

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3

Form N-CSRS

April 09, 2009

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21157  
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Nuveen Arizona Dividend Advantage Municipal Fund 3  
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(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Address of principal executive offices) (Zip code)

Kevin J. McCarthy  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
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(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700  
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Date of fiscal year end: July 31  
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Date of reporting period: January 31, 2009  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

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

ITEM 1. REPORTS TO STOCKHOLDERS.

SEMI-ANNUAL REPORT | Nuveen Investments  
January 31, 2009 | MUNICIPAL CLOSED-END FUNDS

[PHOTO OF: SMALL CHILD]

NUVEEN ARIZONA  
PREMIUM INCOME  
MUNICIPAL FUND, INC.  
NAZ

NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND  
NFZ

NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND 2  
NKR

NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND 3  
NXE

NUVEEN TEXAS  
QUALITY INCOME  
MUNICIPAL FUND  
NTX

IT'S NOT WHAT YOU EARN, IT'S WHAT YOU KEEP.(R) | LOGO: NUVEEN Investments

[PHOTO OF: MAN WORKING ON COMPUTER]

LIFE IS COMPLEX.  
NUVEEN  
MAKES THINGS  
E-simple.

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Chairman's  
LETTER TO SHAREHOLDERS

[PHOTO OF ROBERT P. BREMNER] | Robert P. Bremner | Chairman of the Board

Dear Shareholders,

I write this letter in a time of continued uncertainty about the current state of the U.S. financial system and pessimism about the future of the global economy. Many have observed that the conditions that led to the crisis have built up over time and will complicate and extend the course of recovery. At the same time, government officials in the U.S. and abroad have implemented a wide range of programs to restore stability to the financial system and encourage economic recovery. It is believed that these efforts will moderate the extent of the downturn and hasten the recovery, even though it is hard to envision that outcome in the current environment.

As you will read in this report, the continuing financial and economic problems are weighing heavily on asset values for equities and fixed income, and unfortunately the performance of the Nuveen Funds has been similarly affected. In addition to the financial statements, I hope that you will carefully review the Portfolio Managers' Comments, the Common Share Dividend and Share Price Information and the Performance Overview sections of this report. These comments highlight each manager's pursuit of investment strategies that depend on thoroughly researched securities, diversified portfolio holdings and well established investment disciplines to achieve your Fund's investment goals. The Fund Board believes that a consistent focus on long term investment goals provides the basis for successful investment over time and we monitor your Fund with that objective in mind.

Nuveen continues to work on resolving the issues related to the auction rate preferred shares situation, but the unsettled conditions in the credit markets have slowed progress. Nuveen is actively pursuing a number of solutions, all with the goal of providing liquidity for preferred shareholders while preserving the potential benefits of leverage for common shareholders. We appreciate the patience you have shown as we work through the many issues involved. Please consult the Nuveen website: [www.nuveen.com](http://www.nuveen.com), for the most recent information.

On behalf of myself and the other members of your Fund's Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

/s/ Robert P. Bremner

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Robert P. Bremner  
Chairman of the Nuveen Fund Board  
March 23, 2009

#### Portfolio Managers' COMMENTS

Nuveen Investments Municipal Closed-End Funds | NAZ, NFZ, NKR, NXE, NTX

Portfolio managers Scott Romans and Daniel Close review key investment strategies, and the six month performance of these five Nuveen Funds. Scott, who has been with Nuveen since 2000, has managed the Arizona Funds since 2003. Dan, who joined Nuveen in 2000, assumed portfolio management responsibility for NTX in March 2007.

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WHAT KEY STRATEGIES WERE USED TO MANAGE THE ARIZONA AND TEXAS FUNDS DURING THE SIX-MONTH REPORTING PERIOD ENDED JANUARY 31, 2009?

During this period, pressure in the financial and credit markets led to increased price volatility for many municipal securities, reduced market liquidity and produced a general flight to quality. In this environment, we continued to focus on finding bonds that offered relative value, while seeking to preserve liquidity and invest for the long term.

Much of our investment activity during this period was driven by the new issuance in the municipal bond market, which provided opportunities to purchase bonds with better structures (e.g., higher coupons, longer call protection) at attractive prices. During periodic market dislocations, we found opportunities in various market sectors, using a fundamental approach to discover undervalued sectors and individual credits with the potential to perform well over the long term. All five of these Funds purchased general obligation bonds issued for various school districts, as well as health care credits. In addition, the Arizona Funds added community facilities district (CFD) bonds, focusing on credits with stronger security structures, such as backing by ad valorem pledges (that is, property taxes from the local municipality that provide a backstop if project development progresses more slowly than anticipated). These CFD bonds, also known as "dirt deals," provide financing for schools, parks, public utilities and other infrastructure and services such as police and fire protection, maintenance and library programs. In NTX, we also added water and sewer and utilities issues.

The majority of the additions to our portfolios were purchased at the longer end of the yield curve, which we believed not only offered more value during this period, but also helped to offset the natural shortening of the Funds' durations<sup>(1)</sup> as well as to support and enhance yields. Most of these purchases were uninsured, as the insurance penetration of the new issuance municipal market declined dramatically from 47% in 2007 to 18% in 2008.

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

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(1) Duration is a measure of a bond's price sensitivity as interest rates change, with longer duration bonds displaying more sensitivity to these changes than bonds with shorter durations.

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In an exceptionally illiquid market, we also believed that it was prudent to focus on preserving potential liquidity and incorporating extra liquidity opportunities when we found appropriate situations to do so. During this period, a number of bond calls across all of these Funds provided the capital necessary for purchases. In the Arizona Funds, we also monitored the types of credits and bond structures that were attractive to the retail market and took advantage of strong bids to sell such bonds into solid retail demand.

For much of this period, NAZ and NTX continued to use inverse floating rate

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securities(2) as a way to bring their durations closer to our strategic target and to enhance their income-generation capabilities. During this period, as previously described, we were able to purchase longer maturity bonds offering attractive yields and better structures that accomplished many of the same goals as the inverse floaters. As a result, we terminated the inverse floaters in both of these Funds before the period end.

### HOW DID THE FUNDS PERFORM?

Individual results for these Nuveen Arizona and Texas Funds, as well as relevant index and peer group information, are presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value\*  
For periods ended 1/31/09

|  | Six-Month | 1-Year  | 5-Year | 10-Year |
|--|-----------|---------|--------|---------|
| Arizona Funds  |           |         |        |         |
| NAZ  | -5.90%    | -10.83% | 1.25%  | 2.85%   |
| NFZ  | -7.84%    | -13.62% | 0.34%  | N/A     |
| NKR  | -4.84%    | -10.17% | 1.61%  | N/A     |
| NXE  | -7.56%    | -13.06% | 1.03%  | N/A     |
| Texas Fund   |           |         |        |         |
| NTX  | -2.28%    | -6.08%  | 2.39%  | 4.14%   |
| Lipper Other States<br>Municipal Debt Funds<br>Average (3) |           |         |        |         |
|  | -5.61%    | -9.20%  | 1.70%  | 3.67%   |
| Barclays Capital<br>Municipal Bond Index(4)                |           |         |        |         |
|  | 0.70%     | -0.16%  | 3.34%  | 4.51%   |
| S&P National Municipal<br>Bond Index(5)                    |           |         |        |         |
|  | 0.78%     | -0.15%  | 3.42%  | 4.49%   |

For the six months ended January 31, 2009, the cumulative returns on common share net asset value (NAV) for NKR and NTX exceeded the average return for the Lipper Other States Municipal Debt Funds Average, while NAZ, NFZ and NXE trailed this

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

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

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

(2) An inverse floating rate security, also known as inverse floaters, is a financial instrument designed to pay long-term tax-exempt interest at a rate that varies inversely with a short-term tax-exempt interest rate index. For the Nuveen Funds, the index typically used is the Securities Industry and Financial Markets (SIFM) Municipal Swap Index (previously referred to as the Bond Market Association Index or BMA). Inverse floaters, including those inverse floating rate securities in which the Funds invested during this reporting period, are further defined within the Notes to Financial Statements and Glossary of Terms Used in this Report sections of this shareholder report.

(3) The Lipper Other State Municipal Debt Funds Average is calculated using the returns of all leveraged closed-end funds in this category for each period as follows: 6 months, 43 funds; 1 year, 43 funds; 5 years, 43 funds; and 10 years, 20 funds. Fund and Lipper returns assume reinvestment of dividends. The performance of the Lipper Other States Municipal Debt Funds Average represents the overall average of returns for funds from ten different states with a wide variety of municipal market conditions. Fund and Lipper returns assume reinvestment of dividends.

(4) The Barclays Capital (formerly Lehman Brothers) Municipal Bond Index is an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. Results for the Barclays Capital index do not reflect any expenses.

(5) The Standard & Poor's National Municipal Bond Index is an unleveraged, market value-weighted index designed to measure the performance of the investment-grade U.S. municipal bond market.

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Lipper group average. All of the Funds underperformed the national Barclays Capital Municipal Bond Index and Standard & Poor's (S&P) National Municipal Bond Index for the six-month period. Shareholders should note that all three of the benchmarks shown in the accompanying table include bonds from states in addition to Arizona and Texas, which may make direct comparisons between the Funds and these benchmarks less meaningful.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, credit exposure and sector allocations. In addition, the use of leverage was an important factor affecting each Fund's performance over this period. The impact of leverage is discussed in more detail on page 7.

Over this period, the yield curve steepened, as interest rates at the short end of the curve declined and longer rates rose. Given these changes in the interest rate environment, bonds in the Barclays Capital Municipal Bond Index with maturities of ten years or less generally outperformed the market as a whole, with bonds maturing in four to eight years benefiting the most. Because they were less sensitive to interest rate changes, these bonds generally outperformed credits with longer maturities, with the biggest losses posted by bonds with the longest maturities (22 years and longer). The performances of both NKR and NTX were boosted by their relatively heavier weightings in the intermediate area of the yield curve that performed best and their comparative underweighting of the underperforming long part of the curve. In general, NAZ, NFZ and NXE were not as advantageously positioned in terms of duration, particularly NFZ, which had greater exposure to the long end of the curve than the other four Funds.

Credit exposure also was an important factor in performance during these past six months. Because risk-averse investors generally sought higher quality investments as disruptions in the financial markets deepened, bonds with higher credit quality typically performed very well. At the same time, securities rated BBB or below and non-rated bonds generally posted poor returns. In NFZ, NKR and NXE, a relatively greater exposure to lower-rated bonds, especially non-rated credits, generally had a negative impact on their performance, as did their corresponding underexposure to bonds rated AAA and AA. In addition, NTX was overweight to BBB rated bonds which had a negative impact on performance. We continue to believe that lower-rated credits can offer attractive opportunities despite their generally greater risks.

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During this period, pre-refunded(6) bonds, which are backed by U.S. Treasury securities, were one of the top performing segments of the municipal market, due primarily to their shorter effective maturities, higher credit quality and perceived safety. Additional sectors of the market that generally contributed positively to the Funds' returns included general obligation and other tax-backed bonds, water and sewer and education credits. NKR and NTX, in particular, had greater weightings of tax-backed bonds than the market as a whole, which magnified the positive contribution from this sector. NTX also benefited from its holdings of school bonds guaranteed by the Texas Permanent School Fund, which were in great demand by investors.

Holdings that generally detracted from the Funds' performances included industrial development revenue (IDR) bonds, which performed very poorly during this period. The health care and housing revenue sectors also underperformed the overall municipal market. Next to the IDR sector, zero coupon bonds were among the worst performing categories in the municipal market.

#### IMPACT OF THE FUNDS' CAPITAL STRUCTURES AND LEVERAGE STRATEGIES ON PERFORMANCE

In this generally unfavorable investment environment, the most significant factor impacting the return of these Funds relative to the comparative benchmark was the Funds' use of financial leverage. The Funds use leverage because its managers believe that, over time, leveraging provides opportunities for additional income and total returns for common shareholders. However, use of leverage also can expose common shareholders to additional risk-especially when market conditions are as unfavorable as they were during this period. As the prices of most securities held by these Funds declined during the this time period, the negative impact of these valuation changes on common share net asset value and common shareholder total return was magnified by the use of leverage.

#### RECENT MARKET DEVELOPMENTS

Beginning in October, the nation's financial institutions and financial markets-including the municipal bond market-experienced significant turmoil. Reductions in demand decreased valuations of municipal bonds across all credit ratings, especially those with lower credit ratings, and this generally reduced the Funds' common share net asset values. The municipal market is one in which dealer firms make markets in bonds on a principal basis using their proprietary capital, and during the recent market turmoil these firms' capital was severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal bonds. This reduction in dealer involvement in the market was accompanied by significant net selling pressure by investors, particularly with respect to lower-rated municipal bonds, as

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(6) Pre-refundings, also known as advance refundings or refinancings, occur when an issuer sells new bonds and uses the proceeds to fund principal and interest payments of older existing bonds. This process often results in lower borrowing costs for bond issuers.

institutional investors generally removed money from the municipal bond market, at least in part because of their need to reduce the leveraging of their municipal investments. This deleveraging was in part driven by the overall reduction in the amount of financing available for such leverage, the increased costs of such leverage financing, and the need to reduce leverage levels that

had recently increased due to the decline in municipal bond prices.

Municipal bond prices were further negatively impacted by concerns that the need for further de-leveraging and a supply overhang (a large amount of new issues that were postponed) would cause selling pressure to persist for a period of time. In addition to falling prices, the following market conditions resulted in greater price volatility of municipal bonds - wider credit spreads (i.e., lower quality bonds fell in price more than higher quality bonds); significantly reduced liquidity (i.e., the ability to sell bonds at a price close to their carrying value), particularly for lower quality bonds; and a lack of price transparency (i.e., the ability to accurately determine the price at which a bond would likely trade). Reduced liquidity was most pronounced in mid-October, although it improved considerably after that period.

#### RECENT DEVELOPMENTS REGARDING BOND INSURANCE COMPANIES

Another factor that had an impact on the performance of these Funds was their position in bonds backed by municipal bond insurers that experienced downgrades in their credit ratings. During the period covered by this report, ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA (formerly XLCA) experienced one or more rating reductions by at least one or more rating agencies. At the time this report was prepared, at least one rating agency has placed each of these insurers on "negative credit watch" or "credit watch developing," which may presage one or more rating reductions for such insurer or insurers in the future. As concern increased about the balance sheets of these insurers, prices on bonds insured by these companies - especially those bonds with weaker underlying credits - declined, detracting from the Funds' performance. By the end of this period, most insured bonds were being valued according to their fundamentals as if they were uninsured. On the whole, the holdings of all of our Funds continued to be well diversified not only between insured and uninsured bonds, but also within the insured bond category. It is important to note that municipal bonds historically have had a very low rate of default and a very high recovery rate.

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#### RECENT DEVELOPMENTS IN THE AUCTION RATE PREFERRED SECURITIES MARKETS

As noted in the last shareholder report, beginning in February 2008, more shares were submitted for sale in the regularly scheduled auctions for the auction rate preferred shares issued by these Funds than there were offers to buy. This meant that these auctions "failed to clear," and that many or all of the Funds' auction rate preferred shareholders who wanted to sell their shares in these auctions were unable to do so. This decline in liquidity in auction rate preferred shares did not lower the credit quality of these shares, and auction rate preferred shareholders unable to sell their shares received distributions at the "maximum rate" applicable to failed auctions, as calculated in accordance with the pre-established terms of the auction rate preferred shares.

These developments generally have not affected the portfolio management or investment policies of these Funds. However, one continuing implication for common shareholders of these auction failures is that the Funds' cost of leverage will likely be higher, at least temporarily, than it otherwise would have been had the auctions continued to be successful. As a result, the Funds' future common share earnings may be lower than they otherwise might have been. As noted in the last shareholder report, the Funds' Board of Trustees authorized a plan to use tender option bonds (TOBs), also known as floating rate securities, to refinance a portion of the Funds' outstanding auction rate preferred shares.

On January 8, 2009, thirty-five closed-end municipal funds called for redemption



at par a portion of their outstanding auction rate preferred securities. This series of redemptions will collectively total \$250.1 million. This new series of redemptions brings the total amount of Nuveen's municipal closed-end funds' auction rate preferred securities redemptions to nearly \$2 billion of the original \$11 billion outstanding.

As of January 31, 2009, NFZ, NKR and NXE have redeemed \$1,400,000, \$525,000 and \$1,275,000 auction rate preferred shares, respectively, (11.7%, 2.8% and 5.8% of their original outstanding auction rate preferred shares of \$12,000,000, \$18,500,000 and \$22,000,000, respectively). While the Funds' Board of Trustees and management continue to work to resolve this situation, the Funds cannot provide any assurance on when the remaining outstanding auction rate preferred shares might be redeemed.

For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at:  
<http://www.nuveen.com/ResourceCenter/AuctionRatePreferred.aspx>.

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Common Share  
 Dividend and Share Price INFORMATION

During the six-month period ended January 31, 2009, NAZ and NTX each had one dividend increase. The dividends of NFZ, NKR and NXE remained stable throughout the reporting period.

Due to capital gains generated by normal portfolio activity, common shareholders of NTX received a long-term capital gains distribution of \$0.0212, a short-term capital gains distribution of \$0.0258, and a net ordinary income distribution of \$0.0041 at the end of December 2008.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of January 31, 2009, all of the Funds in this report had positive UNII balances, based upon our best estimate, for tax purposes. NAZ and NTX had positive UNII balances and NFZ, NKR and NXE had negative UNII balances for financial statement purposes.

On July 30, 2008, the Funds' Board of Trustees approved an open-market share repurchase program, under which each Fund may repurchase up to 10% of its outstanding common shares. As of January 31, 2009, the Funds have not repurchased any of their common shares.

