THE MARKET DROPPED MORE THAN 15%, INVESTORS WHO STAYED THE COURSE WERE REWARDED WITH A 50% GAIN IN THE MARKET OVER THE NEXT EIGHT MONTHS, AS REPRESENTED BY THE RETURNS OF THE S&P 500.

BUT THEN CAME TECHNOLOGY WOES AND THE VIRTUAL DISAPPEARANCE OF ONCE-PROMISING DOT-COMS. OUR FINANCIAL BUBBLE BURST. SINCE THEN, A SLUGGISH ECONOMY, TERRORIST ATTACKS AND CORPORATE FRAUD HAVE TAKEN THEIR TOLL. RECENT STOCK MARKET LOSSES HAVE LEFT MOST INVESTORS WONDERING HOW TO NAVIGATE THROUGH ROUGH INVESTING WATERS. DESPITE STORMY CONDITIONS, YOU CAN STILL REACH YOUR FINANCIAL GOALS. IT'S A MATTER OF FOLLOWING SEVERAL TIME-HONORED INVESTING PRINCIPLES....

DIVERSIFY BY ASSET CLASS AND SECTOR.

By investing across asset classes, market capitalizations and economic sectors, you balance risk and reward, growth and income. Stocks and fixed-income investments - and different industries - react differently in different economic environments.

INVEST IN REAL ESTATE FOR GREATER DIVERSIFICATION.

Real estate has a low correlation to other asset classes, and over time, investors have benefited from continuous, steady growth.<sup>1</sup>

INVEST IN QUALITY.

The best-performing portfolios tend to be weighted with funds, bonds and stocks of companies that have true financial strength and proven records of growth and profitability.

CONSIDER DOLLAR-COST AVERAGING.

Instead of waiting and trying to buy a stock at its lowest price, invest a consistent amount of money on a regular basis, regardless of the price. Your average cost per share may be less than the average price per share. Dollar cost averaging does not ensure a profit or protect against loss in a declining market. Because such a plan involves continuous investment, investors should consider their financial ability to continue purchases through periods of low price levels.

EXPECT MARKET FLUCTUATIONS.

Intra-day movements up or down 100 points are becoming more the norm than the exception. Keep those shifts of 100+ points in perspective. A 100-point move represents about a 1% movement in the Dow Jones Industrial Average at its current level.

AVOID FREQUENT TRADING.

With day-to-day market fluctuations, it's tempting to jump from investment to investment to try to avoid losses.

TAKE A LONG-TERM VIEW.

Successful navigation through investing waters has more to do with time than timing. There have been 13 bear markets since 1929, averaging three to 41 months and plummeting an average 39% each time. Nine of those bear markets occurred between 1970 and 2000. Yet Bloomberg Financial Reports notes that, over the same 30-year period, the stock market rose over 15-fold.<sup>1</sup> Base your performance expectations on long-term trends rather than short-term swings.

The key to navigating tempestuous financial waters is to keep your sights set on reaching your long-term goals. Let your financial advisor and common sense be your guide as you review your portfolio and chart your course for financial success.

1 Past performance is not an indication of future results.

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INVESTING MATH

These hypothetical examples are for illustrative purposes only and are not intended to represent the performance of any Nuveen investment.

Q: Investor A gets a 10% return in Year One on his investment of \$1000 and loses 5% in Year Two. Investor B loses 5% in Year One on her investment of \$1000 and earns 10% in Year Two. Who comes out ahead?

A: They tie. Investor A has \$1100 at the end of Year One and \$1045 after Year Two. Investor B has \$950 at the end of Year One and \$1045 after Year Two.

True or False?

By investing \$100 per month for 30 years, you could end up with more than \$100,000.

True, as long as your investment compounds at 6% interest per year or more.\*

| \$100 per month for | Total Investment | Compound Yield at 6% interest/year |
|---------------------|------------------|------------------------------------|
| 1 year              | \$ 1,200         | \$ 1,234                           |
| 5 years             | \$ 6,000         | \$ 6,977                           |
| 10 years            | \$ 12,000        | \$ 16,388                          |
| 15 years            | \$ 18,000        | \$ 29,082                          |
| 20 years            | \$ 24,000        | \$ 46,204                          |
| 25 years            | \$ 30,000        | \$ 69,299                          |
| 30 years            | \$ 36,000        | \$ 100,452                         |

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 Q: When is 6% really 8.5%...and 5% really 3.5%?

A: When 6% is earned on a tax-free investment, such as a municipal bond fund, and the 5% is the yield on a taxable investment in the 30% tax bracket. You can determine the equivalent yield a taxable investment would have to pay for you to net the same amount after tax, compared to the yield on a tax-exempt investment. Use the formula:  $E = B \div (1-T)$ . B is the tax-exempt yield, T is your personal income tax bracket, and E is the taxable equivalent yield.

True or False?

It will take 24 years for you to double your money if you put your money in a savings account or other investment paying 3%.

True, this is commonly known as the Rule of 72. All you need to do is take the number 72 and divide it by the interest rate you receive. The answer will be the number of years it takes to double your money.

| Interest Rate % | Years to Double Your Money |
|-----------------|----------------------------|
| 1%              | 72.0                       |
| 3%              | 24.0                       |
| 5%              | 14.4                       |
| 7%              | 10.3                       |
| 9%              | 8.0                        |

\* This investment assumes that all interest is reinvested and compounded on a monthly basis.

Photo of: 2 people on sailboat.  
 Photo of: Child with toy sailboat.

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 (continued from page 13)

- o Perspective. When the market or a particular investment is down, it's great to have a financial advisor to remind you of your long-term goals, discourage panic and suggest alternatives.
- o Assessment. Your advisor can help you monitor and evaluate how well your

portfolio and individual investments are performing vis-a-vis your goals.

One last thought: communication is vital. Your advisor will be able to best meet your needs when you provide information about yourself and what you want from your investments. Give your advisor as much information as you expect to get.

ADVISOR CHECKLIST

When you meet with your financial advisor, you'll want to be prepared to talk about...

- o Adjusting (or setting) financial goals.
- o Evaluating (or developing) your investment strategy, so it's aligned to achieve your short- and long- term goals.
- o Any major life events, such as marriage, birth of a child or disability of a spouse.
- o Rebalancing your portfolio.
- o Investing for retirement.
- o Minimizing your tax liability.
- o Bringing your estate plan up to date.
- o Other financial issues, such as life insurance, credit card debt or mortgage information.

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DID YOU KNOW...?

- o The Forum for Investment Advice reports that a Dow Jones Industrial Average decline of 15% or more typically occurs about once every two years.
- o According to the Federal Deposit Insurance Corp., investors lost \$114 million from May 1999 to May 2002 because they went over the FDIC's \$100,000-per-depositor insurance limit, or because they deposited their money unknowingly in uninsured banks. Check your institution's coverage amounts at [www2.fdic.gov/edie](http://www2.fdic.gov/edie).
- o Financial experts suggest that you have no more than 25 % of your 401(k) assets in company stock.
- o The municipal bond market trades \$9.5 billion worth of bonds on an average day.
- o According to US News and World Report, the average age of retirement in industrialized countries is 59.2 years in France, 60.5 in Germany, 60.6 in Italy, 62.3 in Canada, 62.7 in the United Kingdom, 63.6 in the USA and 66.5 in Japan.
- o Banks frequently use different methods to calculate interest. To compare how much money you'll earn at different banks, ask for each account's "annual percentage yield." Only APYs are calculated the same way from bank to bank.

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LOOK AHEAD...

FUND REPORTS AVAILABLE ONLINE

2 ILLUSTRATIONS OF: INVESTORDELIVERY.COM WEBSITE.

Nuveen Fund information is now available online. Once you register, you'll receive an e-mail notice with a link to your Fund's reports and other information just as soon as it is ready. Registering takes only a few minutes.

If you receive statements from a brokerage firm or financial advisor, go to [www.investordelivery.com](http://www.investordelivery.com). Enter your personal 13-character enrollment number imprinted on the address sheet of this report near your name. From the options on the follow-up page, select the New Enrollment>Create screen. Once there, enter your e-mail address and a personal, four-digit PIN. Hit the Submit button. Confirm the information you entered is correct, then hit Submit again.

If you receive statements directly from Nuveen, go to [www.nuveen.com](http://www.nuveen.com). Select the Access Your Account tab, then select E-Report Enrollment. Finally, click on the Enrollment Page. Once there, you'll need to provide your social security number and e-mail address. Click on Enroll.

After registering, you should receive a confirming e-mail within 24 hours. If not, repeat these steps to ensure all information is accurate. You can use this same process if you need to change your registration information or want to cancel Internet viewing. The e-mail address you provide is strictly confidential and will only be used to notify you of shareholder information.

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The information in this newsletter should not be construed as specific tax or investment advice. Contact your advisor for information about your particular situation.  
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ETFCONNECT:  
THE SOURCE FOR ALL EXCHANGE-TRADED FUNDS

Last fall, Nuveen launched ETFConnect, the industry's first website featuring all-encompassing information on exchanged-traded funds. Whatever you're looking for in the world of Index ETFs or Closed-End Exchange-Traded Funds - prices, NAVs, dividend information, performance histories, new developments - this is the place. Highlights include Quick Facts sheets for more than 500 funds, a multi-fund search capability, website links, a list of fund sponsors, tools for portfolio tracking, and a continually updated education center. Check out [www.etfconnect.com](http://www.etfconnect.com).

ILLUSTRATION OF: ETFCONNECT WEBSITE.

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Report of  
Independent Auditors

THE BOARDS OF DIRECTORS, TRUSTEES AND SHAREHOLDERS  
NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND, INC.  
NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND 2, INC.  
NUVEEN CALIFORNIA PREMIUM INCOME MUNICIPAL FUND  
NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND  
NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2  
NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 3  
NUVEEN INSURED CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Insured California Premium Income Municipal Fund, Inc., Nuveen Insured California Premium Income Municipal Fund 2, Inc., Nuveen California Premium Income Municipal Fund, Nuveen California Dividend Advantage Municipal Fund, Nuveen California Dividend Advantage Municipal Fund 2, Nuveen California Dividend Advantage Municipal Fund 3, and Nuveen Insured California Dividend Advantage Municipal Fund as of August 31, 2002, and the related statements of operations, changes in net assets and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and these financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of August 31, 2002, by correspondence with the custodian and brokers or other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Insured California Premium Income Municipal Fund, Inc., Nuveen Insured California Premium Income Municipal Fund 2, Inc., Nuveen California Premium Income Municipal Fund, Nuveen California Dividend Advantage Municipal Fund, Nuveen California Dividend Advantage Municipal Fund 2, Nuveen California Dividend Advantage Municipal Fund 3, and Nuveen Insured California Dividend Advantage Municipal Fund at August 31, 2002, and the results of their operations, changes in their net assets and financial highlights for the periods indicated therein in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Chicago, Illinois  
October 11, 2002



Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC)  
Portfolio of  
Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | EDUCATION AND CIVIC ORGANIZATIONS - 10.0%  |                   |
| \$ 2,000                  | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996, 5.750%, 9/01/26  | 9/06 at 102       |
| 6,620                     | California Educational Facilities Authority, Revenue Bonds (Loyola Marymount University), Series 2001A Refunding, 0.000%, 10/01/35   | No Opt. C         |
| 5,000                     | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)   | 3/08 at 102       |
| 2,000                     | The Regents of the University of California, Multiple Purpose Projects Revenue Bonds, 2002 Series O, 5.125%, 9/01/31   | 9/10 at 101       |
| -----                     |  |                   |
|                           | HEALTHCARE - 9.4%  |                   |
| 3,000                     | California Health Facilities Financing Authority, Insured Revenue Bonds (Sutter Health), Series 1998A, 5.375%, 8/15/30   | 8/08 at 101       |
| 1,500                     | California Statewide Communities Development Authority, Certificates of Participation (Members of the Sutter Health Obligated Group), 5.500%, 8/15/19  | 8/09 at 101       |
| 4,800                     | The Regents of the University of California, Hospital Revenue Bonds (University of California Davis Medical Center), Series 1996, 5.750%, 7/01/24  | 7/06 at 101       |
| -----                     |  |                   |
|                           | HOUSING/MULTIFAMILY - 8.4%   |                   |
| 1,000                     | ABAG Financing Authority for Nonprofit Corporations, California, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A, 5.800%, 9/01/20 (Alternative Minimum Tax) | 9/09 at 100       |
| 3,650                     | California Housing Finance Agency, Multi-Unit Rental Housing Revenue Bonds, Series 1992A-II, 6.625%, 2/01/24 (Alternative Minimum Tax)   | 2/03 at 102       |
| 3,900                     | City of Los Angeles, California, Tax-Exempt Mortgage Revenue Refunding Bonds (FHA-Insured Mortgage Loans - Section 8 Assisted Projects), Series 1993A, 6.300%, 1/01/25                               | 1/03 at 102       |

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|                              |  |             |
|------------------------------|--|-------------|
| HOUSING/SINGLE FAMILY - 4.3% |  |             |
| 1,310                        | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax) | 2/07 at 102 |
| 3,000                        | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998Q, 5.050%, 8/01/17                                  | 8/08 at 101 |

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|  |   |             |
|--|---|-------------|
| TAX OBLIGATION/GENERAL - 31.8%                                 |   |             |
| State of California, Various Purpose General Obligation Bonds: |   |             |
| 7,995  | 5.750%, 3/01/22   | 3/10 at 101 |
| 2,000  | 5.750%, 3/01/27   | 3/10 at 101 |
| 2,000  | State of California, Veterans General Obligation Bonds, 2001 Series BZ, 5.375%, 12/01/24 (Alternative Minimum Tax)                    | 6/07 at 101 |
| 1,225  | Fresno Unified School District, Fresno County, California, 1998 General Obligation Refunding Bonds, Series A, 6.550%, 8/01/20         | 2/13 at 103 |
| 2,500  | Fresno Unified School District, Fresno County, California, General Obligation Bonds (Election of 2001), Series 2001A, 5.125%, 8/01/26 | 8/09 at 102 |
| 2,000  | Los Angeles Unified School District, California, General Obligation Bonds, 1997 Series A, 5.000%, 7/01/21                             | 7/08 at 102 |
| 500  | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), Series 2000D, 5.375%, 7/01/25           | 7/10 at 100 |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIO<br>PROVISIO |
|---------------------------|-------------|-------------------|
|---------------------------|-------------|-------------------|

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|   |  |             |
|---|--|-------------|
| TAX OBLIGATION/GENERAL (continued)  |  |             |
| \$ 3,000  | Pomona Unified School District, California, General Obligation Refunding Bonds, Series 1997-A, 6.500%, 8/01/19 | 8/11 at 103 |
| San Diego Unified School District, San Diego County, California, General Obligation Bonds (Election of 1998), Series 2001C: |  |             |
| 1,335   | 5.000%, 7/01/21  | 7/11 at 102 |
| 3,500   | 5.000%, 7/01/22  | 7/11 at 102 |
| 4,895   | 5.000%, 7/01/23  | 7/11 at 102 |

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|                                |  |              |
|--------------------------------|--|--------------|
| TAX OBLIGATION/LIMITED - 21.9% |  |              |
| 2,000                          | State Public Works Board of the State of California, Department of Health Services, Lease Revenue Bonds (Richmond Laboratory Project), 1999 Series A, 5.750%, 11/01/24 | 11/09 at 101 |

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|                         |   |              |
|-------------------------|---|--------------|
| 5,000                   | City of El Monte, California, Certificates of Participation (Department of Public Services Facility Phase II), Senior Lien Series 2001, 5.250%, 1/01/34                           | 1/11 at 100  |
| 2,135                   | City of San Buenaventura, California, 1993 Refunding Certificates of Participation (Capital Improvements Project), 5.500%, 1/01/17  | 1/03 at 100  |
| 3,890                   | Santa Clara County Financing Authority, California, Lease Revenue Bonds (VMC Facility Replacement Project), 1994 Series A, 5.000%, 11/15/22                                       | 11/07 at 102 |
| 6,500                   | Tustin Unified School District, Orange County, California, Special Tax Bonds (Community Facilities District No. 97-1), 2002 Series A, 5.000%, 9/01/32                             | 9/12 at 100  |
| 2,805                   | Yucaipa-Calimesa Joint Union School District, San Bernardino County, California, General Obligation Bonds, Series 2001A Refunding, 5.000%, 10/01/31                               | 10/11 at 100 |
| -----                   |   |              |
| U.S. GUARANTEED - 26.3% |   |              |
| 6,000                   | Huntington Park Redevelopment Agency, California, Single Family Residential Mortgage Revenue Refunding Bonds, 1986 Series A, 8.000%, 12/01/19                                     | No Opt. C    |
| 5,135                   | Community Redevelopment Agency of the City of Palmdale, California, Single Family Mortgage Revenue Bonds, Series 1986A Restructured, 8.000%, 3/01/16 (Alternative Minimum Tax)    | No Opt. C    |
| 6,220                   | County of Riverside, California, Single Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities Program), Issue 1987A, 9.000%, 5/01/21 (Alternative Minimum Tax)           | No Opt. C    |
| 1,485                   | City of San Jose, California, Single Family Mortgage Revenue Bonds, 1985 Series A, 9.500%, 10/01/13   | No Opt. C    |
| -----                   |   |              |
| UTILITIES - 7.9%        |   |              |
| 4,000                   | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), 1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax) | 12/02 at 102 |
| 4,000                   | City of Chula Vista, California, Industrial Development Revenue Bonds (San Diego Gas and Electric Company), 1992 Series A, 6.400%, 12/01/27 (Alternative Minimum Tax)             | 12/02 at 102 |
| -----                   |   |              |
| WATER AND SEWER - 21.0% |   |              |
| 7,000                   | City of Los Angeles, California, Wastewater System Revenue Bonds, Series 1993D, 4.700%, 11/01/19  | 11/03 at 102 |
| 3,400                   | Public Facilities Financing Authority of the City of San Diego, California, Sewer Revenue Bonds, Series 1997A, 5.250%, 5/15/22  | 5/07 at 101  |

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|            |  |              |
|------------|--|--------------|
| 2,150      | Santa Clara Valley Water District, California, Water Utility System Revenue Bonds, Series 2000A, 5.125%, 6/01/31                     | 6/10 at 100  |
| 5,000      | Wheeler Ridge-Maricopa Water Storage District, Kern County, California, 1996 Water Refunding Bonds, 5.700%, 11/01/15                 | 11/06 at 102 |
| 3,425      | City of Woodland, Yolo County, California, Certificates of Participation (1992 Wastewater System Refunding Project), 5.500%, 3/01/18 | 3/03 at 100  |
| -----      |  |              |
| \$ 138,875 | Total Investments (cost \$133,980,783) - 141.0%  |              |
| =====      |  |              |

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Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC) (Portfolio of Investments August 31, 2002)

| PRINCIPAL AMOUNT (000) | DESCRIPTION  | OPTIONAL PROVISIONS |
|------------------------|--|---------------------|
| -----                  |  |                     |
|                        | SHORT-TERM INVESTMENTS - 4.8%  |                     |
| \$ 5,000               | Irvine Ranch Water District, California, Variable Rate Demand Bonds, Consolidated Series 105, 140, 240 and 250, 1.750%, 1/01/21+ |                     |
| =====                  |  |                     |
|                        | Other Assets Less Liabilities - (2.6)%   |                     |
|                        | Preferred Shares, at Liquidation Value - (43.2)%   |                     |
|                        | Net Assets Applicable to Common Shares - 100%  |                     |
| =====                  |  |                     |

All of the bonds in the portfolio, excluding temporary investments in short-term municipal securities, are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Portfolio of  
Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | EDUCATION AND CIVIC ORGANIZATIONS - 10.5%  |                   |
|                           | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996:  |                   |
| \$ 2,400                  | 5.750%, 9/01/21  | 9/06 at 102       |
| 3,000                     | 5.750%, 9/01/26  | 9/06 at 102       |
| 2,000                     | California Educational Facilities Authority, Revenue Bonds (University of the Pacific), Series 2000, 5.875%, 11/01/20  | 11/10 at 100      |
|                           | California Educational Facilities Authority, Revenue Bonds (Loyola Marymount University), Series 2001A Refunding:  |                   |
| 6,615                     | 0.000%, 10/01/33   | No Opt. C         |
| 6,615                     | 0.000%, 10/01/34   | No Opt. C         |
| 5,000                     | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)             | 3/08 at 102       |
|                           | California Infrastructure and Economic Development Bank, Revenue Bonds (Asian Art Museum of San Francisco Project), Series 2000:                                       |                   |
| 1,295                     | 5.500%, 6/01/19  | 6/10 at 101       |
| 1,000                     | 5.500%, 6/01/20  | 6/10 at 101       |
| 1,900                     | The Regents of the University of California, University of California Housing System Revenue Bonds, Series A, 5.500%, 11/01/18   | 11/03 at 102      |
| -----                     |  |                   |
|                           | HEALTHCARE - 5.2%  |                   |
| 1,450                     | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Mark Twain St. Joseph's Healthcare), 1996 Series A, 6.000%, 7/01/19 | 7/06 at 102       |
| 5,000                     | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Catholic Healthcare West), 1996 Series A, 6.000%, 7/01/25           | 7/06 at 102       |
| 2,500                     | City of Oakland, California, Insured Revenue Bonds (1800 Harrison Foundation - Kaiser Permanente), Series 1999A, 6.000%, 1/01/29                                       | 1/10 at 100       |

