

NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND

Form N-14 8C/A

November 03, 2011

As filed with the Securities and Exchange Commission on November 3, 2011

File No. 333-176892

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-14**

**REGISTRATION STATEMENT**

**UNDER THE**

**SECURITIES ACT OF 1933**

Pre-Effective Amendment No. 2

Post-Effective Amendment No. \_\_\_\_\_

**NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND**

*(Exact Name of Registrant as Specified in Charter)*

**333 West Wacker Drive**

**Chicago, Illinois 60606**

*(Address of Principal Executive Offices, Zip Code)*

Registrant's Telephone Number, including Area Code **(800) 257-8787**

**Kevin J. McCarthy**

**Vice President and Secretary**

**Nuveen Investments**

**333 West Wacker Drive**

**Chicago, Illinois 60606**

*(Name and Address of Agent for Service)*

Copy to:

**Deborah Bielicke Eades**

**Vedder Price P.C.**

**222 North LaSalle Street**

**Chicago, Illinois 60601**

**Eric F. Fess**

**Chapman and Cutler LLP**

**111 West Monroe Street**

**Chicago, Illinois 60603**

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered(1)</b>	<b>Proposed Maximum Offering Price Per Unit(1)</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee(3)</b>
Common Shares, \$.01 Par Value Per Share	10,230,000 Shares	\$14.60(2)	\$149,358,000(2)	\$17,116.43
MuniFund Term Preferred Shares, 2.60% Series 2015	2,047,000 Shares	\$10.00	\$ 20,470,000	\$ 2,345.86
MuniFund Term Preferred Shares, 2.60% Series 2015 # 1	1,695,000 Shares	\$10.00	\$ 16,950,000	\$ 1,942.47
MuniFund Term Preferred Shares, 2.65% Series 2015 # 1	3,200,000 Shares	\$10.00	\$ 32,000,000	\$ 3,667.20

(1) Estimated solely for the purpose of calculating the registration fee.

(2) Net asset value per share of common shares on October 27, 2011.

(3) Transmitted prior to filing. A registration fee of \$85.48 was previously paid in connection with the initial filing.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, action pursuant to said Section 8(a), may determine.**

**IMPORTANT NOTICE TO SHAREHOLDERS OF**  
**NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND**  
**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND**  
**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2**  
**AND**  
**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3**  
**(EACH, A FUND AND COLLECTIVELY, THE FUNDS )**

**NOVEMBER , 2011**

Although we recommend that you read the complete Joint Proxy Statement/Prospectus, for your convenience, we have provided a brief overview of the issues to be voted on.

**Q. Why am I receiving this Joint Proxy Statement/Prospectus?**

**A.** You are receiving this Joint Proxy Statement/Prospectus in connection with the annual shareholder meetings of the Funds. The following proposals will be considered:

the election of Board members for each Fund (the list of specific nominees is contained in the enclosed Joint Proxy Statement/Prospectus);

the reorganization of your Fund; and

the elimination of the current fundamental investment policy and adoption of a new fundamental investment policy regarding each Fund's ability to make loans.

***Proposals Regarding the Reorganizations***

**Q. What actions have the Board of Trustees approved?**

**A.** Each Fund's Board of Trustees (the Board) has approved a series of mergers of single-state municipal closed-end funds, including the reorganization of each of Nuveen Connecticut Dividend Advantage Municipal Fund, Nuveen Connecticut Dividend Advantage Municipal Fund 2 and Nuveen Connecticut Dividend Advantage Municipal Fund 3 (each, an Acquired Fund and collectively, the Acquired Funds) into Nuveen Connecticut Premium Income Municipal Fund (the Acquiring Fund) (each, a Reorganization and collectively, the Reorganizations).

**Q. Why has the Board of Trustees of each Fund recommended these proposals?**

- A. The Acquiring Fund and the Acquired Funds have substantially similar investment objectives and policies, and substantially similar portfolio compositions. The Funds are managed by the same portfolio manager. The proposed Reorganizations are intended to result in lower operating expenses (excluding costs of leverage) as a result of the larger size of the combined fund and to enhance the secondary trading market for common shares of the Funds. The Board has determined that the proposed Reorganizations would be in the best interests of each Fund.

**Q. What are the potential benefits of the Reorganizations to common shareholders?**

A. The investment adviser and the Board believe that the proposed Reorganizations are expected to offer the following potential benefits to common shareholders of the Funds:

**Lower fees and operating expenses** per common share (excluding costs of leverage) from greater economies of scale as the combined fund's size results in a lower effective management fee rate and allows fixed operating expenses to be spread over a larger asset base.

**Improved secondary market trading** as the combined fund's greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements, and higher common share net earnings and enhanced total returns over time may lead to higher common share market prices relative to net asset value.

**Increased flexibility** in managing the structure and costs of leverage over time.

**Q. How will preferred shareholders be impacted by the Reorganizations?**

A. Upon the closing of the Reorganizations, shareholders of MuniFund Term Preferred Shares of an Acquired Fund will receive, in exchange for each of their MuniFund Term Preferred Shares held immediately prior to the Reorganization, one MuniFund Term Preferred Share of a new series of the Acquiring Fund with substantially identical terms, as of the time of the exchange, to the Acquired Fund's MuniFund Term Preferred Shares exchanged therefor (MuniFund Term Preferred Shares are referred to herein as MTP Shares). Among other terms, the new series of MTP Shares will have the same fixed per annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund MTP Shares held immediately prior to the Reorganization. The Acquiring Fund's optional redemption right with respect to each new series of MTP Shares will be substantially the same as the Acquired Fund's rights as of the closing date of the Reorganization, with respect to the corresponding Acquired Fund MTP Shares.

As of the date of this Proxy Statement/Prospectus, the Acquiring Fund and Acquired Funds had substantially similar levels of preferred shares outstanding. Preferred shareholders of the Acquiring Fund and Acquired Funds are expected to benefit from the larger size of the combined fund due to the larger combined fund's ability to invest in a more diverse pool of securities.

**Q. Will the Reorganizations impact Fund distributions to common shareholders?**

The Reorganizations are not expected to adversely impact distributions to common shareholders and may result in a higher distribution rate. A higher distribution rate, if any, would be a result of increased earnings from lower fees and operating expenses.

**Q. Do the Funds have similar investment objectives and policies?**

A. The Funds have substantially similar (but not identical) investment objectives, policies and risks, and are managed by the same portfolio manager. Each Fund invests primarily in municipal securities exempt from federal and Connecticut income tax. Each Fund emphasizes investment grade municipal securities. Each Fund is a leveraged closed-end management investment company, and currently engages in leverage through the issuance of preferred shares and through the use of inverse floaters. The Nuveen Connecticut Dividend Advantage Municipal Fund 2 is a non-diversified fund, while each of the other Funds is a diversified fund.

The Acquiring Fund is subject to certain investment restrictions that are not applicable to the Acquired Funds, which are discussed in the Joint Proxy Statement/Prospectus.

**Q. What specific proposals will I be asked to vote on in connection with a proposed Reorganization?**

**A.** Generally, shareholders of each Acquired Fund will be asked to vote on an Agreement and Plan of Reorganization with common and preferred shareholders voting as a single class and preferred shareholders voting separately. Shareholders of the Acquiring Fund will be asked to vote on an Agreement and Plan of Reorganization and the issuance of common shares in connection with the Reorganizations, in each case with common and preferred shareholders voting as a single class. Acquiring Fund preferred shareholders also vote separately with respect to the approval of the Agreement and Plan of Reorganization. Common shareholders of the Acquiring Fund also vote separately on the issuance of common shares.

**Q. Will shareholders of the Acquired Funds receive new shares in exchange for their current shares?**

**A.** Yes. Upon the closing of a Reorganization, the Acquired Fund will transfer substantially all of its assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund. The Acquired Fund will then be liquidated, dissolved and terminated in accordance with its Declaration of Trust.

Acquired Fund shareholders will become shareholders of the Acquiring Fund. Holders of common shares will receive newly issued common shares of the Acquiring Fund, the aggregate net asset value of which will be equal to the aggregate net asset value of the common shares of the Acquired Fund held immediately prior to the Reorganization (including for this purpose fractional Acquiring Fund shares to which shareholders would be entitled). Fractional shares will be sold on the open market and shareholders will receive cash in lieu of such fractional shares. Holders of MTP Shares of each Acquired Fund will receive on a one-for-one basis newly issued MTP Shares of the Acquiring Fund, in exchange for MTP Shares of the Acquired Fund held immediately prior to the Reorganization.

Current shareholders of the Acquiring Fund will remain shareholders of the Acquiring Fund.

**Q. Do the Reorganizations constitute a taxable event for the Acquired Fund shareholders?**

**A.** No. Each Reorganization is intended to qualify as a tax free reorganization for federal income tax purposes. It is expected that you will recognize no gain or loss for federal income tax purposes as a direct result of a Reorganization, except that gain or loss may be recognized with respect to any cash received in lieu of fractional Acquiring Fund common shares. Prior to the closing of the Reorganizations, each Acquired Fund expects to declare a distribution of all of its net investment income and net capital gains, if any. Such a distribution may be taxable to an Acquired Fund's shareholders for federal income tax purposes. To the extent that portfolio securities are sold in connection with the Reorganizations, an Acquired Fund may realize capital gains or losses. However, it is not expected that any significant portfolio sales will occur in connection with the Reorganizations (less than 5% of assets).

**Q. What will happen if the required shareholder approvals in connection with a Reorganization are obtained for one Fund but not other Funds?**

**A.** The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to the Reorganizations in order for the Reorganizations to occur. Because the closing of the Reorganizations is contingent on all of the Acquired Funds and the Acquiring Fund satisfying their respective closing conditions, the closing will not occur unless each Fund obtains the requisite approvals. Accordingly, it is possible that your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the shareholder approvals are not obtained, each Fund's Board may take such actions as it deems in the best interests of the Fund including conducting additional solicitations with respect to the proposals or continuing to operate the Funds as stand-alone funds.

**Q. Will I have to pay any direct fees or expenses in connection with the Reorganizations?**

**A.** No. The Reorganizations are expected to result in cost savings for each Fund. The costs of the Reorganizations will be allocated between the Funds ratably based on the relative benefits of the Reorganization comprised of forecasted cost savings and distribution increases, if any, to each Fund during the first year following the Reorganizations and paid out of such Fund's net assets. Common shareholders will indirectly bear the costs of the Reorganizations. The costs of the Reorganizations are estimated to be \$260,000 for the Acquiring Fund, \$70,000 for Dividend Advantage, \$35,000 for Dividend Advantage 2, and \$160,000 for Dividend Advantage 3.

**Q. What is the timetable for the Reorganizations?**

**A.** If the shareholder voting and other conditions to closing are satisfied (or waived), the Reorganizations are expected to take effect on or about February 3, 2012 or as soon as practicable thereafter.

**Q. How does the Board recommend that I vote on the Reorganizations?**

**A.** After careful consideration, the Board has determined that the Reorganizations are in the best interests of each Fund and recommends that you vote FOR your Fund's proposal(s).

***Proposal Regarding New Fundamental Investment Policy***

**Q. What are the potential benefits of the new fundamental investment policy for common shareholders of the Funds?**

**A.** Investment policies currently vary across otherwise-similar Nuveen municipal closed-end funds, reflecting evolving markets and guidelines as the different funds were launched over the past 20 years. As part of a continuing broader "best practices" initiative, which began approximately three years ago, all Nuveen municipal closed-end funds, including the Funds, are seeking to adopt a uniform set of investment policies that reflect municipal market and regulatory developments over time. The proposed new fundamental investment policy would



permit each Fund to make loans to the extent permitted by the securities laws (the New Investment Policy ). Among other things, this change is intended to provide each Fund the flexibility to make loans in circumstances where a municipal issuer is in distress, if the investment adviser believes that doing so would both:

facilitate a timely workout of the issuer's situation in a manner which benefits that Fund; and

be the best choice for reducing the likelihood or severity of loss on the Fund's investment.

Conforming and updating these investment policies is intended to benefit common shareholders by increasing portfolio manager efficiency and flexibility to take advantage of a wide range of appropriate opportunities in the municipal bond markets in pursuit of the Fund's investment objectives.

**Q. What are the potential benefits of the New Investment Policy for preferred shareholders of the Funds?**

A. The potential benefits to preferred shareholders are increased flexibility in diversifying portfolio risks and optimizing returns on current investments in order to pursue the preservation of and possible growth of capital which, if successful, will help to sustain and build net asset value and therefore, asset coverage levels for preferred shares.

**Q. What actions are required in order to implement the New Investment Policy?**

A. In order to implement the New Investment Policy and obtain the potential benefits described above, shareholders are being asked to approve the elimination of an existing fundamental policy and the implementation of a new replacement fundamental policy.

**Q. What happens if shareholders do not approve the elimination of the fundamental investment policy and/or do not approve the New Investment Policy?**

A. A Fund will not be able to implement the New Investment Policy as discussed above unless shareholders approve both proposals. The Fund would likely incur further expenses to solicit additional shareholder participation, and may experience potential disruptions to its investment operations. Each Fund's Board urges you to vote without delay in order to avoid the potential for higher costs and/or disruptions to portfolio operations.

To the extent an Acquired Fund's shareholders do not approve the New Investment Policy but approve the Reorganization, it is possible the Acquired Fund's shareholders will be subject to the New Investment Policy following the completion of the Reorganization even though they did not vote to approve the New Investment Policy. Conversely, if the Acquiring Fund's shareholders do not approve the New Investment Policy, it is possible that shareholders of an Acquired Fund that approved the Reorganization and the New Investment Policy may not benefit from the New Investment Policy.

**Q. Was there a particular catalyst or portfolio concern prompting this proposal?**

A. This proposal is part of a broader policy initiative undertaken by Nuveen for the past several years. There are currently no identified credit situations within the complex where this option is intended or targeted. As stated in the Joint Proxy Statement/Prospectus, this policy change proposal reflects the broader intent to provide Nuveen's municipal closed-end funds, including

the Funds, the same portfolio management flexibility already available to other funds with similar investment objectives within the Nuveen complex.

**Q. Does this proposal reflect a growing concern on Nuveen's part over the state of municipal issuers?**

**A.** Nuveen's portfolio management and research team is actively engaged in monitoring both macro issues impacting the municipal bond market and individual credit holdings held by the various funds. The team regularly comments on the strength of the municipal bond market as well as providing in-depth research articles.

Providing a Fund with the option of making loans to help facilitate a timely workout of a distressed issuer's situation merely provides the Fund with an additional tool to help preserve shareholder value and, importantly, should not be viewed as a commentary on the state of the municipal bond market.

**Q. Have the Nuveen municipal closed-end funds participated in loans to municipal issuers in the past?**

**A.** Though such a loan situation in the municipal market is rare, it represents a more common workout practice in the corporate bond market. The most recent situation in which a Nuveen fund with the flexibility to do so made a loan to an issuer facing a credit workout situation occurred approximately eight years ago. Since that time, a limited number of funds having a policy permitting the making of loans have considered doing so in particular workout situations, but have taken other actions in pursuit of maximizing shareholder value.

**General**

**Q. Who do I call if I have questions?**

**A.** If you need any assistance, or have any questions regarding the proposal or how to vote your shares, please call Computershare Fund Services, your proxy solicitor, at (866) 963-5818, weekdays during its business hours of 9:00 a.m. to 11:00 p.m. and Saturday 12:00 p.m. to 6:00 p.m. Eastern time. Please have your proxy materials available when you call.

**Q. How do I vote my shares?**

**A.** You may vote by mail, by telephone or over the Internet:

*To vote by mail*, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States.

*To vote by telephone*, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide.

*To vote over the Internet*, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

**Q. Will anyone contact me?**

**A.** You may receive a call from Computershare Fund Services, the proxy solicitor hired by your Fund, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to vote your proxy.

We recognize the inconvenience of the proxy solicitation process and would not impose on you if we did not believe that the matters being proposed were important. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor's follow-up contact list.