As of January 31, 2009, the Funds' common share prices were trading at discounts to their common share NAVs as shown in the accompanying chart:

|     | 1/31/09<br>Discount | Six-Month<br>Average Discount |
|-----|---------------------|-------------------------------|
| NAZ | -9.15%              | -7.31%                        |
| NFZ | -13.87%             | -10.32%                       |
| NKR | -12.42%             | -7.42%                        |

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|     |         |         |
|-----|---------|---------|
| NXE | -12.26% | -10.08% |
| NTX | -4.83%  | -10.94% |

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NAZ Performance OVERVIEW | Nuveen Arizona Premium Income Municipal Fund, Inc. as of January 31, 2009

[PIE CHART]

Credit Quality (as a % of total investments) (1)

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 32% |
| AA                  | 28% |
| A                   | 26% |
| BBB                 | 11% |
| N/R                 | 3%  |

[BAR CHART]

2008-2009 Monthly Tax-Free Dividends Per Common Share

|     |          |
|-----|----------|
| Feb | \$ 0.051 |
| Mar | 0.051    |
| Apr | 0.051    |
| May | 0.051    |
| Jun | 0.051    |
| Jul | 0.051    |
| Aug | 0.051    |
| Sep | 0.053    |
| Oct | 0.053    |
| Nov | 0.053    |
| Dec | 0.053    |
| Jan | 0.053    |

[LINE CHART]

Common Share Price Performance -- Weekly Closing Price

|         |          |
|---------|----------|
| 2/01/08 | \$ 13.05 |
|         | 13.21    |
|         | 12.62    |
|         | 12.61    |
|         | 12.32    |
|         | 12.382   |
|         | 12.1     |
|         | 12.56    |
|         | 12.75    |
|         | 12.85    |
|         | 12.57    |
|         | 13       |
|         | 12.91    |
|         | 13.02    |
|         | 13.1     |
|         | 13.2     |
|         | 13.02    |
|         | 12.86    |
|         | 12.94    |
|         | 12.73    |

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12.51  
 12.48  
 12.47  
 12.77  
 13.18  
 12.95  
 13.05  
 13.1  
 12.78  
 12.63  
 12.6  
 12.77  
 13  
 12.8  
 12.9  
 12.01  
 11.6325  
 9.2  
 9.62  
 10.49  
 10.57  
 11.5  
 10.77  
 9.36  
 10.09  
 9.84  
 9.39  
 8.94  
 9.23  
 9.65  
 10.82  
 10.56  
 10.4  
 10.8232

1/31/09

FUND SNAPSHOT

|  |    |        |
|--|----|--------|
| Common Share Price                               | \$ | 10.82  |
| Common Share Net Asset Value                     | \$ | 11.91  |
| Premium/(Discount) to NAV                        |    | -9.15% |
| Market Yield                                     |    | 5.88%  |
| Taxable-Equivalent Yield(2)                      |    | 8.56%  |
| Net Assets Applicable to Common Shares (\$000)   | \$ | 53,218 |
| Average Effective Maturity on Securities (Years) |    | 16.80  |
| Leverage-Adjusted Duration                       |    | 11.38  |

AVERAGE ANNUAL TOTAL RETURN  
 (Inception 11/19/92)

|                      | ON SHARE PRICE | ON NAV  |
|----------------------|----------------|---------|
| 6-Month (Cumulative) | -16.58%        | -5.90%  |
| 1-Year               | -12.88%        | -10.83% |

|         |        |       |
|---------|--------|-------|
| 5-Year  | -3.08% | 1.25% |
| 10-Year | 1.23%  | 2.85% |

INDUSTRIES

(as a % of total investments)

|                                   |  |       |
|-----------------------------------|--|-------|
| Tax Obligation/Limited            |  | 23.3% |
| U.S. Guaranteed                   |  | 17.6% |
| Health Care                       |  | 14.0% |
| Utilities                         |  | 12.8% |
| Water and Sewer                   |  | 12.1% |
| Tax Obligation/General            |  | 7.6%  |
| Education and Civic Organizations |  | 7.4%  |
| Other                             |  | 5.2%  |

- (1) The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (2) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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NFZ Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund as of January 31, 2009

FUND SNAPSHOT

|  |    |         |
|--|----|---------|
| Common Share Price                               | \$ | 10.25   |
| Common Share Net Asset Value                     | \$ | 11.90   |
| Premium/(Discount) to NAV                        |    | -13.87% |
| Market Yield                                     |    | 6.15%   |
| Taxable-Equivalent Yield(2)                      |    | 8.95%   |
| Net Assets Applicable to Common Shares (\$000)   | \$ | 18,448  |
| Average Effective Maturity on Securities (Years) |    | 15.64   |

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Leverage-Adjusted Duration 11.31

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

|                      | ON SHARE PRICE | ON NAV  |
|----------------------|----------------|---------|
| 6-Month (Cumulative) | -22.97%        | -7.84%  |
| 1-Year               | -19.90%        | -13.62% |
| 5-Year               | -4.71%         | 0.34%   |
| Since Inception      | 0.79%          | 3.42%   |

INDUSTRIES  
(as a % of total investments)

|                                   |       |
|-----------------------------------|-------|
| Tax Obligation/Limited            | 30.0% |
| Utilities                         | 21.8% |
| Health Care                       | 12.2% |
| Tax Obligation/General            | 9.3%  |
| Water and Sewer                   | 8.2%  |
| U.S. Guaranteed                   | 7.4%  |
| Education and Civic Organizations | 5.0%  |
| Other                             | 6.1%  |

[PIE CHART]

Credit Quality (as a % of total investments)(1)

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 19% |
| AA                  | 41% |
| A                   | 19% |
| BBB                 | 13% |
| N/R                 | 8%  |

[BAR CHART]

2008-2009 Monthly Tax-Free Dividends Per Common Share

|     |           |
|-----|-----------|
| Feb | \$ 0.0525 |
| Mar | 0.0525    |
| Apr | 0.0525    |
| May | 0.0525    |
| Jun | 0.0525    |
| Jul | 0.0525    |
| Aug | 0.0525    |
| Sep | 0.0525    |
| Oct | 0.0525    |
| Nov | 0.0525    |

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|     |        |
|-----|--------|
| Dec | 0.0525 |
| Jan | 0.0525 |

[LINE CHART]

Common Share Price Performance -- Weekly Closing Price

|         |          |
|---------|----------|
| 2/01/08 | \$ 13.49 |
|         | 13.52    |
|         | 13.29    |
|         | 13.14    |
|         | 12.95    |
|         | 12.78    |
|         | 12.54    |
|         | 12.68    |
|         | 12.91    |
|         | 12.83    |
|         | 13.17    |
|         | 13.28    |
|         | 13.25    |
|         | 13.2     |
|         | 13.2     |
|         | 13.18    |
|         | 13.263   |
|         | 13.39    |
|         | 13.59    |
|         | 13.15    |
|         | 12.98    |
|         | 13.27    |
|         | 13.29    |
|         | 13.79    |
|         | 13.5     |
|         | 13.27    |
|         | 13.4     |
|         | 13.55    |
|         | 13.06    |
|         | 12.74    |
|         | 12.7999  |
|         | 13.25    |
|         | 13.1     |
|         | 12.94    |
|         | 12.9     |
|         | 12.6     |
|         | 11.4     |
|         | 7.95     |
|         | 9.1      |
|         | 9.75     |
|         | 9.55     |
|         | 10.25    |
|         | 10.86    |
|         | 9.39     |
|         | 10.15    |
|         | 9.25     |
|         | 8.6999   |
|         | 8.86     |
|         | 9.1399   |
|         | 9.44     |
|         | 10.6493  |
|         | 10.16    |
|         | 10.29    |
| 1/31/09 | 10.2465  |

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- (1) The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (2) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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NKR Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund 2 as of January 31, 2009

[PIE CHART]

Credit Quality (as a % of total investments)(1)

|            |     |
|------------|-----|
| AAA/U.S.   |     |
| Guaranteed | 37% |
| AA         | 23% |
| A          | 15% |
| BBB        | 18% |
| N/R        | 7%  |

[BAR CHART]

2008-2009 Monthly Tax-Free Dividends Per Common Share

|     |           |
|-----|-----------|
| Feb | \$ 0.0585 |
| Mar | 0.0585    |
| Apr | 0.0585    |
| May | 0.0585    |
| Jun | 0.0585    |
| Jul | 0.0585    |
| Aug | 0.0585    |
| Sep | 0.0585    |
| Oct | 0.0585    |
| Nov | 0.0585    |
| Dec | 0.0585    |
| Jan | 0.0585    |

[LINE CHART]

Common Share Price Performance -- Weekly Closing Price

|         |          |
|---------|----------|
| 2/01/08 | \$ 13.95 |
|         | 14       |
|         | 13.86    |
|         | 13.74    |
|         | 13.33    |
|         | 13.4     |
|         | 13.26    |
|         | 13.358   |
|         | 13.6     |
|         | 13.65    |

13.72  
 13.6  
 13.65  
 13.51  
 13.52  
 13.7104  
 13.7501  
 13.7  
 14  
 13.85  
 13.9  
 13.656  
 13.732  
 14.04  
 13.72  
 13.5  
 13.1  
 13.76  
 13.36  
 13.34  
 13.3  
 13.74  
 13.92  
 13.3  
 12.93  
 11.88  
 12.1  
 8  
 11.08  
 13  
 11.28  
 11.65  
 11.52  
 10.48  
 10.3  
 9.89  
 10.4  
 10.21  
 10.03  
 10  
 11.08  
 11.17  
 11  
 11.07

1/31/09

FUND SNAPSHOT

|  |    |         |
|--|----|---------|
| Common Share Price                               | \$ | 11.07   |
| Common Share Net Asset Value                     | \$ | 12.64   |
| Premium/(Discount) to NAV                        |    | -12.42% |
| Market Yield                                     |    | 6.34%   |
| Taxable-Equivalent Yield(2)                      |    | 9.23%   |
| Net Assets Applicable to Common Shares (\$000)   | \$ | 30,837  |
| Average Effective Maturity on Securities (Years) |    | 14.62   |
| Leverage-Adjusted Duration                       |    | 9.40    |



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

|                      | ON SHARE PRICE | ON NAV  |
|----------------------|----------------|---------|
| 6-Month (Cumulative) | -18.46%        | -4.84%  |
| 1-Year               | -16.52%        | -10.17% |
| 5-Year               | -0.21%         | 1.61%   |
| Since Inception      | 1.29%          | 3.91%   |

INDUSTRIES  
(as a % of total investments)

|                        |       |
|------------------------|-------|
| Tax Obligation/Limited | 29.6% |
| U.S. Guaranteed        | 15.5% |
| Health Care            | 15.1% |
| Tax Obligation/General | 14.9% |
| Water and Sewer        | 8.2%  |
| Housing/Multifamily    | 5.3%  |
| Other                  | 11.4% |

(1) The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.

(2) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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NXE Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund 3 as of January 31, 2009

FUND SNAPSHOT

|                              |         |
|------------------------------|---------|
| Common Share Price           | \$10.31 |
| Common Share Net Asset Value | \$11.75 |
| Premium/(Discount) to NAV    | -12.26% |

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|  |          |
|--|----------|
| Market Yield                                     | 6.34%    |
| Taxable-Equivalent Yield(2)                      | 9.23%    |
| Net Assets Applicable to Common Shares (\$000)   | \$36,042 |
| Average Effective Maturity on Securities (Years) | 15.64    |
| Leverage-Adjusted Duration                       | 11.27    |

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

|                      | ON SHARE PRICE | ON NAV  |
|----------------------|----------------|---------|
| 6-Month (Cumulative) | -20.00%        | -7.56%  |
| 1-Year               | -18.67%        | -13.06% |
| 5-Year               | -0.98%         | 1.03%   |
| Since Inception      | -0.60%         | 2.02%   |

INDUSTRIES  
(as a % of total investments)

|                                   |       |
|-----------------------------------|-------|
| Tax Obligation/Limited            | 20.8% |
| Health Care                       | 19.8% |
| U.S. Guaranteed                   | 17.1% |
| Education and Civic Organizations | 11.0% |
| Transportation                    | 10.3% |
| Water and Sewer                   | 8.4%  |
| Utilities                         | 6.4%  |
| Other                             | 6.2%  |

[PIE CHART]

Credit Quality (as a % of total investments) (1)

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 26% |
| AA                  | 26% |
| A                   | 27% |
| BBB                 | 14% |
| N/R                 | 7%  |

[BAR CHART]

2008-2009 Monthly Tax-Free Dividends Per Common Share

|     |          |
|-----|----------|
| Feb | \$ 0.057 |
| Mar | 0.057    |

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|     |       |
|-----|-------|
| Apr | 0.057 |
| May | 0.057 |
| Jun | 0.057 |
| Jul | 0.057 |
| Aug | 0.057 |
| Sep | 0.058 |
| Oct | 0.058 |
| Nov | 0.058 |
| Dec | 0.058 |
| Jan | 0.058 |

[LINE CHART]

Common Share Price Performance -- Weekly Closing Price

|         |          |
|---------|----------|
| 2/01/08 | \$ 13.49 |
|         | 13.52    |
|         | 12.94    |
|         | 12.8     |
|         | 12.82    |
|         | 12.75    |
|         | 12.7     |
|         | 13       |
|         | 13.07    |
|         | 13.9     |
|         | 13.55    |
|         | 13.75    |
|         | 13.25    |
|         | 13.15    |
|         | 13.13    |
|         | 13.06    |
|         | 13.2     |
|         | 13.32    |
|         | 13.4     |
|         | 13.32    |
|         | 13.047   |
|         | 13.21    |
|         | 13.25    |
|         | 13.15    |
|         | 13.08    |
|         | 13.03    |
|         | 12.71    |
|         | 13.08    |
|         | 12.72    |
|         | 12.64    |
|         | 12.38    |
|         | 12.84    |
|         | 13.019   |
|         | 12.4801  |
|         | 11.4     |
|         | 11.5     |
|         | 10.8     |
|         | 8.03     |
|         | 9.4      |
|         | 11.13    |
|         | 9.97     |
|         | 10.205   |
|         | 11.0981  |
|         | 9.61     |
|         | 9.22     |
|         | 9.24     |
|         | 8.63     |

9.33  
 9.3  
 9.44  
 10.2  
 10.2101  
 10.19  
 10.31

1/31/09

- (1) The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (2) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

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NTX Performance OVERVIEW | Nuveen Texas Quality Income Municipal Fund as of January 31, 2009

[PIE CHART]

Credit Quality (as a % of total investments)(1)

|             |     |
|-------------|-----|
| AAA/U.S.    |     |
| Guaranteed  | 44% |
| AA          | 32% |
| A           | 9%  |
| BBB         | 11% |
| BB or Lower | 4%  |

[BAR CHART]

2008-2009 Monthly Tax-Free Dividends Per Common Share(3)

|     |           |
|-----|-----------|
| Feb | \$ 0.0545 |
| Mar | 0.0545    |
| Apr | 0.0545    |
| May | 0.0545    |
| Jun | 0.0545    |
| Jul | 0.0545    |
| Aug | 0.0545    |
| Sep | 0.0545    |
| Oct | 0.0545    |
| Nov | 0.0545    |
| Dec | 0.0545    |
| Jan | 0.0545    |

[LINE CHART]

Common Share Price Performance -- Weekly Closing Price

|         |          |
|---------|----------|
| 2/01/08 | \$ 13.66 |
|         | 13.69    |

13.15  
 13.01  
 12.67  
 12.99  
 12.93  
 12.95  
 13.0599  
 13.304  
 13.25  
 13.2  
 13.38  
 13.42  
 13.38  
 13.3  
 13.42  
 13.47  
 13.27  
 13.06  
 13  
 13  
 13.08  
 13.03  
 12.969  
 12.69  
 12.71  
 12.5  
 12.8  
 12.74  
 12.672  
 12.77  
 12.8  
 12.6  
 12.2  
 11.37  
 11.54  
 8.43  
 10.2  
 12.3799  
 11.57  
 11.81  
 10.8  
 10.06  
 10.42  
 11.5  
 10.89  
 10.26  
 11.45  
 11.94  
 12.5  
 12.19  
 12.41  
 12.6

1/31/09

FUND SNAPSHOT

|                              |    |        |
|------------------------------|----|--------|
| Common Share Price           | \$ | 12.60  |
| Common Share Net Asset Value | \$ | 13.24  |
| Premium/(Discount) to NAV    |    | -4.83% |
| Market Yield                 |    | 5.52%  |

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|  |            |
|--|------------|
| Taxable-Equivalent Yield(2)                      | 7.67%      |
| Net Assets Applicable to Common Shares (\$000)   | \$ 125,726 |
| Average Effective Maturity on Securities (Years) | 15.56      |
| Leverage-Adjusted Duration                       | 10.90      |

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

|                      | ON SHARE PRICE | ON NAV |
|----------------------|----------------|--------|
| 6-Month (Cumulative) | 4.61%          | -2.28% |
| 1-Year               | -2.14%         | -6.08% |
| 5-Year               | 2.12%          | 2.39%  |
| 10-Year              | 4.10%          | 4.14%  |

INDUSTRIES  
(as a % of total investments)

|                                   |       |
|-----------------------------------|-------|
| Tax Obligation/General            | 31.4% |
| U.S. Guaranteed                   | 14.1% |
| Health Care                       | 11.0% |
| Education and Civic Organizations | 10.8% |
| Water and Sewer                   | 8.5%  |
| Utilities                         | 7.0%  |
| Tax Obligation/Limited            | 5.2%  |
| Other                             | 12.0% |

- (1) The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (2) Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- (3) The Fund paid shareholders capital gains and net ordinary income distributions in December 2008 of \$0.0511 per share.

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NAZ | Nuveen Arizona Premium Income Municipal Fund, Inc.  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000)  | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|--|--|------------------------|
| -----  |  |                        |
| CONSUMER STAPLES - 1.1% (0.7% OF TOTAL INVESTMENTS)                      |  |                        |
| \$ 835   | Puerto Rico, The Children's Trust Fund, Tobacco Settlement<br>Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33   | 5/12 at                |
| -----  |  |                        |
| EDUCATION AND CIVIC ORGANIZATIONS - 11.2% (7.4% OF TOTAL<br>INVESTMENTS) |  |                        |
| 2,500  | Arizona Higher Education Loan Authority, Student Loan Revenue<br>Bonds, Series 2007B, Adjustable Rate, 0.930%, 11/01/41 (4)  | 3/09 at                |
| 1,000  | Arizona State University, System Revenue Bonds, Series 2002,<br>5.000%, 7/01/25 - FGIC Insured   | 7/12 at                |
| 1,455  | Arizona State University, System Revenue Bonds, Series 2005:<br>5.000%, 7/01/20 - AMBAC Insured  | 7/15 at                |
| 750  | 5.000%, 7/01/21 - AMBAC Insured  | 7/15 at                |
| 1,500  | Tempe Industrial Development Authority, Arizona, Lease Revenue<br>Bonds, Arizona State University Foundation Project,<br>Series 2003, 5.000%, 7/01/34 - AMBAC Insured                                      | 7/13 at                |
| -----  |  |                        |
| 7,205  | Total Education and Civic Organizations  |                        |
| -----  |  |                        |
| HEALTH CARE - 21.4% (14.0% OF TOTAL INVESTMENTS)                         |  |                        |
| 1,430  | Arizona Health Facilities Authority, Hospital Revenue Bonds,<br>Banner Health Systems, Series 2007A, 5.000%, 1/01/25   | 1/17 at                |
| 885  | Arizona Health Facilities Authority, Hospital Revenue Bonds,<br>Banner Health Systems, Series 2007B, 3.411%, 1/02/37   | 1/17 at                |
| 3,470  | Arizona Health Facilities Authority, Hospital Revenue Bonds,<br>Banner Health Systems, Series 2008D, 5.500%, 1/01/38   | 1/18 at                |
| 675  | Glendale Industrial Development Authority, Arizona, Revenue<br>Bonds, John C. Lincoln Health Network,<br>Series 2005B, 5.000%, 12/01/37  | 12/15 at               |
| 1,110  | Glendale Industrial Development Authority, Arizona, Revenue<br>Bonds, John C. Lincoln Health Network,<br>Series 2007, 5.000%, 12/01/42   | 12/17 at               |
| 2,150  | Maricopa County Industrial Development Authority, Arizona,<br>Health Facility Revenue Bonds, Catholic Healthcare West,<br>Series 2004A, 5.375%, 7/01/23  | 7/14 at                |
| 2,800  | Maricopa County Industrial Development Authority, Arizona,<br>Health Facility Revenue Bonds, Catholic Healthcare West,<br>Series 2007A, 5.250%, 7/01/32  | 7/17 at                |
| 515  | Puerto Rico Industrial, Tourist, Educational, Medical and<br>Environmental Control Facilities Financing Authority,<br>Hospital Revenue Bonds, Hospital de la Concepcion,<br>Series 2000A, 6.375%, 11/15/15 | 11/10 at               |
| 1,055  | Winslow Industrial Development Authority, Arizona, Hospital<br>Revenue Bonds, Winslow Memorial Hospital,<br>Series 1998, 5.500%, 6/01/22   | 6/09 at                |
| -----  |  |                        |
| 14,090   | Total Health Care  |                        |

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|  |   |         |
|--|---|---------|
| HOUSING/SINGLE FAMILY - 7.0% (4.5% OF TOTAL INVESTMENTS) |   |         |
| 915  | Phoenix and Pima County Industrial Development Authority,<br>Arizona, Single Family Mortgage Revenue Bonds,<br>Series 2007-4, 5.800%, 12/01/39 (Alternative Minimum Tax)    | 7/17 at |
| 3,010  | Tucson and Pima County Industrial Development Authority,<br>Arizona, Joint Single Family Mortgage Revenue Bonds,<br>Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax) | 6/17 at |
| <hr/>  |   |         |
| 3,925  | Total Housing/Single Family   |         |

---

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| PRINCIPAL<br>AMOUNT (000)                                  | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|--|---|------------------------|
| TAX OBLIGATION/GENERAL - 11.6% (7.6% OF TOTAL INVESTMENTS) |   |                        |
| \$ 1,265   | Gila County Unified School District 10 Payson, Arizona, School<br>Improvement Bonds, Project 2006,<br>Series 2008B, 3.000%, 7/01/28         | 7/18 at                |
| 1,200  | Maricopa County Unified School District 95 Queen Creek,<br>Arizona, General Obligation Bonds,<br>Series 2008, 5.000%, 7/01/27 - FSA Insured | 7/18 at                |
| 3,530  | Pinal County Unified School District 1, Florence, Arizona,<br>General Obligation Bonds, Series 2008C, 5.250%, 7/01/28                       | 7/18 at                |
| 330  | Puerto Rico, General Obligation and Public Improvement Bonds,<br>Series 2001A, 5.375%, 7/01/28  | 7/11 at                |
| <hr/>  |   |                        |
| 6,325  | Total Tax Obligation/General  |                        |