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HOUSING/MULTIFAMILY - 9.2%

ABAG Financing Authority for Nonprofit Corporations, California, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A:

|       |  |             |
|-------|--|-------------|
| 4,000 | 5.800%, 9/01/20 (Alternative Minimum Tax)  | 9/09 at 100 |
| 1,370 | 5.875%, 3/01/32 (Alternative Minimum Tax)  | 9/09 at 100 |
| 3,785 | Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds (Angelus Plaza Project), 1995 Series A, 7.400%, 6/15/10                     | 6/05 at 105 |
| 7,400 | Housing Authority of the County of Santa Cruz, California, Tax-Exempt Multifamily Housing Revenue Refunding Bonds (GNMA Collateralized - Meadowview Apartments), Series 1993A, 6.125%, 5/20/28 | 5/03 at 102 |

HOUSING/SINGLE FAMILY - 2.4%

|       |  |             |
|-------|--|-------------|
| 3,910 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series C-2, 5.625%, 8/01/20 (Alternative Minimum Tax) | 8/07 at 101 |
| 565   | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1996 Series E, 6.150%, 8/01/25 (Alternative Minimum Tax)       | 2/06 at 102 |

TAX OBLIGATION/GENERAL - 16.5%

|       |   |              |
|-------|---|--------------|
| 1,460 | ABC Unified School District, Los Angeles County, California, General Obligation Bonds (Election of 1997), Series B, 5.750%, 8/01/16 | 8/10 at 101  |
| 485   | State of California, Veterans General Obligation Welfare Bonds, Series 1997BH, 5.500%, 12/01/24 (Alternative Minimum Tax)           | 12/03 at 102 |

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Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Portfolio of Investments August 31, 2002

|                           |             |                   |
|---------------------------|-------------|-------------------|
| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIO<br>PROVISIO |
|---------------------------|-------------|-------------------|

TAX OBLIGATION/GENERAL (continued)

|    |       |  |             |
|----|-------|--|-------------|
| \$ | 7,995 | State of California, Various Purpose General Obligation Bonds:   |             |
|    | 2,500 | 5.750%, 3/01/22  | 3/10 at 101 |
|    | 2,000 | 5.500%, 9/01/24  | 9/09 at 101 |
|    | 2,000 | 5.750%, 3/01/27  | 3/10 at 101 |
|    | 3,000 | State of California, Veterans General Obligation Bonds, 2001 Series BZ, 5.375%, 12/01/24 (Alternative Minimum Tax) | 6/07 at 101 |

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|       |  |             |
|-------|--|-------------|
| 2,575 | Calipatria Unified School District, Imperial County, California,<br>General Obligation Bonds, 1996 Series A, 5.625%, 8/01/13                             | 8/06 at 102 |
|       | Fresno Unified School District, Fresno County, California,<br>General Obligation Bonds (Election of 1995), Series 2001F:                                 |             |
| 1,065 | 5.125%, 8/01/21  | 8/09 at 102 |
| 1,160 | 5.125%, 8/01/22  | 8/09 at 102 |
| 1,220 | 5.125%, 8/01/23  | 8/09 at 102 |
| 1,500 | Hacienda La Puente Unified School District, Los Angeles County,<br>California, General Obligation Bonds (Election of 2000),<br>Series A, 5.250%, 8/01/25 | 8/10 at 101 |
| 1,750 | Lake Tahoe Unified School District, El Dorado County,<br>California, General Obligation Bonds (Election of 1999),<br>Series A, 5.250%, 8/01/24           | 8/09 at 100 |
| 1,125 | San Diego Unified School District, California, 1999 General<br>Obligation Bonds (Election of 1998), Series A, 0.000%, 7/01/21                            | No Opt. C   |
| 2,500 | San Francisco Community College District, California, General<br>Obligation Bonds, 2002 Series A, 5.000%, 6/15/26  | 6/10 at 102 |

-----  
TAX OBLIGATION/LIMITED - 52.7%

|       |  |              |
|-------|--|--------------|
|       | Anaheim Public Financing Authority, California, Subordinate<br>Lease Revenue Bonds (Anaheim Public Improvements Project), 1997<br>Series C:  |              |
| 5,130 | 0.000%, 9/01/18  | No Opt. C    |
| 8,000 | 0.000%, 9/01/21  | No Opt. C    |
| 1,800 | California Public School District Financing Authority, Lease<br>Revenue Bonds (Southern Kern Unified School District<br>Projects), Series 1996B, 5.800%, 9/01/16   | 9/06 at 102  |
| 5,250 | State Public Works Board of the State of California, Department<br>of Corrections, Lease Revenue Bonds (California Substance<br>Abuse Treatment Facility and State Prison at Corcoran II),<br>1996 Series A, 5.250%, 1/01/21           | 1/06 at 100  |
| 3,450 | State Public Works Board of the State of California, Department<br>of Health Services, Lease Revenue Bonds (Richmond Laboratory<br>Project), 1999 Series A, 5.750%, 11/01/24   | 11/09 at 101 |
| 5,000 | Community Redevelopment Agency of the City of Compton,<br>California, Refunding Tax Allocation Bonds (Compton<br>Redevelopment Project), Series 1995A (Project Tax Revenues,<br>Subventions and Housing Tax Revenues), 6.500%, 8/01/13 | 8/05 at 102  |
| 4,000 | County of Contra Costa, California, Certificates of Participation<br>(Merrithew Memorial Hospital Replacement Project),<br>Refunding Series 1997, 5.500%, 11/01/22   | 11/07 at 102 |
| 6,000 | City of El Monte, California, Certificates of Participation<br>(Department of Public Services Facility Phase II), Senior<br>Lien Series 2001, 5.000%, 1/01/21  | 1/11 at 100  |
| 3,000 | Galt Schools Joint Powers Authority, Sacramento County,<br>California, 1997 Refunding Revenue Bonds (High School and<br>Elementary School Facilities), Series A, 5.875%, 11/01/24  | 11/07 at 102 |

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|       |   |             |
|-------|---|-------------|
| 5,000 | Kern County Board of Education, California, Refunding<br>Certificates of Participation, 1998 Series A, 5.200%, 5/01/28  | 5/08 at 102 |
| 5,000 | La Quinta Redevelopment Agency, California, Project Area No. 1<br>Tax Allocation Bonds, Series 1998 Refunding, 5.200%, 9/01/28                                      | 9/07 at 102 |
| 3,865 | Los Angeles County Metropolitan Transportation Authority,<br>California, Proposition C Sales Tax Revenue Bonds, Second<br>Senior Lien Series 2000A, 5.250%, 7/01/30 | 7/10 at 101 |
| 1,980 | Menifee Union School District, Riverside County, California,<br>Certificates of Participation (1996 School Project),<br>6.125%, 9/01/24                             | 9/06 at 102 |
| 2,690 | Norwalk Community Facilities Financing Authority, Los Angeles<br>County, California, Tax Allocation Refunding Revenue Bonds,<br>1995 Series A, 6.000%, 9/01/15      | 9/05 at 102 |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | TAX OBLIGATION/LIMITED (continued)   |                   |
| \$ 2,000                  | Poway Redevelopment Agency, California, Tax Allocation Refunding<br>Bonds (Paguay Redevelopment Project), Series 2000,<br>5.750%, 6/15/33  | 12/10 at 102      |
| 9,000                     | City of Redlands, California, Certificates of Participation<br>(1993 Refunding of 1986 and 1987 Projects), 5.800%, 9/01/17   | 9/03 at 102       |
| 5,000                     | City of San Bernardino Joint Powers Financing Authority,<br>California, Refunding Certificates of Participation (Police<br>Station - South Valle Refundings and 201 Building Projects),<br>5.500%, 9/01/20 | 9/09 at 102       |
| 3,500                     | San Francisco Bay Area Rapid Transit District, California, Sales<br>Tax Revenue Bonds, Series 1999, 5.500%, 7/01/34  | 7/09 at 101       |
| 1,930                     | Santa Margarita/Dana Point Authority, Orange County, California,<br>Revenue Bonds (1994 Improvement Districts Nos. 1, 2, 2A<br>and 8 General Obligation Bond Refinancing), Series A,<br>7.250%, 8/01/05    | No Opt. C         |
| 3,000                     | South Orange County Public Financing Authority, California,<br>Special Tax Revenue Bonds (Foothill Area), 1994 Series C:<br>8.000%, 8/15/08  | No Opt. C         |
| 6,830                     | 8.000%, 8/15/09  | No Opt. C         |
| 3,770                     | Redevelopment Agency of the City of Suisun, County of Solano,<br>California, 1993 Tax Allocation Refunding Bonds (Suisun City<br>Redevelopment Project), 5.900%, 10/01/23                                  | 10/03 at 102      |
| 5,450                     | City of Visalia Public Financing Authority, California, Refunding<br>Certificates of Participation (Motor Vehicle License Fee<br>Enhancement), Series 1996A, 5.375%, 12/01/26                              | 12/06 at 102      |



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-----  
TRANSPORTATION - 8.9%

|       |  |             |
|-------|--|-------------|
| 6,500 | Foothill/Eastern Transportation Corridor Agency, California,<br>Toll Road Refunding Revenue Bonds, Series 1999,<br>0.000%, 1/15/18   | 1/10 at 65  |
| 3,000 | Foothill/Eastern Transportation Corridor Agency, California,<br>Toll Road Revenue Bonds, Series 1995A, 5.000%, 1/01/35   | 1/10 at 100 |
| 2,000 | Airports Commission of the City and County of San Francisco,<br>California, San Francisco International Airport, Second Series<br>Revenue Bonds, Issue 15A, 5.000%, 5/01/28 (Alternative<br>Minimum Tax)           | 1/08 at 102 |
| 5,000 | Airports Commission of the City and County of San Francisco,<br>California, San Francisco International Airport, Second Series<br>Revenue Refunding Bonds, Issue 27A, 5.250%, 5/01/31<br>(Alternative Minimum Tax) | 5/11 at 100 |
| 3,750 | San Jose, California, Airport Revenue Bonds, Series 1993,<br>5.700%, 3/01/18 (Alternative Minimum Tax)   | 3/03 at 102 |

-----  
U.S. GUARANTEED - 18.4%

|       |   |              |
|-------|---|--------------|
| 3,525 | County of Alameda Public Facilities Corporation, California,<br>Certificates of Participation (1991 Financing Project),<br>6.000%, 9/01/21 (Pre-refunded to 9/01/06)                                    | 9/06 at 102  |
| 4,485 | County of Alameda, California, 1993 Refunding Certificates of<br>Participation (Santa Rita Jail Project), 5.700%, 12/01/14<br>(Pre-refunded to 12/01/03)  | 12/03 at 102 |
| 3,000 | Central Unified School District, Fresno County, California,<br>General Obligation Bonds (Election of 1992), 5.625%, 3/01/18<br>(Pre-refunded to 3/01/03)  | 3/03 at 102  |
| 3,000 | Escondido Union High School District, San Diego County,<br>California, General Obligation Bonds (Election of 1996),<br>5.700%, 11/01/10   | 11/06 at 102 |
| 4,320 | County of Riverside, California, Single Family Mortgage<br>Revenue Bonds (GNMA Mortgage-Backed Securities<br>Program), Issue 1987B, 8.625%, 5/01/16 (Alternative<br>Minimum Tax)                        | No Opt. C    |
| 1,850 | Sacramento City Unified School District, Sacramento County,<br>California, General Obligation Bonds, Series 2000A,<br>5.750%, 7/01/18 (Pre-refunded to 7/01/09)   | 7/09 at 102  |
| 9,000 | Airports Commission of the City and County of San<br>Francisco, California, San Francisco International Airport,<br>Second Series Revenue Bonds, Issue 8B, 6.100%, 5/01/20<br>(Pre-refunded to 5/01/04) | 5/04 at 101  |
| 1,515 | City of Torrance, California, Hospital Revenue Bonds (Little<br>Company of Mary Hospital), 1985 Series A, 7.100%, 12/01/15<br>(Pre-refunded to 12/01/05)  | 12/05 at 100 |

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Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | UTILITIES - 13.1%  |                   |
| \$ 3,740                  | California Pollution Control Financing Authority, Pollution Control Revenue Refunding Bonds (Southern California Edison Company), Series 1999B, 5.450%, 9/01/29        | 9/09 at 101       |
| 3,215                     | Modesto Irrigation District Financing Authority, California, Refunding Revenue Bonds, Series A, 6.000%, 10/01/15   | 10/06 at 102      |
| 3,000                     | Puerto Rico Electric Power Authority, Power Revenue Bonds, 2002 Series II, 5.125%, 7/01/26   | 7/12 at 101       |
| 1,790                     | Sacramento City Financing Authority, California, Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects), Series 1999, 5.800%, 12/01/19             | 12/09 at 102      |
| 3,500                     | Sacramento Municipal Utility District, California, Electric Revenue Bonds, 1996 Series J, 5.600%, 8/15/24  | 8/06 at 102       |
| 1,950                     | Salinas Valley Solid Waste Authority, California, Revenue Bonds, Series 2002, 5.250%, 8/01/27 (Alternative Minimum Tax)  | 8/12 at 100       |
| 6,650                     | Turlock Irrigation District, California, Revenue Bonds, Series 1992A Refunding, 5.750%, 1/01/18  | 1/03 at 100       |
| -----                     |  |                   |
|                           | WATER AND SEWER - 11.6%  |                   |
| 3,530                     | Castaic Lake Water Agency, California, Refunding Revenue Certificates of Participation (Water System Improvement Projects), Series 1994A, 8.000%, 8/01/04              | No Opt. C         |
| 2,975                     | Chino Basin Regional Financing Authority, California, Revenue Bonds (Chino Basin Municipal Water District Sewer System Project), Series 1994, 6.000%, 8/01/16          | 8/04 at 102       |
| 2,775                     | Pomona Public Financing Authority, California, 1999 Revenue Bonds (Water Facilities Project), Series AC, 5.500%, 5/01/29   | 5/09 at 101       |
| 1,000                     | Sacramento County Sanitation Districts Financing Authority, California, Revenue Bonds (Sacramento Regional County Sanitation District), Series 2000A, 5.500%, 12/01/20 | 12/10 at 101      |
| 2,900                     | City and County of San Francisco, California, Sewer Revenue Refunding Bonds, Series 1992, 5.500%, 10/01/15   | 10/02 at 102      |
| 2,000                     | South San Joaquin Irrigation District, San Joaquin County, California, 1993 Refunding Revenue Certificates of Participation (1987 and 1992 Project), 5.500%, 1/01/15   | 1/03 at 102       |
| 5,410                     | City of Tulare, California, 1996 Sewer Revenue Bonds, 5.750%, 11/15/21   | 11/06 at 102      |

-----  
 \$ 286,165 Total Investments (cost \$261,295,318) - 148.5%  
 =====

Other Assets Less Liabilities - 1.3%

-----  
 Preferred Shares, at Liquidation Value - (49.8)%  
 -----

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

All of the bonds in the portfolio are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

See accompanying notes to financial statements.

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Nuveen California Premium Income Municipal Fund (NCU)  
 Portfolio of  
 Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | CONSUMER STAPLES - 4.7%  |                   |
| \$ 4,000                  | California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds (Pooled Tobacco Securitization Program), Series 2002A, 5.625%, 5/01/29 | 5/12 at 100       |
| -----                     |  |                   |
|                           | HEALTHCARE - 20.1%   |                   |
| 5,150                     | California Health Facilities Financing Authority, Hospital Revenue Bonds (Downey Community Hospital), Series 1993, 5.750%, 5/15/15                     | 5/03 at 102       |
| 8,100                     | California Statewide Communities Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22                  | No Opt. C         |
| 1,185                     | California Statewide Communities Development Authority, Hospital Revenue Certificates of Participation (Cedars-Sinai                                   | 2/03 at 102       |

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Medical Center), Series 1992, 6.500%, 8/01/15

2,000 City of Loma Linda, California, Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A, 6.000%, 12/01/06 12/03 at 102

-----  
HOUSING/MULTIFAMILY - 16.7%

2,000 California Statewide Communities Development Authority, Apartment Development Revenue Refunding Bonds (Irvine Apartment Communities, L.P.), Series 1998A, 5.250%, 5/15/25 (Mandatory put 5/15/13) 7/08 at 101

6,785 Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds (Angelus Plaza Project), 1995 Series A, 7.400%, 6/15/10 6/05 at 105

3,865 City of Stanton, California, Multifamily Housing Revenue Bonds (Continental Gardens Apartments), Series 1997, 5.625%, 8/01/29 (Alternative Minimum Tax) (Mandatory put 8/01/09) 8/07 at 102

-----  
HOUSING/SINGLE FAMILY - 9.5%

2,450 California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax) 2/07 at 102

1,000 California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series A, 6.550%, 8/01/26 8/04 at 102

1,000 California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series F-3, 6.100%, 8/01/15 (Alternative Minimum Tax) 8/05 at 102

2,000 California Housing Finance Agency, Home Mortgage Revenue Bonds, 1997 Series B, 6.000%, 8/01/16 (Alternative Minimum Tax) 2/07 at 102

980 California Rural Home Mortgage Financing Authority, Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 1996 Series C, 7.500%, 8/01/27 (Alternative Minimum Tax) No Opt. C

-----  
TAX OBLIGATION/GENERAL - 12.8%

4,000 State of California, General Obligation Veterans Welfare Bonds, Series BR, 5.300%, 12/01/29 (Alternative Minimum Tax) 6/04 at 101

3,000 Pomona Unified School District, California, General Obligation Refunding Bonds, Series 1997-A, 6.150%, 8/01/15 8/11 at 103

3,000 San Diego Unified School District, California, 2000 General Obligation Bonds (Election of 1998), Series B, 5.125%, 7/01/22 7/10 at 100

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TAX OBLIGATION/LIMITED - 49.8%

|       |   |              |
|-------|---|--------------|
| 4,500 | Bonita Canyon Public Facilities Financing Authority, California, Community Facilities District No. 98-1 Special Tax Bonds, Series 1998, 5.375%, 9/01/28   | 9/02 at 103  |
| 5,920 | State Public Works Board of the State of California, Lease Revenue Bonds (Department of Veterans Affairs of the State of California, Southern California Veterans Home - Chula Vista Facility), 1999 Series A, 5.600%, 11/01/19 | 11/09 at 101 |
| 2,400 | City of Carlsbad, Assessment District No. 96-1, California, Limited Obligation Improvement Bonds (Rancho Carillo), 5.500%, 9/02/28  | 9/02 at 101  |

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Nuveen California Premium Income Municipal Fund (NCU) (continued)  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000)          | DESCRIPTION   | OPTIO<br>PROVISIO |
|------------------------------------|---|-------------------|
| -----                              |   |                   |
| TAX OBLIGATION/LIMITED (continued) |   |                   |
| \$ 1,000                           | Carson Redevelopment Agency, California, Refunding Tax Allocation Bonds (Redevelopment Project Area No. 2), Series 1993, 5.875%, 10/01/09   | 10/03 at 102      |
| 600                                | Dinuba Financing Authority, California, Lease Revenue Refunding Bonds, Public Works Issue 2002, 5.100%, 8/01/32   | 8/12 at 102       |
| 3,500                              | City of Livermore Redevelopment Agency, California, Tax Allocation Revenue Bonds (Livermore Redevelopment Project Area), Series 2001A, 5.000%, 8/01/26  | 8/11 at 100       |
| 2,160                              | Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California, Grand Central Square Multifamily Housing Bonds, 1993 Series A, 5.750%, 12/01/13 (Alternative Minimum Tax) | 6/03 at 102       |
| 1,000                              | City of Poway, Community Facilities District No. 88-1, California, Special Tax Refunding Bonds (Parkway Business Centre), Series 1998, 6.500%, 8/15/09  | 8/08 at 102       |
| 1,205                              | Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series D, 5.375%, 7/01/36   | 7/12 at 100       |
| 5,000                              | Redevelopment Agency for the County of Riverside, California, 2001 Tax Allocation Bonds (Jurupa Valley Project Area), 5.150%, 10/01/21  | 10/11 at 102      |
| 6,200                              | Sacramento City Financing Authority, California, Lease Revenue Refunding Bonds, Series 1993B, 5.400%, 11/01/20  | No Opt. C         |
|                                    | San Marcos Public Facilities Authority, California, Refunding Revenue Bonds, Series 1998:   |                   |
| 1,500                              | 5.800%, 9/01/18   | 9/08 at 101       |
| 1,000                              | 5.800%, 9/01/27   | 9/08 at 101       |