**Your vote is very important. We encourage you as a shareholder to participate in your Fund's governance by returning your vote as soon as possible. If enough shareholders fail to cast their votes, your Fund may not be able to hold its meeting or the vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient shareholder participation.**

NOVEMBER , 2011

NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND

(NTC, NTC PrC, NTC PrD),

NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND

(NFC, NFC PrC),

NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2

(NGK, NGK PrC) AND

NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3

(NGO, NGO PrC)

(EACH, A FUND AND COLLECTIVELY, THE FUNDS )

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 16, 2011

**To the Shareholders:**

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting ) of Nuveen Connecticut Premium Income Municipal Fund ( Premium Income or Acquiring Fund ), and the Nuveen Connecticut Dividend Advantage Municipal Fund ( Dividend Advantage ), Nuveen Connecticut Dividend Advantage Municipal Fund 2 ( Dividend Advantage 2 ) and Nuveen Connecticut Dividend Advantage Municipal Fund 3 ( Dividend Advantage 3 ) (each, an Acquired Fund and collectively, the Acquired Funds ), will be held in the offices of Nuveen Investments, Inc. ( Nuveen or Nuveen Investments ), 333 West Wacker Drive, Chicago, Illinois 60606, on Friday, December 16, 2011, at 2:00 p.m., Central time, for the following purposes:

1. Election of Board Members. For shareholders of each Fund, to elect five (5) Board Members as follows:
  - (a) three (3) Board members to be elected by the holders of common shares and preferred shares voting as a single class; and
  - (b) two (2) Board members to be elected by the holders of preferred shares only, voting separately as a single class.
  
2. Agreement and Plan of Reorganization. The shareholders of each Fund, voting as set forth below, for an Agreement and Plan of Reorganization pursuant to which each Acquired Fund would (i) transfer substantially all of its assets to the Acquiring Fund in exchange solely for common shares and preferred shares of the Acquiring Fund, and the Acquiring Fund s assumption of substantially all of the liabilities of the Acquired Fund, (ii) distribute such shares of the Acquiring Fund to the common shareholders and preferred shareholders of the Acquired Fund (with cash being issued in lieu of fractional common shares), and (iii) liquidate, dissolve and terminate in accordance with the Acquired Fund s Declaration of Trust.

*Shareholders of Dividend Advantage*

(a)(i)

The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.

- (a)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization.

*Shareholders of Dividend Advantage 2*

- (b)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.
- (b)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization.

*Shareholders of Dividend Advantage 3*

- (c)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.
- (c)(ii) The preferred shareholders voting as a separate class to approve the Agreement and Plan of Reorganization.

*Shareholders of Premium Income*

- (d)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.
- (d)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization.

3. Approval of Issuance of Common Shares by the Acquiring Fund.

*Shareholders of Premium Income:*

- (a)(i) The common and preferred shareholders voting as a single class to approve the issuance of additional common shares in connection with each Reorganization pursuant to the Agreement and Plan of Reorganization.
- (a)(ii) The common shareholders voting separately as a single class to approve the issuance of additional common shares in connection with each Reorganization pursuant to the Agreement and Plan of Reorganization.

4. Updated Investment Policy.

- (a)(i)

Edgar Filing: NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND - Form N-14 8C/A

For shareholders of each Fund, the common and preferred shares voting as a single class, to approve the elimination of each Fund's existing fundamental investment policy related to the Fund's ability to make loans.

- (a)(ii) For shareholders of each Fund, the preferred shares voting as a single class, to approve the elimination of each Fund's existing fundamental investment policy related to the Fund's ability to make loans.
  
- (b)(i) For shareholders of each Fund, the common and preferred shares voting as a single class, to approve a new fundamental investment policy related to the Fund's ability to make loans.
  
- (b)(ii) For shareholders of each Fund, the preferred shares voting as a single class, to approve a new fundamental investment policy related to the Fund's ability to make loans.

5. To transact such other business as may properly come before the Annual Meeting. Only shareholders of record as of the close of business on September 19, 2011 are entitled to notice of and to vote at the Annual Meeting or adjournments or postponements thereof.

**All shareholders are cordially invited to attend the Annual Meeting. In order to avoid delay and additional expense for the Funds, and to assure that your shares are represented, please vote as promptly as possible, whether or not you plan to attend the Annual Meeting. You may vote by mail, by telephone or over the Internet.**

*To vote by mail*, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States.

*To vote by telephone*, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide.

*To vote over the Internet*, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

Kevin J. McCarthy

*Vice President and Secretary*

The Nuveen Funds



*The information contained in this Joint Proxy Statement/Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Joint Proxy Statement/Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where such offer or sale is not permitted.*

**NUVEEN FUNDS**

**333 WEST WACKER DRIVE**

**CHICAGO, ILLINOIS 60606**

**(800) 257-8787**

**Subject to completion, dated           , 2011**

**JOINT PROXY STATEMENT/PROSPECTUS**

**NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND**

**(NTC, NTC PrC, NTC PrD),**

**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND**

**(NFC, NFC PrC),**

**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2**

**(NGK, NGK PrC) AND**

**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3**

**(NGO, NGO PrC)**

**(EACH, A FUND AND COLLECTIVELY, THE FUNDS )**

**NOVEMBER   , 2011**

This Joint Proxy Statement/Prospectus is being furnished to the shareholders of Nuveen Connecticut Premium Income Municipal Fund ( Premium Income or Acquiring Fund ), and the shareholders of Nuveen Connecticut Dividend Advantage Municipal Fund ( Dividend Advantage ), Nuveen Connecticut Dividend Advantage Municipal Fund 2 ( Dividend Advantage 2 ) and Nuveen Connecticut Dividend Advantage Municipal Fund 3 ( Dividend Advantage 3 ) (each, an Acquired Fund and collectively, the Acquired Funds ), each a closed-end management investment company, in connection with the solicitation of proxies by each Fund's Board of Trustees (each, a Board and each Trustee a Board Member ) for use at the Annual Meeting of Shareholders of each Fund to be held in the offices of Nuveen Investments, Inc. ( Nuveen or Nuveen Investments ), 333 West Wacker Drive, Chicago, Illinois 60606, on Friday, December 16, 2011, at 2:00 p.m., Central time, and at any and all adjournments or postponements thereof (each, an Annual Meeting and collectively, the Annual Meetings ) to consider the proposals listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. The enclosed proxy and this Joint Proxy Statement/Prospectus are first being sent to shareholders of the Funds on or about November   , 2011. Shareholders of record of the Funds as of the close of business on September 19, 2011 are entitled to notice of, and to vote at, the Annual Meeting and any and all adjournments or postponements thereof.

This Joint Proxy Statement/Prospectus explains concisely what you should know before voting on the proposals described in this Joint Proxy Statement/Prospectus or investing in the Acquiring Fund. Please read it carefully and keep it for future reference.

**The securities offered by this Joint Proxy Statement/Prospectus have not been approved or disapproved by the Securities and Exchange Commission ( SEC ), nor has the SEC passed upon the accuracy or adequacy of this Joint Proxy Statement/Prospectus. Any representation to the contrary is a criminal offense.**

On the matters coming before each Annual Meeting as to which a choice has been specified by shareholders on the accompanying proxy card, the shares will be voted accordingly where such proxy card is properly executed, timely received and not properly revoked (pursuant to the instructions below). If a proxy is returned and no choice is specified, the shares will be voted **FOR** the proposals. Shareholders of a Fund who execute proxies may revoke them at any time before they are voted by filing with that Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Merely attending the Annual Meeting, however, will not revoke any previously submitted proxy.

The Board of each Fund has determined that the use of this Joint Proxy Statement/Prospectus for the Annual Meeting is in the best interests of each Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders.

The following table indicates which shareholders are solicited to vote with respect to each matter:

<b>Matter</b>		<b>Common Shares</b>	<b>Preferred Shares<sup>(1)</sup></b>
1(a)	For each Fund, the common and preferred shareholders voting as a single class, to elect three (3) Board Members.	X	X
1(b)	For each Fund, the preferred shareholders voting separately as a single class, to elect two (2) Board Members.		X
2(a)(i)	For Dividend Advantage, the common and preferred shareholders voting as a single class, to approve the Agreement and Plan of Reorganization.	X	X
2(a)(ii)	For Dividend Advantage, the preferred shareholders voting separately as a single class, to approve the Agreement and Plan of Reorganization.		X
2(b)(i)	For Dividend Advantage 2, the common and preferred shareholders voting as a single class, to approve the Agreement and Plan of Reorganization.	X	X
2(b)(ii)	For Dividend Advantage 2, the preferred shareholders voting separately as a single class, to approve the Agreement and Plan of Reorganization.		X
2(c)(i)	For Dividend Advantage 3, the common and preferred shareholders voting as a single class, to approve the Agreement and Plan of Reorganization.	X	X
2(c)(ii)	For Dividend Advantage 3, the preferred shareholders voting separately as a single class, to approve the Agreement and Plan of Reorganization.		X
2(d)(i)	For the Acquiring Fund, the common and preferred shareholders voting as a single class, to approve the Agreement and Plan of Reorganization.	X	X

<b>Matter</b>		<b>Common Shares</b>	<b>Preferred Shares<sup>(1)</sup></b>
2(d)(ii)	For the Acquiring Fund, the preferred shareholders voting separately as a single class, to approve the Agreement and Plan of Reorganization.		X
3(a)(i)	For the Acquiring Fund, the common and preferred shareholders voting as a single class, to approve the issuance of additional common shares in connection with the Agreement and Plan of Reorganization.	X	X
3(a)(ii)	For the Acquiring Fund, the common shareholders voting separately as a single class to approve the issuance of additional common shares in connection with each Reorganization pursuant to the Agreement and Plan of Reorganization.	X	
4(a)(i)	For each Fund, the common and preferred shares voting as a single class, to approve the elimination of the Fund's fundamental investment policy relating to the Fund's ability to make loans.	X	X
4(a)(ii)	For each Fund, the preferred shareholders voting separately as a single class, to approve the elimination of the Fund's fundamental investment policy relating to the Fund's ability to make loans.		X
4(b)(i)	For each Fund, the common and preferred shares voting as a single class, to approve a new fundamental investment policy relating to the Fund's ability to make loans.	X	X
4(b)(ii)	For each Fund, the preferred shareholders voting separately as a single class, to approve a new fundamental investment policy relating to the Fund's ability to make loans.		X

(1) The outstanding preferred shares for each Fund are MuniFund Term Preferred Shares. MuniFund Term Preferred Shares are referred to herein as MTP Shares.

Those persons who were shareholders of record at the close of business on September 19, 2011 will be entitled to one vote for each share held and a proportionate fractional vote for each fractional share held.

As of September 19, 2011, the shares of the Funds issued and outstanding were as follows:

<b>Fund</b>		<b>Preferred Shares</b>	
<b>Ticker Symbol*</b>	<b>Common Shares</b>	<b>Ticker Symbol*</b>	<b>MTP Shares</b>
Acquiring Fund, NTC	5,365,029	NTC PrC	1,830,000
		NTC PrD	1,778,000
Dividend Advantage, NFC	2,586,033	NFC PrC	2,047,000
Dividend Advantage 2, NGK	2,320,371	NGK PrC	1,695,000
Dividend Advantage 3, NGO	4,367,134	NGO PrC	3,200,000

\* The Acquiring Fund's common shares are listed on the New York Stock Exchange ( NYSE ). Each Acquired Fund's common shares are listed on the NYSE Amex. Each Fund's MTP Shares are listed on the NYSE.

The reorganizations seek to combine four Funds that have substantially similar (but not identical) investment objectives, policies and risks to achieve certain economies of scale and other operational efficiencies for the Funds (each a Reorganization and collectively, the Reorganizations). The Agreement and Plan of Reorganization by and among each Acquired Fund and Acquiring Fund (the Agreement) provides for (i) the Acquiring Fund's acquisition of substantially all of the assets of each Acquired Fund in exchange for newly issued common shares of the Acquiring Fund, par value \$0.01 per share (Acquiring Fund Common Shares), and newly issued MTP Shares of the Acquiring Fund, with a par value of \$0.01 per share and liquidation preference of \$10 per share (Acquiring Fund MTP Shares), and the Acquiring Fund's assumption of substantially all of the liabilities of each Acquired Fund, and (ii) the pro rata distribution of the Acquiring Fund Common Shares and Acquiring Fund MTP Shares received by each Acquired Fund to its common and preferred shareholders, as part of the liquidation, dissolution and termination of each Acquired Fund in accordance with its Declaration of Trust. The aggregate net asset value of Acquiring Fund Common Shares received by each Acquired Fund in a Reorganization will equal the aggregate net asset value of Acquired Fund common shares held by shareholders of such Acquired Fund immediately prior to the Reorganizations. Prior to the closing of the Reorganizations, the net asset value of each Acquired Fund and Acquiring Fund will be reduced by the costs of the Reorganization borne by such Fund. No fractional Acquiring Fund Common Shares will be issued to an Acquired Fund's shareholders and, in lieu of such fractional shares, an Acquired Fund's shareholders will receive cash in an amount equal to the value received for such shares in the open market, which may be higher or lower than net asset value. Preferred shareholders of each Acquired Fund will receive the same number of Acquiring Fund MTP Shares having substantially identical terms as the outstanding MTP Shares of the Acquired Fund (Acquired Fund MTP Shares) held by such preferred shareholders immediately prior to the Reorganization. The preferred shareholders of an Acquired Fund will receive the following new classes of MTP Shares of the Acquiring Fund:

<b>Acquired Fund</b>	<b>Acquired Fund MTP Shares Outstanding</b>	<b>Acquiring Fund Shares to Be Issued in Reorganization</b>
Dividend Advantage Fund	MTP Shares, Series 2015 Fixed Dividend Rate: 2.60%	MTP Shares, 2.60% Series 2015 Fixed Dividend Rate: 2.60%
	Term Redemption Date: 4/1/2015	Term Redemption Date: 4/1/2015
Dividend Advantage Fund 2	MTP Shares, Series 2015 Fixed Dividend Rate: 2.60%	MTP Shares, 2.60% Series 2015 # 1 Fixed Dividend Rate: 2.60%
	Term Redemption Date: 4/1/2015	Term Redemption Date: 4/1/2015
Dividend Advantage Fund 3	MTP Shares, Series 2015 Fixed Dividend Rate: 2.65%	MTP Shares, 2.65% Series 2015 # 1 Fixed Dividend Rate: 2.65%
	Term Redemption Date: 3/1/2015	Term Redemption Date: 3/1/2015

Each new series of the Acquiring Fund MTP Shares will have the same fixed per annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund MTP Shares for which it will be exchanged. The optional redemption right for the Acquiring Fund for each new series of MTP Shares will be substantially the same as the Acquired Fund's rights as of the closing of the Reorganization, with respect to the corresponding Acquired Fund MTP Shares. See Proposal No. 2 Information About the Reorganizations Description of MTP Shares Issued by the Acquiring Fund. The aggregate liquidation preference of the Acquiring Fund MTP Shares received in the Reorganization will equal the aggregate liquidation preference of the corresponding Acquired Fund MTP Shares held immediately prior to the Reorganization. The Acquiring Fund will continue to operate after the Reorganization as a registered closed-end investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus.

With respect to each Reorganization, the Reorganization is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of the Acquired Fund's common shares and preferred shares, voting as a single class, and by the affirmative vote of a majority of the Acquired Fund's outstanding preferred shares, voting separately as a single class. Each Reorganization is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of the Acquiring Fund's common shares and preferred shares, voting as a single class, and the Acquiring Fund's outstanding preferred shares voting as a separate class. In addition, common and preferred shareholders of the Acquiring Fund voting as a single class and common shareholders voting separately, are being asked to approve the issuance of additional common shares of the Acquiring Fund in connection with the Reorganizations.

The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to the Reorganizations in order for the Reorganizations to occur. Because the closing of the Reorganizations is contingent on all of the Acquired Funds and the Acquiring Fund satisfying (or obtaining the waiver of) their respective closing conditions, it is possible your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the requisite shareholder approvals are not obtained, the Boards of the Funds may take such actions as they deem in the best interest of the Funds including conducting additional solicitations with respect to the proposals or continuing to operate the Funds as stand-alone funds.

To the extent shareholders of an Acquired Fund do not approve the proposals relating to the new fundamental investment policy but approve the Reorganization, it is possible the Acquired Fund's shareholders will be subject to the new fundamental investment policy following the completion of the Reorganization even though they did not vote to approve the new fundamental investment policy. Conversely, if the shareholders of the Acquiring Fund do not approve the new fundamental investment policy, it is possible that shareholders of an Acquired Fund that approved the Reorganization may not benefit from the new fundamental investment policy.

This Joint Proxy Statement/Prospectus concisely sets forth the information shareholders of the Funds should know before voting on the proposals and constitutes an offering of common shares and MTP Shares, 2.60% Series 2015, 2.60% Series 2015 # 1 and 2.65% Series 2015 # 1, of the Acquiring Fund only. Please read it carefully and retain it for future reference.

The following documents have been filed with the SEC and are incorporated into this Joint Proxy Statement/Prospectus by reference:

- (i) the Statement of Additional Information relating to the proposed Reorganizations, dated November , 2011 (the Reorganization SAI );
- (ii) the audited financial statements and related independent registered public accounting firm's report for the Acquiring Fund and the financial highlights for the Acquiring Fund contained in the Fund's Annual Report for the fiscal year ended May 31, 2011; and
- (iii) the audited financial statements and related independent registered public accounting firm's report for each Acquired Fund and the financial highlights for each Acquired Fund contained in the Fund's Annual Report for the fiscal year ended May 31, 2011.