---

|   |  |         |
|---|--|---------|
| TAX OBLIGATION/LIMITED - 35.6% (23.3% OF TOTAL INVESTMENTS) |  |         |
| 407   | Estrella Mountain Ranch Community Facilities District,<br>Goodyear, Arizona, Special Assessment Lien Bonds,<br>Series 2001A, 7.875%, 7/01/25 | 7/10 at |
| 3,000   | Glendale Western Loop 101 Public Facilities Corporation,<br>Arizona, Third Lien Excise Tax Revenue Bonds,<br>Series 2008B, 6.250%, 7/01/38   | 1/14 at |
| 1,280   | Greater Arizona Development Authority, Infrastructure Revenue<br>Bonds, Series 2006-1, 5.000%, 8/01/22 - MBIA Insured                        | 8/16 at |
| 740   | Greater Arizona Development Authority, Infrastructure Revenue<br>Bonds, Series 2006A, 5.000%, 8/01/23 - MBIA Insured                         | 8/16 at |
| 575   | Marana Municipal Property Corporation, Arizona, Revenue Bonds,<br>Series 2003, 5.000%, 7/01/28 - AMBAC Insured                               | 7/13 at |
| 1,069   | Marana, Arizona, Tangerine Farms Road Improvement District<br>Revenue Bonds, Series 2006, 4.600%, 1/01/26                                    | 7/16 at |
| 3,400   | Maricopa County Stadium District, Arizona, Revenue Refunding<br>Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured                          | 6/12 at |
| 3,400   | Mesa, Arizona, Street and Highway User Tax Revenue Bonds,<br>Series 2005, 5.000%, 7/01/24 - FSA Insured                                      | 7/15 at |
| 1,140   | Pinetop Fire District of Navajo County, Arizona, Certificates  | 6/16 at |



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|        |  |         |
|--------|--|---------|
|        | of Participation, Series 2008, 7.750%, 6/15/29   |         |
| 1,200  | Prescott Valley Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured           | 1/13 at |
| 265    | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24                    | 7/12 at |
| 1,610  | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured | 7/15 at |
| 500    | Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20 - MBIA Insured  | 7/09 at |
| 645    | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24                                | 7/15 at |
| -----  |  |         |
| 19,231 | Total Tax Obligation/Limited   |         |
| -----  |  |         |

U.S. GUARANTEED - 27.0% (17.6% OF TOTAL INVESTMENTS) (5)

|       |   |          |
|-------|---|----------|
| 800   | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)                                 | 7/10 at  |
| 1,000 | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25 (Pre-refunded 12/01/10)                   | 12/10 at |
| 1,250 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31 (Pre-refunded 5/15/11)                              | 5/11 at  |
| 1,250 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Refunding Bonds, Samaritan Health Services, Series 1990A, 7.000%, 12/01/16 - MBIA Insured (ETM) | No Opt   |

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NAZ | Nuveen Arizona Premium Income Municipal Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1)   | OPTIONAL PROVISION |
|------------------------|---|--------------------|
| -----                  |   |                    |
|                        | U.S. GUARANTEED (5) (continued)   |                    |
| \$ 385                 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)                                   | 4/15 at            |
| 3,000                  | Mesa Industrial Development Authority, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.750%, 1/01/25 (Pre-refunded 1/01/10) - MBIA Insured     | 1/10 at            |
| 2,000                  | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded 7/01/10) - FGIC Insured | 7/10 at            |
| 1,000                  | Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 6.500%, 7/01/27 (Pre-refunded 7/01/10)                                   | 7/10 at            |
| 735                    | Puerto Rico Public Buildings Authority, Guaranteed Government   | 7/12 at            |

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|        |  |          |
|--------|--|----------|
|        | Facilities Revenue Refunding Bonds,<br>Series 2002D, 5.125%, 7/01/24 (Pre-refunded 7/01/12)  |          |
| 1,500  | Scottsdale Industrial Development Authority, Arizona, Hospital<br>Revenue Bonds, Scottsdale Healthcare,<br>Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11) | 12/11 at |
| -----  |  |          |
| 12,920 | Total U.S. Guaranteed  |          |
| -----  |  |          |

UTILITIES - 19.5% (12.8% OF TOTAL INVESTMENTS)

|        |   |         |
|--------|---|---------|
| 1,000  | Arizona Power Authority, Special Obligation Power Resource<br>Revenue Refunding Crossover Bonds, Hoover Project,<br>Series 2001, 5.250%, 10/01/15                                 | No Opt  |
| 215    | Pima County Industrial Development Authority, Arizona, Lease<br>Obligation Revenue Refunding Bonds, Tucson Electric Power<br>Company, Series 1988A, 7.250%, 7/15/10 - FSA Insured | 7/09 at |
| 2,170  | Puerto Rico Electric Power Authority, Power Revenue Bonds,<br>Series 2005RR, 5.000%, 7/01/27 - SYNCORA GTY Insured  | 7/15 at |
| 530    | Salt River Project Agricultural Improvement and Power District,<br>Arizona, Electric System Revenue Bonds,<br>Series 2002B, 5.000%, 1/01/22                                       | 1/13 at |
| 1,000  | Salt River Project Agricultural Improvement and Power District,<br>Arizona, Electric System Revenue Refunding Bonds,<br>Series 2002A, 5.125%, 1/01/27                             | 1/12 at |
|        | Salt Verde Financial Corporation, Arizona, Senior Gas<br>Revenue Bonds, Series 2007:  |         |
| 4,500  | 5.500%, 12/01/29  | No Opt  |
| 3,500  | 5.000%, 12/01/37  | No Opt  |
| -----  |   |         |
| 12,915 | Total Utilities   |         |
| -----  |   |         |

WATER AND SEWER - 18.5% (12.1% OF TOTAL INVESTMENTS)

|       |   |         |
|-------|---|---------|
| 1,005 | Cottonwood, Arizona, Senior Lien Water System Revenue Bonds,<br>Municipal Property Corporation,<br>Series 2004, 5.000%, 7/01/24 - SYNCORA GTY Insured | 7/14 at |
| 3,500 | Glendale, Arizona, Water and Sewer Revenue Bonds, Subordinate<br>Lien, Series 2003, 5.000%, 7/01/28 - AMBAC Insured                                   | 7/13 at |
| 600   | Oro Valley Municipal Property Corporation, Arizona, Senior Lien<br>Water Revenue Bonds,<br>Series 2003, 5.000%, 7/01/23 - MBIA Insured                | 7/13 at |
| 1,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien<br>Wastewater System Revenue Bonds,<br>Series 2004, 5.000%, 7/01/24 - MBIA Insured        | 7/14 at |
| 1,500 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien<br>Water System Revenue Bonds,<br>Series 2002, 5.000%, 7/01/26 - FGIC Insured             | 7/12 at |
| 1,250 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien<br>Water System Revenue Refunding Bonds,<br>Series 2001, 5.500%, 7/01/21 - FGIC Insured   | No Opt  |

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|              |                 |         |
|--------------|-----------------|---------|
| PRINCIPAL    |                 | OPTIONA |
| AMOUNT (000) | DESCRIPTION (1) | PROVISI |

-----  
 WATER AND SEWER (continued)

|       |        |  |         |
|-------|--------|--|---------|
|       |        | Surprise Municipal Property Corporation, Arizona, Wastewater<br>System Revenue Bonds, Series 2007: |         |
| \$    | 600    | 4.700%, 4/01/22  | 4/14 at |
|       | 695    | 4.900%, 4/01/32  | 4/17 at |
| ----- |        |  |         |
|       | 10,150 | Total Water and Sewer  |         |
| ----- |        |  |         |
| \$    | 87,596 | Total Investments (cost \$85,098,964) - 152.9%   |         |
| ===== |        |  |         |
|       |        | Other Assets Less Liabilities - 3.5%   |         |
| ----- |        |  |         |
|       |        | Preferred Shares, at Liquidation Value - (56.4)% (6)   |         |
| ----- |        |  |         |
|       |        | Net Assets Applicable to Common Shares - 100%  |         |
| ===== |        |  |         |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.

The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.

- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Directors.
- (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (6) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 36.9%.

N/R Not rated.

(ETM) Escrowed to maturity.

See accompanying notes to financial statements.

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NFZ | Nuveen Arizona Dividend Advantage Municipal Fund  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|---------------------------|---|------------------------|
| -----                     |   |                        |
|                           | EDUCATION AND CIVIC ORGANIZATIONS - 7.3% (5.0% OF TOTAL INVESTMENTS)  |                        |
| \$ 280                    | Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Adjustable Rate, 0.930%, 11/01/41 (4)  | 3/09 at                |
| 1,000                     | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/29 | 2/09 at                |
| 300                       | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, University of the Sacred Heart, Series 2001, 5.250%, 9/01/21  | 9/11 at                |
| 305                       | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34  | 9/14 at                |
| -----                     |   |                        |
| 1,885                     | Total Education and Civic Organizations   |                        |
| -----                     |   |                        |
|                           | HEALTH CARE - 17.5% (12.2% OF TOTAL INVESTMENTS)  |                        |
| 565                       | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25   | 1/17 at                |
| 325                       | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 3.411%, 1/02/37   | 1/17 at                |
| 720                       | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38   | 1/18 at                |
| 10                        | California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/28  | 3/13 at                |
| 250                       | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37   | 12/15 at               |
| 415                       | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42  | 12/17 at               |
| 750                       | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23   | 7/14 at                |
| 1,025                     | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32   | 7/17 at                |
| -----                     |   |                        |
| 4,060                     | Total Health Care   |                        |
| -----                     |   |                        |
|                           | HOUSING/MULTIFAMILY - 3.2% (2.3% OF TOTAL INVESTMENTS)  |                        |
| 1,000                     | Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms Apartments, Series 1999A, 5.900%, 7/01/29 - MBIA Insured                                       | 7/09 at                |
| -----                     |   |                        |

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HOUSING/SINGLE FAMILY - 5.5% (3.8% OF TOTAL INVESTMENTS)

|       |   |         |
|-------|---|---------|
| 1,085 | Tucson and Pima County Industrial Development Authority,<br>Arizona, Joint Single Family Mortgage Revenue Bonds, Series<br>2007B, 5.350%, 6/01/47 (Alternative Minimum Tax) | 6/17 at |
|-------|---|---------|

TAX OBLIGATION/GENERAL - 13.4% (9.3% OF TOTAL INVESTMENTS)

|       |   |         |
|-------|---|---------|
| 1,000 | Maricopa County Unified School District 11, Peoria, Arizona,<br>General Obligation Bonds, Second<br>Series 2005, 5.000%, 7/01/20 - FGIC Insured | 7/15 at |
| 1,340 | Yuma & La Paz Counties Community College District, Arizona,<br>General Obligation Bonds,<br>Series 2006, 5.000%, 7/01/21 - MBIA Insured         | 7/16 at |

2,340 Total Tax Obligation/General

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1) | OPTIONAL<br>PROVISION |
|---------------------------|-----------------|-----------------------|
|---------------------------|-----------------|-----------------------|

TAX OBLIGATION/LIMITED - 43.2% (30.0% OF TOTAL INVESTMENTS)

|          |   |         |
|----------|---|---------|
| \$ 1,220 | Arizona Tourism and Sports Authority, Tax Revenue Bonds,<br>Multipurpose Stadium Facility Project,<br>Series 2003A, 5.000%, 7/01/31 - MBIA Insured          | 7/13 at |
| 94       | Centerra Community Facilities District, Goodyear, Arizona,<br>General Obligation Bonds, Series 2005, 5.500%, 7/15/29  | 7/15 at |
| 208      | Estrella Mountain Ranch Community Facilities District, Arizona,<br>Special Assessment Bonds, Montecito Assessment District,<br>Series 2007, 5.700%, 7/01/27 | 1/17 at |
| 158      | Estrella Mountain Ranch Community Facilities District, Goodyear,<br>Arizona, Special Assessment Lien Bonds,<br>Series 2001A, 7.875%, 7/01/25                | 7/10 at |
| 1,000    | Greater Arizona Development Authority, Infrastructure Revenue<br>Bonds, Series 2006-1, 5.000%, 8/01/22 - MBIA Insured                                       | 8/16 at |
| 275      | Greater Arizona Development Authority, Infrastructure Revenue<br>Bonds, Series 2006A, 5.000%, 8/01/23 - MBIA Insured  | 8/16 at |
| 1,180    | Marana Municipal Property Corporation, Arizona, Revenue Bonds,<br>Series 2003, 5.000%, 7/01/23 - AMBAC Insured  | 7/13 at |
| 400      | Marana, Arizona, Tangerine Farms Road Improvement District<br>Revenue Bonds, Series 2006, 4.600%, 1/01/26   | 7/16 at |
| 150      | Marley Park Community Facilities District, City of Surprise,<br>Arizona, Limited Tax General Obligation Bonds,<br>Series 2007, 6.100%, 7/15/32              | 7/17 at |
| 255      | Merrill Ranch Community Facilities District 1, Florence,<br>Arizona, General Obligation Bonds,<br>Series 2008A, 7.400%, 7/15/33                             | 7/18 at |
| 330      | Palm Valley Community Facility District 3, Goodyear, Arizona,<br>General Obligation Bonds, Series 2006, 5.300%, 7/15/31                                     | 7/16 at |
| 225      | Palm Valley Community Facility District 3, Goodyear, Arizona,   | 7/17 at |

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|     |  |         |
|-----|--|---------|
|     | Limited Tax General Obligation Bonds,<br>Series 2007, 5.800%, 7/15/32  |         |
| 100 | Parkway Community Facilities District 1, Prescott Valley,<br>Arizona, General Obligation Bonds,<br>Series 2006, 5.350%, 7/15/31  | 7/16 at |
| 900 | Phoenix Industrial Development Authority, Arizona, Government<br>Bonds, Capitol Mall LLC II,<br>Series 2001, 5.250%, 9/15/16 - AMBAC Insured   | 3/12 at |
| 680 | Pinal County Industrial Development Authority, Arizona,<br>Correctional Facilities Contract Revenue Bonds, Florence<br>West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt  |
| 600 | San Luis Civic Improvement Corporation, Arizona, Municipal<br>Facilities Excise Tax Revenue Bonds,<br>Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured                             | 7/15 at |
| 350 | Tartesso West Community Facility District, Buckeye, Arizona,<br>Limited Tax General Obligation Bonds,<br>Series 2007, 5.900%, 7/15/32  | 7/17 at |
| 500 | Vistancia Community Facilities District, Arizona, Restricted<br>General Obligation Bonds, Series 2005, 5.750%, 7/15/24   | 7/15 at |
| 355 | Watson Road Community Facilities District, Arizona, Special<br>Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30  | 7/16 at |
| 225 | Westpark Community Facilities District, Buckeye, Arizona,<br>General Obligation Tax Increment Bonds<br>Series 2006, 5.250%, 7/15/31  | 7/16 at |

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|       |                              |  |
|-------|------------------------------|--|
| 9,205 | Total Tax Obligation/Limited |  |
|-------|------------------------------|--|

---

U.S. GUARANTEED - 10.7% (7.4% OF TOTAL INVESTMENTS) (5)

|     |  |         |
|-----|--|---------|
| 365 | Arizona Health Facilities Authority, Hospital Revenue Bonds,<br>Catholic Healthcare West,<br>Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)                    | 7/10 at |
| 240 | Maricopa County Union High School District 210 Phoenix, Arizona,<br>General Obligation Bonds, Series 2006C, 5.000%, 7/01/24<br>(Pre-refunded 7/01/16) - MBIA Insured | 7/16 at |
| 140 | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health<br>Corporation, Series 2005, 5.000%, 4/01/16<br>(Pre-refunded 4/01/15)                                  | 4/15 at |

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NFZ | Nuveen Arizona Dividend Advantage Municipal Fund (continued)  
| Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|---------------------------|--|------------------------|
|                           | U.S. GUARANTEED (5) (continued)  |                        |
| \$ 1,000                  | Scottsdale Industrial Development Authority, Arizona, Hospital<br>Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%,<br>12/01/31 (Pre-refunded 12/01/11) | 12/11 at               |
| 1,745                     | Total U.S. Guaranteed  |                        |

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UTILITIES - 28.7% (19.9% OF TOTAL INVESTMENTS)

|       |   |         |
|-------|---|---------|
| 1,500 | Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/17     | No Opt  |
| 1,000 | Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17 - FGIC Insured  | No Opt  |
| 1,000 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - SYNCORA GTY Insured                                 | 7/15 at |
| 200   | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22           | 1/13 at |
| 235   | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A, 5.000%, 1/01/20 | 7/09 at |
| 1,000 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A, 5.250%, 1/01/18 | 1/12 at |
| ----- |   |         |
| 4,935 | Total Utilities   |         |
| ----- |   |         |

WATER AND SEWER - 11.8% (8.2% OF TOTAL INVESTMENTS)

|           |  |          |
|-----------|--|----------|
| 225       | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - MBIA Insured   | 7/13 at  |
| 1,500     | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured  | 7/12 at  |
|           | Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007:  |          |
| 225       | 4.700%, 4/01/22  | 4/14 at  |
| 260       | 4.900%, 4/01/32  | 4/17 at  |
| 175       | Yuma County Industrial Development Authority, Arizona, Exempt Revenue Bonds, Far West Water & Sewer Inc. Refunding, Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax) | 12/17 at |
| -----     |  |          |
| 2,385     | Total Water and Sewer  |          |
| -----     |  |          |
| \$ 28,640 | Total Long-Term Investments (cost \$28,773,400) - 141.3%   |          |
| =====     |  |          |

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| PRINCIPAL AMOUNT (000) | DESCRIPTION (1) | OPTIONAL PROVISIONS |
|------------------------|-----------------|---------------------|
| -----                  |                 |                     |

SHORT-TERM INVESTMENTS - 2.7% (1.9% OF TOTAL INVESTMENTS)

|        |   |  |
|--------|---|--|
| \$ 500 | The Industrial Development Authority of the County of Apache, Arizona, Industrial Development Revenue Bonds, 1985 Series A, Tucson Electric Power Company Springville Project, Variable Rate Demand Obligations, 0.450%, 12/01/20 (6) |  |
|--------|---|--|

|  |
|--|
| Total Short-Term Investments (cost \$500,000)        |
| Total Investments (cost \$29,273,400) -- 144.0%      |
| Other Assets Less Liabilities - 13.5%                |
| Preferred Shares, at Liquidation Value - (57.5)% (7) |
| Net Assets Applicable to Common Shares - 100%        |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.

The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.

- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees.
- (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (6) Investment has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term investment. The rate disclosed is that in effect at the end of the reporting period. This rate changes periodically based on market conditions or a specified market index.
- (7) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 39.9%.

N/R Not rated.

See accompanying notes to financial statements.