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|                         |  |              |
|-------------------------|--|--------------|
| 2,050                   | County of Santa Barbara, California, Certificates of Participation, Series 2001, 5.250%, 12/01/19  | 12/11 at 102 |
| 2,000                   | City of Vista, California, Mobile Home Park Revenue Bonds (Vista Manor Mobile Home Park Project), Series 1999A, 5.750%, 3/15/29  | 3/09 at 102  |
| -----                   |  |              |
| TRANSPORTATION - 6.1%   |  |              |
| 2,750                   | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 5, 6.500%, 5/01/24 (Alternative Minimum Tax)  | 5/04 at 102  |
| 2,000                   | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 10A, 5.700%, 5/01/26 (Alternative Minimum Tax)                                      | 5/06 at 102  |
| -----                   |  |              |
| U.S. GUARANTEED - 12.5% |  |              |
| 3,200                   | State Public Works Board of the State of California, The Trustees of the California State University, Lease Revenue Bonds (Various California State University Projects), 1994 Series A, 6.375%, 10/01/14 (Pre-refunded to 10/01/04) | 10/04 at 102 |
| 3,500                   | Commonwealth of Puerto Rico, Public Improvement General Obligation Bonds of 2000, 5.750%, 7/01/21 (Pre-refunded to 7/01/10)  | 7/10 at 100  |
| 2,475                   | City of Torrance, California, Hospital Revenue Bonds (Little Company of Mary Hospital), 1985 Series A, 7.100%, 12/01/15 (Pre-refunded to 12/01/05)   | 12/05 at 100 |
| -----                   |  |              |
| UTILITIES - 10.8%       |  |              |
| 1,000                   | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), 1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax)  | 12/02 at 102 |
| 3,000                   | Merced Irrigation District, California, 2001 Electric System Refunding Revenue Bonds (Electric System Project), 6.500%, 9/01/22  | 9/05 at 102  |
| 4,580                   | Sacramento Municipal Utility District, California, Electric Revenue Bonds, 2002 Series Q Refunding, 5.250%, 8/15/20  | 8/12 at 100  |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIO<br>PROVISIO |
|---------------------------|-------------|-------------------|
|---------------------------|-------------|-------------------|

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WATER AND SEWER - 6.5%

|    |       |  |             |
|----|-------|--|-------------|
| \$ | 5,000 | Culver City, California, Wastewater Facilities Refunding Revenue Bonds, 1999 Series A, 5.700%, 9/01/29 | 9/09 at 102 |
|----|-------|--|-------------|

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|    |         |   |
|----|---------|---|
| \$ | 118,055 | Total Investments (cost \$118,120,494) - 149.5% |
|----|---------|---|

---

SHORT-TERM INVESTMENTS - 1.8%

|    |       |  |
|----|-------|--|
| \$ | 1,500 | California Statewide Communities Development Authority, Certificates of Participation (Northern California Retired Officers Community), Variable Rate Demand Obligations, 1.750%, 6/01/26+ |
|----|-------|--|

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Other Assets Less Liabilities - 0.4%

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Preferred Shares, at Liquidation Value - (51.7)%

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Net Assets Applicable to Common Shares - 100%

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\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): 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.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

Nuveen California Dividend Advantage Municipal Fund (NAC)  
Portfolio of  
Investments August 31, 2002

|                           |             |                   |
|---------------------------|-------------|-------------------|
| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIO<br>PROVISIO |
|---------------------------|-------------|-------------------|

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CONSUMER STAPLES - 4.5%

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|    |       |  |              |
|----|-------|--|--------------|
| \$ | 5,000 | California Statewide Communities Development Authority, Certificates of Participation (Pride Industries and Pride One, Inc), 7.250%, 11/01/29  | 11/09 at 102 |
|    |       | Tobacco Securitization Authority of Northern California, Tobacco Settlement Asset-Backed Bonds, Series 2001A:  |              |
|    | 2,500 | 5.250%, 6/01/31  | 6/11 at 100  |
|    | 4,500 | 5.375%, 6/01/41  | 6/11 at 100  |
|    | 4,485 | Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation), Senior Series 2001A, 5.250%, 6/01/27 | 6/12 at 100  |

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EDUCATION AND CIVIC ORGANIZATIONS - 9.4%

|  |        |   |              |
|--|--------|---|--------------|
|  | 3,000  | Long Beach Bond Financing Authority, California, Lease Revenue Refunding Bonds (The Aquarium of the South Pacific), 5.500%, 11/01/17                  | 11/11 at 100 |
|  | 700    | The Regents of the University of California, Certificates of Participation (San Diego Campus and Sacramento Projects), 2002 Series A, 5.250%, 1/01/22 | 1/10 at 101  |
|  | 6,000  | The Regents of the University of California, Multiple Purpose Projects Revenue Bonds, Series K, 5.000%, 9/01/12                                       | 9/08 at 101  |
|  |        | The Regents of the University of California, Multiple Purpose Projects Revenue Bonds, 2002 Series O:  |              |
|  | 10,770 | 5.000%, 9/01/20   | 9/10 at 101  |
|  | 11,305 | 5.000%, 9/01/21   | 9/10 at 101  |

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HEALTHCARE - 15.7%

|  |        |   |              |
|--|--------|---|--------------|
|  | 8,400  | California Health Facilities Financing Authority, Kaiser Permanente Revenue Bonds, Series 1998B, 5.250%, 10/01/14 (Optional put 10/01/08)   | 10/08 at 101 |
|  | 15,000 | California Health Facilities Financing Authority, Revenue Bonds (Cedars-Sinai Medical Center), Series 1999A, 6.125%, 12/01/30   | 12/09 at 101 |
|  | 6,000  | California Statewide Communities Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22   | No Opt. C    |
|  | 8,000  | Central California Joint Powers Health Financing Authority, Certificates of Participation (Community Hospitals of Central California Obligated Group Project), Series 2000, 6.000%, 2/01/30 | 2/10 at 101  |
|  | 10,500 | City of Duarte, California, Certificates of Participation (City of Hope National Medical Center), Series 1999A, 5.250%, 4/01/31   | 4/09 at 101  |
|  | 4,000  | City of Upland, California, Certificates of Participation (San Antonio Community Hospital), 1993 Series,  | 1/04 at 102  |



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5.250%, 1/01/08

|       |  |             |
|-------|--|-------------|
| 2,500 | City of Whittier, California, Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2002, 5.600%, 6/01/22 | 6/12 at 101 |
|-------|--|-------------|

-----  
HOUSING/MULTIFAMILY - 14.8%

|        |   |             |
|--------|---|-------------|
| 15,000 | California Statewide Communities Development Authority, Apartment Development Revenue Refunding Bonds (Irvine Apartment Communities, L.P.), Series 1998A, 4.900%, 5/15/25 (Mandatory put 5/15/08) | 7/08 at 101 |
|--------|---|-------------|

|        |  |           |
|--------|--|-----------|
| 10,000 | California Statewide Communities Development Authority, Multifamily Housing Refunding Bonds (Archstone Pelican Point Apartments - Archstone Communities Trust), Issue 1999H, 5.300%, 6/01/29 (Mandatory put 6/01/08) | No Opt. C |
|--------|--|-----------|

|       |   |             |
|-------|---|-------------|
| 5,250 | California Statewide Communities Development Authority, Housing Revenue Bonds (GNMA Collateralized - Crowne Pointe Project Refunding), 2002 Series F, 6.750%, 8/20/37 | 8/12 at 105 |
|-------|---|-------------|

|       |   |             |
|-------|---|-------------|
| 5,000 | County of Contra Costa, California, Multifamily Housing Revenue Bonds (Delta View Apartments), Series 1999C, 6.750%, 12/01/30 (Alternative Minimum Tax) | 6/09 at 102 |
|-------|---|-------------|

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTIO PROVISIO |
|------------------------|-------------|----------------|
|------------------------|-------------|----------------|

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HOUSING/MULTIFAMILY (continued)

|           |   |           |
|-----------|---|-----------|
| \$ 15,000 | Housing Authority of the County of San Bernardino, California, Multifamily Housing Revenue Refunding Bonds (Equity Residential/Redlands Lawn and Tennis Apartments), Issue 1999A, 5.200%, 6/15/29 (Mandatory put 6/15/09) | No Opt. C |
|-----------|---|-----------|

-----  
HOUSING/SINGLE FAMILY - 2.2%

|        |   |            |
|--------|---|------------|
| 36,040 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1999 Series D2, 0.000%, 2/01/29 (Alternative Minimum Tax) | 2/09 at 31 |
|--------|---|------------|

-----  
LONG-TERM CARE - 2.4%

|       |   |             |
|-------|---|-------------|
| 8,500 | Riverside County Public Financing Authority, California, Certificates of Participation (Air Force Village West, Inc), 5.800%, 5/15/29 | 5/09 at 101 |
|-------|---|-------------|

-----  
TAX OBLIGATION/GENERAL - 12.9%

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|        |  |              |
|--------|--|--------------|
| 6,435  | State of California, General Obligation Bonds, Series 2002 Refunding, 6.000%, 4/01/16  | No Opt. C    |
|        | Contra Costa Community College District, California, General Obligation Bonds, Series 2002:  |              |
| 3,000  | 4.900%, 8/01/20  | 8/12 at 100  |
| 3,000  | 5.000%, 8/01/23  | 8/12 at 100  |
| 18,500 | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), 1999 Series C, 5.250%, 7/01/24   | 7/09 at 101  |
| 10,845 | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), 2002 Series E, 5.000%, 7/01/19   | 7/12 at 100  |
| 1,750  | Oakland Unified School District, Alameda County, California, General Obligation Bonds, Series 2001, 5.125%, 8/01/21  | 8/08 at 101  |
| -----  |  |              |
|        | TAX OBLIGATION/LIMITED - 38.4%   |              |
| 8,665  | Bonita Canyon Public Facilities Financing Authority, California, Community Facilities District No. 98-1 Special Tax Bonds, Series 1998, 5.375%, 9/01/28                | 9/02 at 103  |
|        | Brentwood Infrastructure Financing Authority, Contra Costa County, California, Capital Improvement Revenue Bonds, Series 2001:   |              |
| 1,110  | 5.375%, 11/01/18   | 11/11 at 100 |
| 1,165  | 5.375%, 11/01/19   | 11/11 at 100 |
| 2,000  | Brentwood Infrastructure Financing Authority, California, Infrastructure Revenue Refunding Bonds, Series 2002A, 5.125%, 9/02/24  | 9/12 at 100  |
| 3,515  | Dinuba Redevelopment Agency, California, Tax Allocation Bonds (Redevelopment Project 2 Refunding), Series 2001, 4.875%, 9/01/21  | 9/11 at 102  |
| 3,490  | City of Fontana, California, Community Facilities District No. 2 Senior Special Tax Refunding Bonds (Village of Heritage), 1998 Series A, 5.250%, 9/01/17              | 9/08 at 102  |
| 3,980  | Garden Grove, California, Certificates of Participation (Financing Project), Series 2002A, 5.500%, 3/01/22   | 3/12 at 101  |
| 4,250  | Mira Loma Area of Jurupa Community Services District, California, 1998 Special Tax Bonds (Community Facilities District No. 1), 4.750%, 9/01/24 (Optional put 9/01/10) | 9/08 at 102  |
| 5,500  | Los Angeles County, California, Certificates of Participation (1998 Disney Parking Refunding Project), 4.750%, 3/01/23   | 9/08 at 101  |
| 5,000  | Los Angeles County Metropolitan Transportation Authority, California, Proposition C Sales Tax Revenue Bonds, Second Senior Series 1998A Refunding, 5.000%, 7/01/23     | 7/08 at 101  |
| 10,000 | Los Angeles County Public Works Financing Authority, California, Revenue Bonds (Los Angeles County Regional  | 10/07 at 101 |

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|       |   |             |
|-------|---|-------------|
|       | Park and Open Space District), Series 1997A,<br>5.000%, 10/01/16  |             |
| 9,200 | Norco Redevelopment Agency, California, Project Area No. 1<br>Tax Allocation Bonds, Series 2001 Refunding, 5.000%, 3/01/19  | 3/11 at 102 |
| 4,670 | City of Oakland Joint Powers Financing Authority, California,<br>Lease Revenue Refunding Bonds (Oakland Convention<br>Centers), Series 2001, 5.500%, 10/01/14               | No Opt. C   |
| 4,000 | Orange County Local Transportation Authority, California,<br>Measure M Sales Tax Revenue Refunding Bonds, Limited Tax<br>Bonds, Second Senior Series 1997A, 5.700%, 2/15/08 | No Opt. C   |

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Nuveen California Dividend Advantage Municipal Fund (NAC) (continued)  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIO<br>PROVISIO |
|---------------------------|---|-------------------|
| -----                     |   |                   |
|                           | TAX OBLIGATION/LIMITED (continued)  |                   |
| \$ 5,600                  | City of Palm Springs Financing Authority, California, Lease<br>Revenue Refunding Bonds (Convention Center Project),<br>Series 2001A, 5.000%, 11/01/22                     | 11/11 at 101      |
| 8,100                     | Poway Redevelopment Agency, California, Tax Allocation<br>Refunding Bonds (Paguay Redevelopment Project),<br>Series 2000, 5.750%, 6/15/33                                 | 12/10 at 102      |
| 6,500                     | Puerto Rico Highway and Transportation Authority,<br>Transportation Revenue Bonds, Series D, 5.375%, 7/01/36  | 7/12 at 100       |
| 2,000                     | Puerto Rico Public Finance Corporation, Commonwealth<br>Appropriation Bonds, Series 2001A, 5.500%, 8/01/19  | 8/11 at 100       |
| 10,215                    | Riverside County Public Financing Authority, California,<br>Reassessment Revenue Bonds (Rancho Village Project/AD<br>No. 159), Junior Lien 1999 Series B, 6.000%, 9/02/07 | No Opt. C         |
| 2,500                     | City of Sacramento Financing Authority, California, Lease Revenue<br>Bonds, Series 1993A Refunding, 5.400%, 11/01/20  | No Opt. C         |
|                           | City and County of San Francisco, California, Certificates of<br>Participation (30 Van Ness Avenue Property), Series 2001A:   |                   |
| 1,205                     | 4.600%, 9/01/18   | 9/09 at 101       |
| 1,260                     | 4.700%, 9/01/19   | 9/09 at 101       |
| 1,340                     | 4.750%, 9/01/20   | 9/09 at 101       |
| 1,400                     | 4.800%, 9/01/21   | 9/09 at 101       |
| 25,060                    | Redevelopment Agency of the City of San Jose, California,<br>Tax Allocation Bonds (Merged Area Redevelopment Project),<br>Series 1998, 5.250%, 8/01/29                    | 8/08 at 102       |

-----  
TRANSPORTATION - 23.8%

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|                        |   |             |
|------------------------|---|-------------|
| 21,150                 | Foothill/Eastern Transportation Corridor Agency, California, Toll Road Refunding Revenue Bonds, Series 1999, 5.750%, 1/15/40  | 1/10 at 101 |
| 8,515                  | Harbor Department of the City of Los Angeles, California, Revenue Refunding Bonds, Series 2001B, 5.500%, 8/01/18 (Alternative Minimum Tax)  | 8/11 at 100 |
| 23,000                 | Port of Oakland, California, Revenue Bonds, 2000 Series K, 5.750%, 11/01/29 (Alternative Minimum Tax)   | 5/10 at 100 |
| 5,000                  | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 13B, 5.625%, 5/01/21 (Alternative Minimum Tax) | 5/06 at 101 |
| 23,275                 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 25, 5.750%, 5/01/30 (Alternative Minimum Tax)  | 5/10 at 101 |
| -----                  |   |             |
| U.S. GUARANTEED - 2.8% |   |             |
| 3,600                  | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), Series 2000D, 5.625%, 7/01/14 (Pre-refunded to 7/01/10)   | 7/10 at 100 |
| 5,000                  | Commonwealth of Puerto Rico, General Obligation Public Improvement Bonds of 2000, 5.750%, 7/01/16 (Pre-refunded to 7/01/10)   | 7/10 at 100 |
| -----                  |   |             |
| UTILITIES - 9.1%       |   |             |
| 7,000                  | Department of Water and Power of Los Angeles, California, Power System Revenue Bonds, 2001 Series A1, 5.250%, 7/01/21   | 7/11 at 100 |
| 8,370                  | Department of Water and Power of Los Angeles, California, Power System Revenue Refunding Bonds, Series 2001-A2, 5.375%, 7/01/19   | 7/11 at 100 |
| 10,000                 | Merced Irrigation District, California, 2001 Electric System Refunding Revenue Bonds (Electric System Project), 6.750%, 9/01/31   | 9/05 at 102 |
| 5,630                  | Southern California Public Power Authority, Transmission Project Revenue Bonds (Southern Transmission Project), 2002A Subordinate Refunding Series, 4.750%, 7/01/19                             | 7/12 at 100 |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIO<br>PROVISIO |
|---------------------------|-------------|-------------------|
|---------------------------|-------------|-------------------|

-----  
WATER AND SEWER - 11.1%

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|    |        |  |              |
|----|--------|--|--------------|
| \$ | 11,000 | California Department of Water Resources, Central Valley Project Water System Revenue Bonds, Series 2001W, 5.250%, 12/01/22          | 12/11 at 100 |
|    | 14,000 | Orange County Water District, California, Revenue Certificates of Participation, Series 1999A, 5.375%, 8/15/29                       | 8/09 at 101  |
|    | 8,250  | Pico Rivera Water Authority, California, Revenue Bonds, 2001 Series A, 6.250%, 12/01/32  | 12/11 at 102 |
|    | 5,115  | Public Utilities Commission of the City and County of San Francisco, California, Water Revenue Bonds, Series 2002A, 5.000%, 11/01/18 | 11/12 at 100 |

-----  
 \$ 531,610 Total Investments (cost \$500,216,112) - 147.1%  
 =====

Other Assets Less Liabilities - 1.9%

-----  
 Preferred Shares, at Liquidation Value - (49.0)%  
 -----

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

\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

N/R Investment is not rated.

See accompanying notes to financial statements.