No other parts of the Funds' Annual Reports are incorporated by reference herein.

Copies of the foregoing may be obtained without charge by calling (800) 257-8787 or writing the Funds at 333 West Wacker Drive, Chicago, Illinois 60606. If you wish to request a copy of the Reorganization SAI, please ask for the Reorganization SAI. In addition, the Acquiring Fund will furnish, without charge, a copy of its most recent Annual Report to a shareholder upon request. Any such request should be directed to the Acquiring Fund by calling (800) 257-8787 or by writing the Acquiring Fund at 333 West Wacker Drive, Chicago, Illinois 60606.

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 1934 Act), and the Investment Company Act of 1940, as amended (the 1940 Act), and in accordance therewith file reports and other information with the SEC. Reports, proxy statements, registration statements and other information filed by the Funds, including the Registration Statement relating to the Acquiring Fund on Form N-14 of which this Joint Proxy Statement/Prospectus is a part, may be inspected without charge and copied (for a duplication fee at prescribed rates) at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549 or at the SEC's New York Regional Office (3 World Financial Center, Suite 400, New York, New York 10281) or Chicago Regional Office (175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604). You may call the SEC at (202) 551-8090 for information about the operation of the public reference room. You may obtain copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may also access reports and other information about the Funds on the EDGAR database on the SEC's Internet site at <http://www.sec.gov>.

Each Fund's common shares are listed on the NYSE Amex, except for Premium Income, which are listed on the NYSE. Each Fund's MTP Shares are listed on the NYSE. Reports, proxy statements and other information concerning the Funds can be inspected at the offices of the NYSE or NYSE Amex, 11 Wall Street, New York, New York 10005.

This Joint Proxy Statement/Prospectus serves as a prospectus of the Acquiring Fund in connection with the issuance of the Acquiring Fund Common Shares and MTP Shares in each Reorganization. No person has been authorized to give any information or make any representation not contained in this Joint Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

JOINT PROXY STATEMENT/PROSPECTUS

NOVEMBER , 2011

NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND (NTC, NTC PrC, NTC PrD), NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND (NFC, NFC PrC), NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NGK, NGK PrC) AND NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NGO, NGO PrC)

TABLE OF CONTENTS

	<b>Page</b>
<u>PROPOSAL NO. 1 THE ELECTION OF BOARD MEMBERS (SHAREHOLDERS OF EACH FUND)</u>	1
<u>Compensation</u>	9
<u>Board Leadership Structure and Risk Oversight</u>	11
<u>Board Diversification and Board Member Qualifications</u>	15
<u>PROPOSAL NO. 2 REORGANIZATION OF EACH ACQUIRED FUND INTO THE ACQUIRING FUND (SHAREHOLDERS OF EACH FUND)</u>	23
<u>A. SYNOPSIS</u>	23
<u>Background and Reasons for the Reorganizations</u>	23
<u>Certain Federal Income Tax Consequences of the Reorganizations</u>	23
<u>Comparison of the Acquiring Fund and Each Acquired Fund</u>	24
<u>Comparative Expense Information</u>	29
<u>Comparative Performance Information</u>	30
<u>B. RISK FACTORS</u>	31
<u>C. INFORMATION ABOUT THE REORGANIZATIONS</u>	41
<u>General</u>	41
<u>Terms of the Reorganizations</u>	41
<u>Reasons for the Reorganizations</u>	44
<u>Capitalization</u>	47
<u>Expenses Associated with the Reorganizations</u>	48
<u>Dissenting Shareholders Rights of Appraisal</u>	49
<u>Certain Federal Income Tax Consequences of the Reorganizations</u>	49
<u>Votes Required</u>	52
<u>Description of Common Shares Issued by the Acquiring Fund</u>	53
<u>Description of MTP Shares Issued by the Acquiring Fund</u>	56
<u>D. ADDITIONAL INFORMATION ABOUT THE INVESTMENT POLICIES</u>	75
<u>Comparison of the Investment Objectives and Policies of the Acquiring Fund and the Acquired Funds</u>	75



**TABLE OF CONTENTS**

(continued)

	<b>Page</b>
<u>PROPOSAL NO. 3 APPROVAL OF ISSUANCE OF ADDITIONAL COMMON SHARES OF ACQUIRING FUND (ACQUIRING FUND SHAREHOLDERS ONLY)</u>	85
<u>ADDITIONAL INFORMATION ABOUT THE FUNDS</u>	86
<u>Certain Provisions in the Acquiring Fund's Declaration of Trust and By-Laws</u>	86
<u>Repurchase of Common Shares; Conversion to Open-End Fund</u>	88
<u>Custodian, Transfer Agent, Dividend Disbursing Agent and Redemption Agent</u>	89
<u>Federal Income Tax Matters Associated with Investment in the Funds</u>	89
<u>Net Asset Value</u>	91
<u>Legal Opinions</u>	92
<u>Experts</u>	92
<u>PROPOSAL NO. 4 ELIMINATION OF FUNDAMENTAL POLICY AND APPROVAL OF NEW FUNDAMENTAL POLICY RELATING TO EACH FUND'S ABILITY TO MAKE LOANS (SHAREHOLDERS OF EACH FUND)</u>	92
<u>GENERAL INFORMATION</u>	94
<u>Outstanding Shares of the Acquiring Fund and the Acquired Funds</u>	94
<u>Shareholders of the Acquiring Fund and the Acquired Funds</u>	95
<u>Audit Committee Report</u>	95
<u>Section 16(a) Beneficial Interest Reporting Compliance</u>	97
<u>Expenses of Proxy Solicitation</u>	98
<u>Shareholder Proposals</u>	98
<u>Shareholder Communications</u>	98
<u>Fiscal Year</u>	98
<u>Annual Report Delivery</u>	98
<u>Other Information</u>	99
<u>APPENDIX A AGREEMENT AND PLAN OF REORGANIZATION</u>	A-1
<u>APPENDIX B FINANCIAL HIGHLIGHTS</u>	B-1
<u>APPENDIX C BENEFICIAL OWNERSHIP</u>	C-1
<u>APPENDIX D NUMBER OF BOARD AND COMMITTEE MEETINGS HELD DURING EACH FUND'S LAST FISCAL YEAR</u>	D-1
<u>APPENDIX E NUVEEN FUND BOARD AUDIT COMMITTEE CHARTER</u>	E-1

**PROPOSAL NO. 1 THE ELECTION OF BOARD MEMBERS**

**(SHAREHOLDERS OF EACH FUND)**

Pursuant to each Fund's organizational documents, each Board is divided into three classes, Class I, Class II and Class III, to be elected by the holders of the outstanding common shares and any outstanding preferred shares, voting as a single class, to serve until the third succeeding annual meeting subsequent to their election or thereafter, in each case until their successors have been duly elected and qualified. At this Annual Meeting, holders of common shares and preferred shares are entitled to elect three (3) Board Members designated as Class II Board Members. In addition, holders of preferred shares voting as a separate class are entitled to elect two (2) Board Members. The Board Members elected by holders of preferred shares will be elected to serve until the next annual meeting or until their successors have been duly elected and qualified.

**1. For Premium Income, Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3:**

- (a) Three (3) Board Members are to be elected by holders of common shares and preferred shares, voting as a single class. Board Members Amboian, Kundert and Toth have been designated as Class II Board Members and as nominees for Board membership for a term expiring at the annual meeting of shareholders in 2014 or until their successors have been duly elected and qualified. Board Members Bremner, Evans, Stockdale, Stone and Stringer are current and continuing Board Members. Board Members Bremner and Evans have been designated as Class III Board Members for a term expiring at the annual meeting of shareholders in 2012 or until their successors have been duly elected and qualified. Board Members Stockdale, Stone and Stringer have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2013 or until their successors have been duly elected and qualified.
- (b) Two (2) Board Members are to be elected by holders of preferred shares, voting separately as a single class. Board Members Hunter and Schneider are nominees for election by holders of preferred shares for a term expiring at the next annual meeting or until their successors have been duly elected and qualified.

It is the intention of the persons named in the enclosed proxy to vote the shares represented thereby for the election of the nominees listed in the table below unless the proxy is marked otherwise. Each of the nominees has agreed to serve as a Board Member of each Fund, if elected. However, should any nominee become unable or unwilling to accept nomination for election, the proxies will be voted for substitute nominees, if any, designated by each Fund's present Board.

For each Fund, Board Members Stockdale and Stone were last elected to each Fund's Board as Class I Board Members, and Board Members Hunter and Schneider were last elected to each Fund's Board by preferred shareholders at the annual meeting of shareholders held on November 16, 2010. Board Members Bremner and Evans were last elected to each Fund's Board as Class III Board Members at the annual meeting of shareholders held on November 30, 2009. Board Members Amboian, Kundert and Toth were last elected to each Fund's Board as Class II Board Members at the annual meeting of shareholders held on November 18, 2008 and adjourned to January 13, 2009.

On January 1, 2011, Ms. Stringer was appointed as a Board Member for each Nuveen closed-end fund, and designated as a Class I Board Member with respect to the Funds.

Other than Mr. Amboian (for all Funds), no Board Member nominee is an interested person, as defined in the 1940 Act, of the Funds or of their investment adviser and has never been an employee or director of Nuveen Investments, Inc. the investment adviser's parent company, or any affiliate. Accordingly, such Board Members are deemed Independent Board Members.

For each respective election set forth above for each Fund, the affirmative vote of a plurality of the shares present and entitled to vote at the Annual Meeting will be required to elect Board Members of that Fund. Abstentions and broker non-votes will have no effect on the election of Board Members. Broker non-votes are shares held by brokers or nominees for which the brokers or nominees have executed proxies as to which (i) the broker or nominee does not have discretionary voting power and (ii) the broker or nominee has not received instructions from the beneficial owner or other person who is entitled to instruct how the shares will be voted.

**The Board unanimously recommends that shareholders vote FOR the election of the nominees named above.**

**Board Nominees/Board Members**

<b>Name, Address and Birth Date</b>	<b>Position(s) Held with Fund</b>	<b>Term of Office and Length of Time Served<sup>(1)</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member</b>	<b>Other Directorships Held by Board Member During the Past Five Years</b>
<b>Nominees/Board Members who are not interested persons of the Funds</b>					
Robert P. Bremner* c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (8/22/40)	Chairman of Board and Board Member	Term: Class III  Length of Service:  Since 1996	Private Investor and Management Consultant; Treasurer and Director, Humanities Council, Washington, D.C.; Board Member, Independent Directors Council affiliated with the Investment Company Institute.	245	N/A
Jack B. Evans c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (10/22/48)	Board Member	Term: Class III  Length of Service:  Since 1999	President, The Hall-Perrine Foundation, a private philanthropic corporation (since 1996); Member of the Board of Regents for the State of Iowa University System; Director, Source Media Group; Life Trustee of Coe College and the Iowa College Foundation; formerly, Director, Alliant Energy; formerly, Director, Federal Reserve Bank of Chicago; formerly, President and Chief Operating Officer, SCI Financial Group, Inc. (a regional financial services firm).	245	Director and Chairman, United Fire Group, a publicly held company; formerly, Director, Alliant Energy.

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
William C. Hunter  c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606	Board Member	Term: Annual Board Member until 2011  Length of Service: Since 2004	Dean (since 2006), Tippie College of Business, University of Iowa; Director (since 2005), Beta Gamma Sigma International Honor Society; Director of Wellmark, Inc. (since 2009); formerly, Director (1997-2007), Credit Research Center at Georgetown University; formerly, Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut (2003-2006); previously, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003).	245	Director (since 2004) of Xerox Corporation

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
David J. Kundert* c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (10/28/42)	Board Member	Term: Class II Board Member until 2011	Director, Northwestern Mutual Wealth Management Company; retired (since 2004) as Chairman, JPMorgan Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual Funds; prior thereto, Executive Vice President, Bank One Corporation and Chairman and CEO, Banc One Investment Management Group; Member, Board of Regents, Luther College; Member of the Wisconsin Bar Association; Member of Board of Directors, Friends of Boerner Botanical Gardens; Member of Board of Directors and Chair of Investment Committee, Greater Milwaukee Foundation.	245	N/A

Length of  
Service: Since  
2005

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
William J. Schneider* c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (9/24/44)	Board Member	Term: Annual Board Member until 2011  Length of Service: Since 1996	Chairman of Miller-Valentine Partners Ltd., a real estate investment company; Member, Mid-America Health System Board; Member, University of Dayton Business School Advisory Council; formerly, Senior Partner and Chief Operating Officer (retired, 2004) of Miller-Valentine Group; formerly, Member, Dayton Philharmonic Orchestra Association; formerly, Director, Dayton Development Coalition; formerly, Member, Business Advisory Council, Cleveland Federal Reserve Bank.	245	N/A
Judith M. Stockdale c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (12/29/47)	Board Member	Term: Class I  Length of Service: Since 1997	Executive Director, Gaylord and Dorothy Donnelley Foundation (since 1994); prior thereto, Executive Director, Great Lakes Protection Fund (1990-1994).	245	N/A
Carole E. Stone* c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (6/28/47)	Board Member	Term: Class I  Length of Service: Since 2007	Director, C2 Options Exchange, Incorporated (since 2009); formerly, Commissioner, New York State Commission on Public Authority Reform (2005-2010); formerly, Chair, New York Racing Association Oversight Board (2005-2007).	245	Director, Chicago Board Options Exchange (since 2006).

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
Virginia L. Stringer  c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606  (8/16/44)	Board Member	Term: Class I   Length of Service: Since 2011	Board Member, Mutual Fund Directors Forum; Member, Governing Board, Investment Company Institute s Independent Directors Council; Governance consultant and non-profit board member; former owner and president, Strategic Management Resources, Inc., a management consulting firm; previously, held several executive positions in general management, marketing and human resources at IBM and The Pillsbury Company.	245	Previously, Independent Director (1987-2010) and Chair (1997-2010), First American Fund Complex.



Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
<p>Terence J. Toth*</p> <p>c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606</p> <p>(9/29/59)</p>	<p>Board Member</p>	<p>Term: Class II Board Member until 2011</p> <p>Length of Service: Since 2008</p>	<p>Director, Legal &amp; General Investment Management America, Inc. (since 2008); Managing Partner, Promus Capital (since 2008); formerly, CEO and President, Northern Trust Global Investments (2004-2007); Executive Vice President, Quantitative Management &amp; Securities Lending (2000-2004); prior thereto, various positions with Northern Trust Company (since 1994); Member, Goodman Theatre Board (since 2004); Chicago Fellowship Board (since 2005), and Catalyst Schools of Chicago Board (since 2008); formerly Member, Northern Trust Mutual Funds Board (2005-2007), Northern Trust Global Investments Board (2004-2007), Northern Trust Japan Board (2004-2007), Northern Trust Securities Inc. Board (2003-2007) and Northern Trust Hong Kong Board (1997-2004).</p>	<p>245</p>	<p>N/A</p>

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member During the Past Five Years
<b>Nominee/Board Member who is an interested person of the Funds</b>					
John P. Amboian <sup>(2)</sup> 333 West Wacker Drive Chicago, IL 60606 (6/14/61)	Board Member	Term: Class II Board Member until 2011  Length of Service: Since 2008	Chief Executive Officer and Chairman (since 2007) and Director (since 1999) of Nuveen Investments, Inc.; Chief Executive Officer (since 2007) of Nuveen Investments Advisers Inc.; Director (since 1998) and formerly, Chief Executive Officer (2007-2010) of Nuveen Fund Advisors, Inc.	245	N/A

\* Also serves as a trustee of Nuveen Diversified Commodity Fund, an exchange-traded commodity pool managed by Nuveen Commodities Asset Management, LLC, an affiliate of each Fund's Adviser.

(1) Length of Time Served indicates the year in which the individual became a Board Member of a fund in the Nuveen Fund complex.

(2) Interested person as defined in the 1940 Act, by reason of being an officer and director of each Fund's Adviser.