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| PRINCIPAL<br>AMOUNT (000)  | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|--|---|------------------------|
| -----  |   |                        |
| EDUCATION AND CIVIC ORGANIZATIONS - 5.7% (3.7% OF TOTAL INVESTMENTS) |   |                        |
| \$ 1,130   | Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Adjustable Rate, 0.930%, 11/01/41 (4)  | 3/09 at                |
| 460  | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24   | 12/14 at               |
| 320  | Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/19 | 2/09 at                |
| 480  | Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34  | 9/14 at                |
|  | University of Arizona, Certificates of Participation, Series 2002A:   |                        |
| 65   | 5.500%, 6/01/18 - AMBAC Insured   | 6/12 at                |
| 40   | 5.125%, 6/01/22 - AMBAC Insured   | 6/12 at                |
| -----  |   |                        |
| 2,495  | Total Education and Civic Organizations   |                        |
| -----  |   |                        |
| HEALTH CARE - 22.9% (15.1% OF TOTAL INVESTMENTS)                     |   |                        |
| 845  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25   | 1/17 at                |
| 520  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 3.411%, 1/02/37   | 1/17 at                |
| 1,150  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38   | 1/18 at                |
| 600  | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20  | 4/14 at                |
| 400  | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37   | 12/15 at               |
| 655  | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42  | 12/17 at               |
| 1,375  | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23   | 7/14 at                |
| 1,650  | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32   | 7/17 at                |
| 500  | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37  | 5/09 at                |
| 1,000  | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33  | 8/13 at                |
| -----  |   |                        |
| 8,695  | Total Health Care   |                        |
| -----  |   |                        |
| HOUSING/MULTIFAMILY - 8.0% (5.3% OF TOTAL INVESTMENTS)               |   |                        |

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|       |   |          |
|-------|---|----------|
| 1,000 | Maricopa County Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Refunding Bonds, Pine Ridge, Cambridge Court, Cove on 44th and Fountain Place Apartments, Series 2001A-1, 6.000%, 10/20/31 | 10/11 at |
| 1,425 | Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Summit Apartments, Series 2002, 6.450%, 7/20/32   | 7/12 at  |
| 2,425 | Total Housing/Multifamily   |          |

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| PRINCIPAL AMOUNT (000)                                      | DESCRIPTION (1)   | OPTIONAL PROVISIONS |
|---|---|---------------------|
| HOUSING/SINGLE FAMILY - 5.4% (3.5% OF TOTAL INVESTMENTS)    |   |                     |
| \$ 1,775  | Tucson and Pima County Industrial Development Authority, Arizona, Joint Single Family Mortgage Revenue Bonds, Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax) | 6/17 at             |
| TAX OBLIGATION/GENERAL - 22.5% (14.9% OF TOTAL INVESTMENTS) |   |                     |
| 1,000   | Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A, 5.375%, 7/01/16 - FSA Insured             | No Opt              |
| 1,165   | Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Series 2002A, 5.250%, 7/01/14 - FGIC Insured                | No Opt              |
| 1,405   | Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15 - FGIC Insured  | No Opt              |
|   | Phoenix, Arizona, Various Purpose General Obligation Bonds, Series 2002B:   |                     |
| 1,700   | 5.000%, 7/01/22   | 7/12 at             |
| 500   | 5.000%, 7/01/27   | 7/12 at             |
| 510   | Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24   | 7/11 at             |
| 6,280   | Total Tax Obligation/General  |                     |

|   |   |         |
|---|---|---------|
| TAX OBLIGATION/LIMITED - 44.9% (29.6% OF TOTAL INVESTMENTS) |   |         |
| Arizona State, Certificates of Participation, Series 2002A: |   |         |
| 750   | 5.000%, 11/01/17 - MBIA Insured   | 5/12 at |
| 1,000   | 5.000%, 11/01/18 - MBIA Insured   | 5/12 at |
| 500   | 5.000%, 11/01/20 - MBIA Insured   | 5/12 at |
| 131   | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29                                     | 7/15 at |
| 345   | Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007, 5.800%, 7/01/32 | 1/17 at |
| 250   | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds,  | 7/10 at |

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|       |  |         |
|-------|--|---------|
|       | Series 2001A, 7.875%, 7/01/25  |         |
| 626   | Marana, Arizona, Tangerine Farms Road Improvement District<br>Revenue Bonds, Series 2006, 4.600%, 1/01/26  | 7/16 at |
|       | Maricopa County Stadium District, Arizona, Revenue Refunding<br>Bonds, Series 2002:  |         |
| 840   | 5.375%, 6/01/18 - AMBAC Insured  | 6/12 at |
| 2,645 | 5.375%, 6/01/19 - AMBAC Insured  | 6/12 at |
| 240   | Marley Park Community Facilities District, City of Surprise,<br>Arizona, Limited Tax General Obligation Bonds,<br>Series 2007, 6.100%, 7/15/32                                       | 7/17 at |
| 415   | Merrill Ranch Community Facilities District 1, Florence,<br>Arizona, General Obligation Bonds,<br>Series 2008A, 7.400%, 7/15/33  | 7/18 at |
| 530   | Palm Valley Community Facility District 3, Goodyear, Arizona,<br>General Obligation Bonds, Series 2006, 5.300%, 7/15/31  | 7/16 at |
| 350   | Palm Valley Community Facility District 3, Goodyear, Arizona,<br>Limited Tax General Obligation Bonds,<br>Series 2007, 5.800%, 7/15/32   | 7/17 at |
| 140   | Parkway Community Facilities District 1, Prescott Valley,<br>Arizona, General Obligation Bonds, Series 2006,<br>5.350%, 7/15/31  | 7/16 at |
| 1,500 | Phoenix Industrial Development Authority, Arizona, Government<br>Bonds, Capitol Mall LLC II, Series 2001, 5.250%, 9/15/16 -<br>AMBAC Insured   | 3/12 at |
| 1,070 | Pinal County Industrial Development Authority, Arizona,<br>Correctional Facilities Contract Revenue Bonds, Florence<br>West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt  |
| 270   | Puerto Rico Public Buildings Authority, Guaranteed Government<br>Facilities Revenue Refunding Bonds, Series 2002D,<br>5.125%, 7/01/24  | 7/12 at |
| 960   | San Luis Civic Improvement Corporation, Arizona, Municipal<br>Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%,<br>7/01/25 - SYNCORA GTY Insured                             | 7/15 at |
| 555   | Tartesso West Community Facility District, Buckeye, Arizona,<br>Limited Tax General Obligation Bonds, Series 2007,<br>5.900%, 7/15/32  | 7/17 at |

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NKR | Nuveen Arizona Dividend Advantage Municipal Fund 2 (continued)  
| Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|---------------------------|---|------------------------|
| -----                     |   |                        |
|                           | TAX OBLIGATION/LIMITED (continued)  |                        |
| \$ 750                    | Vistancia Community Facilities District, Arizona, Restricted<br>General Obligation Bonds, Series 2005, 5.750%, 7/15/24              | 7/15 at                |
| 560                       | Watson Road Community Facilities District, Arizona, Special<br>Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30               | 7/16 at                |
| 350                       | Westpark Community Facilities District, Buckeye, Arizona,<br>General Obligation Tax Increment Bonds<br>Series 2006, 5.250%, 7/15/31 | 7/16 at                |
| 640                       | Yuma Municipal Property Corporation, Arizona, Municipal<br>Facilities Tax Revenue Bonds, Series 2001, 5.000%,                       | 7/10 at                |

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7/01/21 - AMBAC Insured

|  |  |          |
|--|--|----------|
| 15,417   | Total Tax Obligation/Limited   |          |
| -----  |  |          |
| TRANSPORTATION - 4.3% (2.8% OF TOTAL INVESTMENTS)        |  |          |
| 470  | Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 1998A, 5.000%, 7/01/25 - FSA Insured                                 | 7/09 at  |
| 1,000  | Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B, 5.250%, 7/01/27 - FGIC Insured (Alternative Minimum Tax)     | 7/12 at  |
| 1,470  | Total Transportation   |          |
| -----  |  |          |
| U.S. GUARANTEED - 23.5% (15.5% OF TOTAL INVESTMENTS) (5) |  |          |
| 400  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)                    | 7/10 at  |
| 735  | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21 (Pre-refunded 2/15/12)          | 2/12 at  |
| 715  | Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 (Pre-refunded 7/01/12) - FGIC Insured   | 7/12 at  |
| 100  | Maricopa County Unified School District 89, Dysart, Arizona, General Obligation Bonds, Series 2004B, 5.250%, 7/01/20 (Pre-refunded 7/01/14) - FSA Insured      | 7/14 at  |
| 375  | Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 (Pre-refunded 7/01/16) - MBIA Insured | 7/16 at  |
| 225  | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)                                  | 4/15 at  |
| 730  | Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 (Pre-refunded 7/01/12)         | 7/12 at  |
| 1,000  | Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11)     | 12/11 at |
| 990  | Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 (Pre-refunded 7/01/11)   | 7/11 at  |
|  | University of Arizona, Certificates of Participation, Series 2002A:  |          |
| 685  | 5.500%, 6/01/18 (Pre-refunded 6/01/12) - AMBAC Insured   | 6/12 at  |
| 460  | 5.125%, 6/01/22 (Pre-refunded 6/01/12) - AMBAC Insured   | 6/12 at  |
| 6,415  | Total U.S. Guaranteed  |          |
| -----  |  |          |
| UTILITIES - 2.1% (1.4% OF TOTAL INVESTMENTS)             |  |          |
| 1,000  | Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37   | No Opt   |
| -----  |  |          |
| WATER AND SEWER - 12.4% (8.2% OF TOTAL INVESTMENTS)      |  |          |
| 500  | Maricopa County Industrial Development Authority, Arizona, Water System Improvement Revenue Bonds, Chaparral City Water  | 6/09 at  |

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|     |  |         |
|-----|--|---------|
|     | Company, Series 1997A, 5.400%, 12/01/22 - AMBAC Insured<br>(Alternative Minimum Tax)   |         |
| 360 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien<br>Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 -<br>MBIA Insured | 7/13 at |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|---------------------------|--|------------------------|
| -----                     |  |                        |
|                           | WATER AND SEWER (continued)  |                        |
| \$ 1,000                  | Phoenix Civic Improvement Corporation, Arizona, Junior Lien<br>Water System Revenue Refunding Bonds, Series 2001, 5.500%,<br>7/01/22 - FGIC Insured                                | No Opt                 |
|                           | Surprise Municipal Property Corporation, Arizona, Wastewater<br>System Revenue Bonds, Series 2007:   |                        |
| 350                       | 4.700%, 4/01/22  | 4/14 at                |
| 410                       | 4.900%, 4/01/32  | 4/17 at                |
| 1,000                     | Tucson, Arizona, Water System Revenue Refunding Bonds, Series<br>2002, 5.500%, 7/01/18 - FGIC Insured  | 7/12 at                |
| 275                       | Yuma County Industrial Development Authority, Arizona, Exempt<br>Revenue Bonds, Far West Water & Sewer Inc. Refunding,<br>Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax) | 12/17 at               |
| -----                     |  |                        |
| 3,895                     | Total Water and Sewer  |                        |
| -----                     |  |                        |
| \$ 49,867                 | Total Investments (cost \$49,950,725) - 151.7%   |                        |
| =====                     |  |                        |
|                           | Other Assets Less Liabilities - 6.6%   |                        |
| -----                     |  |                        |
|                           | Preferred Shares, at Liquidation Value - (58.3)% (6)   |                        |
| -----                     |  |                        |
|                           | Net Assets Applicable to Common Shares - 100%  |                        |
| =====                     |  |                        |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.

The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the

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underlying insurers both during the period and after period end.

- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees.
- (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (6) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 38.4%.

N/R Not rated.

See accompanying notes to financial statements.

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NXE | Nuveen Arizona Dividend Advantage Municipal Fund 3  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000)  | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|--|--|------------------------|
| -----  |  |                        |
| CONSUMER STAPLES - 1.1% (0.7% OF TOTAL INVESTMENTS)                    |  |                        |
| \$ 530   | Puerto Rico, The Children's Trust Fund, Tobacco Settlement<br>Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33   | 5/12 at                |
| -----  |  |                        |
| EDUCATION AND CIVIC ORGANIZATIONS - 16.2% (11.0% OF TOTAL INVESTMENTS) |  |                        |
| 690  | Arizona Higher Education Loan Authority, Student Loan Revenue<br>Bonds, Series 2007B, Adjustable Rate, 0.930%, 11/01/41 (4)  | 3/09 at                |
| 1,250  | Arizona State University, System Revenue Bonds, Series 2005,<br>5.000%, 7/01/20 - AMBAC Insured  | 7/15 at                |
| 1,130  | Energy Management Services LLC, Arizona State University, Energy<br>Conservation Revenue Bonds, Main Campus Project, Series 2002,<br>5.250%, 7/01/18 - MBIA Insured        | 7/12 at                |
| 540  | Pima County Industrial Development Authority, Arizona, Charter School<br>Revenue Bonds, Noah Webster Basic Schools Inc.,<br>Series 2004, 6.000%, 12/15/24                  | 12/14 at               |
| 565  | Tucson Industrial Development Authority, Arizona, Charter School<br>Revenue Bonds, Arizona Agribusiness and Equine Center Charter<br>School, Series 2004A, 6.125%, 9/01/34 | 9/14 at                |
| 2,000  | University of Arizona, Certificates of Participation, Series 2002B,<br>5.125%, 6/01/20 - AMBAC Insured   | 6/12 at                |
| -----  |  |                        |
| 6,175  | Total Education and Civic Organizations  |                        |
| -----  |  |                        |
| HEALTH CARE - 29.3% (19.8% OF TOTAL INVESTMENTS)                       |  |                        |
| 1,015  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner<br>Health Systems, Series 2007A, 5.000%, 1/01/25   | 1/17 at                |
| 620  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner  | 1/17 at                |

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|       |   |          |
|-------|---|----------|
|       | Health Systems, Series2007B, 3.411%, 1/02/37  |          |
| 2,390 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38                                 | 1/18 at  |
| 625   | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20  | 4/14 at  |
| 475   | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37                 | 12/15 at |
| 785   | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42                  | 12/17 at |
| 1,825 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23 | 7/14 at  |
| 1,985 | Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32 | 7/17 at  |
| 2,000 | Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37            | 5/09 at  |
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33  | 8/13 at  |

-----  
 12,720 Total Health Care  
 -----

HOUSING/SINGLE FAMILY - 5.5% (3.7% OF TOTAL INVESTMENTS)

|       |   |         |
|-------|---|---------|
| 2,130 | Tucson and Pima County Industrial Development Authority, Arizona, Joint Single Family Mortgage Revenue Bonds, Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax) | 6/17 at |
|-------|---|---------|

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|                           |                 |                        |
|---------------------------|-----------------|------------------------|
| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1) | OPTIONAL<br>PROVISIONS |
|---------------------------|-----------------|------------------------|

-----  
 TAX OBLIGATION/GENERAL - 2.8% (1.8% OF TOTAL INVESTMENTS)

|          |   |         |
|----------|---|---------|
| \$ 1,000 | Pinal County Unified School District 1, Florence, Arizona, General Obligation Bonds, Series2008C, 5.250%, 7/01/28 | 7/18 at |
|----------|---|---------|

-----  
 TAX OBLIGATION/LIMITED - 30.8% (20.8% OF TOTAL INVESTMENTS)

|       |  |         |
|-------|--|---------|
| 150   | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series2005, 5.500%, 7/15/29                       | 7/15 at |
| 2,250 | DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series2002, 5.000%, 7/15/27 - AMBAC Insured     | 7/13 at |
|       | Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007:  |         |
| 253   | 5.700%, 7/01/27  | 1/17 at |
| 155   | 5.800%, 7/01/32  | 1/17 at |
| 293   | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/10 at |

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|        |  |         |
|--------|--|---------|
| 525    | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - MBIA Insured  | 8/16 at |
| 756    | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26   | 7/16 at |
| 290    | Marley Park Community Facilities District, City of Surprise, Arizona, Limited Tax General Obligation Bonds, Series 2007, 6.100%, 7/15/32                                       | 7/17 at |
| 490    | Merrill Ranch Community Facilities District 1, Florence, Arizona, General Obligation Bonds, Series 2008A, 7.400%, 7/15/33  | 7/18 at |
| 2,000  | Mohave County, Arizona, Certificates of Participation, Series 2004, 5.250%, 7/01/19 - AMBAC Insured  | 7/14 at |
| 640    | Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31   | 7/16 at |
| 425    | Palm Valley Community Facility District 3, Goodyear, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.800%, 7/15/32   | 7/17 at |
| 160    | Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31  | 7/16 at |
| 1,250  | Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured | No Opt  |
| 1,130  | San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured                             | 7/15 at |
| 665    | Tartesso West Community Facility District, Buckeye, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.900%, 7/15/32  | 7/17 at |
| 1,250  | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24  | 7/15 at |
| 664    | Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30   | 7/16 at |
| 425    | Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31  | 7/16 at |
| <hr/>  |  |         |
| 13,771 | Total Tax Obligation/Limited   |         |

TRANSPORTATION - 15.3% (10.3% OF TOTAL INVESTMENTS)

Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B:

|       |  |         |
|-------|--|---------|
| 1,000 | 5.750%, 7/01/16 - FGIC Insured (Alternative Minimum Tax) | 7/12 at |
| 2,300 | 5.250%, 7/01/21 - FGIC Insured (Alternative Minimum Tax) | 7/12 at |

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NXE | Nuveen Arizona Dividend Advantage Municipal Fund 3 (continued)  
| Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1)  | OPTIONAL PROVISIONS |
|------------------------|--|---------------------|
| <hr/>                  |  |                     |
|                        | TRANSPORTATION (continued)   |                     |
| \$ 2,450               | Tucson Airport Authority Inc., Arizona, Revenue Refunding Bonds, Series 2001B, 5.000%, 6/01/20 - AMBAC Insured (Alternative Minimum Tax) | 6/11 at             |
| <hr/>                  |  |                     |
| 5,750                  | Total Transportation   |                     |



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|  |   |       |    |
|--|---|-------|----|
| U.S. GUARANTEED - 25.3% (17.1% OF TOTAL INVESTMENTS) (5) |   |       |    |
| 300  | Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series1999A, 6.625%, 7/01/20<br>(Pre-refunded 7/01/10)                     | 7/10  | at |
| 1,000  | Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20<br>(Pre-refunded 12/01/10)      | 12/10 | at |
| 350  | Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 1999A:<br>6.125%, 11/15/22 (Pre-refunded 11/15/09)        | 11/09 | at |
| 520  | 6.250%, 11/15/29 (Pre-refunded 11/15/09)  | 11/09 | at |
| 1,575  | Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, 5.000%, 7/01/20<br>(Pre-refunded 7/01/14) - FSA Insured | 7/14  | at |
| 270  | Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%,4/01/16 (Pre-refunded 4/01/15)                                      | 4/15  | at |
| 1,250  | Scottsdale Industrial Development Authority, Arizona, Hospital Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31<br>Revenue (Pre-refunded 12/01/11)     | 12/11 | at |
| 2,770  | Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22 (Pre-refunded 7/01/13)   | 7/13  | at |
| 8,035  | Total U.S. Guaranteed   |       |    |

---

|  |   |       |        |
|--|---|-------|--------|
| UTILITIES - 9.5% (6.4% OF TOTAL INVESTMENTS) |   |       |        |
| 1,250  | Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A, 5.050%, 5/01/29 - AMBAC Insured | 11/12 | at     |
| 1,660  | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - SYNCORA GTY Insured   | 7/15  | at     |
| 270  | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22                                     | 1/13  | at     |
| 1,165  | Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007 5.000%, 12/01/37   |       | No Opt |
| 4,345  | Total Utilities   |       |        |

---

|   |  |      |    |
|---|--|------|----|
| WATER AND SEWER - 12.4% (8.4% OF TOTAL INVESTMENTS) |  |      |    |
| 405   | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series2003, 5.000%, 7/01/23 - MBIA Insured                    | 7/13 | at |
| 1,000   | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21 - FGIC Insured | 7/11 | at |
| 2,000   | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series2002, 5.000%, 7/01/18 - FGIC Insured                 | 7/12 | at |
| 425   | Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007:<br>4.700%, 4/01/22                                 | 4/14 | at |
| 490   | 4.900%, 4/01/32  | 4/17 | at |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|---------------------------|--|------------------------|
| -----                     |  |                        |
|                           | WATER AND SEWER (continued)  |                        |
| \$ 330                    | Yuma County Industrial Development Authority, Arizona, Exempt Revenue Bonds, Far West Water & Sewer Inc. Refunding, Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax) | 12/17 at               |
| -----                     |  |                        |
| 4,650                     | Total Water and Sewer  |                        |
| -----                     |  |                        |
| \$ 59,106                 | Total Investments (cost \$59,192,220)  | 148.2%                 |
| =====                     |  |                        |
|                           | Other Assets Less Liabilities - 9.3%   |                        |
| -----                     |  |                        |
|                           | Preferred Shares, at Liquidation Value - (57.5)% (6)   |                        |
| -----                     |  |                        |
|                           | Net Assets Applicable to Common Shares - 100%  |                        |
| =====                     |  |                        |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.  
  
The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees.
- (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (6) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 38.8%.

N/R Not rated.

See accompanying notes to financial statements.