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Nuveen California Dividend Advantage Municipal Fund 2 (NVX)  
 Portfolio of  
 Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIO<br>PROVISIO |
|---------------------------|---|-------------------|
|                           | CONSUMER STAPLES - 4.6%   |                   |
| \$ 4,625                  | California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds (Stanislaus County Tobacco Funding Corporation), Series 2002A, 5.500%, 6/01/33 | 6/12 at 100       |
| 3,000                     | Tobacco Securitization Authority of Northern California, Tobacco Settlement Asset-Backed Bonds, Series 2001A, 5.375%, 6/01/41   | 6/11 at 100       |

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|   |   |              |
|---|---|--------------|
| 2,800                                     | Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation), Senior Series 2001A, 5.500%, 6/01/36                    | 6/12 at 100  |
| -----                                     |   |              |
| EDUCATION AND CIVIC ORGANIZATIONS - 13.7% |   |              |
| 5,000                                     | California Educational Facilities Authority, Revenue Bonds (Stanford University), Series Q, 5.250%, 12/01/32  | 6/11 at 101  |
| 15,000                                    | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)  | 3/08 at 102  |
| 9,000                                     | Long Beach Bond Financing Authority, California, Lease Revenue Refunding Bonds (The Aquarium of the South Pacific), 5.250%, 11/01/30  | 11/11 at 101 |
| -----                                     |   |              |
| HEALTHCARE - 14.2%                        |   |              |
| 5,000                                     | California Health Facilities Financing Authority, Kaiser Permanente Revenue Bonds, 1993 Series C, 5.600%, 5/01/33   | 5/03 at 102  |
| 7,000                                     | California Infrastructure and Economic Development Bank, Revenue Bonds (Kaiser Hospital Assistance I-LLC), Series 2001A, 5.550%, 8/01/31  | 8/11 at 102  |
| 6,000                                     | California Statewide Communities Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22   | No Opt. C    |
| 5,355                                     | California Statewide Communities Development Authority, Kaiser Permanente Revenue Bonds, Series 2002E, 4.700%, 11/01/36 (Mandatory put 6/01/09)   | No Opt. C    |
| 3,000                                     | Central California Joint Powers Health Financing Authority, Certificates of Participation (Community Hospitals of Central California Obligated Group Project), Series 2000, 6.000%, 2/01/30                         | 2/10 at 101  |
| 2,500                                     | City of Torrance, California, Revenue Bonds (Torrance Memorial Medical Center), Series 2001A, 5.500%, 6/01/31   | 6/11 at 101  |
| 1,500                                     | City of Whittier, California, Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2002, 5.600%, 6/01/22  | 6/12 at 101  |
| -----                                     |   |              |
| HOUSING/MULTIFAMILY - 7.0%                |   |              |
| 5,962                                     | California Statewide Communities Development Authority, Multifamily Housing Revenue Refunding Bonds (Claremont Village Apartments), Series 2001D, 5.500%, 6/01/31 (Alternative Minimum Tax) (Mandatory put 6/01/16) | 6/11 at 102  |
| 3,500                                     | California Statewide Communities Development Authority, Housing Revenue Bonds (GNMA Collateralized - Crowne   | 8/12 at 105  |

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Pointe Project Refunding), 2002 Series F, 6.750%, 8/20/37

|       |   |              |
|-------|---|--------------|
| 4,650 | Redevelopment Agency of the City and County of San Francisco, California, Multifamily Housing Revenue Bonds (GNMA Collateralized - Kokoro Assisted Living Facility), 2001 Series A, 5.675%, 4/20/43 | 10/11 at 100 |
|-------|---|--------------|

-----  
HOUSING/SINGLE FAMILY - 2.8%

|       |  |             |
|-------|--|-------------|
| 5,865 | California Rural Home Mortgage Financing Authority, Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 2001 Series A, 5.650%, 12/01/31 (Alternative Minimum Tax) | 6/11 at 102 |
|-------|--|-------------|

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| PRINCIPAL AMOUNT (000) | DESCRIPTION | OPTIO PROVISIO |
|------------------------|-------------|----------------|
|------------------------|-------------|----------------|

-----

TAX OBLIGATION/GENERAL - 30.3%

|          |  |             |
|----------|--|-------------|
| \$ 9,000 | State of California, Veterans General Obligation Bonds, Series BV, 5.600%, 12/01/32  | 6/06 at 101 |
| 3,615    | Colton Joint Unified School District, San Bernardino County, California, General Obligation Bonds, Series 2002A, 5.500%, 8/01/22 | 8/12 at 102 |
|          | Contra Costa Community College District, California, General Obligation Bonds, Series 2002:                                      |             |
| 3,005    | 5.000%, 8/01/21  | 8/12 at 100 |
| 3,300    | 5.000%, 8/01/22  | 8/12 at 100 |
| 8,330    | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), Series 2000D, 5.375%, 7/01/25      | 7/10 at 100 |
| 10,840   | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), 2002 Series E, 5.000%, 7/01/19     | 7/12 at 100 |
| 14,190   | City of San Jose, California, General Obligation Bonds (Libraries and Parks Projects), Series 2001, 5.125%, 9/01/31              | 9/11 at 100 |
| 4,050    | City of Santa Rosa High School District, Sonoma County, California, General Obligation Bonds, Series 2001, 5.300%, 5/01/26       | 5/11 at 101 |
| 7,600    | Southwestern Community College District, San Diego County, California, General Obligation Bonds, Series 2001, 5.375%, 8/01/25    | 8/11 at 101 |

-----  
TAX OBLIGATION/LIMITED - 40.9%

|       |   |             |
|-------|---|-------------|
| 9,000 | Anitoch Area Public Facilities Financing Authority, California, | 8/11 at 100 |
|-------|---|-------------|

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|        |  |              |
|--------|--|--------------|
|        | Special Tax Bonds (Community Facilities District No. 1989-1), Series 2001, 5.250%, 8/01/25   |              |
| 4,000  | Daly City Housing Development Finance Agency, California, Mobile Home Park Revenue Bonds (Franciscan Mobile Home Park), Series 2002A, 5.850%, 12/15/32                       | 12/13 at 102 |
| 4,845  | City of Encinitas Public Financing Authority, California, Lease Revenue Bonds (Acquisition Project), Series 2001A, 5.250%, 4/01/31   | 4/08 at 102  |
| 5,000  | Industry Urban Development Agency, California, Tax Allocation Refunding Bonds (Civic, Recreational and Industrial Redevelopment Project No. 1), Series 2002, 5.500%, 5/01/19 | 5/07 at 101  |
| 8,000  | Los Angeles County Metropolitan Transportation Authority, California, Proposition C Sales Tax Revenue Bonds, Second Senior Series 1998A Refunding, 5.000%, 7/01/23           | 7/08 at 101  |
| 3,300  | Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series D, 5.375%, 7/01/36  | 7/12 at 100  |
| 4,400  | Puerto Rico Public Finance Corporation, Commonwealth Appropriation Bonds, 2002 Series E, 6.000%, 8/01/26   | No Opt. C    |
| 9,000  | Redevelopment Agency for the County of Riverside, California, 2001 Tax Allocation Bonds (Jurupa Valley Project Area), 5.250%, 10/01/35                                       | 10/11 at 102 |
|        | Santa Clara Valley Transportation Authority, California, Sales Tax Revenue Bonds, Series 2001A:  |              |
| 16,090 | 5.000%, 6/01/25  | 6/11 at 100  |
| 15,345 | 5.000%, 6/01/26  | 6/11 at 100  |
| 3,045  | Redevelopment Agency of the City of Yucaipa, California, Mobile Home Park Revenue Bonds (Rancho del Sol and Grandview), Series 2001A, 6.750%, 5/15/36                        | 5/11 at 102  |
| 5,600  | Community Facilities District No. 98-1, Chapman Heights, City of Yucaipa, County of San Bernardino, California, 1998 Special Tax Bonds, 6.000%, 9/01/28                      | 9/09 at 102  |

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TRANSPORTATION - 6.2%

|       |   |              |
|-------|---|--------------|
| 5,500 | California Statewide Communities Development Authority, Special Facility Revenue Bonds (United Air Lines, Inc. - Los Angeles International Airport Cargo Projects), Series 2001, 6.250%, 10/01/35 (Alternative Minimum Tax) | 10/11 at 100 |
| 3,840 | Sacramento-Yolo Port District, Counties of Sacramento and Yolo, California, Port Facilities Refunding and Improvement Revenue Bonds, Series 2001, 5.125%, 7/01/14   | 7/08 at 101  |



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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIO<br>PROVISIO |
|---------------------------|---|-------------------|
| -----                     |   |                   |
|                           | TRANSPORTATION (continued)  |                   |
| \$ 6,100                  | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 26A, 5.250%, 5/01/30 (Alternative Minimum Tax)           | 5/10 at 101       |
| 2,000                     | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Refunding Bonds, Issue 28A, 5.250%, 5/01/17 (Alternative Minimum Tax) | 5/12 at 100       |
| -----                     |   |                   |
|                           | UTILITIES - 14.9%   |                   |
| 5,000                     | California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company), 1996A Remarketed, 5.350%, 12/01/16 (Alternative Minimum Tax)              | 4/11 at 102       |
| 1,000                     | Merced Irrigation District, California, 2002 Revenue Certificates of Participation (Electric System Project), 6.500%, 9/01/34   | 9/05 at 103       |
| 26,000                    | Sacramento Municipal Utility District, California, Electric Revenue Bonds, Series 2001N, 5.000%, 8/15/28  | 8/11 at 100       |
| -----                     |   |                   |
|                           | WATER AND SEWER - 9.5%  |                   |
| 15,000                    | East Bay Municipal Utility District, Alameda and Contra Costa Counties, California, Water System Subordinated Revenue Bonds, Series 2001, 5.000%, 6/01/26   | 6/11 at 100       |
| 5,375                     | Public Utilities Commission of the City and County of San Francisco, California, Water Revenue Bonds, Series 2002A, 5.000%, 11/01/19  | 11/12 at 100      |
| -----                     |   |                   |
| \$ 311,127                | Total Investments (cost \$307,649,507) - 144.1%   |                   |
| =====                     |   |                   |
|                           | SHORT-TERM INVESTMENTS - 4.3%   |                   |
| \$ 9,500                  | California Health Facilities Financing Authority, Revenue Bonds (Adventist Health System West), Series 2002A, Variable Rate Demand Obligations, 1.750%, 9/01/25+  |                   |
| -----                     |   |                   |
|                           | Other Assets Less Liabilities - 1.9%  |                   |
| -----                     |   |                   |
|                           | Preferred Shares, at Liquidation Value - (50.3)%  |                   |
| -----                     |   |                   |
|                           | Net Assets Applicable to Common Shares - 100%   |                   |
| =====                     |   |                   |

\* Optional Call Provisions (not covered by the report of

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independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

N/R Investment is not rated.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

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Nuveen California Dividend Advantage Municipal Fund 3 (NZH)  
Portfolio of  
Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIO<br>PROVISIO |
|---------------------------|---|-------------------|
| -----                     |   |                   |
|                           | CAPITAL GOODS - 1.4%  |                   |
| \$ 4,715                  | California Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Waste Management Inc. Project), Series 2002B, 4.450%, 7/01/27 (Alternative Minimum Tax) (Mandatory put 7/01/05) | No Opt. C         |
| -----                     |   |                   |
|                           | CONSUMER STAPLES - 4.4%   |                   |
| 11,240                    | California County Tobacco Securitization Agency, Merced County, Tobacco Settlement Asset-Backed Bonds (Tobacco Funding Corporation), Series 2002A, 5.500%, 6/01/33                                    | 6/12 at 100       |
| 4,200                     | Tobacco Securitization Authority of Southern California, Tobacco Settlement Asset-Backed Bonds (San Diego County Tobacco Asset Securitization Corporation), Senior Series 2001A, 5.500%, 6/01/36      | 6/12 at 100       |
| -----                     |   |                   |
|                           | EDUCATION AND CIVIC ORGANIZATIONS - 12.5%   |                   |
| 9,000                     | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)  | 3/08 at 102       |
| 5,000                     | San Diego State University Foundation, California, Auxiliary Organization Revenue Bonds, Series 2002A, 5.000%, 3/01/37  | 3/12 at 100       |
| 7,595                     | San Francisco State University Foundation Inc., California,   | 9/11 at 100       |

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|       |  |  |             |
|-------|--|--|-------------|
|       | Auxiliary Organization Revenue Bonds (Student Housing),<br>Series 2001, 5.000%, 9/01/26                                |  |             |
| 2,990 | The Regents of the University of California, Multiple Purpose<br>Projects Revenue Bonds, Series K, 5.000%, 9/01/23     |  | 9/08 at 101 |
| 8,720 | The Regents of the University of California, Multiple Purpose<br>Projects Revenue Bonds, Series 2001M, 5.125%, 9/01/30 |  | 9/09 at 101 |
|       | The Regents of the University of California, Research Facilities<br>Revenue Bonds, 2001 Series E:                      |  |             |
| 3,820 | 5.000%, 9/01/26  |  | 9/09 at 101 |
| 5,360 | 5.000%, 9/01/27  |  | 9/09 at 101 |

-----  
HEALTHCARE - 13.0%

|        |  |  |              |
|--------|--|--|--------------|
| 6,650  | California Health Facilities Financing Authority, Revenue<br>Bonds (USCF - Stanford Healthcare), 1998 Series A,<br>5.000%, 11/15/31  |  | 11/08 at 101 |
|        | California Health Facilities Financing Authority, Revenue<br>Bonds (Casa Colina Inc.), Series 2001:  |  |              |
| 4,000  | 6.000%, 4/01/22  |  | 4/12 at 100  |
| 2,000  | 6.125%, 4/01/32  |  | 4/12 at 100  |
| 10,550 | California Health Facilities Financing Authority, Kaiser<br>Permanente Revenue Bonds, 1993 Series C, 5.600%, 5/01/33   |  | 5/03 at 102  |
| 9,000  | California Infrastructure and Economic Development Bank,<br>Revenue Bonds (Kaiser Hospital Assistance I-LLC),<br>Series 2001A, 5.550%, 8/01/31   |  | 8/11 at 102  |
| 7,665  | California State Communities Development Authority,<br>Insured Mortgage Hospital Revenue Bonds (Mission<br>Community Hospital), Series 2001, 5.375%, 11/01/21  |  | 11/09 at 102 |
| 1,740  | Central California Joint Powers Health Financing Authority,<br>Certificates of Participation (Community Hospitals of Central<br>California Obligated Group Project), Series 2000,<br>6.000%, 2/01/30 |  | 2/10 at 101  |
| 2,500  | City of Whittier, California, Health Facility Revenue Bonds<br>(Presbyterian Intercommunity Hospital), Series 2002,<br>5.600%, 6/01/22   |  | 6/12 at 101  |

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Nuveen California Dividend Advantage Municipal Fund 3 (NZH) (continued)  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
|                           | -----<br>HOUSING/MULTIFAMILY - 4.2%  |                   |
| \$ 5,250                  | California Statewide Communities Development Authority,<br>Housing Revenue Bonds (GNMA Collateralized - Crowne | 8/12 at 105       |

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|        |  |              |
|--------|--|--------------|
|        | Pointe Project Refunding), 2002 Series F, 6.750%, 8/20/37  |              |
| 3,610  | Housing Authority of the County of San Bernardino, California, Multifamily Mortgage Revenue Bonds (GNMA Collateralized - Pacific Palms Mobile Home Park), Series 2001A, 6.700%, 12/20/41 | 11/11 at 105 |
|        | San Jose, California, Multifamily Housing Revenue Bonds (GNMA Mortgage-Backed Securities Program - Lenzen Housing), Series 2001B:  |              |
| 1,250  | 5.350%, 2/20/26 (Alternative Minimum Tax)  | 8/11 at 102  |
| 2,880  | 5.450%, 2/20/43 (Alternative Minimum Tax)  | 8/11 at 102  |
| -----  |  |              |
|        | HOUSING/SINGLE FAMILY - 2.3%   |              |
| 3,000  | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998B, 5.150%, 2/01/18 (Alternative Minimum Tax)  | 2/08 at 101  |
| 25,325 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 2001T, 0.000%, 8/01/32 (Alternative Minimum Tax)  | 8/11 at 30   |
| -----  |  |              |
|        | LONG-TERM CARE - 0.8%  |              |
|        | California Health Facilities Financing Authority, Insured Senior Living Revenue Bonds (Aldersly), 2002 Series A:   |              |
| 1,500  | 5.125%, 3/01/22 (WI, settling 9/25/02)   | 3/12 at 101  |
| 1,315  | 5.250%, 3/01/32 (WI, settling 9/25/02)   | 3/12 at 101  |
| -----  |  |              |
|        | TAX OBLIGATION/GENERAL - 29.7%   |              |
| 8,500  | State of California, Veterans General Obligation Welfare Bonds, Series 1997BH, 5.500%, 12/01/18 (Alternative Minimum Tax)  | 12/03 at 102 |
| 7,165  | State of California, Veterans General Obligation Bonds, Series BJ, 5.500%, 12/01/18 (Alternative Minimum Tax)  | 12/06 at 102 |
| 9,335  | State of California, General Obligation Bonds, Series 2002, 6.000%, 2/01/16  | No Opt. C    |
| 15,000 | State of California, Various Purpose General Obligation Bonds, Series 2001, 5.000%, 11/01/30   | 11/11 at 100 |
| 14,300 | State of California, Veterans General Obligation Bonds, 2001 Series BZ, 5.350%, 12/01/21 (Alternative Minimum Tax)   | 6/07 at 101  |
| 5,000  | Cupertino Union School District, Santa Clara County, California, General Obligation Bonds, Series 2001A, 4.750%, 8/01/26   | 8/11 at 100  |
| 15,135 | Newport-Mesa Unified School District, Orange County, California, General Obligation Bonds (Election of 2000), Series 2001, 4.750%, 8/01/26   | 8/11 at 101  |
| 3,000  | Pasadena Unified School District, Los Angeles County,  | 11/11 at 101 |

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|        |  |              |
|--------|--|--------------|
|        | California, General Obligation Bonds (Election of 1997), Series 2001C, 4.750%, 11/01/26  |              |
| 3,000  | Commonwealth of Puerto Rico, Public Improvement General Obligation Bonds, Refunding Series 2001, 5.000%, 7/01/24   | 7/11 at 100  |
| 5,000  | Riverside Unified School District, Riverside County, California, General Obligation Bonds, Series 2002A, 5.000%, 2/01/27   | 2/12 at 101  |
| 10,810 | San Diego Unified School District, San Diego County, California, General Obligation Bonds (Election of 1998), Series 2001C, 5.000%, 7/01/26                        | 7/11 at 102  |
| 4,000  | San Diego Unified School District, San Diego County, California, General Obligation Bonds (Election of 1998), Series 2002D, 5.250%, 7/01/21 (WI, settling 9/12/02) | 7/12 at 101  |
| -----  |  |              |
|        | TAX OBLIGATION/LIMITED - 50.5%   |              |
| 4,000  | Beaumont Financing Authority, California, Local Agency Revenue Bonds, Series 2002A, 6.750%, 9/01/25  | 9/12 at 102  |
|        | Brentwood Infrastructure Financing Authority, Contra Costa County, California, Capital Improvement Revenue Bonds, Series 2001:                                     |              |
| 7,135  | 5.000%, 11/01/25   | 11/11 at 100 |
| 6,955  | 5.000%, 11/01/31   | 11/11 at 100 |
| 4,510  | State Public Works Board of the State of California, Lease Revenue Bonds (Department of Mental Health, Hospital Addition), Series 2001A, 5.000%, 12/01/26          | 12/11 at 102 |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION  | OPTIO PROVISIO |
|------------------------|--|----------------|
| -----                  |  |                |
|                        | TAX OBLIGATION/LIMITED (continued)   |                |
| \$ 15,000              | State Public Works Board of the State of California, Lease Revenue Bonds (Department of General Services), Series 2002B, 5.000%, 3/01/27               | 3/12 at 100    |
| 1,270                  | Coalinga Public Financing Authority, California, Local Obligation Revenue Refunding Bonds, Senior Lien Series A, 6.000%, 9/15/18                       | No Opt. C      |
| 2,000                  | Daly City Housing Development Finance Agency, California, Mobile Home Park Revenue Bonds (Franciscan Mobile Home Park), Series 2002A, 5.800%, 12/15/25 | 12/13 at 102   |
| 6,755                  | Dinuba Redevelopment Agency, California, Tax Allocation Bonds (Redevelopment Project 2 Refunding), Series 2001, 5.000%, 9/01/31                        | 9/11 at 102    |
| 1,000                  | Fullerton, California, Community Facilities District No. 001 Special Tax Bonds (Amerige Heights), Series 2002,   | 9/12 at 100    |

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|        |   |              |
|--------|---|--------------|
|        | 6.100%, 9/01/22   |              |
| 7,945  | La Quinta Redevelopment Agency, California, Project Area No. 1 Tax Allocation Bonds, Series 2001, 5.100%, 9/01/31   | 9/11 at 102  |
| 5,425  | Lodi, California, Certificates of Participation (Public Improvement Financing Project), Series 2002, 5.000%, 10/01/26                                     | 10/12 at 100 |
| 14,410 | Los Angeles Unified School District, California, Certificates of Participation (Administration Building Project), Series 2001B, 5.000%, 10/01/31          | 10/11 at 100 |
| 13,515 | Norco Redevelopment Agency, California, Project Area No. 1 Tax Allocation Bonds, Series 2001 Refunding, 5.125%, 3/01/30                                   | 3/11 at 102  |
| 4,520  | Ontario Redevelopment Financing Authority, California, Lease Revenue Bonds (Capital Projects), Series 2001, 5.000%, 8/01/24                               | 8/11 at 101  |
| 11,165 | Palm Desert Financing Authority, California, Tax Allocation Revenue Bonds (Project Area No. 1), Series 2002 Refunding, 5.100%, 4/01/30                    | 4/12 at 102  |
| 5,000  | Pomona Public Financing Authority, California, Revenue Bonds (Merged Redevelopment Projects Refunding), Series 2001AD, 5.000%, 2/01/27                    | 2/11 at 100  |
| 2,925  | Pomona Valley Educational Joint Power Authority, California, Lease Revenue Bonds (Pomona Unified School District Financing), Series 2001, 4.875%, 8/01/26 | 8/09 at 102  |
| 6,500  | Puerto Rico Highway and Transportation Authority, Transportation Revenue Bonds, Series D, 5.375%, 7/01/36   | 7/12 at 100  |
| 4,400  | Puerto Rico Public Finance Corporation, Commonwealth Appropriation Bonds, 2002 Series E, 6.000%, 8/01/26  | No Opt. C    |
| 2,385  | City of San Buenaventura Public Facilities Financing Authority, California, 2001 Certificates of Participation, Series C, 4.750%, 2/01/24                 | 2/11 at 101  |
| 14,505 | City of San Diego Redevelopment Agency, California, Subordinate Tax Allocation Bonds (Centre City Redevelopment Project), Series 2001A, 5.000%, 9/01/26   | 9/11 at 101  |
| 5,805  | City and County of San Francisco, California, Certificates of Participation (30 Van Ness Avenue Property), Series 2001A, 5.000%, 9/01/31                  | 9/09 at 101  |
| 8,725  | San Francisco Bay Area Rapid Transit District, California, Sales Tax Revenue Bonds, Series 2001, 5.000%, 7/01/26  | 7/11 at 100  |
| 10,000 | San Diego Redevelopment Agency, California, Merged Area Redevelopment Project Tax Allocation Bonds, Series 2002, 5.000%, 8/01/27                          | 8/10 at 101  |
| 2,115  | San Marcos Public Facilities Authority, California, Special Tax Revenue Bonds, Series 2002, 6.300%, 9/01/20   | 9/07 at 102  |
| 1,595  | Santa Clara Valley Transportation Authority, California, Sales Tax Revenue Bonds, Series 2001A, 5.000%, 6/01/22   | 6/11 at 100  |