The dollar range of equity securities beneficially owned by each Board Member in each Fund and all Nuveen Funds overseen by the Board Members as of May 31, 2011 is set forth in Appendix C. The number of shares of each Fund beneficially owned by each Board Member and by the Board Members and officers of the Funds as a group as of May 31, 2011 is set forth in Appendix C. On May 31, 2011, Board Members and executive officers as a group beneficially owned approximately 1,160,000 shares of all Funds managed by the Adviser, Nuveen Fund Advisors, Inc. (including shares deemed held by the Board Members through the Deferred Compensation Plan for Independent Board Members and shares held by executive officers in Nuveen's 401(k)/profit sharing plan). As of October 8, 2011, each Board Member's individual beneficial shareholdings of each Fund constituted less than 1% of the outstanding shares of each Fund. As of October 8, 2011, the Board Members and executive officers as a group beneficially owned less than 1% of the outstanding shares of each Fund. As of October 26, 2011, to the knowledge of the Fund based on public filings, no shareholder beneficially owned more than 5% of any class of shares of any Fund, except as provided below in this Joint Proxy Statement/Prospectus in the section entitled Shareholders of the Acquiring Fund and the Acquired Funds.

### Compensation

Independent Board Members receive a \$120,000 annual retainer plus (a) a fee of \$4,500 per day for attendance in person or by telephone at regularly scheduled meetings of the Board; (b) a fee of \$3,000 per meeting for attendance in person or by telephone at special, non-regularly scheduled Board

meetings where in-person attendance is required and \$2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (c) a fee of \$2,500 per meeting for attendance in person or by telephone at Audit Committee meetings where in-person attendance is required and \$2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (d) a fee of \$2,500 per meeting for attendance in person or by telephone at Compliance, Risk Management and Regulatory Oversight Committee meetings where in-person attendance is required and \$2,000 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required; (e) a fee of \$1,000 per meeting for attendance in person or by telephone at Dividend Committee meetings; and (f) a fee of \$500 per meeting for attendance in person or by telephone at all other committee meetings (\$1,000 for shareholder meetings) where in-person attendance is required and \$250 per meeting for attendance by telephone or in person at such committee meetings (excluding shareholder meetings) where in-person attendance is not required, and \$100 per meeting when the Executive Committee acts as pricing committee for IPOs, plus, in each case, expenses incurred in attending such meetings, provided that no fees are received for meetings held on days on which regularly scheduled Board meetings are held. In addition to the payments described above, the Chairman of the Board receives \$75,000, the chairpersons of the Audit Committee, the Dividend Committee and the Compliance, Risk Management and Regulatory Oversight Committee receive \$10,000 each and the chairperson of the Nominating and Governance Committee receives \$5,000 as additional retainers. Independent Board Members also receive a fee of \$3,000 per day for site visits to entities that provide services to the Nuveen Funds on days on which no Board meeting is held. When *ad hoc* committees are organized, the Nominating and Governance Committee will at the time of formation determine compensation to be paid to the members of such committee; however, in general, such fees will be \$1,000 per meeting for attendance in person or by telephone at *ad hoc* committee meetings where in-person attendance is required and \$500 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required. The annual retainer, fees and expenses are allocated among the Nuveen Funds on the basis of relative net assets, although management may, in its discretion, establish a minimum amount to be allocated to each Fund.

The Boards of certain Nuveen Funds (the Participating Funds ) established a Deferred Compensation Plan for Independent Board Members ( Deferred Compensation Plan ). Under the Deferred Compensation Plan, Independent Board Members of the Participating Funds may defer receipt of all, or a portion, of the compensation they earn for their services to the Participating Funds, in lieu of receiving current payments of such compensation. Any deferred amount is treated as though an equivalent dollar amount had been invested in shares of one or more eligible Nuveen Funds.

The table below shows, the aggregate compensation paid by each Fund to each Independent Board Member/Nominee for its last fiscal year:

	Aggregate Compensation from the Funds <sup>(1)</sup>								
	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	William J. Schneider	Judith M. Stockdale	Carole E. Stone	Virginia L. Stringer	Terence J. Toth
Premium Income	521	354	310	351	360	426	318	75	341
Dividend Advantage	270	185	162	184	188	220	166	39	178
Dividend Advantage 2	243	162	142	161	165	199	146	34	156
Dividend Advantage 3	355	298	262	296	304	275	268	63	288
Total Compensation from Nuveen Funds Paid to Board Members/Nominees*	265,748	230,443	199,401	243,469	243,212	213,579	188,000		230,630

\* Based on the total compensation paid to the Trustees/Nominees, including deferred fees, for the one-year period ended May 31, 2011 for services to the Nuveen Funds.

(1) Includes deferred fees. Pursuant to the Deferred Compensation Plan, deferred amounts are treated as though an equivalent dollar amount has been invested in shares of one or more eligible Nuveen Funds. Total deferred fees for the Funds (including the return from the assumed investment in the eligible Nuveen Funds) payable are:

	<b>Robert P. Bremner</b>	<b>Jack B. Evans</b>	<b>William C. Hunter</b>	<b>David J. Kundert</b>	<b>William J. Schneider</b>	<b>Judith M. Stockdale</b>	<b>Carole E. Stone</b>	<b>Virginia L. Stringer</b>	<b>Terence J. Toth</b>
Premium Income									
Dividend Advantage									
Dividend Advantage 2									
Dividend Advantage 3									

**Board Leadership Structure and Risk Oversight**

The Board of each Fund oversees the operations and management of the Funds, including the duties performed for the Funds by the Adviser. The Board has adopted a unitary board structure. A unitary board consists of one group of directors who serve on the board of every Fund in the complex. In adopting a unitary board structure, the Board Members seek to provide effective governance through establishing a board, the overall composition of which will, as a body, possess the appropriate skills, independence and experience to oversee the Funds' business. With this overall framework in mind, when the Board, through its Nominating and Governance Committee, seeks nominees for the Board, the Board Members consider not only the candidate's particular background, skills and experience, among other things, but also whether such background, skills and experience enhance the Board's diversity and at the same time complement the current Board given its composition and the mix of skills and experiences of the incumbent Board Members. The Nominating and Governance Committee believes that the Board generally benefits from diversity of background, experience and views among its members, and considers this a factor in evaluating the composition of the Board, but has not adopted any specific policy on diversity or any particular definition of diversity.

The Board believes the unitary board structure enhances good and effective governance, particularly given the nature of the structure of the investment company complex. Funds in the same complex generally are served by the same service providers and personnel and are governed by the same regulatory scheme which raises common issues that must be addressed by the Board Members across the Fund complex (such as compliance, valuation, liquidity, brokerage, trade allocation and risk management). The Board believes it is more efficient to have a single board review and oversee common policies and procedures which increases the Board's knowledge and expertise with respect to the many aspects of Fund operations that are complex-wide in nature. The unitary structure also enhances the Board's influence and oversight over the Adviser and other service providers.

In an effort to enhance the independence of the Board, the Board also has a Chairman who is an Independent Board Member. The Board recognizes that a chairman can perform an important role in setting the agenda for the Board, establishing the boardroom culture, establishing a point person on behalf of the Board for Fund management, and reinforcing the Board's focus on the long-term interests of shareholders. The Board recognizes that a chairman may be able to better perform these functions without any conflicts of interest arising from a position with Fund management. Accordingly, the Board Members have elected Robert P. Bremner as the independent Chairman of the Board. Specific responsibilities of the Chairman include: (i) presiding at all meetings of the Board and of the shareholders; (ii) seeing that all orders and resolutions of the Board Members are carried into effect; and (iii) maintaining records of and, whenever necessary, certifying all proceedings of, the Board Members and the shareholders.

Although the Board has direct responsibility over various matters (such as advisory contracts, underwriting contracts and Fund performance), the Board also exercises certain of its oversight responsibilities through several committees that it has established and which report back to the full Board. The Board believes that a committee structure is an effective means to permit Board Members to focus on particular operations or issues affecting the Funds, including risk oversight. More

specifically, with respect to risk oversight, the Board has delegated matters relating to valuation and compliance to certain committees (as summarized below) as well as certain aspects of investment risk. In addition, the Board believes that the periodic rotation of Board Members among the different committees allows the Board Members to gain additional and different perspectives of each Fund's operations. The Board has established five standing committees: the Executive Committee, the Dividend Committee, the Audit Committee, the Compliance, Risk Management and Regulatory Oversight Committee and the Nominating and Governance Committee. The Board may also from time to time create *ad hoc* committees to focus on particular issues as the need arises. The membership and functions of the standing committees are summarized below.

The Executive Committee, which meets between regular meetings of the Board, is authorized to exercise all of the powers of the Board. The members of the Executive Committee are Robert P. Bremner, Chair, Judith M. Stockdale and John P. Amboian. The number of Executive Committee meetings of each Fund held during its last fiscal year is shown in Appendix D.

The Dividend Committee is authorized to declare distributions on each Fund's shares including, but not limited to, regular and special dividends, capital gains and ordinary income distributions. The members of the Dividend Committee are Jack B. Evans, Chair, Judith M. Stockdale and Terence J. Toth. The number of Dividend Committee meetings of each Fund held during its last fiscal year is shown in Appendix D.

The Board has an Audit Committee, in accordance with Section 3(a)(58)(A) of the 1934 Act, that is composed of Independent Board Members who are also independent as that term is defined in the listing standards pertaining to closed-end funds of the NYSE or NYSE Amex, as applicable. The Audit Committee assists the Board in: the oversight and monitoring of the accounting and reporting policies, processes and practices of the Funds, and the audits of the financial statements of the Funds; the quality and integrity of the financial statements of the Funds; the Funds' compliance with legal and regulatory requirements relating to the Funds' financial statements; the independent auditors' qualifications, performance and independence; and the pricing procedures of the Funds and the internal valuation group of Nuveen. It is the responsibility of the Audit Committee to select, evaluate and replace any independent auditors (subject only to Board and, if applicable, shareholder ratification) and to determine their compensation. The Audit Committee is also responsible for, among other things, overseeing the valuation of securities comprising the Funds' portfolios. Subject to the Board's general supervision of such actions, the Audit Committee addresses any valuation issues, oversees the Funds' pricing procedures and actions taken by Nuveen's internal valuation group which provides regular reports to the committee, reviews any issues relating to the valuation of the Funds' securities brought to its attention, and considers the risks to the Funds in assessing the possible resolutions of these matters. The Audit Committee may also consider any financial risk exposures for the Funds in conjunction with performing its functions.

To fulfill its oversight duties, the Audit Committee receives annual and semi-annual reports and has regular meetings with the external auditors for the Funds and the internal audit group at Nuveen. The Audit Committee also may review, in a general manner, the processes the Board or other Board committees have in place with respect to risk assessment and risk management as well as compliance with legal and regulatory matters relating to the Funds' financial statements. The Audit Committee operates under a written Audit Committee Charter (the Charter) adopted and approved by the Board, which Charter conforms to the listing standards of the NYSE or NYSE Amex, as applicable. Members of the Audit Committee are independent (as set forth in the Charter) and free of any relationship that,

in the opinion of the Board Members, would interfere with their exercise of independent judgment as an Audit Committee member. The members of the Audit Committee are Robert P. Bremner, David J. Kundert, Chair, William J. Schneider, Carole E. Stone and Terence J. Toth, each of whom is an Independent Board Member of the Funds. A copy of the Charter is attached as Appendix E. The number of Audit Committee meetings of each Fund held during its last fiscal year is shown in Appendix D.

The Compliance, Risk Management and Regulatory Oversight Committee (the Compliance Committee) is responsible for the oversight of compliance issues, risk management and other regulatory matters affecting the Funds that are not otherwise under or within the jurisdiction of the other committees. The Board has adopted and periodically reviews policies and procedures designed to address the Funds' compliance and risk matters. As part of its duties, the Compliance Committee: reviews the policies and procedures relating to compliance matters and recommends modifications thereto as necessary or appropriate to the full Board; develops new policies and procedures as new regulatory matters affecting the Funds arise from time to time; evaluates or considers any comments or reports from examinations from regulatory authorities and responses thereto; and performs any special reviews, investigations or other oversight responsibilities relating to risk management, compliance and/or regulatory matters as requested by the Board.

In addition, the Compliance Committee is responsible for risk oversight, including, but not limited to, the oversight of risks related to investments and operations. Such risks include, among other things, exposures to: particular issuers, market sectors, or types of securities; risks related to product structure elements, such as leverage; and techniques that may be used to address those risks, such as hedging and swaps. In assessing issues brought to the Compliance Committee's attention or in reviewing a particular policy, procedure, investment technique or strategy, the Compliance Committee evaluates the risks to the Funds in adopting a particular approach or resolution compared to the anticipated benefits to the Funds and their shareholders. In fulfilling its obligations, the Compliance Committee meets on a quarterly basis, and at least once a year in person. The Compliance Committee receives written and oral reports from the Funds' Chief Compliance Officer (CCO) and meets privately with the CCO at each of its quarterly meetings. The CCO also provides an annual report to the full Board regarding the operations of the Funds' and other service providers' compliance programs, as well as any recommendations for modifications thereto. The Compliance Committee also receives reports from the investment services group of Nuveen regarding various investment risks. Notwithstanding the foregoing, the full Board also participates in discussions with management regarding certain matters relating to investment risk, such as the use of leverage and hedging. The investment services group therefore also reports to the full Board at its quarterly meetings regarding, among other things, Fund performance and the various drivers of such performance. Accordingly, the Board directly and/or in conjunction with the Compliance Committee oversees matters relating to investment risks. Matters not addressed at the committee level are addressed directly by the full Board. The Compliance Committee operates under a written charter adopted and approved by the Board. The members of the Compliance Committee are Jack B. Evans, William C. Hunter, William J. Schneider, Judith M. Stockdale, Chair, and Virginia L. Stringer. The number of Compliance Committee meetings of each Fund held during its last fiscal year is shown in Appendix D.

The Nominating and Governance Committee is responsible for seeking, identifying and recommending to the Board qualified candidates for election or appointment to the Board. In addition, the Nominating and Governance Committee oversees matters of corporate governance, including the evaluation of Board performance and processes, the assignment and rotation of committee members,

and the establishment of corporate governance guidelines and procedures, to the extent necessary or desirable, and matters related thereto. Although the unitary and committee structure has been developed over the years and the Nominating and Governance Committee believes the structure has provided efficient and effective governance, the committee recognizes that, as demands on the Board evolve over time (such as through an increase in the number of Funds overseen or an increase in the complexity of the issues raised), the committee must continue to evaluate the Board and committee structures and their processes and modify the foregoing as may be necessary or appropriate to continue to provide effective governance. Accordingly, the Nominating and Governance Committee has a separate meeting each year to, among other things, review the Board and committee structures, their performance and functions, and recommend any modifications thereto or alternative structures or processes that would enhance the Board's governance over the Funds' business.

In addition, the Nominating and Governance Committee, among other things: makes recommendations concerning the continuing education of Board Members; monitors performance of legal counsel and other service providers; establishes and monitors a process by which security holders are able to communicate in writing with Board Members; and periodically reviews and makes recommendations about any appropriate changes to Board Member compensation. In the event of a vacancy on the Board, the Nominating and Governance Committee receives suggestions from various sources, including shareholders, as to suitable candidates. Suggestions should be sent in writing to Lorna Ferguson, Manager of Fund Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, IL 60606. The Nominating and Governance Committee sets appropriate standards and requirements for nominations for new Board Members and each nominee is evaluated using the same standards. However, the Nominating and Governance Committee reserves the right to interview any and all candidates and to make the final selection of any new Board Members. In considering a candidate's qualifications, each candidate must meet certain basic requirements, including relevant skills and experience, time availability (including the time requirements for due diligence site visits to internal and external sub-advisers and service providers) and, if qualifying as an Independent Board Member candidate, independence from the Adviser, sub-advisers, underwriters or other service providers, including any affiliates of these entities. These skill and experience requirements may vary depending on the current composition of the Board, since the goal is to ensure an appropriate range of skills, diversity and experience, in the aggregate. Accordingly, the particular factors considered and weight given to these factors will depend on the composition of the Board and the skills and backgrounds of the incumbent Board Member at the time of consideration of the nominees. All candidates, however, must meet high expectations of personal integrity, independence, governance experience and professional competence. All candidates must be willing to be critical within the Board and with management and yet maintain a collegial and collaborative manner toward other Board Members. The Nominating and Governance Committee operates under a written charter adopted and approved by the Board, a copy of which is available on the Funds' website at [www.nuveen.com/CEF/Info/Shareholder/](http://www.nuveen.com/CEF/Info/Shareholder/), and is composed entirely of Independent Board Members who are also independent as defined by NYSE or NYSE Amex listing standards, as applicable. Accordingly, the members of the Nominating and Governance Committee are Robert P. Bremner, Chair, Jack B. Evans, William C. Hunter, David J. Kundert, William J. Schneider, Judith M. Stockdale, Carole E. Stone, Virginia L. Stringer and Terence J. Toth. The number of Nominating and Governance Committee meetings of each Fund held during its last fiscal year is shown in Appendix D.