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NTX | Nuveen Texas Quality Income Municipal Fund  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL<br>AMOUNT (000)  | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|--|---|------------------------|
| CONSUMER STAPLES - 1.4% (0.9% OF TOTAL INVESTMENTS)                    |   |                        |
| \$ 2,500   | Puerto Rico, The Children's Trust Fund, Tobacco Settlement<br>Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33  | 5/12 at                |
| -----  |   |                        |
| EDUCATION AND CIVIC ORGANIZATIONS - 16.4% (10.8% OF TOTAL INVESTMENTS) |   |                        |
| 1,000  | Central Texas Higher Education Authority Inc., Texas, Student Loan<br>Revenue Bonds, Auction Rate Coupon, 5.000%, 8/15/23 - MBIA Insured<br>(Alternative Minimum Tax) (4)                       | 8/12 at                |
| 1,170  | Red River Education Finance Corporation, Texas, Revenue Bonds,<br>Hockaday School, Series 2005:<br>5.000%, 5/15/27  | 5/15 at                |
| 1,230  | 5.000%, 5/15/28   | 5/15 at                |
| 1,290  | 5.000%, 5/15/29   | 5/15 at                |
| 1,710  | Texas Public Finance Authority, Revenue Bonds, Texas Southern<br>University Financing System, Series 2003:<br>5.000%, 5/01/18 - FGIC Insured  | 5/13 at                |
| 1,795  | 5.000%, 5/01/19 - FGIC Insured  | 5/13 at                |
| 1,885  | 5.000%, 5/01/20 - FGIC Insured  | 5/13 at                |
| 1,665  | Texas State University System, Financing Revenue Bonds, Series 2004,<br>5.000%, 3/15/24 - FSA Insured   | 9/14 at                |
| 2,000  | Texas State University System, Financing Revenue Refunding Bonds,<br>Series 2002, 5.000%, 3/15/20 - FSA Insured   | 3/12 at                |
| 2,330  | Universal City Education Facilities Corporation, Texas, Revenue<br>Bonds, Wayland Baptist University Project, Series 2001,<br>5.625%, 3/01/26   | 3/11 at                |
| 5,000  | University of North Texas, Financing System Revenue Bonds, Series<br>2001, 5.000%, 4/15/24 - FSA Insured  | 4/12 at                |
| 21,075   | Total Education and Civic Organizations   |                        |
| -----  |   |                        |
| ENERGY - 1.5% (1.0% OF TOTAL INVESTMENTS)                              |   |                        |
| 3,000  | Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue<br>Bonds, Valero Energy Corporation Project, Series 1998, 5.600%,<br>4/01/32 (Alternative Minimum Tax)                       | 4/09 at                |
| -----  |   |                        |
| HEALTH CARE - 16.7% (11.0% OF TOTAL INVESTMENTS)                       |   |                        |
| 3,270  | Abilene Health Facilities Development Corporation, Texas, Hospital<br>Revenue Refunding and Improvement Bonds, Hendrick Medical Center<br>Project, Series 1995C, 6.150%, 9/01/25 - MBIA Insured | 3/09 at                |
| 1,745  | Brazoria County Health Facilities Development Corporation, Texas,<br>Revenue Bonds, Brazosport Memorial Hospital, Series 2004:<br>5.250%, 7/01/20 - RAAI Insured                                | 7/14 at                |
| 1,835  | 5.250%, 7/01/21 - RAAI Insured  | 7/14 at                |

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|       |   |          |
|-------|---|----------|
| 4,140 | Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11   | No Opt   |
| 2,000 | North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Baylor Healthcare System, Series 2001A, 5.125%, 5/15/29                | 5/11 at  |
| 2,000 | Richardson Hospital Authority, Texas, Revenue Bonds, Richardson Regional Medical Center, Series 2004, 5.875%, 12/01/24  | 12/13 at |
| 2,500 | Tarrant County Cultural & Educational Facilities Financing Corporation, Texas, Revenue Bonds, Tarrant County Health Resources, Series 2007B, 5.000%, 11/15/42 | 11/17 at |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|---------------------------|---|------------------------|
| -----                     |   |                        |
|                           | HEALTH CARE (continued)   |                        |
| \$ 2,000                  | Tarrant County Cultural Education Facilities Finance Corporation, Texas, Revenue Refunding Bonds, Christus Health, Series 2008, 6.500%, 7/01/37                   | 1/19 at                |
| 2,000                     | Tom Green County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Shannon Health System Project, Series 2001, 6.750%, 5/15/21            | 5/11 at                |
| 700                       | Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2007B, 5.000%, 7/01/37 | 7/17 at                |
| 2,000                     | Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2007, 5.000%, 7/01/33  | 7/17 at                |
| -----                     |   |                        |
| 24,190                    | Total Health Care   |                        |
| -----                     |   |                        |
|                           | HOUSING/MULTIFAMILY - 1.4% (0.9% OF TOTAL INVESTMENTS)  |                        |
|                           | Bexar County Housing Finance Corporation, Texas, Insured Multifamily Housing Revenue Bonds, Waters at Northern Hills Apartments Project, Series 2001A:            |                        |
| 2,000                     | 6.000%, 8/01/31 - MBIA Insured  | 8/11 at                |
| 750                       | 6.050%, 8/01/36 - MBIA Insured  | 8/11 at                |
| -----                     |   |                        |
| 2,750                     | Total Housing/Multifamily   |                        |
| -----                     |   |                        |
|                           | HOUSING/SINGLE FAMILY - 3.5% (2.3% OF TOTAL INVESTMENTS)  |                        |
| 1,770                     | El Paso Housing Finance Corporation, Texas, GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33                             | 4/11 at                |
| 40                        | Galveston Property Finance Authority Inc., Texas, Single Family Mortgage Revenue Bonds, Series1991A, 8.500%, 9/01/11  | 3/09 at                |
| 2,805                     | Texas Department of Housing and Community Affairs, Single Family Mortgage Bonds, Series 2002B, 5.550%, 9/01/33 - MBIA Insured (Alternative Minimum Tax)           | 3/12 at                |
| -----                     |   |                        |
| 4,615                     | Total Housing/Single Family   |                        |

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| LONG-TERM CARE - 0.8% (0.5% OF TOTAL INVESTMENTS)   |   |         |
|---|---|---------|
| Bexar County, Texas, Health Facilities Development Corporation Revenue Bonds, Army Retirement Residence, Series 2007: |   |         |
| 1,000   | 5.000%, 7/01/27   | 7/17 at |
| 600   | 5.000%, 7/01/37   | 7/17 at |
| 1,600   | Total Long-Term Care  |         |
| MATERIALS - 4.0% (2.6% OF TOTAL INVESTMENTS)  |   |         |
| 3,000   | Cass County Industrial Development Corporation, Texas, Environmental Improvement Revenue Bonds, International Paper Company, Series 2000A, 6.600%, 3/15/24 (Alternative Minimum Tax)        | 3/10 at |
| 3,000   | Guadalupe-Blanco River Authority, Texas, Sewage and Solid Waste Disposal Facility Bonds, E.I. DuPont de Nemours and Company Project, Series 1996, 6.400%, 4/01/26 (Alternative Minimum Tax) | 4/09 at |
| 6,000   | Total Materials   |         |
| TAX OBLIGATION/GENERAL - 47.9% (31.4% OF TOTAL INVESTMENTS)   |   |         |
| 1,260   | Bexar County, Texas, Combined Tax and Revenue Certificates of Obligation, Series 2004, 5.000%, 6/15/19  | 6/14 at |
| 2,500   | Borger Independent School District, Hutchison County, Texas, General Obligation Bonds, Series2006, 5.000%, 2/15/36  | 2/16 at |
| 1,190   | Canutillo Independent School District, El Paso County, Texas, General Obligation Bonds, Series2006A, 5.000%, 8/15/22  | 8/15 at |
| 2,305   | Corpus Christi, Texas, Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation, Series 2002, 5.500%, 9/01/21 - FSA Insured                                     | 9/12 at |
| 2,595   | Denton County, Texas, Permanent Improvement General Obligation Bonds, Series 2005, 5.000%, 7/15/25  | 7/12 at |
| 1,750   | El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21 - FSA Insured   | No Opt  |

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NTX | Nuveen Texas Quality Income Municipal Fund (continued)  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL AMOUNT (000)  | DESCRIPTION (1)  | OPTIONAL PROVISIONS |
|---|--|---------------------|
| TAX OBLIGATION/GENERAL (continued)  |  |                     |
| Fort Bend County Municipal Utility District 25, Texas, General Obligation Bonds, Series 2005: |  |                     |
| \$ 1,330  | 5.000%, 10/01/26 - FGIC Insured  | 10/12 at            |
| 1,320   | 5.000%, 10/01/27 - FGIC Insured  | 10/12 at            |
| 3,615   | Frisco, Texas, General Obligation Bonds, Series 2006, 5.000%, 2/15/26 - FGIC Insured | 2/16 at 1           |

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|        |   |  |          |
|--------|---|--|----------|
|        | Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003:  |  |          |
| 2,500  | 5.000%, 2/15/20 - AMBAC Insured   |  | 2/13 at  |
| 2,235  | 5.000%, 2/15/21 - AMBAC Insured   |  | 2/13 at  |
| 5,000  | Houston, Texas, General Obligation Bonds, Series 2005E, 5.000%, 3/01/23 - AMBAC Insured   |  | 3/15 at  |
| 100    | Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21                                   |  | 2/11 at  |
| 4,900  | Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/45                          |  | 8/14 at  |
| 5,220  | Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 0.000%, 8/15/21 |  | 8/09 at  |
| 1,000  | Mansfield Independent School District, Tarrant County, Texas, General Obligation Bonds, Series2004, 5.000%, 2/15/20   |  | 2/14 at  |
| 1,010  | Mercedes Independent School District, Hidalgo County, Texas, General Obligation Bonds, Series2005, 5.000%, 8/15/23  |  | 8/15 at  |
| 5,515  | Midlothian Independent School District, Ellis County, Texas, General Obligation Bonds, Series2005, 5.000%, 2/15/34  |  | 2/15 at  |
| 925    | Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25                 |  | 8/10 at  |
| 2,000  | Plano Independent School District, Collin County, Texas, General Obligation Bonds, Series2008, 5.250%, 2/15/34  |  | 2/18 at  |
|        | Roma Independent School District, Texas, General Obligation Bonds, Series 2005:   |  |          |
| 1,110  | 5.000%, 8/15/22   |  | 8/15 at  |
| 1,165  | 5.000%, 8/15/23 - FSA Insured   |  | 8/15 at  |
| 1,250  | Southside Independent School District, Bexar County, Texas, General Obligation Bonds, Series2004A, 5.000%, 8/15/22  |  | 8/14 at  |
| 1,140  | Sunnyvale School District, Texas, General Obligation Bonds, Series 2004, 5.250%, 2/15/25  |  | 2/14 at  |
| 5,000  | Texas State, General Obligation Bonds, Transportation Commission Mobility Fund, Series 2006A, 5.000%, 4/01/33   |  | 4/17 at  |
| 1,000  | Texas State, General Obligation Bonds, Transportation Commission Mobility Fund, Series 2008, 5.000%, 4/01/30  |  | 4/18 at  |
| 1,110  | Texas State, General Obligation Bonds, Water Utility, Series 2001, 5.250%, 8/01/23  |  | 8/11 at  |
| 1,500  | Texas, General Obligation Refunding Bonds, Public Finance Authority, Series 2002, 5.000%, 10/01/18  |  | 10/12 at |
| 3,025  | Victoria Independent School District, Victoria County, Texas, General Obligation Bonds, Series2007, 5.000%, 2/15/32   |  | 2/17 at  |
|        | West Texas Independent School District, McLennan and Hill Counties, General Obligation Refunding Bonds, Series 1998:  |  |          |
| 1,000  | 0.000%, 8/15/22   |  | 8/13 at  |
| 1,000  | 0.000%, 8/15/24   |  | 8/13 at  |
|        | White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2006:   |  |          |
| 1,500  | 0.000%, 8/15/43   |  | 8/15 at  |
| 1,500  | 0.000%, 8/15/44   |  | 8/15 at  |
| 425    | 0.000%, 8/15/45   |  | 8/15 at  |
| <hr/>  |   |  |          |
| 69,995 | Total Tax Obligation/General  |  |          |
| <hr/>  |   |  |          |

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| PRINCIPAL<br>AMOUNT (000)   | DESCRIPTION (1)   | OPTIONAL<br>PROVISIONS |
|---|---|------------------------|
| TAX OBLIGATION/LIMITED - 7.8% (5.2% OF TOTAL INVESTMENTS)   |   |                        |
| \$ 8,000  | Dallas Area Rapid Transit, Texas, Senior Lien Sales Tax Revenue Bonds, Series 2007, 5.000%, 12/01/36 - AMBAC Insured  | 12/16 at               |
| 2,250   | Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G, 5.250%, 11/15/22 - MBIA Insured   | 11/11 at               |
| <hr/>   |   |                        |
| 10,250  | Total Tax Obligation/Limited  |                        |
| <hr/>   |   |                        |
| TRANSPORTATION - 5.9% (3.8% OF TOTAL INVESTMENTS)   |   |                        |
| 1,000   | Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 2003, 5.250%, 11/15/16 - MBIA Insured  | 11/13 at               |
| 3,260   | Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/22 - FGIC Insured                               | 1/15 at                |
| 2,600   | Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax) | 11/09 at               |
| 2,000   | Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000A, 5.625%, 7/01/30 - FSA Insured (Alternative Minimum Tax)  | 7/10 at                |
| 500   | North Texas Thruway Authority, Second Tier System Revenue Refunding Bonds, Series 2008, 5.750%, 1/01/38   | 1/18 at                |
| <hr/>   |   |                        |
| 9,360   | Total Transportation  |                        |
| <hr/>   |   |                        |
| U.S. GUARANTEED - 21.6% (14.1% OF TOTAL INVESTMENTS) (5)  |   |                        |
| Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1992:                |   |                        |
| 3,835   | 0.000%, 8/15/14 (Pre-refunded 8/15/09) - MBIA Insured   | 8/09 at                |
| 295   | 0.000%, 8/15/14 (Pre-refunded 8/15/09) - MBIA Insured   | 8/09 at                |
| Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000: |   |                        |
| 2,000   | 6.875%, 10/01/20 (Pre-refunded 10/01/10) - RAAI Insured   | 10/10 at               |
| 3,250   | 6.375%, 10/01/25 (Pre-refunded 10/01/10) - RAAI Insured   | 10/10 at               |
| 500   | Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, St. Luke's Episcopal Hospital, Series 2001A, 5.500%, 2/15/21 (Pre-refunded 8/15/11)            | 8/11 at                |
| 1,400   | Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21 (Pre-refunded 2/01/11)                              | 2/11 at                |
| 1,000   | North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System, Series 1996B, 5.750%, 6/01/26 - MBIA Insured (ETM)     | No Opt                 |
| 1,075   | Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25 (Pre-refunded 8/15/10)            | 8/10 at                |
| 1,760   | Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19 (Pre-refunded 8/15/09)                                   | 8/09 at                |
| 2,500   | Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack, Series 1993, 8.750%, 12/15/18 (Pre-refunded 12/15/17) (6)                     | 12/17 at               |
| 1,750   | San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds,  | 2/12 at                |

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|        |   |          |
|--------|---|----------|
|        | Series 2002, 5.375%, 2/01/20 (Pre-refunded 2/01/12)   |          |
| 1,440  | South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17 (Pre-refunded 8/15/12) - AMBAC Insured   | 8/12 at  |
| 3,500  | Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 2000, 6.625%, 11/15/20 (Pre-refunded 11/15/10) | 11/10 at |
| 1,000  | Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2001, 6.000%, 7/01/31 (Pre-refunded 7/01/12)           | 7/12 at  |
| -----  |   |          |
| 25,305 | Total U.S. Guaranteed   |          |
| -----  |   |          |

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NTX | Nuveen Texas Quality Income Municipal Fund (continued)  
 | Portfolio of INVESTMENTS January 31, 2009 (Unaudited)

| PRINCIPAL AMOUNT (000) | DESCRIPTION (1)   | OPTIONAL PROVISIONS |
|------------------------|---|---------------------|
| -----                  |   |                     |
|                        | UTILITIES - 10.6% (7.0% OF TOTAL INVESTMENTS)   |                     |
| \$ 2,560               | Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 1999C, 7.700%, 3/01/32 (Alternative Minimum Tax)                             | 4/13 at             |
| 2,400                  | Brazos River Authority, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999A, 5.375%, 4/01/19  | 4/09 at             |
| 200                    | Brazos River Authority, Texas, Revenue Refunding Bonds, Houston Industries Inc., Series 1998C, 5.125%, 5/01/19 - AMBAC Insured  | 5/09 at             |
| 5,000                  | Brownsville, Texas, Utility System Priority Revenue Bonds, Series 2005A, 5.000%, 9/01/27 - AMBAC Insured  | 9/15 at             |
| 2,000                  | Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2000, 5.750%, 2/15/15 - AMBAC Insured (Alternative Minimum Tax) | 2/10 at             |
| 2,000                  | Lower Colorado River Authority, Texas, Revenue Bonds, Series 2008, 5.750%, 5/15/37  | 5/15 at             |
| 1,000                  | Matagorda County Navigation District 1, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999B, 5.950%, 5/01/30 (Alternative Minimum Tax)  | 5/09 at             |
| -----                  |   |                     |
| 15,160                 | Total Utilities   |                     |
| -----                  |   |                     |

WATER AND SEWER - 13.0% (8.5% OF TOTAL INVESTMENTS)

|       |   |          |
|-------|---|----------|
|       | Coastal Water Authority, Texas, Contract Revenue Bonds, Houston Water Projects, Series 2004:                                |          |
| 1,005 | 5.000%, 12/15/20 - FGIC Insured   | 12/14 at |
| 1,030 | 5.000%, 12/15/21 - FGIC Insured   | 12/14 at |
| 1,000 | El Paso, Texas, Water and Sewer Revenue Bonds, Refunding Series 2008C, 5.375%, 3/01/29                                      | 3/18 at  |
| 3,000 | Houston, Texas, First Lien Combined Utility System Revenue Bonds, Series 2004A, 5.250%, 5/15/23 - FGIC Insured              | 5/14 at  |
| 3,500 | Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001A, 5.500%, 12/01/17 - FSA Insured | 12/11 at |



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|       |  |         |
|-------|--|---------|
|       | Irving, Texas, Subordinate Lien Waterworks and Sewerage Revenue Bonds, Series 2004:  |         |
| 1,680 | 5.000%, 8/15/22 - AMBAC Insured  | 8/14 at |
| 1,760 | 5.000%, 8/15/23 - AMBAC Insured  | 8/14 at |
| 1,260 | Rowlett, Rockwall and Dallas Counties, Texas, Waterworks and Sewerage System Revenue Bonds, Series 2004A, 5.000%, 3/01/22 - MBIA Insured | 3/14 at |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION (1)  | OPTIONAL<br>PROVISIONS |
|---------------------------|--|------------------------|
| -----                     |  |                        |
|                           | WATER AND SEWER (continued)  |                        |
| \$ 1,500                  | Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1999A, 5.500%, 7/15/21 | 7/09 at                |
| -----                     |  |                        |
| 15,735                    | Total Water and Sewer  |                        |
| -----                     |  |                        |
| \$ 211,535                | Total Investments (cost \$199,846,079) -152.5%   |                        |
| =====                     |  |                        |
|                           | Other Assets Less Liabilities - 2.4%   |                        |
| -----                     |  |                        |
|                           | Preferred Shares, at Liquidation Value - (54.9)% (7)   |                        |
| -----                     |  |                        |
|                           | Net Assets Applicable to Common Shares - 100%  |                        |
| =====                     |  |                        |

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.  
  
The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, FGIC, FSA, MBIA, RAAI and SYNCORA as of January 31, 2009. Please see the Portfolio Managers' Commentary for an expanded discussion of the affect on the Fund of changes to the ratings of certain bonds in the portfolio resulting from changes to the ratings of the underlying insurers both during the period and after period end.
- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees.
- (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

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- (6) The issuer has received a formal adverse determination from the Internal Revenue Service (the "IRS") regarding the tax-exempt status of the bonds' coupon payments. The Fund will continue to treat coupon payments as tax-exempt income until such time it is formally determined that the interest on the bonds should be treated as taxable
- (7) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 36.0%
- (ETM) Escrowed to maturity.

See accompanying notes to financial statements.