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2,500 Yucaipa-Calimesa Joint Union School District, San Bernardino County, California, General Obligation Bonds, Series 2001A Refunding, 5.000%, 10/01/26 10/11 at 100

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Nuveen California Dividend Advantage Municipal Fund 3 (NZH) (continued)  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIO<br>PROVISIO |
|---------------------------|---|-------------------|
| -----                     |   |                   |
|                           | TRANSPORTATION - 5.7%   |                   |
| \$ 1,500                  | Port of Oakland, California, Refunding Revenue Bonds, 1997 Series I, 5.600%, 11/01/19   | 11/07 at 102      |
| 1,420                     | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 23B, 5.125%, 5/01/30                                     | 5/09 at 101       |
| 6,000                     | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 26B, 5.000%, 5/01/30                                     | 5/10 at 101       |
| 10,350                    | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Refunding Bonds, Issue 27A, 5.250%, 5/01/26 (Alternative Minimum Tax) | 5/11 at 100       |
| -----                     |   |                   |
|                           | UTILITIES - 7.8%  |                   |
| 15,000                    | Anaheim Public Financing Authority, California, Revenue Bonds (Electric System Distribution Facilities), Series 2002A, 5.000%, 10/01/31   | 10/12 at 100      |
| 1,600                     | Merced Irrigation District, California, 2002 Revenue Certificates of Participation (Electric System Project), 6.500%, 9/01/34   | 9/05 at 103       |
| 7,790                     | Modesto Irrigation District, California, Certificates of Participation (Capital Improvements), Series 2001A, 5.000%, 7/01/31  | 1/12 at 100       |
| 2,250                     | Salinas Valley Solid Waste Authority, California, Revenue Bonds, Series 2002, 5.125%, 8/01/22 (Alternative Minimum Tax)   | 8/12 at 100       |
| -----                     |   |                   |
|                           | WATER AND SEWER - 15.9%   |                   |
| 7,000                     | Carmichael Water District, Sacramento County, California, 1999 Water Revenue Certificates of Participation, 5.125%, 9/01/29   | 9/09 at 102       |
| 6,900                     | Contra Costa Water District, Contra Costa County, California, Water Revenue Refunding Bonds, Series K, 4.500%, 10/01/31   | 10/11 at 100      |

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|            |   |  |              |
|------------|---|--|--------------|
|            |   | Department of Water and Power of the City of Los Angeles,<br>California, Waterworks Revenue Bonds, Series 2001A Refunding: |              |
| 18,000     | 5.125%, 7/01/41   |  | 7/11 at 100  |
| 12,000     | 5.125%, 7/01/41   |  | 7/11 at 100  |
| 7,000      | The Metropolitan Water District of Southern California, Water<br>Revenue Bonds, 1997 Authorization, Series A, 5.000%, 7/01/37 |  | 1/08 at 101  |
| 2,475      | The Metropolitan Water District of Southern California,<br>Water Revenue Refunding Bonds, 1998 Series A, 4.750%, 7/01/22      |  | 7/08 at 101  |
| 1,600      | Sunnyvale Financing Authority, California, Water and<br>Wastewater Revenue Bonds, Series 2001, 5.000%, 10/01/26               |  | 10/11 at 100 |
| -----      |   |  |              |
| \$ 524,065 | Total Investments (cost \$503,339,552) - 148.2%   |  |              |
| =====      |   |  |              |

SHORT-TERM INVESTMENTS - 2.3%

|          |   |
|----------|---|
| \$ 8,000 | California Statewide Communities Development Authority,<br>Certificates of Participation (Northern California Retired<br>Officers Community), Variable Rate Demand Obligations,<br>1.750%, 6/01/26+ |
| =====    |   |

Other Assets Less Liabilities - 3.6%

Preferred Shares, at Liquidation Value - (54.1)%

Net Assets Applicable to Common Shares - 100%

\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

N/R Investment is not rated.

(WI) Security purchased on a when-issued basis.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.



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| PRINCIPAL<br>AMOUNT (000)                 | DESCRIPTION   | OPTIO<br>PROVISIO |
|---|---|-------------------|
| -----                                     |   |                   |
| EDUCATION AND CIVIC ORGANIZATIONS - 10.1% |   |                   |
| \$ 3,070                                  | California Educational Facilities Authority, Revenue Bonds (Claremont University Center), Series 1999B, 5.250%, 3/01/18   | 3/09 at 101       |
| 1,675                                     | California Educational Facilities Authority, Revenue Bonds (University of San Diego), Series 2002A, 5.250%, 10/01/30  | 10/12 at 100      |
| 9,000                                     | Trustees of the California State University, Systemwide Revenue Bonds, Series 2002A, 5.125%, 11/01/26   | 11/12 at 100      |
| 9,000                                     | The Regents of the University of California, Multiple Purpose Project Revenue Bonds, Series K, 5.300%, 9/01/30  | 9/08 at 101       |
| -----                                     |   |                   |
| HEALTHCARE - 5.0%                         |   |                   |
| 5,000                                     | ABAG Financing Authority for Nonprofit Corporations, California, Insured Revenue Bonds (Sansum-Santa Barbara Medical Foundation Clinic), Series 2002A, 5.600%, 4/01/26  | 4/12 at 100       |
| 4,000                                     | California Statewide Communities Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22   | No Opt. C         |
| 2,145                                     | California Statewide Communities Development Authority, Kaiser Permanente Revenue Bonds, Series 2002E, 4.700%, 11/01/36 (Mandatory put 6/01/09)   | No Opt. C         |
| -----                                     |   |                   |
| HOUSING/MULTIFAMILY - 0.9%                |   |                   |
| 1,905                                     | City of Los Angeles, California, Multifamily Housing Revenue Bonds (GNMA Mortgage-Backed Securities Program - Park Plaza West Senior Apartments Project), Series 2001B, 5.300%, 1/20/21 (Alternative Minimum Tax) | 7/11 at 102       |
| -----                                     |   |                   |
| HOUSING/SINGLE FAMILY - 5.0%              |   |                   |
| 11,500                                    | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998E, 5.250%, 2/01/33 (Alternative Minimum Tax)   | 2/09 at 101       |
| -----                                     |   |                   |
| TAX OBLIGATION/GENERAL - 41.4%            |   |                   |
| 5,920                                     | Cajon Valley Union School District, San Diego County, California, General Obligation Bonds, Series 2002B, 5.125%, 8/01/32   | 8/10 at 102       |
| 9,000                                     | State of California, General Obligation Bonds, Series 2002  | 2/12 at 100       |

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|        |   |             |
|--------|---|-------------|
|        | Refunding, 5.000%, 2/01/22  |             |
| 1,500  | Centinela Valley Union High School District, Los Angeles County, California, General Obligation Bonds, Series 2002A, 5.250%, 2/01/26                    | No Opt. C   |
| 2,500  | Chaffee Joint Union High School District, San Bernardino County, California, General Obligation Bonds (Election of 1998), Series 2002C, 5.000%, 5/01/27 | 5/12 at 101 |
| 10,000 | Fremont Unified School District, Alameda County, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/25                                    | 8/12 at 101 |
| 2,070  | Fresno Unified School District, Fresno County, California, General Obligation Bonds (Election of 1995), Series 2002G, 5.125%, 8/01/26                   | 8/10 at 102 |
|        | Fresno Unified School District, Fresno County, California, General Obligation Bonds (Election of 2001), Series 2002B:                                   |             |
| 1,135  | 5.125%, 8/01/23   | 8/10 at 102 |
| 1,190  | 5.125%, 8/01/24   | 8/10 at 102 |
| 1,245  | 5.125%, 8/01/25   | 8/10 at 102 |
| 1,255  | 5.125%, 8/01/26   | 8/10 at 102 |

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Nuveen Insured California Dividend Advantage Municipal Fund (NKL) (co  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | TAX OBLIGATION/GENERAL (continued)   |                   |
| \$ 6,805                  | Long Beach Unified School District, Los Angeles County, California, General Obligation Bonds (Election of 1999), Series 2002D, 5.000%, 8/01/31 | 8/10 at 101       |
| 5,000                     | Los Angeles Unified School District, California, General Obligation Bonds (Election of 1997), 2002 Series E, 5.125%, 1/01/27                   | 7/12 at 100       |
| 7,000                     | Los Gatos Joint Union High School District, California, General Obligation Bonds (Election of 1998), Series 2002C, 5.000%, 6/01/27             | 6/12 at 101       |
| 7,355                     | Mount San Antonio Community College District, Los Angeles County, California, General Obligation Bonds, Series 2002A, 5.000%, 5/01/27          | 5/12 at 101       |
| 2,500                     | Oakland Unified School District, Alameda County, California, General Obligation Bonds, Series 2002, 5.250%, 8/01/21                            | 8/12 at 100       |
| 3,300                     | Peralta Community College District, Alameda County, California, General Obligation Bonds (Election of 2000), Series A, 5.000%, 8/01/31         | 8/09 at 102       |
| 3,250                     | San Diego Unified School District, San Diego County, California, General Obligation Bonds (Election of 1998),                                  | 7/11 at 102       |

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Series 2001C, 5.000%, 7/01/22

|        |  |             |
|--------|--|-------------|
| 4,000  | San Diego Unified School District, San Diego County, California, General Obligation Bonds (Election of 1998), Series 2002D, 5.250%, 7/01/20 (WI, settling 9/12/02) | 7/12 at 101 |
| 3,500  | San Mateo County Community College District, California, General Obligation Bonds, Series 2002A, 5.000%, 9/01/26   | 9/12 at 100 |
| 2,980  | Santa Clarita Community College District, Los Angeles County, California, General Obligation Bonds, Series 2002, 5.125%, 8/01/26                                   | 8/11 at 101 |
| 2,460  | Vacaville Unified School District, Solano County, California, General Obligation Bonds, Series 2002, 5.000%, 8/01/26   | 8/11 at 101 |
| 10,000 | Vista Unified School District, San Diego County, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/23   | 8/12 at 100 |

-----  
TAX OBLIGATION/LIMITED - 48.0%

|       |   |             |
|-------|---|-------------|
| 6,895 | Brea Olinda Unified School District, Orange County, California, Certificates of Participation, Series 2002A Refunding, 5.125%, 8/01/26                  | 8/11 at 101 |
| 6,000 | Chula Vista, California, Certificates of Participation, Series 2002, 5.000%, 8/01/29  | 8/12 at 101 |
| 3,145 | Culver City Redevelopment Agency, California, Redevelopment Project Tax Allocation Bonds, Series 2002A, 5.125%, 11/01/25                                | 5/11 at 101 |
| 1,020 | Desert Sands Unified School District, Riverside County, California, Certificates of Participation, Series 2002 Refunding, 5.000%, 3/01/20               | 3/12 at 101 |
| 8,720 | City of El Monte, California, Certificates of Participation (Department of Public Services Facility Phase II), Senior Lien Series 2001, 5.000%, 1/01/21 | 1/11 at 100 |
| 6,615 | Inglewood Redevelopment Agency, California, Tax Allocation Refunding Bonds (Merged Redevelopment Project), Series 1998A, 5.250%, 5/01/23                | No Opt. C   |
| 5,500 | La Quinta Redevelopment Agency, California, Project Area No. 1 Tax Allocation Bonds, Series 2001, 5.100%, 9/01/31                                       | 9/11 at 102 |
|       | La Quinta Redevelopment Agency, California, Project Area No. 1 Tax Allocation Bonds, Series 2002:   |             |
| 3,400 | 5.000%, 9/01/22   | 9/12 at 102 |
| 6,500 | 5.125%, 9/01/32   | 9/12 at 102 |
| 7,000 | City of Los Angeles, California, Certificates of Participation (Real Property Acquisition Program), Series 2002, 5.200%, 4/01/27                        | 4/12 at 100 |

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| AMOUNT (000) | DESCRIPTION   | PROVISIO     |
|--------------|---|--------------|
| -----        |   |              |
|              | TAX OBLIGATION/LIMITED (continued)  |              |
| \$ 3,000     | Los Angeles Unified School District, California, Certificates of Participation (Administration Building Project), Series 2001B, 5.000%, 10/01/31  | 10/11 at 100 |
| 4,250        | Los Angeles County Metropolitan Transportation Authority, California, Proposition C Sales Tax Revenue Bonds, Second Senior Series 1998A Refunding, 5.000%, 7/01/23                                  | 7/08 at 101  |
| 12,605       | Los Angeles County Metropolitan Transportation Authority, California, Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2001A, 5.000%, 7/01/31  | 7/11 at 101  |
| 8,470        | Ontario Redevelopment Financing Authority, California, Lease Revenue Bonds (Capital Projects), Series 2001, 5.200%, 8/01/29   | 8/11 at 101  |
| 5,000        | Palm Desert Financing Authority, California, Tax Allocation Revenue Bonds (Project Area No. 1), Series 2002 Refunding, 5.000%, 4/01/25  | 4/12 at 102  |
| 6,000        | Sacramento City Financing Authority, California, Revenue Bonds (City Hall and Redevelopment Projects), 2002 Series A, 5.000%, 12/01/28  | 12/12 at 100 |
| 3,175        | City of San Buenaventura Public Facilities Financing Authority, California, 2001 Certificates of Participation, Series C, 5.250%, 2/01/31   | 2/11 at 101  |
| 5,095        | San Francisco Bay Area Rapid Transit District, California, Sales Tax Revenue Bonds, Series 2001, 5.125%, 7/01/36  | 7/11 at 100  |
| 4,000        | City of San Jose Financing Authority, California, Lease Revenue Bonds (Convention Center Project Refunding), Series 2001F, 5.000%, 9/01/19  | 9/11 at 100  |
| 2,160        | Temecula Redevelopment Agency, California, Tax Allocation Revenue Bonds (Temecula Redevelopment Project No. 1), Series 2002, 5.125%, 8/01/27  | 8/08 at 102  |
| -----        |   |              |
|              | UTILITIES - 24.8%   |              |
|              | Anaheim Public Financing Authority, California, Revenue Bonds (Electric System Distribution Facilities), Series 2002A:  |              |
| 9,000        | 5.000%, 10/01/27  | 10/12 at 100 |
| 20,000       | 5.000%, 10/01/31  | 10/12 at 100 |
| 10,000       | California Pollution Control Financing Authority, Pollution Control Refunding Revenue Bonds (Pacific Gas and Electric Company), Series 1996A Remarketed, 5.350%, 12/01/16 (Alternative Minimum Tax) | 4/11 at 102  |
| 6,000        | Northern California Power Agency, Hydroelectric Project Number One Revenue Bonds, 1998 Refunding Series A, 5.200%, 7/01/32  | 7/08 at 101  |
| 5,500        | Sacramento Municipal Utility District, California, Electric   | 8/11 at 100  |

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Revenue Bonds, Series 2001N, 5.000%, 8/15/28

|       |   |             |
|-------|---|-------------|
| 5,630 | Southern California Public Power Authority, Transmission Project Revenue Bonds (Southern Transmission Project), 2002A Subordinate Refunding Series, 4.750%, 7/01/19 | 7/12 at 100 |
|-------|---|-------------|

-----  
WATER AND SEWER - 15.6%

|       |  |              |
|-------|--|--------------|
| 3,000 | State of California Department of Water Resources, Water System Revenue Bonds (Central Valley Project), Series X, 5.150%, 12/01/23 | 12/12 at 100 |
|-------|--|--------------|

|       |  |             |
|-------|--|-------------|
| 9,000 | Eastern Municipal Water District, California, Water and Sewer Revenue Certificates of Participation, Series 2001B, 5.000%, 7/01/30 | 7/11 at 100 |
|-------|--|-------------|

|     |   |             |
|-----|---|-------------|
| 750 | Livermore-Amador Valley Water Management Agency, California, Sewer Revenue Bonds, Series A, 5.000%, 8/01/31 | 8/11 at 100 |
|-----|---|-------------|

|       |   |             |
|-------|---|-------------|
| 9,000 | Department of Water and Power of the City of Los Angeles, California, Waterworks Revenue Bonds, Series 2001A Refunding, 5.125%, 7/01/41 | 7/11 at 100 |
|-------|---|-------------|

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Nuveen Insured California Dividend Advantage Municipal Fund (NKL) (co  
Portfolio of Investments August 31, 2002

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIO<br>PROVISIO |
|---------------------------|--|-------------------|
| -----                     |  |                   |
|                           | WATER AND SEWER (continued)  |                   |
| \$ 6,000                  | City of Los Angeles, California, Wastewater System Revenue Bonds, Series 2002A Refunding, 5.000%, 6/01/32                  | 6/12 at 100       |
| 4,500                     | The Metropolitan Water District of Southern California, Water Revenue Bonds, 1997 Authorization, Series A, 5.000%, 7/01/30 | 1/08 at 101       |
| 2,000                     | Pico Rivera Water Authority, California, Water System Project Revenue Bonds, Series 1999A Refunding, 5.500%, 5/01/19       | No Opt. C         |
| 1,110                     | Santa Clara Valley Water District, California, Water Utility System Revenue Bonds, Series 2000A, 5.125%, 6/01/31           | 6/10 at 100       |
| -----                     |  |                   |
| \$ 341,300                | Total Investments (cost \$334,707,539) - 150.8%  |                   |
| =====                     |  |                   |
|                           | Other Assets Less Liabilities - 0.3%   |                   |
|                           | -----  |                   |
|                           | Preferred Shares, at Liquidation Value - (51.1)%   |                   |
|                           | -----  |                   |
|                           | Net Assets Applicable to Common Shares - 100%  |                   |
| =====                     |  |                   |

All of the bonds in the portfolio are either covered by  
Original Issue Insurance, Secondary Market Insurance or

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Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

\* Optional Call Provisions (not covered by the report of independent auditors): 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 (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

(WI) Security purchased on a when-issued basis.

See accompanying notes to financial statements.

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Statement of  
Assets and Liabilities August 31, 2002

|   | INSURED<br>CALIFORNIA<br>PREMIUM INCOME<br>(NPC) |
|---|--|
| -----   |  |
| ASSETS  |  |
| Investments in municipal securities, at market value  | \$146,796,087                                    |
| Temporary investments in short-term securities, at amortized cost,<br>which approximates market value | 5,000,000  |
| Cash  | --   |
| Receivables:  |  |
| Interest  | 2,127,586  |
| Investments sold  | --   |
| Other assets  | 10,026   |
| -----   |  |
| Total assets  | 153,933,699                                      |
| -----   |  |
| LIABILITIES   |  |
| Cash overdraft  | 4,151,599  |
| Payable for investments purchased   | --   |
| Accrued expenses:   |  |
| Management fees   | 81,413   |
| Organization and offering costs   | --   |
| Other   | 90,446   |
| Preferred share dividends payable   | 6,778  |
| Common share dividends payable  | 466,820  |
| -----   |  |
| Total liabilities   | 4,797,056  |
| -----   |  |
| Preferred shares, at liquidation value  | 45,000,000                                       |
| -----   |  |
| Net assets applicable to Common shares  | \$104,136,643                                    |
| =====   |  |
| Common shares outstanding   | 6,438,911  |
| =====   |  |
| Net asset value per Common share outstanding (net assets applicable to Common                         |  |

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|   |               |
|---|---------------|
| shares, divided by Common shares outstanding)         | \$ 16.17      |
| =====   |               |
| NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:    |               |
| -----   |               |
| Common shares, \$.01 par value per share              | \$ 64,389     |
| Paid-in surplus                                       | 89,092,270    |
| Undistributed net investment income                   | 1,830,679     |
| Accumulated net realized gain (loss) from investments | 334,001       |
| Net unrealized appreciation of investments            | 12,815,304    |
| -----   |               |
| Net assets applicable to Common shares                | \$104,136,643 |
| =====   |               |
| Authorized shares:                                    |               |
| Common  | 200,000,000   |
| Preferred   | 1,000,000     |
| =====   |               |

See accompanying notes to financial statements.