The number of regular quarterly meetings and special meetings held by the Board of each Fund during the Fund's last fiscal year is shown in Appendix D. During the last fiscal year, each Board Member attended 75% or more of each Fund's Board meetings and the committee meetings (if a

member thereof) held during the period for which such Board Member was a Board Member. The policy of the Board relating to attendance by Board Members at annual meetings of the Funds and the number of Board Members who attended the last annual meeting of shareholders of each Fund is posted on the Funds' website at [www.nuveen.com/CEF/Info/Shareholder/](http://www.nuveen.com/CEF/Info/Shareholder/).

### **Board Diversification and Board Member Qualifications**

In determining that a particular Board Member was qualified to serve on the Board, the Board considers each Board Member's background, skills, experience and other attributes in light of the composition of the Board with no particular factor controlling. The Board believes that Board Members need to have the ability to critically review, evaluate, question and discuss information provided to them, and to interact effectively with Fund management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties, and the Board believes each Board Member satisfies this standard. An effective Board Member may achieve this ability through his or her educational background; business, professional training or practice; public service or academic positions; experience from service as a board member or executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and or/other life experiences. Accordingly, set forth below is a summary of the experiences, qualifications, attributes, and skills that led to the conclusion, as of the date of this document, that each Board Member should serve in that capacity. References to the experiences, qualifications, attributes and skills of Board Members are pursuant to requirements of the SEC do not constitute holding out the Board or any Board Member as having any special expertise or experience and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

#### ***John P. Amboian***

Mr. Amboian, an interested Board Member of the Funds, joined Nuveen Investments in June 1995 and became Chief Executive Officer in July 2007 and Chairman in November 2007. Prior to this, since 1999, he served as President with responsibility for the firm's product, marketing, sales, operations and administrative activities. Mr. Amboian initially served Nuveen Investments as Executive Vice President and Chief Financial Officer. Prior to joining Nuveen Investments, Mr. Amboian held key management positions with two consumer product firms affiliated with the Phillip Morris Companies. He served as Senior Vice President of Finance, Strategy and Systems at Miller Brewing Company. Mr. Amboian began his career in corporate and international finance at Kraft Foods, Inc., where he eventually served as Treasurer. He received a Bachelor's degree in economics and an MBA from the University of Chicago. Mr. Amboian serves on the Board of Directors of Nuveen Investments and is a Board Member or Trustee of the Investment Company Institute Board of Governors, Boys and Girls Clubs of Chicago, Children's Memorial Hospital and Foundation, the Council on the Graduate School of Business (University of Chicago), and the North Shore Country Day School Foundation. He is also a member of the Civic Committee of the Commercial Club of Chicago and the Economic Club of Chicago.

#### ***Robert P. Bremner***

Mr. Bremner, the Board's Independent Chairman, is a private investor and management consultant in Washington, D.C. His biography of William McChesney Martin, Jr., a former chairman of the Federal Reserve Board, was published by Yale University Press in November 2004. From 1994 to 1997, he was a Senior Vice President at Samuels International Associates, an international



consulting firm specializing in governmental policies, where he served in a part-time capacity. Previously, Mr. Bremner was a partner in the LBK Investors Partnership and was chairman and majority stockholder with ITC Investors Inc., both private investment firms. He currently serves on the Board and as Treasurer of the Humanities Council of Washington, D.C. and is a Board Member of the Independent Directors Council affiliated with the Investment Company Institute. From 1984 to 1996, Mr. Bremner was an independent Trustee of the Flagship Funds, a group of municipal open-end funds. He began his career at the World Bank in Washington, D.C. He graduated with a Bachelor of Science degree from Yale University and received his MBA from Harvard University.

***Jack B. Evans***

President of the Hall-Perrine Foundation, a private philanthropic corporation, since 1996, Mr. Evans was formerly President and Chief Operating Officer of the SCI Financial Group, Inc., a regional financial services firm headquartered in Cedar Rapids, Iowa. Formerly, he was a member of the Board of the Federal Reserve Bank of Chicago as well as a Director of Alliant Energy. Mr. Evans is Chairman of the Board of United Fire Group, sits on the Board of the Source Media Group, is a member of the Board of Regents for the State of Iowa University System, is a Life Trustee of Coe College and is a member of the Advisory Council of the Department of Finance in the Tippie College of Business, University of Iowa. He has a Bachelor of Arts degree from Coe College and an MBA from the University of Iowa.

***William C. Hunter***

Mr. Hunter was appointed Dean of the Henry B. Tippie College of Business at the University of Iowa effective July 1, 2006. He had been Dean and Distinguished Professor of Finance at the University of Connecticut School of Business since June 2003. From 1995 to 2003, he was the Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago. While there he served as the Bank's Chief Economist and was an Associate Economist on the Federal Reserve System's Federal Open Market Committee (FOMC). In addition to serving as a Vice President in charge of financial markets and basic research at the Federal Reserve Bank in Atlanta, he held faculty positions at Emory University, Atlanta University, the University of Georgia and Northwestern University. A past Director of the Credit Research Center at Georgetown University, SS&C Technologies, Inc. (2005) and past President of the Financial Management Association International, he has consulted with numerous foreign central banks and official agencies in Western, Central and Eastern Europe, Asia, Central and South America. From 1990 to 1995, he was a U.S. Treasury Advisor to Central and Eastern Europe. He has been a Director of the Xerox Corporation since 2004 and Wellmark, Inc. since 2009. He is President-Elect of Beta Gamma Sigma, Inc., the International Business Honor Society.

***David J. Kundert***

Mr. Kundert retired in 2004 as Chairman of JPMorgan Fleming Asset Management, as President and CEO of Banc One Investment Advisors Corporation, and as President of One Group Mutual Funds. Prior to the merger between Bank One Corporation and JPMorgan Chase and Co., he was Executive Vice President, Bank One Corporation and, since 1995, the Chairman and CEO, Banc One Investment Management Group. From 1988 to 1992, he was President and CEO of Bank One Wisconsin Trust Company. Currently, Mr. Kundert is a Director of the Northwestern Mutual Wealth Management Company. He started his career as an attorney for Northwestern Mutual Life Insurance Company. Mr. Kundert has served on the Board of Governors of the Investment Company Institute and

is currently a member of the Wisconsin Bar Association. He is on the Board of the Greater Milwaukee Foundation and chairs its Investment Committee. He received his Bachelor of Arts degree from Luther College and his Juris Doctor from Valparaiso University.

***William J. Schneider***

Mr. Schneider is currently Chairman, formerly Senior Partner and Chief Operating Officer (retired, December 2004) of Miller-Valentine Partners Ltd., a real estate investment company. He was formerly a Director and Past Chair of the Dayton Development Coalition. He was formerly a member of the Community Advisory Board of the National City Bank in Dayton as well as a former member of the Business Advisory Council of the Cleveland Federal Reserve Bank. Mr. Schneider is a member of the Business Advisory Council for the University of Dayton College of Business. Mr. Schneider was an independent Trustee of the Flagship Funds, a group of municipal open-end funds. He also served as Chair of the Miami Valley Hospital and as Chair of the Finance Committee of its parent holding company. Mr. Schneider has a Bachelor of Science degree in Community Planning from the University of Cincinnati and a Masters of Public Administration degree from the University of Dayton.

***Judith M. Stockdale***

Ms. Stockdale is currently Executive Director of the Gaylord and Dorothy Donnelley Foundation, a private foundation working in land conservation and artistic vitality in the Chicago region and the Lowcountry of South Carolina. Her previous positions include Executive Director of the Great Lakes Protection Fund, Executive Director of Openlands, and Senior Staff Associate at the Chicago Community Trust. She has served on the Boards of the Land Trust Alliance, the National Zoological Park, the Governor's Science Advisory Council (Illinois), the Nancy Ryerson Ranney Leadership Grants Program, Friends of Ryerson Woods and the Donors Forum. Ms. Stockdale, a native of the United Kingdom, has a Bachelor of Science degree in geography from the University of Durham (UK) and a Master of Forest Science degree from Yale University.

***Carole E. Stone***

Ms. Stone retired from the New York State Division of the Budget in 2004, having served as its Director for nearly five years and as Deputy Director from 1995 through 1999. Ms. Stone is currently on the Board of Directors of the Chicago Board Options Exchange, CBOE Holdings, Inc. and C2 Options Exchange, Incorporated. She has also served as the Chair of the New York Racing Association Oversight Board, as Chair of the Public Authorities Control Board, as a Commissioner on the New York State Commission on Public Authority Reform and as a member of the Boards of Directors of several New York State public authorities. Ms. Stone has a Bachelor of Arts in Business Administration from Skidmore College.

***Virginia L. Stringer***

Ms. Stringer served as the independent chair of the Board of the First American Fund Complex from 1997 to 2010, having joined such Board in 1987. Ms. Stringer serves on the Governing Board of the Investment Company Institute's Independent Directors Council and on the Board of the Mutual Fund Directors Forum. She is a recipient of the Outstanding Corporate Director award from Twin Cities Business Monthly and the Minnesota Chapter of the National Association of Corporate Directors. Ms. Stringer is the immediate past board chair of the Oak Leaf Trust, director and immediate

past board chair of the Saint Paul Riverfront Corporation and is immediate past president of the Minneapolis Club's Governing Board. She is a director and former board chair of the Minnesota Opera and a Life Trustee and former board member of the Voyageur Outward Bound School. She also served as a trustee of Outward Bound USA. She was appointed by the Governor of Minnesota Board on Judicial Standards and recently served on a Minnesota Supreme Court Judicial Advisory Committee to reform the state's judicial disciplinary process. She is a member of the International Women's Forum and attended the London Business School as an International Business Fellow. Ms. Stringer also served as board chair of the Human Resource Planning Society, the Minnesota Women's Campaign Fund and the Minnesota Women's Economic Roundtable. Ms. Stringer is the retired founder of Strategic Management Resources, a consulting practice focused on corporate governance, strategy and leadership. She has twenty-five years of corporate experience, having held executive positions in general management, marketing and human resources with IBM and the Pillsbury Company.

***Terence J. Toth***

Mr. Toth has served as a Director of Legal & General Investment Management America, Inc. since 2008 and as a Managing Partner at Promus Capital since 2008. From 2004 to 2007, he was Chief Executive Officer and President of Northern Trust Global Investments, and Executive Vice President of Quantitative Management & Securities Lending from 2000 to 2004. He also formerly served on the Board of the Northern Trust Mutual Funds. He joined Northern Trust in 1994 after serving as Managing Director and Head of Global Securities Lending at Bankers Trust (1986 to 1994) and Head of Government Trading and Cash Collateral Investment at Northern Trust from 1982 to 1986. He currently serves on the Boards of the Goodman Theatre and Chicago Fellowship, and is Chairman of the Board of Catalyst Schools of Chicago. Mr. Toth graduated with a Bachelor of Science degree from the University of Illinois, and received his MBA from New York University. In 2005, he graduated from the CEO Perspectives Program at Northwestern University.

***Board Member Terms.*** Shareholders will be asked to elect Board Members as each Board Member's term expires, and with respect to Board Members elected by holders of common shares such Board Member shall be elected for a term expiring at the time of the third succeeding annual meeting subsequent to their election or thereafter in each case when their respective successors are duly elected and qualified. These provisions could delay for up to two years the replacement of a majority of the Board.

**The Officers**

The following table sets forth information with respect to each officer of the Funds. Officers receive no compensation from the Funds. The officers are elected by the Board on an annual basis to serve until their successors are duly elected and qualified.

<b>Name, Address and Birth Date</b>	<b>Position(s) Held with Fund</b>	<b>Term of Office and Length of Time Served<sup>(1)</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Portfolios in Fund Complex Served by Officer</b>
Gifford R. Zimmerman 333 West Wacker Drive Chicago, IL 60606 (9/9/56)	Chief Administrative Officer	Term/Annual Length of Service: Since 1988	Managing Director (since 2002), Assistant Secretary and Associate General Counsel of Nuveen Securities, LLC; Managing Director (since 2002), Assistant Secretary (since 1997) and Co-General Counsel (since 2011) of Nuveen Fund Advisors, Inc.; Managing Director (since 2004) and Assistant Secretary (since 1994) of Nuveen Investments, Inc.; Managing Director, Assistant Secretary and Associate General Counsel of Nuveen Asset Management, LLC (since 2011); Vice President and Assistant Secretary of NWQ Investment Management Company, LLC and Nuveen Investments Advisers Inc. (since 2002); Managing Director, Associate General Counsel and Assistant Secretary of Symphony Asset Management LLC (since 2003); Vice President and Assistant Secretary of Tradewinds Global Investors, LLC and Santa Barbara Asset Management, LLC (since 2006), and Nuveen Investment Solutions, Inc. (since 2007) and of Winslow Capital Management, Inc. (since 2010); Chief Administrative Officer and Chief Compliance Officer (since 2006) of Nuveen Commodities Asset Management, LLC; Chartered Financial Analyst.	245
William Adams IV 333 West Wacker Drive Chicago, IL 60606 (6/9/55)	Vice President	Term/Annual Length of Service: Since 2007	Senior Executive Vice President, Global Structured Products, formerly, Executive Vice President (1999-2010) of Nuveen Securities, LLC; Co-President of Nuveen Fund Advisors, Inc. (since 2011); President (since August 2011), formerly, Managing Director (2010-2011) of Nuveen Commodities Asset Management, LLC.	133

<b>Name, Address and Birth Date</b>	<b>Position(s) Held with Fund</b>	<b>Term of Office and Length of Time Served<sup>(1)</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Number of Portfolios in Fund Complex Served by Officer</b>
Cedric H. Antosiewicz 333 West Wacker Drive Chicago, IL 60606 (1/11/62)	Vice President	Term/Annual Length of Service: Since 2007	Managing Director (since 2004) of Nuveen Securities LLC.	133
Margo L. Cook 333 West Wacker Drive Chicago, IL 60606 (4/11/64)	Vice President	Term/Annual Length of Service: Since 2009	Executive Vice President (since 2008) of Nuveen Investments, Inc. and of Nuveen Fund Advisors, Inc. (since 2011); Managing Director, Investment Services of Nuveen Commodities Asset Management, LLC (since 2011); previously, Head of Institutional Asset Management (2007-2008) of Bear Stearns Asset Management; Head of Institutional Asset Management (1986-2007) of Bank of NY Mellon; Chartered Financial Analyst.	245
Lorna C. Ferguson 333 West Wacker Drive Chicago, IL 60606 (10/24/45)	Vice President	Term/Annual Length of Service: Since 1998	Managing Director (since 2004) of Nuveen Securities, LLC; Managing Director (since 2005) of Nuveen Fund Advisors, Inc.	245
Stephen D. Foy 333 West Wacker Drive Chicago, IL 60606 (5/31/54)	Vice President and Controller	Term/Annual Length of Service: Since 1993	Senior Vice President (since 2010), formerly, Vice President (2004-2010) and Funds Controller (since 1998) of Nuveen Securities, LLC; Vice President (since 2005) of Nuveen Fund Advisors, Inc.; Chief Financial Officer (since 2010) of Nuveen Commodities Asset Management, LLC; Certified Public Accountant.	245
Scott S. Grace 333 West Wacker Drive Chicago, IL 60606 (8/20/70)	Vice President and Treasurer	Term/Annual Length of Service: Since 2009	Managing Director, Corporate Finance & Development, Treasurer (since 2009) of Nuveen Securities, LLC; Managing Director and Treasurer of Nuveen Investment Solutions, Inc., Nuveen Investments Advisers Inc., Nuveen Investments Holdings, Inc., Nuveen Fund Advisors, Inc. and (since 2011) of Nuveen Asset Management, LLC; Vice President and Treasurer of NWQ Investment Management Company, LLC, Tradewinds Global Investors, LLC, Symphony Asset Management LLC and Winslow Capital Management, Inc.; Vice President of Santa Barbara Asset Management, LLC; formerly, Treasurer (2006-2009), Senior Vice President	245

(2008-2009), previously, Vice President  
(2006-2008) of Janus Capital Group, Inc.;  
formerly, Senior Associate in Morgan  
Stanley's Global Financial Services Group  
(2000-2003); Chartered Accountant  
Designation.