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| Statement of ASSETS & LIABILITIES January 31, 2009 (Unaudited)

|   | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) |
|---|---------------------------------------|---|---|
| -----   |                                       |   |   |
| ASSETS  |                                       |   |   |
| Investments, at value (cost \$85,098,964,<br>\$29,273,400, \$49,950,725, \$59,192,220 and<br>\$199,846,079, respectively) | \$ 81,351,425                         | \$ 26,560,132                             | \$ 46,780,431                               |
| Cash  | 1,517,349                             | 2,836,984                                 | 1,785,207                                   |
| Cash equivalents (1)  | --                                    | 1,400,675                                 | 126   |
| Receivables:  |                                       |   |   |
| Interest  | 619,055                               | 244,014                                   | 406,604                                     |
| Investments sold  | 15,000                                | --  | --  |
| Other assets  | 1,216                                 | 1,066                                     | 2,837                                       |
| -----   |                                       |   |   |
| Total assets  | 83,504,045                            | 31,042,871                                | 48,975,205                                  |
| -----   |                                       |   |   |
| LIABILITIES   |                                       |   |   |
| Cash overdraft  | --                                    | --  | --  |
| Payables:   |                                       |   |   |
| Investment purchased  | --                                    | 500,112                                   | --  |
| Preferred shares noticed for redemption,<br>at liquidation value  | --                                    | 1,400,000                                 | --  |
| Common share dividends  | 217,763                               | 76,512                                    | 133,561                                     |
| Preferred share dividends   | 1,176                                 | 963                                       | 1,103                                       |
| Accrued expenses:   |                                       |   |   |
| Management fees   | 45,656                                | 12,801                                    | 18,661                                      |
| Other   | 21,476                                | 4,262                                     | 9,875                                       |
| -----   |                                       |   |   |
| Total liabilities   | 286,071                               | 1,994,650                                 | 163,200                                     |
| -----   |                                       |   |   |
| Preferred shares, at liquidation value  | 30,000,000                            | 10,600,000                                | 17,975,000                                  |
| -----   |                                       |   |   |
| Net assets applicable to Common shares  | \$ 53,217,974                         | \$ 18,448,221                             | \$ 30,837,005                               |
| =====   |                                       |   |   |
| Common shares outstanding   | 4,469,154                             | 1,550,520                                 | 2,440,351                                   |
| =====   |                                       |   |   |

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Net asset value per Common share outstanding  
 (net assets applicable to Common shares,  
 divided by Common shares outstanding)                   \$           11.91       \$           11.90       \$           12.64

NET ASSETS APPLICABLE TO COMMON SHARES  
 CONSIST OF:

|   |    |             |    |             |    |             |
|---|----|-------------|----|-------------|----|-------------|
| Common shares, \$.01 par value per share  | \$ | 44,692      | \$ | 15,505      | \$ | 24,404      |
| Paid-in surplus   |    | 62,155,941  |    | 21,934,021  |    | 34,586,260  |
| Undistributed (Over-distribution of) net investment income                            |    | 136,941     |    | (9,870)     |    | (33,281)    |
| Accumulated net realized gain (loss) from investments and derivative transactions     |    | (5,372,061) |    | (778,167)   |    | (570,084)   |
| Net unrealized appreciation (depreciation) of investments and derivative transactions |    | (3,747,539) |    | (2,713,268) |    | (3,170,294) |
| Net assets applicable to Common shares  | \$ | 53,217,974  | \$ | 18,448,221  | \$ | 30,837,005  |
| Authorized shares:  |    |             |    |             |    |             |
| Common  |    | 200,000,000 |    | Unlimited   |    | Unlimited   |
| Preferred   |    | 1,000,000   |    | Unlimited   |    | Unlimited   |

(1) Segregated for the payment of Preferred shares.

See accompanying notes to financial statements.

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| Statement of OPERATIONS Six Months Ended January 31, 2009 (Unaudited)

|  | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARI<br>DIVI<br>ADVANTA |
|--|---------------------------------------|---|------------------------|
| INVESTMENT INCOME  | \$ 2,285,916                          | \$ 810,017                                | \$ 1,322               |
| EXPENSES   |                                       |   |                        |
| Management fees  | 270,642                               | 99,613                                    | 160                    |
| Preferred shares - auction fees                                      | 37,808                                | 15,123                                    | 23                     |
| Preferred shares - dividend disbursing agent fees                    | 5,041                                 | 5,041                                     | 5                      |
| Shareholders' servicing agent fees and expenses                      | 1,602                                 | 207                                       |                        |
| Custodian's fees and expenses  | 12,978                                | 5,865                                     | 8                      |
| Directors'/Trustees' fees and expenses                               | 578                                   | 100                                       |                        |
| Professional fees  | 8,244                                 | 4,809                                     | 5                      |
| Shareholders' reports - printing and mailing expenses                | 8,679                                 | 4,353                                     | 6                      |
| Stock exchange listing fees  | 4,637                                 | 110                                       |                        |
| Investor relations expense   | 3,683                                 | 1,467                                     | 2                      |
| Other expenses   | 7,502                                 | 6,399                                     | 6                      |
| Total expenses before custodian fee credit and expense reimbursement | 361,394                               | 143,087                                   | 218                    |

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|   |                |                |                |
|---|----------------|----------------|----------------|
| Custodian fee credit  | (3,268)        | (2,745)        | (3,268)        |
| Expense reimbursement   | --             | (23,153)       | (49,000)       |
| Net expenses  | 358,126        | 117,189        | 165,000        |
| Net investment income   | 1,927,790      | 692,828        | 1,157,000      |
| REALIZED AND UNREALIZED GAIN (LOSS)   |                |                |                |
| Net realized gain (loss) from:  |                |                |                |
| Investments   | (2,716,781)    | (429,223)      | (246,231)      |
| Futures   | --             | --             | (144,540)      |
| Change in net unrealized appreciation (depreciation) of:  |                |                |                |
| Investments   | (2,218,938)    | (1,699,970)    | (2,252,000)    |
| Futures   | --             | --             | 42,042         |
| Net realized and unrealized gain (loss)   | (4,935,719)    | (2,129,193)    | (2,499,000)    |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS   |                |                |                |
| From net investment income  | (470,712)      | (186,660)      | (292,000)      |
| From accumulated net realized gains   | --             | --             | --             |
| Decrease in net assets applicable to Common shares from distributions to Preferred Shareholders | (470,712)      | (186,660)      | (292,000)      |
| Net increase (decrease) in net assets applicable to Common shares from operations               | \$ (3,478,641) | \$ (1,623,025) | \$ (1,634,000) |

See accompanying notes to financial statements.

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| Statement of CHANGES in NET ASSETS (Unaudited)

|  | ARIZONA PREMIUM INCOME (NAZ) |                    | ARIZONA DIVIDEND ADVANTAGE (NFZ) |                    |
|--|------------------------------|--------------------|----------------------------------|--------------------|
|  | SIX MONTHS ENDED 1/31/09     | YEAR ENDED 7/31/08 | SIX MONTHS ENDED 1/31/09         | YEAR ENDED 7/31/08 |
| OPERATIONS   |                              |                    |                                  |                    |
| Net investment income                                    | \$ 1,927,790                 | \$ 3,939,586       | \$ 692,828                       | \$ 1,404,791       |
| Net realized gain (loss) from:                           |                              |                    |                                  |                    |
| Investments  | (2,716,781)                  | (695,247)          | (429,223)                        | (246,231)          |
| Futures  | --                           | (46,730)           | --                               | (144,540)          |
| Change in net unrealized appreciation (depreciation) of: |                              |                    |                                  |                    |
| Investments  | (2,218,938)                  | (3,907,909)        | (1,699,970)                      | (1,551,069)        |
| Futures  | --                           | --                 | --                               | 42,042             |
| Distributions to Preferred Shareholders:                 |                              |                    |                                  |                    |

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|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| From net investment income   | (470,712)     | (992,215)     | (186,660)     | (381,010)     |
| From accumulated net realized gains  | --            | --            | --            | (6,331)       |
| -----  |               |               |               |               |
| Net increase (decrease) in net assets applicable to Common shares from operations            | (3,478,641)   | (1,702,515)   | (1,623,025)   | (882,348)     |
| -----  |               |               |               |               |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS   |               |               |               |               |
| From net investment income   | (1,412,253)   | (2,734,545)   | (488,380)     | (985,763)     |
| From accumulated net realized gains  | --            | --            | --            | (18,444)      |
| -----  |               |               |               |               |
| Decrease in net assets applicable to Common shares from distributions to Common Shareholders | (1,412,253)   | (2,734,545)   | (488,380)     | (1,004,207)   |
| -----  |               |               |               |               |
| CAPITAL SHARE TRANSACTIONS   |               |               |               |               |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions  | 12,298        | --            | 7,372         | --            |
| -----  |               |               |               |               |
| Net increase in net assets applicable to Common shares from capital share transactions       | 12,298        | --            | 7,372         | --            |
| -----  |               |               |               |               |
| Net increase (decrease) in net assets applicable to Common shares                            | (4,878,596)   | (4,437,060)   | (2,104,033)   | (1,886,555)   |
| Net assets applicable to Common shares at the beginning of period                            | 58,096,570    | 62,533,630    | 20,552,254    | 22,438,809    |
| -----  |               |               |               |               |
| Net assets applicable to Common shares at the end of period                                  | \$ 53,217,974 | \$ 58,096,570 | \$ 18,448,221 | \$ 20,552,254 |
| =====  |               |               |               |               |
| Undistributed (Over-distribution of) net investment income at the end of period              | \$ 136,941    | \$ 92,116     | \$ (9,870)    | \$ (27,658)   |
| =====  |               |               |               |               |

See accompanying notes to financial statements.

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|                                | ARIZONA                    |                    | TEXAS                    |       |
|--------------------------------|----------------------------|--------------------|--------------------------|-------|
|                                | DIVIDEND ADVANTAGE 3 (NXE) |                    | QUALITY INCOME (N        |       |
|                                | SIX MONTHS ENDED 1/31/09   | YEAR ENDED 7/31/08 | SIX MONTHS ENDED 1/31/09 |       |
| -----                          |                            |                    |                          |       |
| OPERATIONS                     |                            |                    |                          |       |
| Net investment income          | \$ 1,384,517               | \$ 2,785,211       | \$ 4,466,424             | \$ 8, |
| Net realized gain (loss) from: |                            |                    |                          |       |

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|  |               |               |                |                |
|--|---------------|---------------|----------------|----------------|
| Investments  | (324,504)     | (469,351)     | (287,195)      | (7,116)        |
| Futures  | --            | --            | 279,232        | (7,116)        |
| Change in net unrealized appreciation (depreciation) of:                                     |               |               |                |                |
| Investments  | (3,748,944)   | (3,032,163)   | (6,290,000)    | (7,116)        |
| Futures  | --            | --            | (80,805)       | (7,116)        |
| Distributions to Preferred Shareholders:   |               |               |                |                |
| From net investment income   | (346,393)     | (748,495)     | (1,151,856)    | (7,116)        |
| From accumulated net realized gains  | --            | --            | (143,345)      | (7,116)        |
| Net increase (decrease) in net assets applicable to Common shares from operations            | (3,035,324)   | (1,464,798)   | (3,207,545)    | (1,464,798)    |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS   |               |               |                |                |
| From net investment income   | (1,003,115)   | (2,006,230)   | (3,333,745)    | (6,290,000)    |
| From accumulated net realized gains  | --            | --            | (446,272)      | (6,290,000)    |
| Decrease in net assets applicable to Common shares from distributions to Common Shareholders | (1,003,115)   | (2,006,230)   | (3,780,017)    | (6,290,000)    |
| CAPITAL SHARE TRANSACTIONS   |               |               |                |                |
| Net proceeds from Common shares issued to shareholders due to reinvestment of distributions  | --            | --            | --             | --             |
| Net increase in net assets applicable to Common shares from capital share transactions       | --            | --            | --             | --             |
| Net increase (decrease) in net assets applicable to Common shares                            | (4,038,439)   | (3,471,028)   | (6,987,562)    | (8,274,798)    |
| Net assets applicable to Common shares at the beginning of period                            | 40,080,570    | 43,551,598    | 132,713,201    | 141,088,000    |
| Net assets applicable to Common shares at the end of period                                  | \$ 36,042,131 | \$ 40,080,570 | \$ 125,725,639 | \$ 132,813,201 |
| Undistributed (Over-distribution of) net investment income at the end of period              | \$ (74,976)   | \$ (109,985)  | \$ 106,961     | \$ (74,976)    |

See accompanying notes to financial statements.

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| Notes to FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The funds covered in this report and their corresponding Common share stock exchange symbols are Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ), Nuveen Arizona Dividend Advantage Municipal Fund (NFZ), Nuveen Arizona Dividend

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Advantage Municipal Fund 2 (NKR), Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) and Nuveen Texas Quality Income Municipal Fund (NTX) (collectively, the "Funds"). Common shares of Arizona Premium Income (NAZ) and Texas Quality Income (NTX) are traded on the New York Stock Exchange while Common shares of Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) are traded on the NYSE Alternext US (formerly American Stock Exchange). The Funds are registered under the Investment Company Act of 1940, as amended, as closed-end management investment companies.

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

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

### Investment Valuation

The prices of municipal bonds in each Fund's investment portfolio are provided by a pricing service approved by the Fund's Board of Directors/Trustees. Prices of forward swap contracts are also provided by an independent pricing service approved by each Fund's Board of Directors/Trustees. Futures contracts are valued using the closing settlement price, or, in the absence of such a price, at the mean of the bid and asked prices. When market price quotes are not readily available (which is usually the case for municipal securities), the pricing service or, in the absence of a pricing service for a particular investment or derivative instrument, the Board of Directors/Trustees of the Fund, or its designee, may establish fair value using a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. Temporary investments in securities that have variable rate and demand features qualifying them as short-term investments are valued at amortized cost, which approximates value.

### Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At January 31, 2009, there were no such outstanding purchase commitments in any of the Funds.

### Investment Income

Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Investment income also includes paydown gains and losses, if any.

### Income Taxes

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

by the Funds are subject to federal taxation.

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For all open tax years and all major taxing jurisdictions, management of the Funds has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). Further, management of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Dividends and Distributions to Common Shareholders

Dividends from tax-exempt net investment income are declared monthly. Net realized capital gains and/or market discount from investment transactions, if any, are distributed to shareholders at least 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 US generally accepted accounting principles.

Preferred Shares

The Funds have issued and outstanding Preferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. Each Fund's Preferred shares are issued in one or more Series. The dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period. As of January 31, 2009, the number of Preferred shares outstanding, by Series or in total, for each Fund is as follows:

|                   | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 3<br>(NXE) | TEXAS<br>QUALITY<br>INCOME<br>(NTX) |
|-------------------|---------------------------------------|---|---|---|-------------------------------------|
| -----             |                                       |   |   |   |                                     |
| Number of shares: |                                       |   |   |   |                                     |
| Series M          | --                                    | --  | --  | 829   | 760                                 |
| Series T          | --                                    | 424                                       | --  | --  | --                                  |
| Series W          | --                                    | --  | 719   | --  | --                                  |
| Series TH         | 1,200                                 | --  | --  | --  | 2,000                               |
| -----             |                                       |   |   |   |                                     |
| Total             | 1,200                                 | 424                                       | 719   | 829   | 2,760                               |
| =====             |                                       |   |   |   |                                     |

Beginning in February 2008, more shares for sale were submitted in the regularly scheduled auctions for the Preferred shares issued by the Funds than there were offers to buy. This meant that these auctions "failed to clear," and that many Preferred shareholders who wanted to sell their shares in these auctions were unable to do so. Preferred shareholders unable to sell their shares received distributions at the "maximum rate" applicable to failed auctions as calculated in accordance with the pre-established terms of the Preferred shares.

These developments have generally not affected the portfolio management or investment policies of the Funds. However, one implication of these auction failures for Common shareholders is that the Funds' cost of leverage will likely



be higher, at least temporarily, than it otherwise would have been had the auctions continued to be successful. As a result, the Funds' future Common share earnings may be lower than they otherwise would have been.

As of January 31, 2009, Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) redeemed and/or noticed for redemption \$1,400,000, \$525,000 and \$1,275,000 of their outstanding Preferred shares, respectively, at liquidation value. Arizona Premium Income (NAZ) and Texas Quality Income (NTX) have not redeemed and/or noticed for redemption any of their Preferred shares.

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| Notes to FINANCIAL STATEMENTS (continued) (Unaudited)

#### Inverse Floating Rate Securities

Each Fund is authorized to invest in inverse floating rate securities. An inverse floating rate security is created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. In turn, this trust (a) issues floating rate certificates, in face amounts equal to some fraction of the deposited bond's par amount or market value, that typically pay short-term tax-exempt interest rates to third parties, and (b) issues to a long-term investor (such as one of the Funds) an inverse floating rate certificate (sometimes referred to as an "inverse floater") that represents all remaining or residual interest in the trust. The income received by the inverse floater holder varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the inverse floater holder bears substantially all of the underlying bond's downside investment risk and also benefits disproportionately from any potential appreciation of the underlying bond's value. The price of an inverse floating rate security will be more volatile than that of the underlying bond because the interest rate is dependent on not only the fixed coupon rate of the underlying bond but also on the short-term interest paid on the floating rate certificates, and because the inverse floating rate security essentially bears the risk of loss of the greater face value of the underlying bond.

A Fund may purchase an inverse floating rate security in a secondary market transaction without first owning the underlying bond (referred to as an "externally-deposited inverse floater"), or instead by first selling a fixed-rate bond to a broker-dealer for deposit into the special purpose trust and receiving in turn the residual interest in the trust (referred to as a "self-deposited inverse floater"). The inverse floater held by a Fund gives the Fund the right (a) to cause the holders of the floating rate certificates to tender their notes at par, and (b) to have the broker transfer the fixed-rate bond held by the trust to the Fund, thereby collapsing the trust. An investment in an externally-deposited inverse floater is identified in the Portfolio of Investments as an "Inverse floating rate investment". An investment in a self-deposited inverse floater is accounted for as a financing transaction in accordance with Statement of Financial Accounting Standards No. 140 (SFAS No. 140) "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". In such instances, a fixed-rate bond deposited into a special purpose trust is identified in the Portfolio of Investments as an "Underlying bond of an inverse floating rate trust", with the Fund accounting for the short-term floating rate certificates issued by the trust as "Floating rate obligations" on the Statement of Assets and Liabilities. In addition, the Fund reflects in Investment Income the entire earnings of the underlying bond and the related interest paid to the holders of the short-term floating rate certificates as "Interest expense on floating rate obligations" on the Statement of Operations.

During the six months ended January 31, 2009, each Fund invested in externally-deposited inverse floaters. None of the Funds invested in self-deposited inverse floaters during the six months ended January 31, 2009.

Each Fund may also enter into shortfall and forbearance agreements (sometimes referred to as a "recourse trust" or "credit recovery swap") (such agreements referred to herein as "Recourse Trusts") with a broker-dealer by which a Fund agrees to reimburse the broker-dealer, in certain circumstances, for the difference between the liquidation value of the fixed-rate bond held by the trust and the liquidation value of the floating rate certificates issued by the trust plus any shortfalls in interest cash flows. Under these agreements, a Fund's potential exposure to losses related to or on inverse floaters may increase beyond the value of a Fund's inverse floater investments as a Fund may potentially be liable to fulfill all amounts owed to holders of the floating rate certificates. At period end, any such shortfall is recognized as "Unrealized depreciation on Recourse Trusts" on the Statement of Assets and Liabilities. At January 31, 2009, none of the Funds had exposure to externally-deposited Recourse Trusts.

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#### Futures Contracts

Each Fund is authorized to invest in futures contracts. Upon entering into a futures contract, a Fund is required to deposit with the broker an amount of cash or liquid securities equal to a specified percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract.

During the period the futures contract is open, changes in the value of the contract are recognized as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in market value of the contract. When the contract is closed or expired, a Fund records a realized gain or loss equal to the difference between the value of the contract on the closing date and value of the contract when originally entered into. Cash held by the broker to cover initial margin requirements on open futures contracts, if any, is recognized on the Statement of Assets and Liabilities. Additionally, the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin, when applicable. Texas Quality Income (NTX) was the only Fund to invest in futures contracts during the six months ended January 31, 2009.

Risks of investments in futures contracts include the possible adverse movement of the securities or indices underlying the contracts, the possibility that there may not be a liquid secondary market for the contracts and/or that a change in the value of the contract may not correlate with a change in the value of the underlying securities or indices.

#### Zero Coupon Securities

Each Fund is authorized to invest in zero coupon securities. A zero coupon security does not pay a regular interest coupon to its holders during the life of the security. Tax-exempt income to the holder of the security comes from accretion of the difference between the original purchase price of the security at issuance and the par value of the security at maturity and is effectively paid at maturity. Such securities are included in the Portfolios of Investments with a 0.000% coupon rate in their description. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

#### Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian

fees and expenses are reduced by net credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days on which a Fund overdraws its account at the custodian bank.