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Statement of  
Assets and Liabilities August 31, 2002 (continued)

|   | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) |
|---|--|--|
| -----   |  |  |
| ASSETS  |  |  |
| Investments in municipal securities, at market value  | \$525,051,709                                | \$315,338,557                                  |
| Temporary investments in short-term securities, at amortized cost,<br>which approximates market value | --   | 9,500,000                                      |
| Cash  | 44,119                                       | 832,889  |
| Receivables:  |  |  |
| Interest  | 7,083,975                                    | 4,416,680                                      |
| Investments sold  | 1,710,000                                    | --   |
| Other assets  | 33,620                                       | 17,274   |
| -----   |  |  |
| Total assets  | 533,923,423                                  | 330,105,400                                    |
| -----   |  |  |
| LIABILITIES   |  |  |
| Cash overdraft  | --   | --   |
| Payable for investments purchased   | --   | --   |
| Accrued expenses:   |  |  |
| Management fees   | 149,577                                      | 94,202   |
| Organization and offering costs   | --   | 4,542  |
| Other   | 207,010                                      | 91,017   |
| Preferred share dividends payable   | 24,920                                       | 21,538   |
| Common share dividends payable  | 1,720,782                                    | 1,079,718                                      |
| -----   |  |  |
| Total liabilities   | 2,102,289                                    | 1,291,017                                      |
| -----   |  |  |
| Preferred shares, at liquidation value  | 175,000,000                                  | 110,000,000                                    |
| -----   |  |  |

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|  |               |               |
|--|---------------|---------------|
| Net assets applicable to Common shares   | \$356,821,134 | \$218,814,383 |
| Common shares outstanding  | 23,412,013    | 14,790,660    |
| Net asset value per Common share outstanding<br>(net assets applicable to Common<br>shares, divided by Common<br>shares outstanding) | \$ 15.24      | \$ 14.79      |

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

|   |               |               |
|---|---------------|---------------|
| Common shares, \$.01 par value per share              | \$ 234,120    | \$ 147,907    |
| Paid-in surplus                                       | 332,500,716   | 210,010,181   |
| Undistributed net investment income                   | 2,840,186     | 1,221,035     |
| Accumulated net realized gain (loss) from investments | (3,589,485)   | (253,790)     |
| Net unrealized appreciation of investments            | 24,835,597    | 7,689,050     |
| Net assets applicable to Common shares                | \$356,821,134 | \$218,814,383 |
| Authorized shares:                                    |               |               |
| Common  | Unlimited     | Unlimited     |
| Preferred   | Unlimited     | Unlimited     |

See accompanying notes to financial statements.

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Statement of  
Operations Year Ended August 31, 2002

|  |  |
|--|--|
|  | INSURED<br>CALIFORNIA<br>PREMIUM INCOME<br>(NPC) |
| INVESTMENT INCOME  | \$ 7,933,884                                     |
| EXPENSES   |  |
| Management fees  | 946,370  |
| Preferred shares - auction fees                                      | 112,500  |
| Preferred shares - dividend disbursing agent fees                    | 10,000   |
| Shareholders' servicing agent fees and expenses                      | 16,527   |
| Custodian's fees and expenses  | 42,442   |
| Directors'/Trustees' fees and expenses                               | 1,411  |
| Professional fees  | 12,330   |
| Shareholders' reports - printing and mailing expenses                | 15,411   |
| Stock exchange listing fees  | 15,577   |
| Investor relations expense   | 18,443   |
| Portfolio insurance expense  | 13,194   |
| Other expenses   | 14,193   |
| Total expenses before custodian fee credit and expense reimbursement | 1,218,398  |
| Custodian fee credit   | (13,577)   |
| Expense reimbursement  | --   |
| Net expenses   | 1,204,821  |



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|  |              |
|--|--------------|
| Net investment income  | 6,729,063    |
| -----  |              |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS                   |              |
| Net realized gain (loss) from investments                              | 2,870,032    |
| Change in net unrealized appreciation<br>(depreciation) of investments | (2,620,683)  |
| -----  |              |
| Net gain (loss) from investments                                       | 249,349      |
| -----  |              |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS                                |              |
| From net investment income   | (578,229)    |
| -----  |              |
| Net increase in net assets applicable to Common shares from operations | \$ 6,400,183 |
| =====  |              |

See accompanying notes to financial statements.

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Statement of  
Operations Year Ended August 31, 2002 (continued)

|  | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) |
|--|--|--|
| -----  |  |  |
| INVESTMENT INCOME  | \$27,477,386                                 | \$17,223,513                                   |
| -----  |  |  |
| EXPENSES   |  |  |
| Management fees  | 3,300,757                                    | 2,079,849                                      |
| Preferred shares - auction fees                                      | 437,500                                      | 275,000  |
| Preferred shares - dividend disbursing agent fees                    | 20,000                                       | 20,000   |
| Shareholders' servicing agent fees and expenses                      | 10,930                                       | 5,725  |
| Custodian's fees and expenses  | 140,513                                      | 88,165   |
| Directors'/Trustees' fees and expenses                               | 5,065  | 3,547  |
| Professional fees  | 19,901                                       | 8,733  |
| Shareholders' reports - printing and mailing expenses                | 34,985                                       | 26,164   |
| Stock exchange listing fees  | 21,818                                       | 1,435  |
| Investor relations expense   | 55,453                                       | 19,992   |
| Portfolio insurance expense  | --   | --   |
| Other expenses   | 28,079                                       | 25,923   |
| -----  |  |  |
| Total expenses before custodian fee credit and expense reimbursement |  | 4,075,001                                      |
| 1,034,832  |  |  |
| Custodian fee credit   | (16,406)                                     | (18,702)                                       |
| Expense reimbursement  | (1,563,125)                                  | (975,827)                                      |
| -----  |  |  |
| Net expenses   | 2,495,470                                    | 1,560,004                                      |
| -----  |  |  |
| Net investment income  | 24,981,916                                   | 15,663,509                                     |
| -----  |  |  |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS                 |  |  |
| Net realized gain (loss) from investments                            | 3,991,908                                    | 351,147  |

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|   |              |              |
|---|--------------|--------------|
| Change in net unrealized appreciation<br>(depreciation) of investments    | (3,853,349)  | (6,268,122)  |
| Net gain (loss) from investments  | 138,559      | (5,916,975)  |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS                                   |              |              |
| From net investment income  | (2,424,510)  | (1,578,722)  |
| Net increase in net assets applicable to Common shares<br>from operations | \$22,695,965 | \$ 8,167,812 |

\* For the period September 25, 2001 (commencement of operations) through August 31, 2002.

\*\* For the period March 27, 2002 (commencement of operations) through August 31, 2002.

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets

|  | INSURED CALIFORNIA<br>PREMIUM INCOME (NPC) |                       | INSURED CALIFORNIA<br>PREMIUM INCOME 2 (NCL) |                       |
|--|--|-----------------------|--|-----------------------|
|  | YEAR ENDED<br>8/31/02                      | YEAR ENDED<br>8/31/01 | YEAR ENDED<br>8/31/02                        | YEAR ENDED<br>8/31/01 |
| OPERATIONS   |  |                       |  |                       |
| Net investment income  | \$ 6,729,063                               | \$ 6,701,784          | \$ 12,715,990                                | \$ 12,730,7           |
| Net realized gain (loss)<br>from investments   | 2,870,032                                  | (3,088)               | 92,173                                       | (518,3                |
| Change in net unrealized<br>appreciation (depreciation)<br>of investments                    | (2,620,683)                                | 6,344,071             | (194,559)                                    | 12,002,3              |
| Distributions to Preferred<br>Shareholders from<br>and in excess of net<br>investment income | (578,229)                                  | (1,375,685)           | (1,211,432)                                  | (2,765,7              |
| Net increase in net assets<br>applicable to Common<br>shares from operations                 | 6,400,183                                  | 11,667,082            | 11,402,172                                   | 21,449,0              |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS   |  |                       |  |                       |
| From and in excess of net<br>investment income   | (5,538,554)                                | (5,501,796)           | (10,503,880)                                 | (9,845,9              |
| CAPITAL SHARE TRANSACTIONS   |  |                       |  |                       |
| Common shares:   |  |                       |  |                       |
| Net proceeds from sale of shares   | --   | --                    | --   |                       |
| Net proceeds from shares issued<br>to shareholders due to<br>reinvestment of distributions   | 207,189                                    | --                    | 338,627                                      | 53,1                  |
| Preferred shares offering cost   | --   | --                    | --   |                       |

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|  |               |               |               |             |
|--|---------------|---------------|---------------|-------------|
| Net increase in net assets applicable to Common shares from capital share transactions | 207,189       | --            | 338,627       | 53,1        |
| Net increase (decrease) in net assets applicable to Common shares                      | 1,068,818     | 6,165,286     | 1,236,919     | 11,656,2    |
| Net assets applicable to Common shares at the beginning of period                      | 103,067,825   | 96,902,539    | 189,633,011   | 177,976,7   |
| Net assets applicable to Common shares at the end of period                            | \$104,136,643 | \$103,067,825 | \$190,869,930 | \$189,633,0 |
| Undistributed (Over-distribution of) net investment income at the end of period        | \$ 1,830,679  | \$ 324,927    | \$ 1,761,555  | \$ 544,5    |

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets (continued)

|   | CALIFORNIA<br>DIVIDEND ADVANTAGE (NAC) |                       | CALIFORNIA<br>DIVIDEND ADVANTAGE 2 (NVX) |   |
|---|--|-----------------------|--|---|
|   | YEAR ENDED<br>8/31/02                  | YEAR ENDED<br>8/31/01 | YEAR ENDED<br>8/31/02                    | FOR THE<br>PERIOD 3/27/<br>(COMMENCEME<br>OF OPERATION<br>THROUGH 8/31/ |
| OPERATIONS  |  |                       |  |   |
| Net investment income   | \$ 24,981,916                          | \$ 24,993,570         | \$ 15,663,509                            | \$ 5,021,1  |
| Net realized gain (loss) from investments   | 3,991,908                              | 153,449               | 351,147                                  | (604,9  |
| Change in net unrealized appreciation (depreciation) of investments                 | (3,853,349)                            | 30,026,536            | (6,268,122)                              | 13,963,6  |
| Distributions to Preferred Shareholders from and in excess of net investment income | (2,424,510)                            | (5,398,060)           | (1,578,722)                              | (765,4  |
| Net increase in net assets applicable to Common shares from operations              | 22,695,965                             | 49,775,495            | 8,167,812                                | 17,614,4  |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS  |  |                       |  |   |
| From and in excess of net investment income   | (20,156,545)                           | (18,957,806)          | (12,867,313)                             | (4,258,6  |

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CAPITAL SHARE TRANSACTIONS

Common shares:

|  |               |               |               |             |
|--|---------------|---------------|---------------|-------------|
| Net proceeds from sale of shares   | --            | --            | --            | 211,280,1   |
| Net proceeds from shares issued to shareholders due to reinvestment of distributions   | 84,644        | 53,132        | 73,486        | 2           |
| Preferred shares offering costs  | --            | --            | --            | (1,296,0    |
| -----  |               |               |               |             |
| Net increase in net assets applicable to Common shares from capital share transactions | 84,644        | 53,132        | 73,486        | 209,984,3   |
| -----  |               |               |               |             |
| Net increase (decrease) in net assets applicable to Common shares                      | 2,624,064     | 30,870,821    | (4,626,015)   | 223,340,1   |
| Net assets applicable to Common shares at the beginning of period                      | 354,197,070   | 323,326,249   | 223,440,398   | 100,2       |
| -----  |               |               |               |             |
| Net assets applicable to Common shares at the end of period                            | \$356,821,134 | \$354,197,070 | \$218,814,383 | \$223,440,3 |
| =====  |               |               |               |             |
| Undistributed (Over-distribution of) net investment income at the end of period        | \$ 2,840,186  | \$ 439,325    | \$ 1,221,035  | \$ (2,9     |
| =====  |               |               |               |             |

See accompanying notes to financial statements.

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Notes to  
Financial Statements

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The California Funds (the "Funds") covered in this report and their corresponding stock exchange symbols are Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC), Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL), Nuveen California Premium Income Municipal Fund (NCU), Nuveen California Dividend Advantage Municipal Fund (NAC), Nuveen California Dividend Advantage Municipal Fund 2 (NVX), Nuveen California Dividend Advantage Municipal Fund 3 (NZH) and Nuveen Insured California Dividend Advantage Municipal Fund (NKL). Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL) and California Dividend Advantage (NAC) are traded on the New York Stock Exchange while California Premium Income (NCU), California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL) are traded on the American Stock Exchange.

Prior to the commencement of operations of California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL), the Funds had no operations other than those related to organizational matters, the initial capital contribution of \$100,275 by Nuveen Advisory Corp. (the "Adviser"), a wholly owned subsidiary of The John Nuveen Company and the recording of the organization expenses (\$15,000, \$11,500 and \$11,500, respectively) and their reimbursement by Nuveen Investments, also a wholly owned subsidiary of The John Nuveen Company.

Each Fund seeks to provide current income exempt from both regular federal and

California state income taxes by investing primarily in a diversified portfolio of municipal obligations issued by state and local government authorities within the state of California. The Funds are registered under the Investment Company Act of 1940 as closed-end management investment companies.

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

#### Securities Valuation

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

#### Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased or sold on a when-issued or delayed delivery basis may have extended settlement periods. The securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets in a separate account with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At August 31, 2002, California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL) had outstanding when-issued purchase commitments of \$7,007,194 and \$4,244,880, respectively. There were no such outstanding purchase commitments in any of the other Funds.

#### Investment Income

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

#### Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income to its shareholders. 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 California state income taxes, to retain such tax-exempt status when distributed to shareholders of the Funds. All monthly tax-exempt income dividends paid during the period ended August 31, 2002, have been designated Exempt Interest Dividends.

Notes to  
Financial Statements (continued)

#### Dividends and Distributions to Common Shareholders

Tax-exempt net investment income is declared monthly as a dividend. Generally, payment is made or reinvestment is credited to shareholder accounts on the first

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business day after month end. Net realized capital gains and/or market discount from investment transactions, if any, are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Distributions to Common Shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income, distributions in excess of net realized gains and/or distributions in excess of net ordinary taxable income from investment transactions, where applicable.

Preferred Shares

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

|                   | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|-------------------|---|---|--|
| -----             |   |   |  |
| Number of shares: |   |   |  |
| Series M          | --  | --  | 1,720                                    |
| Series T          | 1,800   | 1,900   | --                                       |
| Series TH         | --  | 1,900   | --                                       |
| Series F          | --  | --  | --                                       |
| -----             |   |   |  |
| Total             | 1,800   | 3,800   | 1,720                                    |
| =====             |   |   |  |

|                   | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | INSURED<br>CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NKL) |
|-------------------|--|--|--|---|
| -----             |  |  |  |   |
| Number of shares: |  |  |  |   |
| Series M          | --   | 2,200  | 3,740  | --  |
| Series T          | --   | --   | --   | 2,360   |
| Series TH         | 3,500  | --   | 3,740  | --  |
| Series F          | 3,500  | 2,200  | --   | 2,360   |
| -----             |  |  |  |   |
| Total             | 7,000  | 4,400  | 7,480  | 4,720   |
| =====             |  |  |  |   |

Effective November 16, 2001, California Dividend Advantage 3 (NZH) issued 3,740 Series M and 3,740 Series TH, \$25,000 stated value Preferred shares.

Effective May 17, 2002, Insured California Dividend Advantage (NKL) issued 2,360 Series T and 2,360 Series F, \$25,000 stated value Preferred shares.

#### Insurance

Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL) and Insured California Dividend Advantage (NKL) invest in municipal securities which are either covered by insurance or are backed by an escrow or trust account containing sufficient U.S. Government or U.S. Government agency securities, both of which ensure the timely payment of principal and interest. Each insured municipal security is covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance. Such insurance does not guarantee the market value of the municipal securities or the value of the Funds' shares. Original Issue Insurance and Secondary Market Insurance remain in effect as long as the municipal securities covered thereby remain outstanding and the insurer remains in business, regardless of whether the Funds ultimately dispose of such municipal securities. Consequently, the market value of the municipal securities covered by Original Issue Insurance or Secondary Market Insurance may reflect value attributable to the insurance. Portfolio Insurance is effective only while the municipal securities are held by the Funds. Accordingly, neither the prices used in determining the market value of the underlying municipal securities nor the net asset value of the Funds' shares include value, if any, attributable to the Portfolio Insurance. Each policy of the Portfolio Insurance does, however, give the Funds the right to obtain permanent insurance with respect to the municipal security covered by the Portfolio Insurance policy at the time of its sale.

#### Derivative Financial Instruments

The Funds may invest in transactions in certain derivative financial instruments including futures, forward, swap and option contracts, and other financial instruments with similar characteristics. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the period ended August 31, 2002.

#### Custodian Fee Credit

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

#### Offering Costs

Nuveen Investments has agreed to pay all offering costs (other than the sales load) that exceed \$.03 per Common share for California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL). California Dividend Advantage 2's (NVX), California Dividend Advantage 3's (NZH) and Insured California Dividend Advantage's (NKL) share of offering costs (\$423,743, \$723,000 and \$457,500, respectively) were recorded as a reduction of the proceeds from the sale of Common shares.

Costs incurred by California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL) in connection with their offering of Preferred shares (\$1,296,000, \$2,129,850 and \$1,363,188, respectively) were recorded as a reduction to paid-in surplus.

#### Use of Estimates

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

#### Change in Accounting Policy

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As required, effective September 1, 2001, the following Funds have adopted the provisions of the new AICPA Audit and Accounting Guide for Investment Companies and began accreting taxable market discount on debt securities. Prior to September 1, 2001, the Funds did not accrete taxable market discount on debt securities until they were sold. The cumulative effect of this accounting change had no impact on the total net assets applicable to Common shares or the Common share net asset values of the Funds, but resulted in an increase in the cost of securities and a corresponding decrease in net unrealized appreciation based on securities held by the Funds on September 1, 2001, as follows:

| INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) | CALIFORNIA DIVIDEND ADVANTAGE (NAC) | CALIFORNIA DIVIDEND ADVANTAGE 2 (NVX) |
|---|---|---------------------------------|-------------------------------------|---------------------------------------|
| \$893,472                               | \$87,380                                  | \$102,039                       | \$--                                | \$6,523                               |

The Statement of Changes in Net Assets and Financial Highlights for the prior periods have not been restated to reflect this change in presentation.

The net effect of this change for the fiscal year ended August 31, 2002, was to increase investment income with a corresponding decrease in net unrealized appreciation as follows:

| INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME (NCU) | CALIFORNIA DIVIDEND ADVANTAGE (NAC) | CALIFORNIA DIVIDEND ADVANTAGE 2 (NVX) |
|---|---|---------------------------------|-------------------------------------|---------------------------------------|
| \$99,557                                | \$12,216                                  | \$13,593                        | \$--                                | \$16,009                              |

Notes to Financial Statements (continued)

Classification and Measurement of Redeemable Securities

The Funds have adopted the classification requirement of EITF D-98, Classification and Measurement of Redeemable Securities. EITF D-98 requires that Preferred shares, at liquidation value, be presented separately in the Statement of Assets and Liabilities. Accordingly, certain reclassifications have been made to the financial statements and financial highlights for all prior periods presented. The adoption of EITF D-98 had no impact on the Funds' Common share net asset values.

2. FUND SHARES

Transactions in Common and Preferred shares were as follows:

| INSURED CALIFORNIA PREMIUM INCOME (NPC) | INSURED CALIFORNIA PREMIUM INCOME 2 (NCL) | CALIFORNIA PREMIUM INCOME |
|---|---|---------------------------|
|---|---|---------------------------|



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|  | YEAR ENDED<br>8/31/02 | YEAR ENDED<br>8/31/01 | YEAR ENDED<br>8/31/02 | YEAR ENDED<br>8/31/01 | YEAR ENDED<br>8/31/02 | Y |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
| -----  |                       |                       |                       |                       |                       |   |
| Common shares:   |                       |                       |                       |                       |                       |   |
| Shares sold  | --                    | --                    | --                    | --                    | --                    |   |
| Shares issued to shareholders<br>due to reinvestment<br>of distributions | 13,079                | --                    | 22,774                | 3,745                 | 2,696                 |   |
|  | 13,079                | --                    | 22,774                | 3,745                 | 2,696                 |   |
| =====  |                       |                       |                       |                       |                       |   |
| Preferred shares sold  | --                    | --                    | --                    | --                    | --                    |   |
| =====  |                       |                       |                       |                       |                       |   |

|  | CALIFORNIA DIVIDEND<br>ADVANTAGE (NAC) |                       | CALIFORNIA DIVIDEND<br>ADVANTAGE 2 (NVX) |   | CALIFORNIA D<br>ADVANTAGE 3 |                                       |
|--|--|-----------------------|--|---|-----------------------------|---------------------------------------|
|  |  |                       |  | FOR THE<br>PERIOD 3/27/01<br>(COMMENCEMENT<br>OF OPERATIONS)<br>THROUGH |                             | F<br>PERIO<br>(COM<br>OF OP<br>T<br>8 |
|  | YEAR ENDED<br>8/31/02                  | YEAR ENDED<br>8/31/01 | YEAR ENDED<br>8/31/02                    | 8/31/01   |                             | 8                                     |
| -----  |  |                       |  |   |                             |                                       |
| Common shares:   |  |                       |  |   |                             |                                       |
| Shares sold  | --                                     | --                    | --                                       | 14,780,000  |                             | 24                                    |
| Shares issued to shareholders<br>due to reinvestment<br>of distributions | 5,665                                  | 3,990                 | 3,644                                    | 16  |                             |                                       |
|  | 5,665                                  | 3,990                 | 3,644                                    | 14,780,016  |                             | 24                                    |
| =====  |  |                       |  |   |                             |                                       |
| Preferred shares sold  | --                                     | --                    | --                                       | 4,400   |                             |                                       |
| =====  |  |                       |  |   |                             |                                       |

|  | INSURE<br>ADVANTAGE ( |  |  |  |  |                                       |
|--|-----------------------|--|--|--|--|---------------------------------------|
|  |                       |  |  |  |  | F<br>PERIO<br>(COM<br>OF OP<br>T<br>8 |
| -----  |                       |  |  |  |  |                                       |
| Common shares:   |                       |  |  |  |  |                                       |
| Shares sold  |                       |  |  |  |  | 15                                    |
| Shares issued to shareholders<br>due to reinvestment<br>of distributions |                       |  |  |  |  |                                       |
|  |                       |  |  |  |  | 15                                    |
| =====  |                       |  |  |  |  |                                       |
| Preferred shares sold  |                       |  |  |  |  |                                       |
| =====  |                       |  |  |  |  |                                       |

3. SUBSEQUENT EVENT - DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid October 1, 2002, to shareholders of record on September 15, 2002, as follows:

|                    | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|--------------------|---|---|--|
| Dividend per share | \$ .0735  | \$ .0725  | \$ .0715                                 |

|                    | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | INSURED<br>CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NKL) |
|--------------------|--|--|--|---|
| Dividend per share | \$ .0755                                     | \$ .0740                                       | \$ .0720                                       | \$ .0760  |

4. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities and short-term securities during the fiscal year ended August 31, 2002, were as follows:

|                                | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|--------------------------------|---|---|--|
| <b>Purchases:</b>              |   |   |  |
| Long-term municipal securities | \$43,979,020  | \$20,086,665  | \$12,537,322                             |
| Short-term securities          | 5,000,000   | 2,100,000   | 5,130,000                                |
| <b>Sales and maturities:</b>   |   |   |  |
| Long-term municipal securities | 43,680,995  | 18,076,382  | 11,922,585                               |
| Short-term securities          | --  | 2,100,000   | 3,630,000                                |

|                                | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) * | CA<br>A |
|--------------------------------|--|--|--|---------|
| <b>Purchases:</b>              |  |  |  |         |
| Long-term municipal securities | \$175,190,791                                | \$102,810,054                                  | \$735,054,004                                    | \$363   |
| Short-term securities          | 5,000,000                                    | 16,500,000                                     | 74,840,000                                       | 77      |
| <b>Sales and maturities:</b>   |  |  |  |         |

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|                                |             |             |             |    |
|--------------------------------|-------------|-------------|-------------|----|
| Long-term municipal securities | 172,874,646 | 110,750,382 | 225,300,412 | 29 |
| Short-term securities          | 5,100,000   | 7,000,000   | 66,840,000  | 77 |

\* For the period September 25, 2001 (commencement of operations) through August 31, 2002.