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Served by Officer
Walter M. Kelly 333 West Wacker Drive Chicago, IL 60606 (2/24/70)	Chief Compliance Officer and Vice President	Term/Annual Length of Service: Since 2003	Senior Vice President (since 2008) and Assistant Secretary (since 2003) of Nuveen Fund Advisors, Inc.	245
Tina M. Lazar 333 West Wacker Drive Chicago, IL 60606 (8/27/61)	Vice President	Term/Annual Length of Service: Since 2002	Senior Vice President (since 2010), formerly, Vice President (2005-2010) of Nuveen Fund Advisors, Inc.	245
Larry W. Martin 333 West Wacker Drive Chicago, IL 60606 (7/27/51)	Vice President and Assistant Secretary	Term/Annual Length of Service: Since 1988	Senior Vice President (since 2010), formerly, Vice President (1993-2010), Assistant Secretary and Assistant General Counsel of Nuveen Securities, LLC; Senior Vice President (since 2011) of Nuveen Asset Management, LLC; Senior Vice President (since 2010), formerly, Vice President (2005-2010), and Assistant Secretary of Nuveen Investments, Inc.; Senior Vice President (since 2010), formerly, Vice President (2005-2010), and Assistant Secretary (since 1997) of Nuveen Fund Advisors, Inc.; Vice President and Assistant Secretary of Nuveen Investments Advisers Inc. (since 2002), NWQ Investment Management Company, LLC, Symphony Asset Management LLC (since 2003), Tradewinds Global Investors, LLC, Santa Barbara Asset Management LLC (since 2006), Nuveen Investment Solutions, Inc. (since 2007) and of Winslow Capital Management, Inc. (since 2010); Vice President and Assistant Secretary of Nuveen Commodities Asset Management, LLC (since 2010).	245

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served <sup>(1)</sup>	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Served by Officer
Kevin J. McCarthy 333 West Wacker Drive Chicago, IL 60606 (3/26/66)	Vice President and Secretary	Term/Annual Length of Service: Since 2007	Managing Director (since 2008), formerly, Vice President (2007-2008) of Nuveen Securities, LLC; Managing Director (since 2008), Assistant Secretary (since 2007) and Co-General Counsel (since 2011) of Nuveen Fund Advisors, Inc.; Managing Director, Assistant Secretary and Associate General Counsel (since 2011) of Nuveen Asset Management, LLC; Vice President and Assistant Secretary of Nuveen Investments Advisers Inc., NWQ Investment Management Company, LLC, Tradewinds Global Investors, LLC, NWQ Holdings, LLC, Symphony Asset Management LLC, Santa Barbara Asset Management, LLC, Nuveen Investment Solutions, Inc. and of Winslow Capital Management, Inc. (since 2010); Vice President and Secretary of Nuveen Commodities Asset Management, LLC (since 2010); prior thereto, Partner, Bell, Boyd & Lloyd LLP (1997-2007).	245
Kathleen L. Prudhomme 901 Marquette Avenue Minneapolis, MN 55402 (3/30/53)	Vice President and Assistant Secretary	Term/Annual Length of Service: Since 2011	Managing Director and Assistant Secretary of Nuveen Securities, LLC (since 2011); Managing Director, Assistant Secretary and Co-General Counsel (since 2011) of Nuveen Fund Advisors, Inc.; Managing Director, Assistant Secretary and Associate General Counsel of Nuveen Asset Management, LLC (since 2011); formerly, Deputy General Counsel, FAF Advisors, Inc. (2004-2010).	245

(1) Length of Time Served indicates the year the individual became an officer of a Fund in the Nuveen Fund complex.



---

**PROPOSAL NO. 2 REORGANIZATION OF EACH ACQUIRED FUND INTO THE ACQUIRING FUND (SHAREHOLDERS OF EACH FUND)**

**A. SYNOPSIS**

The following is a summary of certain information contained elsewhere in this Joint Proxy Statement/Prospectus with respect to the proposed Reorganizations and is qualified in its entirety by reference to the more complete information contained in this Joint Proxy Statement/Prospectus and in the Reorganization SAI and the appendices thereto. Shareholders should read the entire Joint Proxy Statement/Prospectus carefully. Certain capitalized terms used but not defined in this summary are defined elsewhere in the text of this Joint Proxy Statement/Prospectus or in the Acquiring Fund's Statement Establishing and Fixing the Rights and Preferences of MuniFund Term Preferred Shares (the Acquiring Fund Statement) attached as Appendix A to the Reorganization SAI.

**Background and Reasons for the Reorganizations**

The Board of Nuveen's municipal closed-end funds has approved a series of mergers of single-state municipal closed-end funds, including the reorganization of each of the Acquired Funds into the Acquiring Fund. The Acquiring Fund and the Acquired Funds have substantially similar (but not identical) investment objectives and policies, and substantially similar portfolio compositions. The proposed Reorganizations are intended to enhance the secondary trading market for common shares of the Funds and to result in lower operating expenses as a result of the larger size of the combined fund. The Board has determined that the proposed Reorganizations would be in the best interests of each Fund. The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund in order for the Reorganization to occur. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to the Reorganizations in order for the Reorganizations to occur. Because the closing of the Reorganizations is contingent on all of the Acquired Funds and the Acquiring Fund satisfying (or obtaining the waiver of) their respective closing conditions, it is possible your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the requisite shareholder approvals are not obtained, the Boards of the Funds may take such actions as they deem in the best interest of the Funds including conducting additional solicitations with respect to the proposals or continuing to operate the Funds as stand-alone funds. For a fuller discussion of the Boards' considerations regarding the approval of the Reorganizations, see Proposal No. 2 Information About the Reorganizations Reasons for the Reorganizations.

**Certain Federal Income Tax Consequences of the Reorganizations**

As a condition to closing, the Funds will receive an opinion of Vedder Price P.C. to the effect that each proposed Reorganization will qualify as a tax free reorganization under Section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the Code). Accordingly, it is expected that no Fund will recognize gain or loss for federal income tax purposes as a direct result of the Reorganizations. Prior to the closing of the Reorganizations, each Acquired Fund expects to declare a distribution of all of its net investment income and net capital gains, if any. Such a distribution may be taxable to an Acquired Fund's shareholders for federal income tax purposes. In addition, to the extent that portfolio securities are sold in connection with the Reorganizations, an Acquired Fund may realize capital gains or losses, which may increase or decrease the net capital gain to be distributed by the Acquired Fund. However, it is not expected that any significant portfolio sales will occur in connection with the

Reorganizations (less than 5% of assets). It is expected that shareholders of each Acquired Fund who receive Acquiring Fund Common Shares or Acquiring Fund MTP Shares pursuant to a Reorganization will recognize no gain or loss for federal income tax purposes, except that gain or loss may be recognized with respect to any cash received in lieu of fractional Acquiring Fund Common Shares being issued.

#### **Comparison of the Acquiring Fund and Each Acquired Fund**

*General.* The Acquiring Fund and each Acquired Fund are closed-end management investment companies. The Acquiring Fund and two of the Acquired Funds (Dividend Advantage and Dividend Advantage 3) are diversified management investment companies, while one Acquired Fund (Dividend Advantage 2) is a non-diversified management investment company. The Acquiring Fund's common shares and each Fund's MTP Shares are listed and trade on the NYSE. The common shares of each Acquired Fund are listed and trade on the NYSE Amex. The Acquiring Fund was organized on January 12, 1993 as a business trust under the laws of the Commonwealth of Massachusetts. Dividend Advantage was organized on June 1, 1999 as a business trust under the laws of the Commonwealth of Massachusetts. Dividend Advantage 2 was organized on April 19, 2001 as a business trust under the laws of the Commonwealth of Massachusetts. Dividend Advantage 3 was organized on April 9, 2002 as a business trust under the laws of the Commonwealth of Massachusetts. The common shares of each Fund have equal voting rights and equal rights with respect to the payment of dividends and distribution of assets upon liquidation and have no preemptive, conversion or exchange rights or rights to cumulative voting. The Acquiring Fund MTP Shares issued to the Acquired Funds pursuant to the Reorganizations will have rights and preferences, including liquidation preferences, that are substantially identical, as of the time of the exchange, to those of the outstanding Acquired Fund MTP Shares for which they are exchanged.

*Investment Objectives and Policies.* The Acquiring Fund and Acquired Funds have substantially similar (but not identical) investment objectives and policies. The Acquiring Fund's primary investment objective is current income exempt from both regular federal income taxes and Connecticut personal income taxes, and its secondary investment objective is the enhancement of portfolio value relative to the Connecticut municipal bond market through investments in tax-exempt Connecticut municipal obligations that, in the opinion of the Fund's investment adviser or sub-adviser, are underrated or undervalued or that represent municipal market sectors that are undervalued. Each Acquired Fund's investment objective is to provide current income exempt from regular federal and Connecticut income tax and to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Fund's investment adviser or sub-adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued.

Under normal circumstances, each Fund will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or any preferred shares outstanding ( Managed Assets ), in municipal securities and other related investments the income from which is exempt from regular federal and Connecticut income taxes. Under normal circumstances, each Fund will invest at least 80% of its Managed Assets in investment-grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by at least one nationally recognized statistical rating organization ( NRSRO ) or are unrated but judged to be of comparable quality by the Fund's investment adviser or sub-adviser. Each Fund may invest up to 20% of its Managed Assets in municipal securities that, at the time of investment, are below investment grade or unrated securities determined to be of comparable quality by the investment adviser or sub-adviser. If a municipal security satisfies the rating requirements described above at the time of purchase, a Fund will not be required to dispose of the security upon

downgrade. Not more than 10% of a Fund's Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated and judged to be of comparable quality by the investment adviser or sub-adviser. Investment grade quality securities are securities rated within the four highest grades (Baa or BBB or better) by at least one of Moody's Investor Services, Inc. (Moody's), Standard & Poor's Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P) or Fitch Ratings, Inc. (Fitch), or unrated securities judged to be of comparable quality by a Fund's investment adviser or sub-adviser.

Each Fund may invest up to 15% of its net assets in inverse floating rate securities, including investment in special purpose trusts that have recourse to the Fund. Each Fund may enter into derivative instruments to achieve its investment objective, enhance return, hedge certain risks of its investments in fixed income securities or as a substitute for a position in the underlying asset. Such instruments include financial futures contracts, swap contracts (including credit default swaps and interest rate swaps), options on financial futures, options on swap contracts, or other derivative instruments. A Fund may not enter into a futures contract or related options or forward contracts if more than 30% of the Fund's net assets would be represented by futures contracts or more than 5% of the Fund's net assets would be committed to initial margin deposits and premiums on future contracts or related options.

Each Fund may borrow for temporary or emergency purposes, including to pay dividends, repurchase its shares, or clear portfolio transactions.

*Credit Quality.* A comparison of the credit quality of the respective portfolios of the Acquiring Fund and the Acquired Funds, as of May 31, 2011, is set forth in the table below.

Credit Rating	Acquiring Fund	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3	Combined Fund Pro Forma <sup>(1)</sup>
Aaa/AAA*	27%	29%	34%	34%	31%
Aa/AA	37%	41%	30%	29%	34%
A/A	17%	12%	10%	14%	14%
Baa/BBB	11%	9%	11%	9%	10%
Ba/BB or Lower	2%	2%	3%	3%	2%
Unrated	6%	7%	12%	11%	9%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Includes securities that are 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.

(1) Reflects the effect of the Reorganizations.

*Leverage.* Each Fund may utilize the following forms of leverage: (a) portfolio investments that have the economic effect of leverage, including but not limited to investments in futures, options and inverse floating rate securities; and (b) the issuance of preferred shares. Each Fund currently engages in leverage through the issuance of preferred shares and the use of inverse floaters. Certain important ratios related to each Fund's use of leverage as of May 31st for the last three fiscal years is set forth below:

Premium Income	2011	2010	2009
Asset Coverage Ratio <sup>(1)</sup>	324.89%	329.55%	308.44%
Structural Leverage Ratio <sup>(2)</sup>	30.78%	30.34%	32.42%
Effective Leverage Ratio <sup>(3)</sup>	36.60%	34.96%	37.07%

<b>Dividend Advantage</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Asset Coverage Ratio <sup>(1)</sup>	293.34%	288.24%	301.83%
Structural Leverage Ratio <sup>(2)</sup>	34.09%	34.69%	33.13%
Effective Leverage Ratio <sup>(3)</sup>	39.42%	38.66%	37.52%

<b>Dividend Advantage 2</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Asset Coverage Ratio <sup>(1)</sup>	309.58%	305.50%	305.22%
Structural Leverage Ratio <sup>(2)</sup>	32.30%	32.73%	32.76%
Effective Leverage Ratio <sup>(3)</sup>	37.87%	36.95%	37.18%

<b>Dividend Advantage 3</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Asset Coverage Ratio <sup>(1)</sup>	303.67%	297.06%	297.32%
Structural Leverage Ratio <sup>(2)</sup>	32.93%	33.66%	33.63%
Effective Leverage Ratio <sup>(3)</sup>	38.07%	37.47%	37.67%

- (1) Based on 1940 Act requirements that are described in this Joint Proxy Statement/Prospectus under the heading "Proposal No. 2 Information About the Reorganizations Description of MTP Shares Issued by the Acquiring Fund."
- (2) Based on the inverse of the Asset Coverage Ratio (meaning the ratio of the Fund's total debt, if any, and the involuntary liquidation preference of preferred shares to the Fund's total assets less liabilities and indebtedness not represented by senior securities).
- (3) Effective Leverage Ratio is defined under the heading "Proposal No. 2 Information About the Reorganizations Description of MTP Shares Issued by the Acquiring Fund."

**Board Members and Officers.** The Acquiring Fund and the Acquired Funds have the same Board Members and officers. The management of each Fund, including general supervision of the duties performed by the Adviser under the Investment Management Agreement for each Fund, is the responsibility of its Board. Each Fund currently has ten (10) trustees, one (1) of whom is an interested person (as defined in the 1940 Act) and nine (9) of whom are not interested persons (the independent trustees). The names and business addresses of the trustees and officers of the Funds and their principal occupations and other affiliations during the past five years are set forth under the heading "Proposal 1 Board Nominees/Board Members."

**Investment Adviser.** Nuveen Fund Advisors, Inc. (Nuveen Fund Advisors or the Adviser), is the investment adviser to each Fund and is responsible for investing each Fund's net assets. The Adviser oversees the management of each Fund's portfolio, manages each Fund's business affairs and provides certain clerical, bookkeeping and other administrative services. Nuveen Fund Advisors is located at 333 West Wacker Drive, Chicago, Illinois 60606.

The Adviser, a registered investment adviser, is a wholly-owned subsidiary of Nuveen Investments, Inc. Founded in 1898, Nuveen Investments and its affiliates had approximately \$210 billion of assets under management as of June 30, 2011. On November 13, 2007, Nuveen Investments was acquired by investors led by Madison Dearborn Partners, LLC (the MDP Acquisition).

Nuveen Fund Advisors has selected its affiliate, Nuveen Asset Management, LLC, located at 333 West Wacker Drive, Chicago, IL 60606, to serve as a sub-adviser to each of the Funds. Nuveen Asset Management, LLC manages the investment of the Funds' assets on a discretionary basis, subject to the supervision of Nuveen Fund Advisors. Nuveen Asset Management, LLC is a wholly-owned subsidiary of Nuveen Fund Advisors and was appointed as a sub-adviser in January 2011 as part of an internal restructuring of the Adviser.

Each Fund is dependent upon services and resources provided by its investment adviser, Nuveen Fund Advisors, and therefore the investment adviser's parent, Nuveen Investments. Nuveen Investments significantly increased its level of debt in connection with the MDP Acquisition. While Nuveen Investments believes that monies generated from operations and cash on hand will be adequate to fund debt service requirements, capital expenditures and working capital requirements for the foreseeable future, there can be no assurance that Nuveen Investments' business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable Nuveen Investments to pay its indebtedness (with scheduled maturities beginning in 2014) or to fund its other liquidity needs. Nuveen Investments believes that potential adverse changes to its overall financial position and business operations would not adversely affect its or its affiliate's portfolio management operations and would not otherwise adversely affect its ability to fulfill its obligations to the Funds under the investment management agreements.

Pursuant to an Investment Management Agreement between the Adviser and each Fund, 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 Fund Advisors, and a fund-level component, based only on the amount of managed assets within such Fund. The pricing structure enables the Funds' shareholders to benefit from growth in assets within each individual fund as well as from growth of complex-wide assets managed by Nuveen Fund Advisors.

The annual fund-level fee for each Fund is based upon the average daily managed assets of each Fund as follows:

**Management Fee Schedule for Acquiring Fund**

Average Daily Managed Assets*	Rate
Up to \$125 million	0.4500%
\$125 to \$250 million	0.4375%
\$250 to \$500 million	0.4250%
\$500 million to \$1 billion	0.4125%
\$1 billion to \$2 billion	0.4000%
\$2 billion to \$5 billion	0.3875%
\$5 billion and over	0.3750%

**Management Fee Schedule for Each Acquired Fund**

Average Daily Managed Assets*	Rate
Up to \$125 million	0.4500%
\$125 to \$250 million	0.4375%
\$250 to \$500 million	0.4250%
\$500 million to \$1 billion	0.4125%
\$1 billion to \$2 billion	0.4000%
\$2 billion and over	0.3750%

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. Each Fund pays all of its other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with the Adviser), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent auditors, expenses of repurchasing shares, expenses of issuing any preferred shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to

governmental agencies, and taxes, if any. For the services provided pursuant to an investment sub-advisory agreement, Nuveen Fund Advisors pays Nuveen Asset Management, LLC a fee, payable monthly, equal to 38.4615% of the management fee (net of applicable breakpoints, waivers and reimbursements) paid by the Funds to Nuveen Fund Advisors.