Indemnifications

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

Use of Estimates

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

| Notes to FINANCIAL STATEMENTS (continued) (Unaudited)

2. FAIR VALUE MEASUREMENTS

During the current fiscal period, the Funds adopted the provisions of Statement of Financial Accounting Standards No. 157 (SFAS No. 157) "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. In determining the value of each Fund's investments various inputs are used. These inputs are summarized in the three broad levels listed below:

- Level 1 - Quoted prices in active markets for identical securities.
- Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - Significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of each Fund's fair value measurements as of January 31, 2009:

| ARIZONA PREMIUM INCOME (NAZ) | LEVEL 1 | LEVEL 2       | LEVEL 3      | TOTAL         |
|------------------------------|---------|---------------|--------------|---------------|
| Investments                  | \$ --   | \$ 79,876,868 | \$ 1,474,557 | \$ 81,351,425 |

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| ARIZONA DIVIDEND ADVANTAGE (NFZ)   | LEVEL 1 | LEVEL 2        | LEVEL 3    | TOTAL          |
|------------------------------------|---------|----------------|------------|----------------|
| Investments                        | \$ --   | \$ 26,394,982  | \$ 165,150 | \$ 26,560,132  |
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | LEVEL 1 | LEVEL 2        | LEVEL 3    | TOTAL          |
| Investments                        | \$ --   | \$ 46,113,931  | \$ 666,500 | \$ 46,780,431  |
| ARIZONA DIVIDEND ADVANTAGE 3 (NXE) | LEVEL 1 | LEVEL 2        | LEVEL 3    | TOTAL          |
| Investments                        | \$ --   | \$ 52,998,080  | \$ 406,978 | \$ 53,405,058  |
| TEXAS QUALITY INCOME (NTX)         | LEVEL 1 | LEVEL 2        | LEVEL 3    | TOTAL          |
| Investments                        | \$ --   | \$ 190,806,676 | \$ 933,143 | \$ 191,739,819 |

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The following is a reconciliation of each Fund's Level 3 investments held at the beginning and end of the measurement period:

|   | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ)<br>LEVEL 3<br>INVESTMENTS | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ)<br>LEVEL 3<br>INVESTMENTS | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR)<br>LEVEL 3<br>INVESTMENTS | ARI<br>DIVI<br>ADVANTA<br>LEV<br>INVESTM |
|---|---|---|---|--|
| Balance at beginning of period                              | \$ 1,278,800  | \$ 143,226  | \$ 578,017  | \$ 352                                   |
| Gains (losses):   |   |   |   |  |
| Net realized gains (losses)                                 | --  | --  | --  |  |
| Net change in unrealized appreciation<br>(depreciation)     | 195,757   | 21,924  | 88,483  | 54                                       |
| Net purchases at cost (sales at proceeds)                   | --  | --  | --  |  |
| Net discounts (premiums)                                    | --  | --  | --  |  |
| Net transfers in to (out of) at end<br>of period fair value | --  | --  | --  |  |
| Balance at end of period                                    | \$ 1,474,557  | \$ 165,150  | \$ 666,500  | \$ 406                                   |

"Change in net unrealized appreciation (depreciation) of investments" presented on the Statement of Operations includes net appreciation (depreciation) related to securities classified as Level 3 at period end as follows:

| ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ARI<br>DIVI<br>ADVANTA |
|---------------------------------------|---|---|------------------------|
|---------------------------------------|---|---|------------------------|

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Level 3 net appreciation (depreciation)                   \$   195,757   \$    21,924   \$    88,483   \$    54

3. FUND SHARES

Common Shares

On July 30, 2008, the Funds' Board of Directors/Trustees approved an open market share repurchase program under which each Fund may repurchase an aggregate of up to approximately 10% of its outstanding Common shares. The Funds did not repurchase any of their Common shares during the six months ended January 31, 2009.

Transactions in Common shares were as follows:

|  | ARIZONA PREMIUM<br>INCOME (NAZ) |               | ARIZONA DIVIDEND<br>ADVANTAGE (NFZ) |               |
|--|---------------------------------|---------------|-------------------------------------|---------------|
|  | SIX MONTHS<br>ENDED             | YEAR<br>ENDED | SIX MONTHS<br>ENDED                 | YEAR<br>ENDED |
|  | 1/31/09                         | 7/31/08       | 01/31/09                            | 7/31/08       |

|  |     |    |     |    |
|--|-----|----|-----|----|
| Common shares issued to shareholders<br>due to reinvestment of distributions | 944 | -- | 581 | -- |
|--|-----|----|-----|----|

|  | ARIZONA DIVIDEND<br>ADVANTAGE 3 (NXE) |               |
|--|---------------------------------------|---------------|
|  | SIX MONTHS<br>ENDED                   | YEAR<br>ENDED |
|  | 1/31/09                               | 7/31/08       |

|  |    |    |
|--|----|----|
| Common shares issued to shareholders<br>due to reinvestment of distributions | -- | -- |
|--|----|----|

| Notes to FINANCIAL STATEMENTS (continued) (Unaudited)

Preferred Shares

Transactions in Preferred shares were as follows:

|  | ARIZONA DIVIDEND ADVANTAGE (NFZ) |               | ARIZONA DIV<br>ADVANTAGE 3 (NXE) |               |
|--|----------------------------------|---------------|----------------------------------|---------------|
|  | SIX MONTHS<br>ENDED              | YEAR<br>ENDED | SIX MONTHS<br>ENDED              | YEAR<br>ENDED |

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|  | 1/31/09 |              | 7/31/08 |        | 1/31/09 |    |
|--|---------|--------------|---------|--------|---------|----|
|  | SHARES  | AMOUNT       | SHARES  | AMOUNT | SHARES  |    |
| Preferred shares redeemed and/or noticed for redemption: |         |              |         |        |         |    |
| Series T   | 56      | \$ 1,400,000 | --      | \$ --  | --      | \$ |
| Series W   | --      | --           | --      | --     | 21      |    |
| Total  | 56      | \$ 1,400,000 | --      | \$ --  | 21      | \$ |

|  | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |              |
|--|------------------------------------|--------------|
|  | SIX MONTHS ENDED 1/31/09           | SHARES       |
| Preferred shares redeemed and/or noticed for redemption: |                                    |              |
| Series M   | 51                                 | \$ 1,000,000 |
| Total  | 51                                 | \$ 1,000,000 |

4. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the six months ended January 31, 2009, were as follows:

|                      | ARIZONA PREMIUM INCOME (NAZ) | ARIZONA DIVIDEND ADVANTAGE (NFZ) | ARIZONA DIVIDEND ADVANTAGE 2 (NKR) | ADVANTAGE 3 (NKR) |
|----------------------|------------------------------|----------------------------------|------------------------------------|-------------------|
| Purchases            | \$ 19,741,735                | \$ 1,169,905                     | \$ 1,876,896                       | \$ 4,000,000      |
| Sales and maturities | 20,052,026                   | 4,578,062                        | 2,906,831                          | 7,000,000         |

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5. INCOME TAX INFORMATION

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

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transactions and the treatment of investments in inverse floating rate transactions subject to SFAS No.140. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset values of the Funds.

At January 31, 2009, the cost of investments was as follows:

|                     | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADVANTAGE 3<br>(NKR) |
|---------------------|---------------------------------------|---|---|----------------------|
| Cost of Investments | \$ 85,060,609                         | \$ 29,266,440                             | \$ 49,945,594                               | \$ 59,945,594        |

Gross unrealized appreciation and gross unrealized depreciation of investments at January 31, 2009, were as follows:

|   | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADVANTAGE 3<br>(NKR) |
|---|---------------------------------------|---|---|----------------------|
| Gross unrealized:   |                                       |   |   |                      |
| Appreciation  | \$ 2,208,958                          | \$ 762,361                                | \$ 1,969,643                                | \$ 1,969,643         |
| Depreciation  | (5,918,142)                           | (3,468,669)                               | (5,134,806)                                 | (7,521,521)          |
| Net unrealized appreciation (depreciation) of investments | \$ (3,709,184)                        | \$ (2,706,308)                            | \$ (3,165,163)                              | \$ (5,551,878)       |

The tax components of undistributed net tax-exempt income, net ordinary income and net long-term capital gains at July 31, 2008, the Funds' last tax year end, were as follows:

|   | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADVANTAGE 3<br>(NKR) |
|---|---------------------------------------|---|---|----------------------|
| Undistributed net tax-exempt income *     | \$ 309,613                            | \$ 50,716                                 | \$ 100,150                                  | \$ 100,150           |
| Undistributed net ordinary income **      | --                                    | --  | --  | --                   |
| Undistributed net long-term capital gains | --                                    | --  | --  | --                   |

\* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on July 1, 2008, paid on August 1, 2008.

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

The tax character of distributions paid during the Funds' last tax year ended July 31, 2008, was designated for purposes of the dividends paid deduction as follows:

|  | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADV  |
|--|---------------------------------------|---|---|------|
| Distributions from net tax-exempt income       | \$ 3,718,906                          | \$ 1,375,879                              | \$ 2,317,202                                | \$ 2 |
| Distributions from net ordinary income**       | --                                    | --  | --  |      |
| Distributions from net long-term capital gains | --                                    | 24,687                                    | 189,057                                     |      |

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

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| Notes to FINANCIAL STATEMENTS (continued) (Unaudited)

At July 31, 2008, the Funds' last tax year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

|               | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ADV |
|---------------|---------------------------------------|---|-----|
| Expiration:   |                                       |   |     |
| July 31, 2011 | \$ 359,724                            | \$ --                                     | \$  |
| July 31, 2012 | 1,553,627                             | --  |     |
| July 31, 2013 | --                                    | --  |     |
| July 31, 2014 | --                                    | --  |     |
| July 31, 2016 | 562,384                               | 246,571                                   |     |
| Total         | \$ 2,475,735                          | \$ 246,571                                | \$  |

The Funds have elected to defer net realized losses from investments incurred from November 1, 2007 through July 31, 2008, the Funds' last tax year end, ("post-October losses") in accordance with federal income tax regulations. Post-October losses are treated as having arisen on the first day of the current fiscal year:



|                             | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADV |
|-----------------------------|---------------------------------------|---|---|-----|
| Post-October capital losses | \$ 179,544                            | \$ 102,159                                | \$ 110,362                                  | \$  |

6. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

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

The annual fund-level fee, payable monthly, for each Fund is based upon the average daily 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)

For the first \$125 million  
 For the next \$125 million  
 For the next \$250 million  
 For the next \$500 million  
 For the next \$1 billion  
 For the next \$3 billion  
 For net assets over \$5 billion

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

For the first \$125 million  
 For the next \$125 million  
 For the next \$250 million  
 For the next \$500 million  
 For the next \$1 billion  
 For net assets over \$2 billion

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The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the following table. As of January 31, 2009, the complex-level fee rate was .2000%.

The complex-level fee schedule is as follows:

| COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1) | EFFECTIVE |
|--|-----------|
| \$55 billion                             |           |
| \$56 billion                             |           |
| \$57 billion                             |           |
| \$60 billion                             |           |
| \$63 billion                             |           |
| \$66 billion                             |           |
| \$71 billion                             |           |
| \$76 billion                             |           |
| \$80 billion                             |           |
| \$91 billion                             |           |
| \$125 billion                            |           |
| \$200 billion                            |           |
| \$250 billion                            |           |
| \$300 billion                            |           |

(1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate daily net assets of all Nuveen funds, with such daily net assets to include assets attributable to preferred stock issued by or borrowings by such funds but to exclude assets attributable to investments in other Nuveen funds.

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

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

| YEAR ENDING<br>JANUARY 31, |      | YEAR ENDING<br>JANUARY 31, |      |
|----------------------------|------|----------------------------|------|
| 2001*                      | .30% | 2007                       | .25% |
| 2002                       | .30  | 2008                       | .20  |
| 2003                       | .30  | 2009                       | .15  |
| 2004                       | .30  | 2010                       | .10  |
| 2005                       | .30  | 2011                       | .05  |

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2006 .30

\* From the commencement of operations.

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

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| Notes to FINANCIAL STATEMENTS (continued) (Unaudited)

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

| YEAR ENDING<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  |                          |      |

\* From the commencement of operations.

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

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

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

\* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage 3 (NXE) for any portion of its fees and expenses beyond September 30, 2010.

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7. NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Statement of Financial Accounting Standards

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No. 161 (SFAS No. 161)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." This standard is intended to enhance financial statement disclosures for derivative instruments and hedging activities and enable investors to understand: a) how and why a fund uses derivative instruments, b) how derivative instruments and related hedge items are accounted for, and c) how derivative instruments and related hedge items affect a fund's financial position, results of operations and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As of January 31, 2009, management does not believe the adoption of SFAS No. 161 will impact the financial statement amounts; however, additional footnote disclosures may be required about the use of derivative instruments and hedging items.

8. SUBSEQUENT EVENTS

Distributions to Common Shareholders

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on March 2, 2009, to shareholders of record on February 15, 2009, as follows:

|                    | ARIZONA<br>PREMIUM<br>INCOME<br>(NAZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NFZ) | ARIZONA<br>DIVIDEND<br>ADVANTAGE 2<br>(NKR) | ADVANTAGE 3<br>(NLS) |
|--------------------|---------------------------------------|---|---|----------------------|
| Dividend per share | \$ .0530                              | \$ .0525                                    | \$ .0585                                    | \$ .0585             |

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| Financial HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

| Year Ended 7/31:             | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Investment<br>Net<br>Income | Investment Operations<br>Net<br>Realized/<br>Unrealized<br>Gain (Loss) | Distributions<br>from Net<br>Investment<br>Income to<br>Preferred<br>Shareholders+ | Dispositions<br>from Net<br>Investment<br>Income to<br>Shareholders |
|------------------------------|--|-----------------------------|--|--|---|
|                              |  |                             |  |  |   |
| ARIZONA PREMIUM INCOME (NAZ) |  |                             |  |  |   |
| 2009 (b)                     | \$ 13.00   | \$ .43                      | \$ (1.09)  | \$ (.11)   | \$ .0530  |
| 2008                         | 14.00  | .88                         | (1.05)   | (.22)  | .0525   |
| 2007                         | 14.10  | .83                         | (.10)  | (.22)  | .0585   |
| 2006                         | 14.53  | .83                         | (.39)  | (.18)  | .0585   |
| 2005                         | 14.04  | .86                         | .56  | (.09)  | .0585   |
| 2004                         | 13.66  | .92                         | .43  | (.05)  | .0585   |

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ARIZONA DIVIDEND ADVANTAGE (NFZ)

| Year Ended 7/31: |       |     |        |       |
|------------------|-------|-----|--------|-------|
| 2009 (b)         | 13.26 | .45 | (1.37) | (.12) |
| 2008             | 14.48 | .91 | (1.23) | (.25) |
| 2007             | 14.77 | .91 | (.17)  | (.24) |
| 2006             | 15.37 | .93 | (.40)  | (.20) |
| 2005             | 15.00 | .97 | .46    | (.10) |
| 2004             | 14.45 | .99 | .57    | (.06) |

Less Distributions

|  | Net<br>Investment<br>Income to<br>Common<br>Shareholders | Capital<br>Gains to<br>Common<br>Shareholders | Total | Offering<br>Costs and<br>Preferred<br>Share<br>Underwriting<br>Discounts |
|--|--|---|-------|--|
|--|--|---|-------|--|

ARIZONA PREMIUM INCOME (NAZ)

| Year Ended 7/31: |    |       |    |    |    |       |    |    |    |
|------------------|----|-------|----|----|----|-------|----|----|----|
| 2009 (b)         | \$ | (.32) | \$ | -- | \$ | (.32) | \$ | -- | \$ |
| 2008             |    | (.61) |    | -- |    | (.61) |    | -- |    |
| 2007             |    | (.61) |    | -- |    | (.61) |    | -- |    |
| 2006             |    | (.69) |    | -- |    | (.69) |    | -- |    |
| 2005             |    | (.84) |    | -- |    | (.84) |    | -- |    |
| 2004             |    | (.92) |    | -- |    | (.92) |    | -- |    |

ARIZONA DIVIDEND ADVANTAGE (NFZ)

| Year Ended 7/31: |  |       |  |       |  |       |  |    |  |
|------------------|--|-------|--|-------|--|-------|--|----|--|
| 2009 (b)         |  | (.32) |  | --    |  | (.32) |  | -- |  |
| 2008             |  | (.64) |  | (.01) |  | (.65) |  | -- |  |
| 2007             |  | (.71) |  | (.06) |  | (.77) |  | -- |  |
| 2006             |  | (.84) |  | (.08) |  | (.92) |  | -- |  |
| 2005             |  | (.92) |  | (.04) |  | (.96) |  | -- |  |
| 2004             |  | (.91) |  | (.04) |  | (.95) |  | -- |  |

Preferred Shares 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 |
|--|---|---|--------------------------------|
|--|---|---|--------------------------------|

ARIZONA PREMIUM INCOME (NAZ)

| Year Ended 7/31: |    |        |    |        |    |        |
|------------------|----|--------|----|--------|----|--------|
| 2009 (b)         | \$ | 30,000 | \$ | 25,000 | \$ | 69,348 |
| 2008             |    | 30,000 |    | 25,000 |    | 73,414 |
| 2007             |    | 30,000 |    | 25,000 |    | 77,111 |
| 2006             |    | 30,000 |    | 25,000 |    | 77,520 |

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|      |        |        |        |
|------|--------|--------|--------|
| 2005 | 30,000 | 25,000 | 79,019 |
| 2004 | 30,000 | 25,000 | 77,026 |

ARIZONA DIVIDEND ADVANTAGE (NFZ)

|                  |        |        |        |
|------------------|--------|--------|--------|
| Year Ended 7/31: |        |        |        |
| 2009 (b)         | 10,600 | 25,000 | 68,510 |
| 2008             | 12,000 | 25,000 | 67,817 |
| 2007             | 12,000 | 25,000 | 71,748 |
| 2006             | 12,000 | 25,000 | 72,628 |
| 2005             | 12,000 | 25,000 | 74,485 |
| 2004             | 12,000 | 25,000 | 73,235 |

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|                         |                                  |   | Ratios/Supplemental Data   |                               |  |
|-------------------------|----------------------------------|---|--|-------------------------------|--|
| Total Returns           |                                  |   | Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement |                               |  |
| Based on Market Value** | Based on Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses Including Interest++ (a)  | Expenses Excluding Interest++ |  |

ARIZONA PREMIUM INCOME (NAZ)

|                  |          |         |           |       |        |
|------------------|----------|---------|-----------|-------|--------|
| Year Ended 7/31: |          |         |           |       |        |
| 2009 (b)         | (16.58)% | (5.90)% | \$ 53,218 | 1.35% | 1.35%* |
| 2008             | 7.10     | (2.87)  | 58,097    | 1.40  | 1.26   |
| 2007             | (.22)    | 3.62    | 62,534    | 1.32  | 1.24   |
| 2006             | (5.62)   | 1.84    | 63,024    | 1.21  | 1.21   |
| 2005             | 5.17     | 9.69    | 64,822    | 1.20  | 1.20   |
| 2004             | 7.97     | 9.66    | 62,431    | 1.22  | 1.22   |

ARIZONA DIVIDEND ADVANTAGE (NFZ)

|                  |         |        |        |       |       |
|------------------|---------|--------|--------|-------|-------|
| Year Ended 7/31: |         |        |        |       |       |
| 2009 (b)         | (22.97) | (7.84) | 18,448 | 1.53* | 1.53* |
| 2008             | 7.72    | (4.09) | 20,552 | 1.58  | 1.44  |
| 2007             | (11.63) | 3.24   | 22,439 | 1.48  | 1.38  |
| 2006             | 4.54    | 2.14   | 22,862 | 1.36  | 1.36  |
| 2005             | 10.88   | 9.04   | 23,753 | 1.34  | 1.34  |
| 2004             | 7.05    | 10.56  | 23,153 | 1.30  | 1.30  |

Ratios/Supplemental Data

Ratios to Average Net Assets Applicable to Common Shares

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After Credit/Reimbursement\*\*\*\*

|                                  | Expenses<br>Including<br>Interest++(a) | Expenses<br>Excluding<br>Interest++(a) | Net<br>Investment<br>Income++ | Portfolio<br>Turnover<br>Rate |
|----------------------------------|--|--|-------------------------------|-------------------------------|
| ARIZONA PREMIUM INCOME (NAZ)     |  |  |                               |                               |
| Year Ended 7/31:                 |  |  |                               |                               |
| 2009(b)                          | 1.34%*                                 | 1.34%*                                 | 7.19%*                        | 24%                           |
| 2008                             | 1.38                                   | 1.24                                   | 6.44                          | 21                            |
| 2007                             | 1.30                                   | 1.21                                   | 5.84                          | 13                            |
| 2006                             | 1.19                                   | 1.19                                   | 5.84                          | 22                            |
| 2005                             | 1.19                                   | 1.19                                   | 5.92                          | 17                            |
| 2004                             | 1.21                                   | 1.21                                   | 6.50                          | 26                            |
| ARIZONA DIVIDEND ADVANTAGE (NFZ) |  |  |                               |                               |
| Year Ended 7/31:                 |  |  |                               |                               |
| 2009(b)                          | 1.25*                                  | 1.25*                                  | 7.39*                         | 4                             |
| 2008                             | 1.29                                   | 1.14                                   | 6.44                          | 10                            |
| 2007                             | 1.10                                   | 1.00                                   | 6.12                          | 19                            |
| 2006                             | .92                                    | .92                                    | 6.23                          | 24                            |
| 2005                             | .87                                    | .87                                    | 6.28                          | 18                            |
| 2004                             | .83                                    | .83                                    | 6.57                          | 24                            |

\* Annualized.