\*\* For the period March 27, 2002 (commencement of operations) through August 31, 2002.

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Notes to  
Financial Statements (continued)

5. INCOME TAX INFORMATION

The following information is presented on an income tax basis as of August 31, 2002. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing income on taxable market discount securities and timing differences in recognizing certain gains and losses on security transactions.

|                     | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|---------------------|---|---|--|
| Cost of Investments | \$138,529,134                                       | \$261,195,722   | \$119,553,077                            |

|                     | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | INSURED<br>CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NKL) |
|---------------------|--|--|--|---|
| Cost of Investments | \$500,216,112                                | \$317,126,975                                  | \$511,339,552                                  | \$334,707,539   |

|   | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|---|---|---|--|
| Gross unrealized:<br>appreciation             | \$13,266,953  | \$22,283,644  | \$6,755,807                              |
| depreciation                                  | --  | --  | (387,361)                                |
| Net unrealized appreciation<br>on investments | \$13,266,953  | \$22,283,644  | \$6,368,446                              |

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|   | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | INSURED<br>CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NKL) |
|---|--|--|--|---|
| Gross unrealized:                             |  |  |  |   |
| appreciation                                  | \$25,121,189                                 | \$12,223,277                                   | \$8,884,530                                    | \$13,672,712  |
| depreciation                                  | (285,592)                                    | (4,511,695)                                    | (223,702)                                      | --  |
| Net unrealized appreciation<br>on investments | \$24,835,597                                 | \$ 7,711,582                                   | \$8,660,828                                    | \$13,672,712  |

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The tax components of undistributed net investment income and net realized gains at August 31, 2002, were as follows:

|   | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CA  |
|---|---|---|-----|
| Undistributed tax-exempt income           | \$1,393,182   | \$2,577,506   | \$1 |
| Undistributed ordinary income *           | 459,740   | --  |     |
| Undistributed net long-term capital gains | 334,001   | --  |     |

|   | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | CA  |
|---|--|--|--|-----|
| Undistributed tax-exempt income           | \$4,585,890                                  | \$2,298,682                                    | \$2,477,722                                    | \$1 |
| Undistributed ordinary income *           | --   | --   | --   |     |
| Undistributed net long-term capital gains | --   | --   | --   |     |

The tax character of distributions paid during the period ended August 31, 2002, were designated for purposes of the dividends paid deduction as follows:

|  | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CA |
|--|---|---|----|
|  |   |   |    |

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|  |             |              |     |
|--|-------------|--------------|-----|
| Distributions from tax-exempt income           | \$6,096,991 | \$11,644,088 | \$5 |
| Distributions from ordinary income *           | --          | --           |     |
| Distributions from net long-term capital gains | --          | --           |     |

|  | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 3<br>(NZH) | CA<br>A |
|--|--|--|--|---------|
| Distributions from tax-exempt income           | \$22,478,680                                 | \$14,436,589                                   | \$17,562,240                                   | \$3     |
| Distributions from ordinary income *           | --   | --   | --   |         |
| Distributions from net long-term capital gains | --   | --   | --   |         |

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

At August 31, 2002, 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:

|                  | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) |
|------------------|---|--|--|--|
| Expiration year: |   |  |  |  |
| 2003             | \$ 323,810  | \$ 329,551                               | \$ --  | \$ --  |
| 2004             | 4,345,091   | 2,742,449                                | --   | --   |
| 2005             | 1,283,948   | 1,049,994                                | --   | --   |
| 2006             | --  | --                                       | --   | --   |
| 2007             | --  | --                                       | --   | --   |
| 2008             | --  | --                                       | --   | --   |
| 2009             | 2,185,870   | --                                       | 3,589,485                                    | --   |
| 2010             | 440,509   | --                                       | --   | 253,790  |
| Total            | \$8,579,228   | \$4,121,994                              | \$3,589,485                                  | \$253,790                                      |

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Notes to  
Financial Statements (continued)

California Dividend Advantage 3 (NZH) has elected to defer net realized losses from investments incurred from November 1, 2001 through August 31, 2002 ("post-October losses") in accordance with Federal income tax regulations. The post-October losses of \$6,468,859 are treated as having arisen in the following year.

6. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under Insured California Premium Income's (NPC), Insured California Premium Income 2's (NCL) and California Premium Income's (NCU) investment management agreements with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets (including net assets attributable to Preferred shares) of each Fund as follows:

| AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES) | MANAGEMENT FEE |
|--|----------------|
| For the first \$125 million  | .6500%         |
| For the next \$125 million   | .6375          |
| For the next \$250 million   | .6250          |
| For the next \$500 million   | .6125          |
| For the next \$1 billion   | .6000          |
| For the next \$3 billion   | .5875          |
| For net assets over \$5 billion  | .5750          |

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

| AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES) | MANAGEMENT FEE |
|--|----------------|
| For the first \$125 million  | .6500%         |
| For the next \$125 million   | .6375          |
| For the next \$250 million   | .6250          |
| For the next \$500 million   | .6125          |
| For the next \$1 billion   | .6000          |
| For net assets over \$2 billion  | .5750          |

For the first ten years of California Dividend Advantage's (NAC) 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<br>JULY 31, |      | YEAR ENDING<br>JULY 31, |      |
|-------------------------|------|-------------------------|------|
| 1999*                   | .30% | 2005                    | .25% |
| 2000                    | .30  | 2006                    | .20  |
| 2001                    | .30  | 2007                    | .15  |
| 2002                    | .30  | 2008                    | .10  |
| 2003                    | .30  | 2009                    | .05  |
| 2004                    | .30  |                         |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse California Dividend Advantage (NAC) for any portion of its fees and expenses beyond July 31, 2009.

For the first ten years of California Dividend Advantage 2's (NVX) 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<br>MARCH 31, |      | YEAR ENDING<br>MARCH 31, |      |
|--------------------------|------|--------------------------|------|
| 2001*                    | .30% | 2007                     | .25% |
| 2002                     | .30  | 2008                     | .20  |
| 2003                     | .30  | 2009                     | .15  |
| 2004                     | .30  | 2010                     | .10  |
| 2005                     | .30  | 2011                     | .05  |
| 2006                     | .30  |                          |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse California Dividend Advantage 2 (NVX) for any portion of its fees and expenses beyond March 31, 2011.

For the first ten years of California Dividend Advantage 3's (NZH) 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<br>SEPTEMBER 30, |      | YEAR ENDING<br>SEPTEMBER 30, |      |
|------------------------------|------|------------------------------|------|
| 2001*                        | .30% | 2007                         | .25% |
| 2002                         | .30  | 2008                         | .20  |
| 2003                         | .30  | 2009                         | .15  |
| 2004                         | .30  | 2010                         | .10  |
| 2005                         | .30  | 2011                         | .05  |
| 2006                         | .30  |                              |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse California Dividend Advantage 3 (NZH) for any portion of its fees and expenses beyond September 30, 2011.

For the first ten years of Insured California Dividend Advantage's (NKL) 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<br>MARCH 31, |      | YEAR ENDING<br>MARCH 31, |      |
|--------------------------|------|--------------------------|------|
| 2002*                    | .30% | 2008                     | .25% |
| 2003                     | .30  | 2009                     | .20  |
| 2004                     | .30  | 2010                     | .15  |
| 2005                     | .30  | 2011                     | .10  |
| 2006                     | .30  | 2012                     | .05  |
| 2007                     | .30  |                          |      |

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\* From the commencement of operations.

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

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.

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Financial  
Highlights

Selected data for a Common share outstanding throughout each period:

|  | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Net<br>Investment<br>Income | Investment Operations                                       |  |   |        |
|--|--|-----------------------------|---|--|---|--------|
|  |  |                             | Net<br>Realized/<br>Unrealized<br>Investment<br>Gain (Loss) | Distributions<br>from and<br>in Excess<br>of Net<br>Investment<br>Income to<br>Preferred<br>Share-<br>holders+ | Distributions<br>from<br>Capital<br>Gains to<br>Preferred<br>Share-<br>holders+ | Total  |
| =====  |  |                             |   |  |   |        |
| INSURED CALIFORNIA<br>PREMIUM INCOME (NPC)   |  |                             |   |  |   |        |
| -----  |  |                             |   |  |   |        |
| Year Ended 8/31:                             |  |                             |   |  |   |        |
| 2002(a)                                      | \$16.04  | \$1.05                      | \$ .03  | \$ (.09)   | \$--  | \$ .99 |
| 2001   | 15.08  | 1.04                        | .99   | (.21)  | --  | 1.82   |
| 2000   | 14.81  | 1.09                        | .30   | (.24)  | --  | 1.15   |
| 1999   | 16.31  | 1.09                        | (1.56)  | (.20)  | --  | (.67)  |
| 1998   | 15.39  | 1.03                        | .92   | (.22)  | --  | 1.73   |
|  |  |                             |   |  |   |        |
| INSURED CALIFORNIA<br>PREMIUM INCOME 2 (NCL) |  |                             |   |  |   |        |
| -----  |  |                             |   |  |   |        |
| Year Ended 8/31:                             |  |                             |   |  |   |        |
| 2002(a)                                      | 15.01  | 1.02                        | (.02)   | (.10)  | --  | .90    |
| 2001   | 14.09  | 1.01                        | .91   | (.22)  | --  | 1.70   |
| 2000   | 13.70  | 1.02                        | .41   | (.24)  | --  | 1.19   |
| 1999   | 14.82  | 1.01                        | (1.14)  | (.21)  | --  | (.34)  |
| 1998   | 14.06  | .98                         | .77   | (.24)  | --  | 1.51   |
|  |  |                             |   |  |   |        |
| CALIFORNIA PREMIUM<br>INCOME (NCU)           |  |                             |   |  |   |        |
| -----  |  |                             |   |  |   |        |
| Year Ended 8/31:                             |  |                             |   |  |   |        |
| 2002(a)                                      | 14.22  | .99                         | .13   | (.10)  | --  | 1.02   |
| 2001   | 13.34  | 1.00                        | .90   | (.23)  | --  | 1.67   |
| 2000   | 13.19  | 1.03                        | .14   | (.23)  | --  | .94    |
| 1999   | 14.30  | 1.00                        | (1.13)  | (.21)  | --  | (.34)  |
| 1998   | 13.60  | .98                         | .70   | (.24)  | --  | 1.44   |



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

INSURED CALIFORNIA PREMIUM INCOME (NPC)

| Year Ended 8/31: |      |         |           |       |        |
|------------------|------|---------|-----------|-------|--------|
| 2002 (a)         | \$-- | \$16.17 | \$15.8500 | 6.73% | 6.47%  |
| 2001             | --   | 16.04   | 15.6900   | 14.12 | 12.43  |
| 2000             | --   | 15.08   | 14.5625   | .84   | 8.34   |
| 1999             | --   | 14.81   | 15.3750   | 1.62  | (4.35) |
| 1998             | --   | 16.31   | 15.9375   | 15.85 | 11.51  |

INSURED CALIFORNIA PREMIUM INCOME 2 (NCL)

| Year Ended 8/31: |    |       |         |       |        |
|------------------|----|-------|---------|-------|--------|
| 2002 (a)         | -- | 15.08 | 14.8000 | 5.57  | 6.29   |
| 2001             | -- | 15.01 | 14.8300 | 11.99 | 12.45  |
| 2000             | -- | 14.09 | 14.0000 | 3.58  | 9.21   |
| 1999             | -- | 13.70 | 14.3750 | 2.27  | (2.50) |
| 1998             | -- | 14.82 | 14.8125 | 15.70 | 10.95  |

CALIFORNIA PREMIUM INCOME (NCU)

| Year Ended 8/31: |    |       |         |       |        |
|------------------|----|-------|---------|-------|--------|
| 2002 (a)         | -- | 14.42 | 14.0000 | 4.84  | 7.48   |
| 2001             | -- | 14.22 | 14.1700 | 12.84 | 12.92  |
| 2000             | -- | 13.34 | 13.3125 | 5.93  | 7.63   |
| 1999             | -- | 13.19 | 13.3750 | .81   | (2.57) |
| 1998             | -- | 14.30 | 14.0000 | 12.54 | 10.83  |

Ratios/Supplemental Data

|   | Before Credit/Reimbursement  |  | After Credit/Reimbursement***   |  | Port Turn Rate |
|---|--|--|---|--|----------------|
|   | Ratio of Expenses to Average Net Assets Applicable to Common Shares (000) Shares++ | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ | Ratio of Expenses to Average Net Assets Applicable to Common Shares++ | Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++ |                |
| Ending Net Assets Applicable to Common Shares (000) |  |  |   |  |                |

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INSURED CALIFORNIA  
PREMIUM INCOME (NPC)

| Year Ended 8/31: |           |       |       |       |       |     |
|------------------|-----------|-------|-------|-------|-------|-----|
| 2002 (a)         | \$104,137 | 1.21% | 6.65% | 1.19% | 6.66% | 30% |
| 2001             | 103,068   | 1.22  | 6.77  | 1.21  | 6.79  | 21  |
| 2000             | 96,903    | 1.25  | 7.65  | 1.24  | 7.66  | 27  |
| 1999             | 95,091    | 1.22  | 6.81  | 1.22  | 6.82  | 50  |
| 1998             | 104,478   | 1.22  | 6.49  | 1.22  | 6.49  | 2   |

INSURED CALIFORNIA  
PREMIUM INCOME 2 (NCL)

| Year Ended 8/31: |         |      |      |      |      |    |
|------------------|---------|------|------|------|------|----|
| 2002 (a)         | 190,870 | 1.23 | 6.83 | 1.22 | 6.84 | 6  |
| 2001             | 189,633 | 1.24 | 7.01 | 1.24 | 7.02 | 18 |
| 2000             | 177,977 | 1.28 | 7.65 | 1.26 | 7.66 | 26 |
| 1999             | 172,833 | 1.24 | 6.86 | 1.24 | 6.86 | 35 |
| 1998             | 186,399 | 1.25 | 6.79 | 1.25 | 6.79 | 13 |

CALIFORNIA PREMIUM  
INCOME (NCU)

| Year Ended 8/31: |        |      |      |      |      |    |
|------------------|--------|------|------|------|------|----|
| 2002 (a)         | 83,249 | 1.27 | 7.07 | 1.26 | 7.08 | 10 |
| 2001             | 82,067 | 1.32 | 7.36 | 1.30 | 7.38 | 18 |
| 2000             | 76,878 | 1.38 | 8.09 | 1.36 | 8.10 | 19 |
| 1999             | 75,877 | 1.30 | 7.08 | 1.30 | 7.08 | 36 |
| 1998             | 82,066 | 1.32 | 7.02 | 1.32 | 7.02 | 21 |

Municipal Auction Rate Cumulative  
Preferred Stock at End of Period

| Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>and Market<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share |
|---|---|--------------------------------|
|---|---|--------------------------------|

INSURED CALIFORNIA  
PREMIUM INCOME (NPC)

| Year Ended 8/31: |          |          |          |
|------------------|----------|----------|----------|
| 2002 (a)         | \$45,000 | \$25,000 | \$82,854 |
| 2001             | 45,000   | 25,000   | 82,260   |
| 2000             | 45,000   | 25,000   | 78,835   |
| 1999             | 45,000   | 25,000   | 77,828   |
| 1998             | 45,000   | 25,000   | 83,043   |

INSURED CALIFORNIA  
PREMIUM INCOME 2 (NCL)

| Year Ended 8/31: |        |        |        |
|------------------|--------|--------|--------|
| 2002 (a)         | 95,000 | 25,000 | 75,229 |
| 2001             | 95,000 | 25,000 | 74,903 |
| 2000             | 95,000 | 25,000 | 71,836 |
| 1999             | 95,000 | 25,000 | 70,482 |
| 1998             | 95,000 | 25,000 | 74,052 |

CALIFORNIA PREMIUM

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INCOME (NCU)

Year Ended 8/31:

|          |        |        |        |
|----------|--------|--------|--------|
| 2002 (a) | 43,000 | 25,000 | 73,400 |
| 2001     | 43,000 | 25,000 | 72,714 |
| 2000     | 43,000 | 25,000 | 69,696 |
| 1999     | 43,000 | 25,000 | 69,115 |
| 1998     | 43,000 | 25,000 | 72,713 |

\* Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares.

(a) As required, effective September 1, 2001, the Funds have adopted the provisions of the new AICPA Audit and Accounting Guide for Investment Companies and began accreting taxable market discount on debt securities. The effect of this change for the fiscal year ended August 31, 2002, was to increase net investment income per share with a corresponding decrease in net realized/unrealized investment gain (loss) per share and increase each ratio of net investment income to average net assets applicable to Common Shares as follows:

|                              | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|------------------------------|---|---|--|
| 2002 per share impact (\$)   | .02   | --  | --                                       |
| 2002 income ratio impact (%) | .10   | .01   | .02                                      |

The Financial Highlights for the prior periods have not been restated to reflect this change in presentation.

See accompanying notes to financial statements.