Dividend Advantage 2 is currently subject to a partial fee waiver through March 31, 2012. It is anticipated that the Adviser will contribute an amount equal to the accrued fee waiver, if any, on the Closing Date of the Reorganization for Dividend Advantage 2 to satisfy the accrued waiver.

The management fee schedule for each Acquired Fund results in a lower fee rate than the Acquiring Fund when asset levels of a Fund exceed \$2 billion. Currently, all of the Funds have assets of less than \$1 billion. Due to the increased size of the combined fund, the effective management fee rate for the combined fund is expected to be lower than the current management fee rate for each of the Acquiring and Acquired Funds. Each Fund also pays a complex-level fee to Nuveen Fund Advisors, which is payable monthly and is in addition to the fund-level fee. The complex-level fee is based on the aggregate daily amount of total managed assets for all Nuveen sponsored funds in the U.S., as stated in the table below. As of September 30, 2011, the complex-level fee rate was 0.1785%.

The complex-level fee rate is as follows:

**Complex-Level Fee Rates**

<b>Complex-Level Managed Asset Breakpoint Level*</b>	<b>Effective Rate at Breakpoint Level</b>
\$55 billion	0.2000%
\$56 billion	0.1996%
\$57 billion	0.1989%
\$60 billion	0.1961%
\$63 billion	0.1931%
\$66 billion	0.1900%
\$71 billion	0.1851%
\$76 billion	0.1806%
\$80 billion	0.1773%
\$91 billion	0.1691%
\$125 billion	0.1599%
\$200 billion	0.1505%
\$250 billion	0.1469%
\$300 billion	0.1445%

\* For the fund-level and complex-level fees, Managed Assets include closed-end fund assets managed by the Adviser that are attributable to financial leverage. For these purposes, financial leverage includes the funds' use of preferred stock and borrowings and certain investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust's issuance of floating rate securities, subject to an agreement by the Adviser as to certain funds to limit the amount of such assets for determining managed assets in certain circumstances. The complex-level fee is calculated based upon the aggregate daily managed assets of all Nuveen Funds that constitute eligible assets. Eligible assets do not include assets attributable to investments in other Nuveen Funds and assets in excess of \$2 billion added to the Nuveen Fund complex in connection with the Adviser's assumption of the management of the former First American Funds effective January 1, 2011.

A discussion of the basis for the Board's most recent approval of each Fund's investment management and sub-advisory agreements is included in the Fund's annual reports for the period ended May 31 2011.

*Portfolio Management.* Subject to the supervision of Nuveen Fund Advisors, Nuveen Asset Management, LLC is responsible for execution of specific investment strategies and day-to-day investment operations. Nuveen Asset Management, LLC manages the Funds using a team of analysts and a portfolio manager that focuses on a specific group of funds. Michael S. Hamilton became the portfolio manager of the Acquiring Fund and each Acquired Fund in January 2011. From 2006 through December 2010, each Fund was managed by Cathryn Steeves. Additional information regarding the portfolio manager's compensation, other accounts managed and ownership of securities is contained in the Statement of Additional Information.

Michael S. Hamilton manages several municipal funds and portfolios and oversees Nuveen's municipal bond trading. He began working in the financial industry when he joined FAF Advisors, Inc. in 1989, as a fixed-income fund manager and trader. He became a portfolio manager in 1992. He received a B.A. from Albertson's College of Idaho and an M.B.A. from Western Washington University. He is a member of the Portland Society of Financial Analysts.

### Comparative Expense Information

The purpose of the comparative fee table is to assist you in understanding the various costs and expenses of investing in shares of the Funds. The information in the table is based upon annualized expenses for each Fund's fiscal year ended May 31, 2011, as adjusted as described in footnote 1 below, and the pro-forma expenses for the 12 months ended May 31, 2011 for the combined fund. The figures in the Example are not necessarily indicative of past or future expenses, and actual expenses may be greater or less than those shown. The Funds' actual rate of return may be greater or less than the hypothetical 5% annual return shown in the Example.

**Comparative Fee Table<sup>(1)</sup>**

	<b>Acquiring Fund</b>	<b>Dividend Advantage</b>	<b>Dividend Advantage 2</b>	<b>Dividend Advantage 3</b>	<b>Combined Fund Pro Forma (All Funds)<sup>(2)</sup></b>
<b>Annual Expenses (as a percentage of net assets applicable to common shares)</b>					
Management Fees	0.96%	1.01%	0.99%	0.99%	0.97%
Interest and Related Expenses from Inverse Floaters and Preferred Shares <sup>(3)</sup>	1.61%	1.80%	1.67%	1.69%	1.67%
Other Expenses	0.23%	0.30%	0.32%	0.23%	0.18%
<b>Total Annual Expenses</b>	<b>2.80%</b>	<b>3.11%</b>	<b>2.98%</b>	<b>2.91%</b>	<b>2.82%</b>

(1) Annual Expenses (as a percentage of net assets applicable to common shares) are based on the expenses of the Acquiring Fund and Acquired Funds for the 12 months ended May 31, 2011, subject to the following adjustments. For the Acquiring Fund, Interest and Related Expenses from Inverse Floaters and Preferred Shares reflects annualized interest and related expenses for preferred shares that were outstanding for less

than the 12-month period. For the Acquiring Fund and Dividend Advantage, Other Expenses excludes expenses incurred during the 12-month period for auction fees and dividend disbursing agent fees associated with auction rate preferred shares that are no longer outstanding. For Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3, fee and expense reimbursements that expired during the prior period or that will expire during the current period are not reflected. It is important for you to understand that a decline in the Fund's average net assets applicable to common shares during the current fiscal year due to recent market volatility or other factors could cause each Fund's expense ratios for that Fund's current fiscal year to be higher than the expense information presented.

- (2) The pro forma combined figures assume the consummation of the Reorganizations on May 31, 2011 and reflect average net assets applicable to common shares for both the Acquiring Fund and Acquired Funds for the 12-month period ended May 31, 2011. Pro forma expenses do not include the expenses to be borne by the Funds in connection with the Reorganizations which are estimated to be \$260,000 (0.34%) for the Acquiring Fund, \$70,000 (0.19%) for Dividend Advantage, \$35,000 (0.10%) for Dividend Advantage 2, and \$160,000 (0.26%) for Dividend Advantage 3.
- (3) Interest and Related Expenses from Inverse Floaters arises because accounting rules require the Funds to treat interest paid by trusts issuing certain inverse floating rate investments held by the Funds as having been paid (indirectly) by the Funds. Because the Funds also recognize corresponding amounts of interest income (also indirectly), each Fund's common share net asset value, net investment income and total return are not affected by this accounting treatment. The actual Interest and Related Expenses from Inverse Floaters incurred in the future may be higher or lower. Dividends paid on each Fund's currently outstanding preferred shares are recognized as interest expense for financial reporting purposes.

*Example:* The following examples illustrate the expenses that a shareholder would pay on a \$1,000 investment that is held for the time periods provided in the table. The examples assume that all dividends and other distributions are reinvested and that Total Annual Expenses remain the same. The examples also assume a 5% annual return.

	1 Year	3 Years	5 Years	10 Years
Acquiring Fund	\$ 28	\$ 87	\$ 148	\$ 313
Dividend Advantage	\$ 31	\$ 96	\$ 163	\$ 342
Dividend Advantage 2	\$ 30	\$ 92	\$ 157	\$ 330
Dividend Advantage 3	\$ 29	\$ 90	\$ 153	\$ 323
Combined Fund Pro Forma	\$ 29	\$ 87	\$ 149	\$ 315

**Comparative Performance Information**

Comparative total return performance for the Funds for periods ended May 31, 2011:

	Average Annual Total Return on Net Asset Value				Average Annual Total Return on Market Value			
	One Year	Five Years	Ten Years	Since Inception	One Year	Five Years	Ten Years	Since Inception
Acquiring Fund	2.63%	4.72%	5.59%	N/A	0.39%	4.04%	3.40%	N/A
Dividend Advantage	2.09%	4.87%	6.05%	N/A	4.38%	2.06%	4.40%	N/A
Dividend Advantage 2	1.41%	4.81%	N/A	5.79%	8.96%	1.90%	N/A	4.85%
Dividend Advantage 3	2.52%	4.59%	N/A	4.75%	3.29%	3.10%	N/A	3.29%

Average Annual Total Return on 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 reinvestment 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. Average Annual Total Return on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. 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 it 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. Past performance information is not necessarily indicative of future results.

## **B. RISK FACTORS**

Investment in the Acquiring Fund may not be appropriate for all investors. The Acquiring Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives. Investors should consider their long-term investment goals and financial needs when making an investment decision with respect to the Acquiring Fund. An investment in the Acquiring Fund is intended to be a long-term investment, and you should not view the Fund as a trading vehicle. Your shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of fund dividends and distributions, if applicable.

Because the Funds have substantially similar investment strategies, the principal risks of each Fund are substantially similar. The principal risks of investing in the Acquiring Fund are described below. An investment in an Acquired Fund is also subject to each of these principal risks. The risks and special considerations listed below should be considered by shareholders of each Fund in their evaluation of the Reorganizations.

*Investment and Market Risk.* An investment in the Funds' shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in common shares represents an indirect investment in the municipal securities owned by a Fund, which generally trade in the over-the-counter markets. Your shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions, if applicable. In addition, the ability of municipalities to collect revenue and service their obligations could be materially and adversely affected by an economic downturn or prolonged recession.

*Current Economic Conditions Credit Crisis Liquidity and Volatility Risk.* Markets for credit instruments, including municipal securities, have experienced periods of extreme illiquidity and volatility since the latter half of 2007. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including municipal securities. These conditions resulted, and in many cases continue to result, in greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. These market conditions may make valuation of some of the Funds' municipal securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. A significant decline in the value of your Fund's portfolio would likely result in a significant decline in the value of your investment. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the common and preferred shares. This volatility may also impact the liquidity of inverse floating rate securities in your Fund's portfolio. See Risk Factors Inverse Floating Rate Securities Risk.

In response to the current national economic condition, governmental cost burdens may be reallocated among federal, state and local governments. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. Issuers of municipal securities have and may seek protection under the bankruptcy laws. See Risk Factors Municipal Securities Market Risk.

*Market Discount from Net Asset Value.* Shares of closed-end investment companies may fluctuate and during certain periods trade at prices lower than net asset value. The Funds cannot predict whether their common shares will trade at, above or below net asset value. This characteristic is a risk separate and distinct from the risk that a Fund's net asset value could decrease as a result of investment activities. Investors bear a risk of loss to the extent that the price at which they sell their shares is lower in relation to the Fund's net asset value than at the time of purchase, assuming a stable net asset value. The common shares are designed primarily for long-term investors, and you should not view the Funds as a vehicle for trading purposes.

*Credit and Below-Investment Grade Risk.* Credit risk is the risk that one or more municipal securities in a Fund's portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. If a downgrade occurs, the Adviser will consider what action, including the sale of the security, is in the best interests of a Fund. Municipal securities of below-investment-grade quality are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal when due, and they are more susceptible to default or decline in market value due to adverse economic and business developments than investment-grade municipal securities. Also, to the extent that the rating assigned to a municipal security in the Fund's portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for municipal securities of below-investment-grade quality tend to be volatile, and these securities are less liquid than investment-grade municipal securities. For these reasons, an investment in a Fund, compared with a portfolio consisting solely of investment-grade securities, may experience the following:

increased price sensitivity resulting from a deteriorating economic environment and changing interest rates;

greater risk of loss due to default or declining credit quality;

adverse issuer-specific events that are more likely to render the issuer unable to make interest and/or principal payments; and

the possibility that a negative perception of the below-investment-grade market develops, resulting in the price and liquidity of below-investment-grade securities becoming depressed, and this negative perception could last for a significant period of time.

*Municipal Securities Market Risk.* Investing in the municipal securities market involves certain risks. The municipal securities 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 became severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal securities. The amount of public information available

about the municipal securities in each Fund's portfolio is generally less than that for corporate equities or bonds, and the Funds' investment performance may therefore be more dependent on the Adviser's analytical abilities than if the Funds were to invest in stocks or taxable bonds. As noted above, the secondary market for municipal securities also tends to be less well developed or liquid than many other securities markets, which may adversely affect each Fund's ability to sell its municipal securities at attractive prices or at prices approximating those at which each Fund currently values them. Municipal securities may contain redemption provisions, which may allow the securities to be called or redeemed prior to their stated maturity, potentially resulting in the distribution of principal and a reduction in subsequent interest distributions.

The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. If the current national economic recession continues, the ability of municipalities to collect revenue and service their obligations could be materially and adversely affected. The taxing power of any government entity may be limited by provisions of state constitutions or laws, and an entity's credit will depend on many factors, including the entity's tax base, the extent to which the entity relies on federal or state aid, and other factors which are beyond the entity's control. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. Issuers of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, a Fund could experience delays in collecting principal and interest and a Fund may not, in all circumstances, be able to collect all principal and interest to which it is entitled. To enforce its rights in the event of a default in the payment of interest or repayment of principal, or both, a Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase a Fund's operating expenses. Any income derived from a Fund's ownership or operation of such assets may not be tax-exempt.

Revenue bonds issued by state or local agencies to finance the development of low-income, multi-family housing involve special risks in addition to those associated with municipal securities generally, including that the underlying properties may not generate sufficient income to pay expenses and interest costs. These bonds are generally non-recourse against the property owner, may be junior to the rights of others with an interest in the properties, may pay interest that changes based in part on the financial performance of the property, may be prepayable without penalty and may be used to finance the construction of housing developments which, until completed and rented, do not generate income to pay interest. Additionally, unusually high rates of default on the underlying mortgage loans may reduce revenues available for the payment of principal or interest on such mortgage revenue bonds.

*Interest Rate Risk.* Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in a Fund's portfolio will decline in value because of increases in market interest rates. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change.

*Single State Risk.* Briefly summarized below are important financial concerns relating to the Fund's investments in Connecticut Municipal Obligations. The information set forth below is derived from sources that are generally available to investors. This information is intended to give a recent historical description and is not intended to indicate future or continuing trends in the financial or other positions of the State of Connecticut.

It should be noted that the information recorded here primarily is based on the economic and budget forecasts found in recent publications issued by the State of Connecticut. The accuracy and completeness of those publications have not been independently verified. There may be significant changes in circumstances altering the economic and budget predictions since the time of those publications or after the publication of this Joint Proxy Statement/Prospectus. Additionally, it should be noted that the creditworthiness of obligations issued by local Connecticut issuers may be unrelated to the creditworthiness of obligations issued by the State of Connecticut and that there is no obligation on the part of the State of Connecticut to make payment on such local obligations in the event of default.

For Fiscal Year 2010, General Fund expenditures exceeded regular operating revenue by \$843.1 million. The operating shortfall in the General Fund was more than offset by net transfers of \$1,323.6 million. Budget Reserve Fund transfers represented \$1,278.5 million of the total Fiscal Year 2010 transfer activity. The remaining balance in the Budget Reserve Fund is \$103.3 million, which is dedicated for use in Fiscal Year 2011. Total General Fund spending in Fiscal Year 2010 was \$26.8 million below the prior fiscal year, a decline of 0.2 percent. The lack of growth was partially attributable to payment deferrals; however, even after adjusting for the deferrals, spending growth was historically low. By contrast, in the three fiscal years preceding Fiscal Year 2010, General Fund spending increased at an average annual rate of 6 percent, adding \$2.7 billion in expenditures over the period.

In the five largest General Fund spending categories Medicaid, state employee salary and wages, education equalization grants to towns, debt service payments, and higher education grants only debt service posted noteworthy growth in Fiscal Year 2010, up 6.5 percent or \$89.3 million from Fiscal Year 2009. The other four spending categories posted a combined decline in outlays of \$204 million from the prior year. The largest drop was in state employee salary and wages, which was down \$188.5 million.