\*\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

\*\*\* Rounds to less than \$.01 per share.

\*\*\*\* 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.

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- (a) Interest expense arises from the application of SFAS No. 140 to certain inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.
- (b) For the six months ended January 31, 2009.

See accompanying notes to financial statements.

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| Financial HIGHLIGHTS (continued) (Unaudited)

Selected data for a Common share outstanding throughout each period:

|                                    | Investment Operations                              |                             |   |  |                                    |
|------------------------------------|--|-----------------------------|---|--|------------------------------------|
|                                    | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Net<br>Investment<br>Income | Net<br>Realized/<br>Unrealized<br>Gain (Loss) | Distributions<br>from Net<br>Investment<br>Income to<br>Preferred<br>Shareholders+ | Distribut<br>Cap<br>Gain<br>Prefer |
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |  |                             |   |  |                                    |
| Year Ended 7/31:                   |  |                             |   |  |                                    |
| 2009 (b)                           | \$ 13.66   | \$ .47                      | \$ (1.02)                                     | \$ (.12)   | \$                                 |
| 2008                               | 14.76  | .96                         | (1.03)  | (.24)  |                                    |
| 2007                               | 15.00  | .97                         | (.18)   | (.24)  |                                    |
| 2006                               | 15.56  | .96                         | (.37)   | (.20)  |                                    |
| 2005                               | 15.10  | .97                         | .59   | (.11)  |                                    |
| 2004                               | 14.57  | .96                         | .53   | (.06)  |                                    |
| ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |  |                             |   |  |                                    |
| Year Ended 7/31:                   |  |                             |   |  |                                    |
| 2009 (b)                           | 13.07  | .45                         | (1.33)  | (.11)  |                                    |
| 2008                               | 14.20  | .91                         | (1.15)  | (.24)  |                                    |
| 2007                               | 14.32  | .90                         | (.10)   | (.25)  |                                    |
| 2006                               | 14.62  | .88                         | (.26)   | (.19)  |                                    |
| 2005                               | 14.01  | .89                         | .62   | (.10)  |                                    |
| 2004                               | 13.45  | .89                         | .54   | (.06)  |                                    |

Less Distributions

|                                    | Net<br>Investment<br>Income to<br>Common<br>Shareholders | Capital<br>Gains to<br>Common<br>Shareholders | Total | Offering<br>Costs and<br>Preferred<br>Share<br>Underwriting<br>Discounts | Endin<br>Commo<br>Shar<br>Net Asse<br>Valu |
|------------------------------------|--|---|-------|--|--|
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |  |   |       |  |  |



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Year Ended 7/31:

|          |    |       |    |       |    |       |    |    |    |      |
|----------|----|-------|----|-------|----|-------|----|----|----|------|
| 2009 (b) | \$ | (.35) | \$ | --    | \$ | (.35) | \$ | -- | \$ | 12.6 |
| 2008     |    | (.71) |    | (.06) |    | (.77) |    | -- |    | 13.6 |
| 2007     |    | (.74) |    | (.04) |    | (.78) |    | -- |    | 14.7 |
| 2006     |    | (.83) |    | (.11) |    | (.94) |    | -- |    | 15.0 |
| 2005     |    | (.86) |    | (.12) |    | (.98) |    | -- |    | 15.5 |
| 2004     |    | (.86) |    | (.04) |    | (.90) |    | -- |    | 15.1 |

ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

Year Ended 7/31:

|          |  |       |  |    |  |       |  |       |  |      |
|----------|--|-------|--|----|--|-------|--|-------|--|------|
| 2009 (b) |  | (.33) |  | -- |  | (.33) |  | --    |  | 11.7 |
| 2008     |  | (.65) |  | -- |  | (.65) |  | --    |  | 13.0 |
| 2007     |  | (.67) |  | -- |  | (.67) |  | --    |  | 14.2 |
| 2006     |  | (.73) |  | -- |  | (.73) |  | --    |  | 14.3 |
| 2005     |  | (.80) |  | -- |  | (.80) |  | --    |  | 14.6 |
| 2004     |  | (.80) |  | -- |  | (.80) |  | (.01) |  | 14.0 |

Preferred Shares at End of Period

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

ARIZONA DIVIDEND ADVANTAGE 2 (NKR)

Year Ended 7/31:

|          |    |        |    |        |    |        |
|----------|----|--------|----|--------|----|--------|
| 2009 (b) | \$ | 17,975 | \$ | 25,000 | \$ | 67,889 |
| 2008     |    | 18,500 |    | 25,000 |    | 70,015 |
| 2007     |    | 18,500 |    | 25,000 |    | 73,616 |
| 2006     |    | 18,500 |    | 25,000 |    | 74,277 |
| 2005     |    | 18,500 |    | 25,000 |    | 75,952 |
| 2004     |    | 18,500 |    | 25,000 |    | 74,382 |

ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

Year Ended 7/31:

|          |  |        |  |        |  |        |
|----------|--|--------|--|--------|--|--------|
| 2009 (b) |  | 20,725 |  | 25,000 |  | 68,477 |
| 2008     |  | 22,000 |  | 25,000 |  | 70,546 |
| 2007     |  | 22,000 |  | 25,000 |  | 74,490 |
| 2006     |  | 22,000 |  | 25,000 |  | 74,902 |
| 2005     |  | 22,000 |  | 25,000 |  | 75,942 |
| 2004     |  | 22,000 |  | 25,000 |  | 73,844 |

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|                                    | Total Returns           |                                  |   | Before Credit                     |                 |
|------------------------------------|-------------------------|----------------------------------|---|-----------------------------------|-----------------|
|                                    | Based on Market Value** | Based on Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses Including Interest++ (a) | Expe Exclu Inte |
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |                         |                                  |   |                                   |                 |
| Year Ended 7/31:                   |                         |                                  |   |                                   |                 |
| 2009 (b)                           | (18.46)%                | (4.84)%                          | \$ 30,837   | 1.41%*                            |                 |
| 2008                               | (3.16)                  | (2.38)                           | 33,311  | 1.49                              |                 |
| 2007                               | 4.52                    | 3.59                             | 35,976  | 1.39                              |                 |
| 2006                               | .82                     | 2.49                             | 36,465  | 1.28                              |                 |
| 2005                               | 16.30                   | 9.74                             | 37,704  | 1.27                              |                 |
| 2004                               | 9.46                    | 9.98                             | 36,543  | 1.27                              |                 |

ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

|                  |         |        |        |       |  |
|------------------|---------|--------|--------|-------|--|
| Year Ended 7/31: |         |        |        |       |  |
| 2009 (b)         | (20.00) | (7.56) | 36,042 | 1.40* |  |
| 2008             | 3.96    | (3.48) | 40,081 | 1.46  |  |
| 2007             | 4.21    | 3.81   | 43,552 | 1.36  |  |
| 2006             | (1.80)  | 3.03   | 43,913 | 1.26  |  |
| 2005             | 15.11   | 10.21  | 44,829 | 1.25  |  |
| 2004             | 1.01    | 10.25  | 42,983 | 1.25  |  |

Ratios/Supplemental Data

Ratios to Average Net Assets  
Applicable to Common Shares  
After Credit/Reimbursement\*\*\*

|                                    | Expenses Including Interest++ (a) | Expenses Excluding Interest++ (a) | Net Investment Income++ | Portfolio Turnover Rate |
|------------------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|
| ARIZONA DIVIDEND ADVANTAGE 2 (NKR) |                                   |                                   |                         |                         |
| Year Ended 7/31:                   |                                   |                                   |                         |                         |
| 2009 (b)                           | 1.06%*                            | 1.06%*                            | 7.45%*                  | 4%                      |
| 2008                               | 1.11                              | .96                               | 6.70                    | 15                      |
| 2007                               | .93                               | .83                               | 6.38                    | 14                      |
| 2006                               | .82                               | .82                               | 6.34                    | 11                      |
| 2005                               | .82                               | .82                               | 6.22                    | 11                      |
| 2004                               | .80                               | .80                               | 6.30                    | 14                      |
| ARIZONA DIVIDEND ADVANTAGE 3 (NXE) |                                   |                                   |                         |                         |
| Year Ended 7/31:                   |                                   |                                   |                         |                         |
| 2009 (b)                           | 1.07*                             | 1.07*                             | 7.55*                   | 7                       |
| 2008                               | 1.07                              | .91                               | 6.56                    | 16                      |
| 2007                               | .85                               | .75                               | 6.19                    | 15                      |
| 2006                               | .78                               | .78                               | 6.12                    | 12                      |
| 2005                               | .76                               | .76                               | 6.12                    | 15                      |
| 2004                               | .76                               | .76                               | 6.29                    | 22                      |

\* Annualized.

\*\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. 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) Interest expense arises from the application of SFAS No. 140 to certain inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.

(b) For the six months ended January 31, 2009.

See accompanying notes to financial statements.

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| Financial HIGHLIGHTS (continued) (Unaudited)

Selected data for a Common share outstanding throughout each period:

|       | Investment Operations                              |                             |  |  |                                   |
|-------|--|-----------------------------|--|--|-----------------------------------|
|       | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Net<br>Investment<br>Income | Realized/<br>Unrealized<br>Gain (Loss) | Distributions<br>from Net<br>Investment<br>Income to<br>Preferred<br>Shareholders+ | Distribut<br>Cap<br>Gain<br>Prefe |
| ----- |  |                             |  |  |                                   |

TEXAS QUALITY INCOME (NTX)

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| Year Ended 7/31: |    |       |    |      |    |       |    |       |    |
|------------------|----|-------|----|------|----|-------|----|-------|----|
| 2009(b)          | \$ | 13.98 | \$ | .47  | \$ | (.67) | \$ | (.12) | \$ |
| 2008             |    | 14.87 |    | .94  |    | (.83) |    | (.23) |    |
| 2007             |    | 15.06 |    | .95  |    | (.11) |    | (.25) |    |
| 2006             |    | 15.46 |    | .96  |    | (.32) |    | (.22) |    |
| 2005             |    | 15.12 |    | 1.00 |    | .41   |    | (.13) |    |
| 2004             |    | 14.57 |    | 1.03 |    | .55   |    | (.07) |    |

Less Distributions

|  | Net Investment Income to Common Shareholders | Capital Gains to Common Shareholders | Total | Offering Costs and Preferred Share Underwriting Discounts | Ending Common Share Net Asset Value |
|--|--|--------------------------------------|-------|---|-------------------------------------|
|--|--|--------------------------------------|-------|---|-------------------------------------|

TEXAS QUALITY INCOME (NTX)

| Year Ended 7/31: |    |       |    |       |    |       |    |    |    |       |    |
|------------------|----|-------|----|-------|----|-------|----|----|----|-------|----|
| 2009(b)          | \$ | (.35) | \$ | (.05) | \$ | (.40) | \$ | -- | \$ | 13.24 | \$ |
| 2008             |    | (.69) |    | (.06) |    | (.75) |    | -- |    | 13.98 |    |
| 2007             |    | (.73) |    | (.04) |    | (.77) |    | -- |    | 14.87 |    |
| 2006             |    | (.82) |    | --    |    | (.82) |    | -- |    | 15.06 |    |
| 2005             |    | (.94) |    | --    |    | (.94) |    | -- |    | 15.46 |    |
| 2004             |    | (.96) |    | --    |    | (.96) |    | -- |    | 15.12 |    |

Preferred Shares at End of Period

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

TEXAS QUALITY INCOME (NTX)

| Year Ended 7/31: |    |        |    |        |    |        |
|------------------|----|--------|----|--------|----|--------|
| 2009(b)          | \$ | 69,000 | \$ | 25,000 | \$ | 70,553 |
| 2008             |    | 69,000 |    | 25,000 |    | 73,084 |
| 2007             |    | 69,000 |    | 25,000 |    | 76,173 |
| 2006             |    | 69,000 |    | 25,000 |    | 76,815 |
| 2005             |    | 69,000 |    | 25,000 |    | 78,159 |
| 2004             |    | 69,000 |    | 25,000 |    | 76,896 |

|                            | Total Returns           |   |   | Ratios to Average Net Assets<br>Applicable to Common Shares<br>After Credit/Reimbursement*** |                         |
|----------------------------|-------------------------|---|---|--|-------------------------|
|                            | Based on Market Value** | Based on Common Share Net Asset Value** | Ending Net Assets Applicable to Common Shares (000) | Expenses Including Interest++ (a)  | Portfolio Turnover Rate |
| -----                      |                         |   |   |  |                         |
| TEXAS QUALITY INCOME (NTX) |                         |   |   |  |                         |
| -----                      |                         |   |   |  |                         |
| Year Ended 7/31:           |                         |   |   |  |                         |
| 2009 (b)                   | 4.61%                   | (2.28)%                                 | \$ 125,726  | 1.27%*   |                         |
| 2008                       | (5.16)                  | (1.04)                                  | 132,713   | 1.26   |                         |
| 2007                       | (.52)                   | 3.82                                    | 141,238   | 1.24   |                         |
| 2006                       | (4.03)                  | 2.77                                    | 143,009   | 1.19   |                         |
| 2005                       | 17.83                   | 8.61                                    | 146,718   | 1.18   |                         |
| 2004                       | 5.87                    | 10.51                                   | 143,233   | 1.18   |                         |
| =====                      |                         |   |   |  |                         |

|                            | Ratios/Supplemental Data          |                                   |                         |                         |    |
|----------------------------|-----------------------------------|-----------------------------------|-------------------------|-------------------------|----|
|                            | Expenses Including Interest++ (a) | Expenses Excluding Interest++ (a) | Net Investment Income++ | Portfolio Turnover Rate |    |
| -----                      |                                   |                                   |                         |                         |    |
| TEXAS QUALITY INCOME (NTX) |                                   |                                   |                         |                         |    |
| -----                      |                                   |                                   |                         |                         |    |
| Year Ended 7/31:           |                                   |                                   |                         |                         |    |
| 2009 (b)                   | 1.27%*                            | 1.27%*                            | 7.12%*                  |                         | 7% |
| 2008                       | 1.25                              | 1.20                              | 6.47                    |                         | 8  |
| 2007                       | 1.22                              | 1.16                              | 6.26                    |                         | 9  |
| 2006                       | 1.18                              | 1.18                              | 6.33                    |                         | 13 |
| 2005                       | 1.16                              | 1.16                              | 6.44                    |                         | 14 |
| 2004                       | 1.18                              | 1.18                              | 6.77                    |                         | 16 |
| =====                      |                                   |                                   |                         |                         |    |

\* Annualized.

\*\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net

asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. 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) Interest expense arises from the application of SFAS No. 140 to certain inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.

(b) For the six months ended January 31, 2009.

See accompanying notes to financial statements.

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Reinvest Automatically  
EASILY and CONVENIENTLY

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

NUVEEN CLOSED-END FUNDS DIVIDEND REINVESTMENT PLAN

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

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of 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 greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on

the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

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#### FLEXIBLE

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

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

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

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

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

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#### Glossary of TERMS USED in this REPORT

- o **AUCTION RATE BOND:** An auction rate bond is a security whose interest payments are adjusted periodically through an auction process, which process typically also serves as a means for buying and selling the bond. Auctions that fail to attract enough buyers for all the shares offered for sale are deemed to have "failed", with current holders receiving a formula-based interest rate until the next scheduled auction.
- o **AVERAGE ANNUAL TOTAL RETURN:** This is a commonly used method to express an investment's performance over a particular, usually multi-year time

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

- o AVERAGE EFFECTIVE MATURITY: The average of the number of years to maturity of the bonds in a Fund's portfolio, computed by weighting each bond's time to maturity (the date the security comes due) by the market value of the security. This figure does not account for the likelihood of prepayments or the exercise of call provisions unless an escrow account has been established to redeem the bond before maturity. The market value weighting for an investment in an inverse floating rate security is the value of the portfolio's residual interest in the inverse floating rate trust, and does not include the value of the floating rate securities issued by the trust.
- o INVERSE FLOATERS: Inverse floating rate securities are created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. This trust, in turn, (a) issues floating rate certificates typically paying short-term tax-exempt interest rates to third parties in amounts equal to some fraction of the deposited bond's par amount or market value, and (b) issues an inverse floating rate certificate (sometimes referred to as an "inverse floater") to an investor (such as a Fund) interested in gaining investment exposure to a long-term municipal bond. The income received by the holder of the inverse floater varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the holder of the inverse floater bears substantially all of the underlying bond's downside investment risk. The holder of the inverse floater typically also benefits disproportionately from any potential appreciation of the underlying bond's value. Hence, an inverse floater essentially represents an investment in the underlying bond on a leveraged basis.
- o LEVERAGE-ADJUSTED DURATION: Duration is a measure of the expected period over which a bond's principal and interest will be paid, and consequently is a measure of the sensitivity of a bond's or bond Fund's value to changes when market interest rates change. Generally, the longer a bond's or Fund's duration, the more the price of the bond or Fund will change as interest rates change. Leverage-adjusted duration takes into account the leveraging process for a Fund and therefore is longer than the duration of the Fund's portfolio of bonds.
- o MARKET YIELD (ALSO KNOWN AS DIVIDEND YIELD OR CURRENT YIELD): An investment's current annualized dividend divided by its current market price.
- o NET ASSET VALUE (NAV): A Fund's NAV per common share is calculated by subtracting the liabilities of the Fund (including any Preferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of common shares outstanding. Fund NAVs are calculated at the end of each business day.
- o TAXABLE-EQUIVALENT YIELD: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.
- o ZERO COUPON BOND: A zero coupon bond does not pay a regular interest coupon to its holders during the life of the bond. Tax-exempt income to the holder of the bond comes from accretion of the difference between the original purchase price of the bond at issuance and the par value of the bond at maturity and is effectively paid at maturity. The market prices of zero coupon bonds generally are more volatile than the market prices of bonds that pay interest periodically.



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| Other Useful INFORMATION

QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

You may obtain (i) each Fund's quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the twelve-month period ended June 30, 2008, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at [www.nuveen.com](http://www.nuveen.com).

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at (202) 942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public References Section at 100 F Street NE, Washington, D.C. 20549.

CEO Certification Disclosure

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

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

BOARD OF DIRECTOR/TRUSTEES

John P. Amboian  
Robert P. Bremner  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Judith M. Stockdale  
Carole E. Stone  
Terence J. Toth

FUND MANAGER

Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

CUSTODIAN

State Street Bank & Trust Company  
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

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

LEGAL COUNSEL  
Chapman and Cutler LLP  
Chicago, IL

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

Each Fund intends to repurchase and/or redeem shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. During the period covered by this report, NFZ, NKR and NXE redeemed and/or noticed for redemption 56, 21 and 51 shares of their preferred stock, respectively. Any future repurchases and/or redemptions will be reported to shareholders in the next annual or semi-annual report.

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Nuveen Investments:  
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SERVING INVESTORS FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility. Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

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

Nuveen Investments is a global investment management firm that seeks to help secure the long-term goals of institutions and high net worth investors as well as the consultants and financial advisors who serve them. Nuveen Investments markets its growing range of specialized investment solutions under the high-quality brands of HydePark, NWQ, Nuveen, Santa Barbara, Symphony, Tradewinds and Winslow Capital. In total, the Company managed \$119 billion of assets on December 31, 2008.

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

To learn more about the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest. Be sure to obtain a prospectus, where applicable. Investors should consider the investment objective and policies, risk considerations, charges and expenses of the Fund carefully before investing. The prospectus contains this and other information relevant to an investment in the Fund. For a prospectus, please contact your securities representative or NUVEEN INVESTMENTS, 333 W. WACKER DR., CHICAGO, IL 60606. PLEASE read the prospectus carefully before you invest or send money.

Learn more about Nuveen Funds at:

[www.nuveen.com/etf](http://www.nuveen.com/etf)

SHARE PRICES  
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INVESTOR EDUCATION  
INTERACTIVE PLANNING TOOLS

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

Not applicable to this filing.

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

Not applicable to this filing.

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

Not applicable.

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

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

ITEM 11. CONTROLS AND PROCEDURES.

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

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is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

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

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

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

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

SIGNATURES

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

(Registrant) Nuveen Arizona Dividend Advantage Municipal Fund 3

By (Signature and Title) /s/ Kevin J. McCarthy

Kevin J. McCarthy  
(Vice President and Secretary)

Date: April 9, 2009

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

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

Gifford R. Zimmerman  
Chief Administrative Officer

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(principal executive officer)

Date: April 9, 2009

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

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

Date: April 9, 2009