60-61 spread

Financial Highlights (continued)  
Selected data for a Common share outstanding throughout each period:

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|  | Investment Operations                              |                             |   |  |   |        |
|--|--|-----------------------------|---|--|---|--------|
|  | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Net<br>Investment<br>Income | Net<br>Realized/<br>Unrealized<br>Investment<br>Gain (Loss) | Distributions<br>from and<br>in Excess<br>of Net<br>Investment<br>Income to<br>Preferred<br>Share-<br>holders+ | Distributions<br>from<br>Capital<br>Gains to<br>Preferred<br>Share-<br>holders+ | Total  |
| CALIFORNIA DIVIDEND<br>ADVANTAGE (NAC)         |  |                             |   |  |   |        |
| Year Ended 8/31:                               |  |                             |   |  |   |        |
| 2002 (e)                                       | \$15.13  | \$1.07                      | \$ --   | \$ (.10)   | \$--  | \$ .97 |
| 2001   | 13.82  | 1.07                        | 1.28  | (.23)  | --  | 2.12   |
| 2000   | 13.33  | 1.07                        | .52   | (.26)  | --  | 1.33   |
| 1999 (a)                                       | 14.33  | .20                         | (.92)   | (.03)  | --  | (.75)  |
| CALIFORNIA DIVIDEND<br>ADVANTAGE 2 (NVX)       |  |                             |   |  |   |        |
| Year Ended 8/31:                               |  |                             |   |  |   |        |
| 2002 (e)                                       | 15.11  | 1.06                        | (.40)   | (.11)  | --  | .55    |
| 2001 (b)                                       | 14.33  | .34                         | .90   | (.05)  | --  | 1.19   |
| CALIFORNIA DIVIDEND<br>ADVANTAGE 3 (NZH)       |  |                             |   |  |   |        |
| Year Ended 8/31:                               |  |                             |   |  |   |        |
| 2002 (c)                                       | 14.33  | .83                         | .09   | (.08)  | --  | .84    |
| INSURED CALIFORNIA<br>DIVIDEND ADVANTAGE (NKL) |  |                             |   |  |   |        |
| Year Ended 8/31:                               |  |                             |   |  |   |        |
| 2002 (d)                                       | 14.33  | .34                         | .92   | (.03)  | --  | 1.23   |

|  | Total Returns  |   |                           |                                  |   |
|--|--|---|---------------------------|----------------------------------|---|
|  | Offering<br>Costs and<br>Preferred<br>Share<br>Underwriting<br>Discounts | Ending<br>Common<br>Share<br>Net Asset<br>Value | Ending<br>Market<br>Value | Based<br>on<br>Market<br>Value** | Based<br>on<br>Common<br>Share<br>Net<br>Asset<br>Value** |
| CALIFORNIA DIVIDEND<br>ADVANTAGE (NAC) |  |   |                           |                                  |   |
| Year Ended 8/31:                       |  |   |                           |                                  |   |
| 2002 (e)                               | \$--   | \$15.24   | \$14.5500                 | 3.67%                            | 6.75%   |
| 2001                                   | --   | 15.13   | 14.8900                   | 15.06                            | 15.85   |
| 2000                                   | --   | 13.82   | 13.7500                   | (2.18)                           | 10.80   |
| 1999 (a)                               | (.11)  | 13.33   | 15.0000                   | .96                              | (5.99)  |

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CALIFORNIA DIVIDEND  
ADVANTAGE 2 (NVX)

| Year Ended 8/31: |       |       |         |       |      |
|------------------|-------|-------|---------|-------|------|
| 2002 (e)         | --    | 14.79 | 14.2800 | (.27) | 3.90 |
| 2001 (b)         | (.12) | 15.11 | 15.2100 | 3.40  | 7.55 |

CALIFORNIA DIVIDEND  
ADVANTAGE 3 (NZH)

| Year Ended 8/31: |       |       |         |        |      |
|------------------|-------|-------|---------|--------|------|
| 2002 (c)         | (.12) | 14.33 | 14.0000 | (1.68) | 5.32 |

INSURED CALIFORNIA  
DIVIDEND ADVANTAGE (NKL)

| Year Ended 8/31: |       |       |         |      |      |
|------------------|-------|-------|---------|------|------|
| 2002 (d)         | (.12) | 15.14 | 15.0000 | 2.05 | 7.84 |

Ratios/Supplemental Data

|  | Before Credit/<br>Reimbursement                                    |   | After Credit/<br>Reimbursement***   |   | Port<br>Turn<br>Rate |
|--|--|---|---|---|----------------------|
|  | Ending<br>Net<br>Assets<br>Applicable<br>to Common<br>Shares (000) | Ratio of<br>Expenses<br>to Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of<br>Expenses<br>to Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ |                      |
|  |  |   |   |   |                      |

CALIFORNIA DIVIDEND  
ADVANTAGE (NAC)

| Year Ended 8/31: |           |       |       |      |       |     |
|------------------|-----------|-------|-------|------|-------|-----|
| 2002 (e)         | \$356,821 | 1.18% | 6.76% | .72% | 7.22% | 33% |
| 2001             | 354,197   | 1.19  | 7.03  | .72  | 7.50  | 17  |
| 2000             | 323,326   | 1.24  | 7.93  | .75  | 8.43  | 25  |
| 1999 (a)         | 311,367   | .93*  | 5.06* | .55* | 5.45* | 8   |

CALIFORNIA DIVIDEND  
ADVANTAGE 2 (NVX)

| Year Ended 8/31: |         |       |       |      |       |    |
|------------------|---------|-------|-------|------|-------|----|
| 2002 (e)         | 218,814 | 1.19  | 6.82  | .73  | 7.28  | 32 |
| 2001 (b)         | 223,440 | 1.05* | 5.23* | .62* | 5.65* | 40 |

CALIFORNIA DIVIDEND  
ADVANTAGE 3 (NZH)

| Year Ended 8/31: |         |       |       |      |       |    |
|------------------|---------|-------|-------|------|-------|----|
| 2002 (c)         | 345,470 | 1.15* | 6.01* | .69* | 6.47* | 49 |

INSURED CALIFORNIA  
DIVIDEND ADVANTAGE (NKL)

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|                  |         |       |       |      |       |    |
|------------------|---------|-------|-------|------|-------|----|
| Year Ended 8/31: |         |       |       |      |       |    |
| 2002 (d)         | 231,062 | 1.10* | 4.98* | .60* | 5.47* | 12 |

=====

Municipal Auction Rate Cumulative  
Preferred Stock at End of Period

| Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>and Market<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share |
|---|---|--------------------------------|
|---|---|--------------------------------|

=====

CALIFORNIA DIVIDEND  
ADVANTAGE (NAC)

-----

|                  |           |          |          |
|------------------|-----------|----------|----------|
| Year Ended 8/31: |           |          |          |
| 2002 (e)         | \$175,000 | \$25,000 | \$75,974 |
| 2001             | 175,000   | 25,000   | 75,600   |
| 2000             | 175,000   | 25,000   | 71,189   |
| 1999 (a)         | 175,000   | 25,000   | 69,481   |

CALIFORNIA DIVIDEND  
ADVANTAGE 2 (NVX)

-----

|                  |         |        |        |
|------------------|---------|--------|--------|
| Year Ended 8/31: |         |        |        |
| 2002 (e)         | 110,000 | 25,000 | 74,731 |
| 2001 (b)         | 110,000 | 25,000 | 75,782 |

CALIFORNIA DIVIDEND  
ADVANTAGE 3 (NZH)

-----

|                  |         |        |        |
|------------------|---------|--------|--------|
| Year Ended 8/31: |         |        |        |
| 2002 (c)         | 187,000 | 25,000 | 71,186 |

INSURED CALIFORNIA  
DIVIDEND ADVANTAGE (NKL)

-----

|                  |         |        |        |
|------------------|---------|--------|--------|
| Year Ended 8/31: |         |        |        |
| 2002 (d)         | 118,000 | 25,000 | 73,954 |

=====

\* Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares.

(a) For the period May 26, 1999 (commencement of operations) through August 31,

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1999.

- (b) For the period March 27, 2001 (commencement of operations) through August 31, 2001.
- (c) For the period September 25, 2001 (commencement of operations) through August 31, 2002.
- (d) For the period March 27, 2002 (commencement of operations) through August 31, 2002.
- (e) As required, effective September 1, 2001, the Funds have adopted the provisions of the new AICPA Audit and Accounting Guide for Investment Companies and began accreting taxable market discount on debt securities. The effect of this change for the fiscal year ended August 31, 2002, was to increase net investment income per share with a corresponding decrease in net realized/unrealized investment gain (loss) per share and increase each ratio of net investment income to average net assets applicable to Common Shares as follows:

|                              | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) |
|------------------------------|--|--|
|                              | -----  |  |
| 2002 per share impact (\$)   | --   | --   |
| 2002 income ratio impact (%) | --   | .01  |

The Financial Highlights for the prior periods have not been restated to reflect this change in presentation.

See accompanying notes to financial statements.

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Directors/Trustees  
and Officers

The management of the Funds, including general supervision of the duties performed for the Funds under the Management Agreement, is the responsibility of the Board of Directors/Trustees of the Funds. The number of directors/trustees of the Funds is currently set at seven, one of whom is an "interested person" (as the term is defined in the Investment Company Act of 1940) and six of whom are not interested persons. None of the directors/trustees who are not interested persons of the Funds have ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the directors/trustees and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

| NAME, BIRTHDATE<br>AND ADDRESS | POSITION(S) HELD<br>WITH THE FUND | YEAR FIRST<br>ELECTED OR<br>APPOINTED<br>AND TERM<br>OF OFFICE (a) | PRINCIPAL OCCUPATION(S)<br>INCLUDING OTHER DIRECTORSHIPS<br>DURING PAST 5 YEARS |
|--------------------------------|-----------------------------------|--|---|
|--------------------------------|-----------------------------------|--|---|

-----  
DIRECTOR/TRUSTEE WHO IS AN INTERESTED PERSON OF THE FUNDS:

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|  |   |                               |  |
|--|---|-------------------------------|--|
| TIMOTHY R. SCHWERTFEGER (1)<br>3/28/1949<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Chairman of the<br>Board, President<br>and Director/<br>Trustee | 1994<br>Term:<br>one year (2) | Chairman and Director (since 1996<br>Nuveen Company, Nuveen Investment<br>Advisory Corp. and Nuveen Institu<br>Corp.; Chairman and Director (sin<br>Nuveen Asset Management Inc.; Dir<br>1996) of Institutional Capital Co<br>Chairman and Director (since 1999<br>Financial Services Inc.; Chief Ex<br>(since 1999) of Nuveen Senior Loa<br>Management Inc. |
|--|---|-------------------------------|--|

DIRECTORS/TRUSTEES WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

|  |                  |                               |                                   |
|--|------------------|-------------------------------|-----------------------------------|
| ROBERT P. BREMNER<br>8/22/1940<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Director/Trustee | 1997<br>Term:<br>one year (2) | Private Investor and Management C |
|--|------------------|-------------------------------|-----------------------------------|

|  |                  |                               |  |
|--|------------------|-------------------------------|--|
| LAWRENCE H. BROWN<br>7/29/1934<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Director/Trustee | 1993<br>Term:<br>one year (2) | Retired (1989) as Senior Vice Pre<br>Northern Trust Company. |
|--|------------------|-------------------------------|--|

|   |                  |                               |  |
|---|------------------|-------------------------------|--|
| ANNE E. IMPELLIZZERI<br>1/26/1933<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Director/Trustee | 1994<br>Term:<br>one year (2) | Retired (2002); formerly, Executi<br>(since 1998) of Manitoga (Center<br>Wright's Design with Nature); pri<br>President and Chief Executive Off<br>Blanton-Peale Institutes of Relig<br>prior thereto, Vice President, Me<br>Insurance Co. |
|---|------------------|-------------------------------|--|

|   |                  |                               |   |
|---|------------------|-------------------------------|---|
| PETER R. SAWERS<br>4/3/1933<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Director/Trustee | 1992<br>Term:<br>one year (2) | Adjunct Professor of Business and<br>University of Dubuque, Iowa; Dire<br>Service Corps of Chicago (not-for<br>Hadley School for the Blind (not-<br>formerly (1991-2000) Adjunct Prof<br>Graduate School of Management, La<br>Illinois; prior thereto, Executiv<br>Towers Perrin Australia, a manage<br>firm; Chartered Financial Analyst<br>Management Consultant. |
|---|------------------|-------------------------------|---|

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| NAME, BIRTHDATE<br>AND ADDRESS | POSITION(S) HELD<br>WITH THE FUND | YEAR FIRST<br>ELECTED OR<br>APPOINTED<br>AND TERM<br>OF OFFICE (a) | PRINCIPAL OCCUPATION(S)<br>INCLUDING OTHER DIRECTORSHIPS<br>DURING PAST 5 YEARS |
|--------------------------------|-----------------------------------|--|---|
|--------------------------------|-----------------------------------|--|---|

DIRECTORS/TRUSTEES WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):

|                      |                  |      |                                   |
|----------------------|------------------|------|-----------------------------------|
| WILLIAM J. SCHNEIDER | Director/Trustee | 1997 | Senior Partner and Chief Operatin |
|----------------------|------------------|------|-----------------------------------|



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9/24/1944  
333 W. Wacker Drive  
Chicago, IL 60606

Term:  
one year (2)

Miller-Valentine Group, Vice Pres  
Miller-Valentine Realty, a constr  
Chair, Miami Valley Hospital; Vic  
Development Coalition; formerly,  
Community Advisory Board, Nationa  
Dayton, Ohio; and Business Adviso  
Cleveland Federal Reserve Bank.

JUDITH M. STOCKDALE  
12/29/1947  
333 W. Wacker Drive  
Chicago, IL 60606

Director/Trustee

1997  
Term:  
one year (2)

Executive Director, Gaylord and D  
Donnelley Foundation (since 1994)  
thereto, Executive Director, Grea  
Protection Fund (from 1990 to 199

| NAME, BIRTHDATE<br>AND ADDRESS | POSITION(S) HELD<br>WITH THE FUND | YEAR FIRST<br>ELECTED OR<br>APPOINTED (b) | PRINCIPAL OCCUPATION(S)<br>INCLUDING OTHER DIRECTORSHIPS<br>DURING PAST 5 YEARS |
|--------------------------------|-----------------------------------|---|---|
|--------------------------------|-----------------------------------|---|---|

OFFICERS OF THE FUNDS:

MICHAEL T. ATKINSON  
2/3/1966  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President

2002

Vice President (since January 200  
Assistant Vice President (since 2  
Associate of Nuveen Investments.

PAUL L. BRENNAN  
11/10/1966  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President

2002

Vice President (since January 200  
Assistant Vice President of Nuvee  
Advisory Corp.

PETER H. D'ARRIGO  
11/28/1967  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President and 1999  
Treasurer

Vice President of Nuveen Investme  
1999), prior thereto, Assistant V  
(from 1997); Vice President and T  
1999) of Nuveen Senior Loan Asset  
Inc.; Chartered Financial Analyst

SUSAN M. DESANTO  
9/8/1954  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President

2001

Vice President of Nuveen Advisory  
2001); previously, Vice President  
Investment Advisory Corp. (since  
thereto, Assistant Vice President  
Investment Advisory Corp.

JESSICA R. DROEGER  
9/24/1964  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President

2002

Vice President (since January 200  
General Counsel and Assistant Sec  
1998), formerly Assistant Vice Pr  
Investments; Vice President (sinc  
and Assistant Secretary (since 19  
Assistant Vice President of Nuvee  
and Nuveen Institutional Advisory  
thereto, Associate at the law fir  
Partners LLC.

Directors/Trustees  
and Officers (continued)

| NAME, BIRTHDATE<br>AND ADDRESS  | POSITION(S) HELD<br>WITH THE FUND     | YEAR FIRST<br>ELECTED OR<br>APPOINTED (b) | PRINCIPAL OCCUPATION(S)<br>INCLUDING OTHER DIRECTORSHIPS<br>DURING PAST 5 YEARS  |
|---|---------------------------------------|---|--|
| -----   |                                       |   |  |
| OFFICERS OF THE FUNDS (CONTINUED):  |                                       |   |  |
| -----   |                                       |   |  |
| LORNA C. FERGUSON<br>10/24/1945<br>333 W. Wacker Drive<br>Chicago, IL 60606   | Vice President                        | 1998                                      | Vice President of Nuveen Investme<br>President (since 1998) of Nuveen<br>and Nuveen Institutional Advisory   |
| -----   |                                       |   |  |
| WILLIAM M. FITZGERALD<br>3/2/1964<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President                        | 1995                                      | Managing Director (since January<br>Investments; Managing Director of<br>Corp. and Nuveen Institutional Ad<br>2001); prior thereto, Vice Presid<br>Advisory Corp.; Chartered Financi |
| -----   |                                       |   |  |
| STEPHEN D. FOY<br>5/31/1954<br>333 W. Wacker Drive<br>Chicago, IL 60606       | Vice President and 1998<br>Controller |   | Vice President of Nuveen Investme<br>(since 1998) The John Nuveen Comp<br>President (since 1999) of Nuveen<br>Asset Management Inc.; Certified<br>Accountant.                        |
| -----   |                                       |   |  |
| J. THOMAS FUTRELL<br>7/5/1955<br>333 W. Wacker Drive<br>Chicago, IL 60606     | Vice President                        | 1992                                      | Vice President of Nuveen Advisory<br>Chartered Financial Analyst.  |
| -----   |                                       |   |  |
| RICHARD A. HUBER<br>3/26/1963<br>333 W. Wacker Drive<br>Chicago, IL 60606     | Vice President                        | 1997                                      | Vice President of Nuveen Institut<br>Corp. (since 1998) and Nuveen Adv   |
| -----   |                                       |   |  |
| STEVEN J. KRUPA<br>8/21/1957<br>333 W. Wacker Drive<br>Chicago, IL 60606      | Vice President                        | 1992                                      | Vice President of Nuveen Advisory  |
| -----   |                                       |   |  |
| DAVID J. LAMB<br>3/22/1963<br>333 W. Wacker Drive<br>Chicago, IL 60606        | Vice President                        | 2000                                      | Vice President (since 2000) of Nu<br>previously Assistant Vice Preside<br>prior thereto, Associate of Nuvee<br>Certified Public Accountant.  |
| -----   |                                       |   |  |
| TINA M. LAZAR   | Vice President                        | 2002                                      | Vice President (since 1999), prev  |

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8/27/1961  
333 W. Wacker Drive  
Chicago, IL 60606

Assistant Vice President (since 1  
Nuveen Investments.

LARRY W. MARTIN  
7/27/1951  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President and 1992  
Assistant Secretary

Vice President, Assistant Secreta  
Assistant General Counsel of Nuve  
Investments; Vice President and A  
Secretary of Nuveen Advisory Corp  
Institutional Advisory Corp.; Vic  
Assistant Secretary of The John N  
Company and Nuveen Asset Manageme  
Vice President and Assistant Secr  
of Nuveen Senior Loan Asset Manag

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| NAME, BIRTHDATE<br>AND ADDRESS | POSITION(S) HELD<br>WITH THE FUND | YEAR FIRST<br>ELECTED OR<br>APPOINTED (b) | PRINCIPAL OCCUPATION(S)<br>INCLUDING OTHER DIRECTORSHIPS<br>DURING PAST 5 YEARS |
|--------------------------------|-----------------------------------|---|---|
|--------------------------------|-----------------------------------|---|---|

OFFICERS OF THE FUNDS (CONTINUED):

EDWARD F. NEILD, IV  
7/7/1965  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President 1996

Managing Director (since January  
Investments; Managing Director (s  
Nuveen Advisory Corp. and Nuveen  
Advisory Corp.; Chartered Financi

THOMAS J. O'SHAUGHNESSY  
9/4/1960  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President 2002

Vice President (since January 200  
Assistant Vice President (since 1  
Advisory Corp.; prior thereto, Po

THOMAS C. SPALDING  
7/31/1951  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President 1992

Vice President of Nuveen Advisory  
Nuveen Institutional Advisory Cor  
Financial Analyst.

GIFFORD R. ZIMMERMAN  
9/9/1956  
333 W. Wacker Drive  
Chicago, IL 60606

Vice President and 1992  
Secretary

Managing Director (since January  
Vice President), Assistant Secret  
General Counsel (formerly Assista  
of Nuveen Investments; Managing D  
January 2002, formerly Vice Presi  
Assistant Secretary of Nuveen Adv  
Nuveen Institutional Advisory Cor  
and Assistant Secretary of The Jo  
Company; Managing Director (since  
formerly Vice President) and Assi  
(since 1999) of Nuveen Senior Loa  
Management Inc.; Chartered Financ

(a) Year First Elected or Appointed is the year presented or each Fund's  
respective inception date if later.

- (b) Year First Elected or Appointed is the year presented or each Fund's respective inception date if later. Officers serve one year terms through July of each year.
- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and director of Nuveen Advisory Corp.
- (2) Directors/Trustees are elected each year by shareholders and serve a one year term until his/her successor is elected.

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#### Build Your Wealth Automatically

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 shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

#### FLEXIBILITY

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

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

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

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

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Fund  
Information

BOARD OF DIRECTORS/TRUSTEES

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

FUND MANAGER

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

CUSTODIAN

State Street Bank & Trust  
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

Nuveen Investments  
P.O.Box 43071  
Providence, RI 02940-3071  
(800) 257-8787

LEGAL COUNSEL

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

INDEPENDENT AUDITORS

Ernst & Young LLP  
Chicago, IL

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 ended August 31, 2002. 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: John Nuveen, Sr.

For over a century, generations of Americans have relied on Nuveen Investments to help them grow and keep the money they've earned. Financial advisors, investors and their families have associated Nuveen Investments with quality, expertise and dependability since 1898. That is why financial advisors have entrusted the assets of more than 1.3 million investors to Nuveen.

With the know-how that comes from a century of experience, Nuveen continues to build upon its reputation for quality. Now, financial advisors and investors can count on Nuveen Investments to help them design customized solutions that meet the far-reaching financial goals unique to family wealth strategies - solutions that can translate into legacies.

To find out more about how Nuveen Investments' products and services can help you preserve your financial security, talk with your financial advisor, or call us at (800) 257-8787 for more information, including a prospectus where applicable. Please read that information carefully before you invest.

Logo: NUVEEN Investments

Nuveen Investments o 333 West Wacker Drive  
Chicago, IL 60606 o [www.nuveen.com](http://www.nuveen.com)

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