General Fund revenue in Fiscal Year 2010 increased \$1,987.7 million, or 12.7 percent. The largest portion of this increase was attributable to transfers, most notably transfers from the Budget Reserve Fund as discussed above. In addition, tax and fee increases enacted in 2009 contributed to the growth in revenue. General Fund revenue from taxes underperformed budget expectations by \$33.5 million. Despite notable tax increases, General Fund tax revenue growth was 1.7 percent between Fiscal Years 2009 and 2010, which was well below the historical growth rate of over 5 percent. General Fund tax revenue in 2010 was \$1.6 billion below Fiscal Year 2008 receipts. Non-tax General Fund revenue was largely supported by federal stimulus dollars. General Fund federal grant receipts grew by \$446.8 million or 12.3 percent in Fiscal Year 2010 as compared to the prior year. General Fund federal grant receipts in Fiscal Year 2010 were \$1.4 billion higher than in Fiscal Year 2008.

The stagnant tax revenues experienced in Fiscal Year 2010 were the result of a poor economy through much of the fiscal year. During Fiscal Year 2010, Connecticut lost 1,800 payroll jobs. During the first six months of the fiscal year, job losses totaled 15,100 payroll positions; in the second half of the fiscal year, the state regained 13,300 of the lost jobs. The unemployment rate for Connecticut at the end of Fiscal Year 2010 was 8.8 percent. Nationally, monthly retail sales were up 5.2 percent at the close of Fiscal Year 2010 from the same period one year ago. Again, retail sales growth was not experienced until the latter part of the fiscal year. Existing home sales and the stock market both rebounded during Fiscal Year 2010. The overall economy as measured by Gross Domestic Product showed solid growth in the middle of Fiscal Year 2010 but had slowed to growth of just 1.6 percent in the last quarter of the fiscal year.

The foregoing information constitutes only a brief summary of some of the general factors that may impact certain issuers of municipal securities and does not purport to be a complete or exhaustive description of all adverse conditions to which the issuers of municipal securities held by the Funds are subject. Additionally, many factors, including national economic, social and environmental policies and conditions, which are not within the control of the issuers of the municipal securities, could affect or could have an adverse impact on the financial condition of the issuers. The Funds are unable to predict whether or to what extent such factors or other factors may affect the issuers of the municipal securities, the market value or marketability of the municipal securities or the ability of the respective issuers of the municipal securities acquired by each Fund to pay interest on or principal of the municipal securities. This information has not been independently verified.

*Inverse Floating Rate Securities Risk.* Each Fund can have substantial exposure to municipal inverse floating rate securities, which are securities whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index, and which represent a leveraged investment in underlying municipal bonds. Typically, an inverse floating rate security represents a residual beneficial interest in a special purpose trust into which a third-party sponsor has deposited municipal bonds, and which issues floating rate securities to short-term investors and inverse floating rate securities to long-term investors like the Funds. Income on typical inverse floating rate securities will decrease when short-term interest rates increase and increase when short-term interest rates decrease, so investments in inverse floating rate securities offer the opportunity for higher income than the underlying bond, but will subject a Fund to the risk of lower or even no income if short-term interest rates rise sufficiently. Inverse floating rate securities represent a leveraged investment in the underlying municipal bond deposited. The value of an inverse floating rate security will increase or decrease in value by a multiple of the increase or decrease of the market value of its underlying bond due to changes in market interest rates or the bond's creditworthiness. That multiple is dependent on the ratio of the special purpose trusts floating rate securities to its inverse floating rate securities, and can exceed three times for more highly leveraged trusts. Thus, when investing in an inverse floating rate security rather than directly in the underlying bond, the Fund will experience a greater increase in its common net asset value if the underlying municipal bond increases in value, but will also experience a correspondingly larger decline in its common net asset value if the underlying bond declines in value, which will make the Fund's net asset value more volatile.

Each Fund may invest in inverse floating rate securities issued by special purpose trusts whose sponsors have recourse to the Fund pursuant to a separate shortfall and forbearance agreement. Such an agreement would require a Fund to reimburse the third-party sponsor of the trust, upon termination of the trust issuing the inverse floater, for the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate securities issued by the trust. A Fund will enter into such a recourse agreement (i) when the liquidity provider with respect to the floating rate securities issued by the special purpose trust requires such a recourse agreement because the level of leverage in the special purpose trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. In an instance where a Fund has entered such a recourse agreement, the Fund may suffer a loss that exceeds the amount of its original investment in the inverse floating rate securities; such loss could be as great as that original investment amount plus the face amount of the floating rate securities issued by the trust.

Inverse floating rate securities have varying degrees of liquidity or illiquidity (liquidity being the ability to raise cash by selling the investment in a timely manner at an attractive price) based in large part upon the liquidity of the underlying bonds deposited in a special purpose trust. The leverage

attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. In such circumstances, a Fund may be required to sell securities at inopportune times or prices. Each Fund may be required to sell its inverse floating rate securities or its underlying municipal bonds at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

If a Fund has a need for cash and the bonds in a special purpose trust are not actively trading due to adverse market conditions;

If special purpose trust sponsors (as a collective group or individually) experience financial hardship and consequently seek to terminate their respective outstanding trusts; and

If the value of an underlying bond declines significantly (to a level below the notional value of the floating rate securities issued by the trust) and if additional collateral has not been posted by the Fund.

*Leverage Risk.* Leverage risk is the risk associated with borrowings, the issuance of preferred shares or the use of inverse floating rate securities to leverage the common shares. There can be no assurance that a Fund's leveraging strategy will be successful. Through the use of financial leverage, the Funds seek to enhance potential common share earnings over time by borrowing at short-term municipal rates and investing at long-term municipal rates which are typically, though not always, higher. Because the long-term municipal securities in which the Funds invest generally pay fixed rates of interest while the Funds' costs of leverage generally fluctuate with short-term yields, the incremental earnings from leverage will vary over time. Accordingly, a Fund cannot assure you that the use of leverage will result in a higher yield or return to common shareholders. The benefit from leverage will be reduced (increase) to the extent that the difference narrows (widens) between the net earnings on a Fund's portfolio securities and its cost of leverage. If short-term rates rise, a Fund's cost of leverage could exceed the rate of return on longer-term bonds held by the Fund that were acquired during periods of lower interest rates, reducing returns to common shareholders. A Fund's cost of leverage includes both the interest rate paid on its borrowings as well as any on-going fees and expenses associated with those borrowings.

A Fund's use of financial leverage also creates incremental common share net asset value risk because the full impact of price changes in the Fund's investment portfolio, including assets attributable to leverage, is borne by common shareholders. This can lead to a greater increase in net asset values in rising markets than if a Fund were not leveraged, but also can result in a greater decrease in net asset values in declining markets. A Fund's use of financial leverage similarly can magnify the impact of changing market conditions on common share market prices. Each Fund is required to maintain certain regulatory and rating agency asset coverage requirements in connection with its outstanding preferred shares, in order to be able to maintain the ability to declare and pay common share distributions and to maintain the rating of its preferred shares. In order to maintain required asset coverage levels, a Fund may be required to alter the composition of its investment portfolio or take other actions, such as redeeming preferred shares with the proceeds from portfolio transactions, at what might be an inopportune time in the market. Such actions could reduce the net earnings or returns to common shareholders over time.

Each Fund may invest in the securities of other investment companies, which may themselves be leveraged and therefore present similar risks to those described above.

The amount of fees paid to the Adviser for investment advisory services will be higher when a Fund uses financial leverage because the advisory fees are calculated based on the Fund's Managed Assets.

*Tax Risk.* To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, a Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources. If for any taxable year a Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to federal income tax at regular corporate rates without any deduction for distributions to shareholders, and all distributions from the Fund (including underlying distributions attributable to tax exempt interest income) would be taxable to shareholders as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

The value of a Fund's investments and its net asset value may be adversely affected by changes in tax rates and policies. Because interest income from municipal securities is normally not subject to regular federal income taxation, the attractiveness of municipal securities in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt status of interest income from municipal securities. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the demand for and supply, liquidity and marketability of municipal securities. This could in turn affect a Fund's net asset value and ability to acquire and dispose of municipal securities at desirable yield and price levels. Additionally, the Funds are not suitable investments for individual retirement accounts, for other tax-exempt or tax-deferred accounts or for investors who are not sensitive to the federal income tax consequences of their investments.

Each Fund's policy of generally investing in bonds that are exempt from the federal alternative minimum tax applicable to individuals may prevent the Fund from investing in certain kinds of bonds and thereby limit the Fund's ability to optimally diversify its portfolio.

*Taxability Risk.* Each Fund will invest in municipal securities in reliance at the time of purchase on an opinion of bond counsel to the issuer that the interest paid on those securities will be excludable from gross income for regular federal income tax purposes, and the Adviser will not independently verify that opinion. Subsequent to the Fund's acquisition of such a municipal security, however, the security may be determined to pay, or to have paid, taxable income. As a result, the treatment of dividends previously paid or to be paid by a Fund as exempt-interest dividends could be adversely affected, subjecting the Fund's shareholders to increased federal income tax liabilities.

Under highly unusual circumstances, the Internal Revenue Service ( IRS ) may determine that a municipal bond issued as tax-exempt should in fact be taxable. If a Fund held such a bond, it might have to distribute taxable ordinary income dividends or reclassify as taxable income previously distributed as exempt-interest dividends. In addition, future legislation may change the tax treatment of municipal bond interest.

For federal income tax purposes, distributions of ordinary taxable income (including any net short-term capital gain) will be taxable to shareholders as ordinary income (and not eligible for favorable taxation as qualified dividend income ), and capital gain dividends will be taxed at long-

term capital gain rates. In certain circumstances, the Fund will make payments to holders of preferred shares to offset the tax effects of a taxable distribution. See Proposal No. 2 Information About the Reorganizations Description of Preferred Shares Issued by the Acquiring Fund.

*Borrowing Risk.* Each Fund may borrow for temporary or emergency purposes, including to pay dividends, repurchase its shares, or clear portfolio transactions. Borrowing may exaggerate changes in the net asset value of a Fund's shares and may affect a Fund's net income. When a Fund borrows money, it must pay interest and other fees, which will reduce the Fund's returns if such costs exceed the returns on the portfolio securities purchased or retained with such borrowings. Any such borrowings are intended to be temporary. However, under certain market conditions, including periods of low demand or decreased liquidity in the municipal bond market, such borrowings might be outstanding for longer periods of time.

*Inflation Risk.* Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the dividends paid to preferred shareholders may decline.

*Special Risks Related to Certain Municipal Obligations.* Each Fund may invest in municipal leases and certificates of participation in such leases. Municipal leases and certificates of participation involve special risks not normally associated with general obligations or revenue bonds. Leases and installment purchase or conditional sale contracts (which normally provide for title to the leased asset to pass eventually to the governmental issuer) have evolved as a means for governmental issuers to acquire property and equipment without meeting the constitutional and statutory requirements for the issuance of debt. The debt issuance limitations are deemed to be inapplicable because of the inclusion in many leases or contracts of non-appropriation clauses that relieve the governmental issuer of any obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on a yearly or other periodic basis. In addition, such leases or contracts may be subject to the temporary abatement of payments in the event the governmental issuer is prevented from maintaining occupancy of the leased premises or utilizing the leased equipment. Although the obligations may be secured by the leased equipment or facilities, the disposition of the property in the event of non-appropriation or foreclosure might prove difficult, time consuming and costly, and may result in a delay in recovering or the failure to fully recover a Fund's original investment. In the event of non-appropriation, the issuer would be in default and taking ownership of the assets may be a remedy available to a Fund, although the Fund does not anticipate that such a remedy would normally be pursued. To the extent that a Fund invests in unrated municipal leases or participates in such leases, the credit quality rating and risk of cancellation of such unrated leases will be monitored on an ongoing basis. Certificates of participation, which represent interests in unmanaged pools of municipal leases or installment contracts, involve the same risks as the underlying municipal leases. In addition, a Fund may be dependent upon the municipal authority issuing the certificates of participation to exercise remedies with respect to the underlying securities. Certificates of participation also entail a risk of default or bankruptcy, both of the issuer of the municipal lease and also the municipal agency issuing the certificate of participation.

*Derivatives Risk.* Each Fund's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. Whether a Fund's use of derivatives is successful will depend on, among other things, if the Adviser correctly forecasts market values, interest rates and other applicable factors. If the Adviser incorrectly forecasts these and other factors, the investment performance of a Fund will be unfavorably affected.



In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund's ability to successfully use derivative instruments.

Each Fund may enter into debt-related derivatives instruments including credit default swap contracts and interest rate swaps. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by the Adviser of not only of the referenced asset, rate or index, but also of the swap itself. Because they are two-party contracts and because they may have terms of greater than seven days, swap agreements may be considered to be illiquid. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements. See Counterparty Risk, Hedging Risk and the Reorganization SAI.

*Hedging Risk.* Each Fund's use of derivatives or other transactions to reduce risk involves costs and will be subject to the Adviser's ability to predict correctly changes in the relationships of such hedge instruments to the Fund's portfolio holdings or other factors. No assurance can be given that the Adviser's judgment in this respect will be correct. In addition, no assurance can be given that a Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so.

*Other Investment Companies Risk.* Each Fund may invest in the securities of other investment companies. Such securities may be leveraged. As a result, a Fund may be indirectly exposed to leverage through an investment in such securities. Utilization of leverage is a speculative investment technique and involves certain risks. An investment in securities of other investment companies that are leveraged may expose the Fund to higher volatility in the market value of such securities and the possibility that a Fund's long-term returns on such securities will be diminished.

*Deflation Risk.* Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

*Insurance Risk.* Each Fund may purchase municipal securities that are additionally secured by insurance, bank credit agreements or escrow accounts. The credit quality of the companies that provide such credit enhancements will affect the value of those securities. Many significant providers of insurance for municipal securities have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such losses have reduced the insurers' capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. As of December 7, 2010, there are no longer any bond insurers rated AAA by Moody's, S&P and/or Fitch, and at least one rating agency has placed nearly all bond insurers on negative credit watch, credit watch evolving, credit outlook developing, or rating withdrawn. These events may presage one or more rating reductions for any other insurer in the future. While an insured municipal security will typically be deemed to have the rating of its insurer, if the insurer of a municipal security suffers a downgrade in its credit rating or the

market discounts the value of the insurance provided by the insurer, the rating of the underlying municipal security will be more relevant and the value of the municipal security would more closely, if not entirely, reflect such rating. In such a case, the value of insurance associated with a municipal security would decline and the insurance may not add any value. As concern has increased about the balance sheets of insurers, prices on insured bonds especially those bonds issued by weaker underlying credits declined. Most insured bonds are currently being valued according to their fundamentals as if they were uninsured. Assuming that the insurer remains creditworthy, the insurance feature of a municipal security guarantees the full payment of principal and interest when due through the life of an insured obligation. Such insurance does not guarantee the market value of the insured obligation or the value of a Fund's common shares.

*Counterparty Risk.* Changes in the credit quality of the companies that serve as a Fund's counterparties with respect to derivatives, insured municipal securities or other transactions supported by another party's credit will affect the value of those instruments. Certain entities that have served as counterparties in the markets for these transactions have recently incurred significant financial hardships including bankruptcy and losses as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities' capital and called into question their continued ability to perform their obligations under such transactions. By using such derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. In the event of insolvency of a counterparty, the Fund may sustain losses or be unable to liquidate a derivatives position.

*Illiquid Securities Risk.* Each Fund may invest in municipal securities and other instruments that, at the time of investment, are illiquid. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933, as amended, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by a Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

*Market Disruption Risk.* Certain events have a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the U.S. on September 11, 2001), war and other geopolitical events. A Fund cannot predict the effects of similar events in the future on the U.S. economy.

*Income Risk.* A Fund's income is based primarily on the interest it earns from its investments, which can vary widely over the short-term and long-term. If interest rates drop, a Fund's income available over time to make dividend payments could drop as well if the Fund purchases securities with lower interest coupons.

*Call Risk or Prepayment Risk.* During periods of declining interest rates or for other purposes, issuers may exercise their option to prepay principal earlier than scheduled, forcing a Fund to reinvest in lower-yielding securities. This is known as call or prepayment risk.

*Reinvestment Risk.* With respect to each Fund, reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the Fund's portfolio's current earnings rate.

*Reliance on Investment Adviser.* Each Fund is dependent upon services and resources provided by its investment adviser, and therefore the Adviser's parent, Nuveen Investments. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness or to fund its other liquidity needs. For additional information on the Adviser and Nuveen Investments, see Management of the Funds Additional Information Related to the Investment Adviser and Nuveen Investments.

*Certain Affiliations.* Certain broker-dealers may be considered to be affiliated persons of the Funds, the Adviser and/or Nuveen Investments. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, a Fund generally is precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit a Fund's ability to engage in securities transactions and take advantage of market opportunities.

*Anti-Takeover Provisions.* Each Fund's Declaration of Trust and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status.

## **C. INFORMATION ABOUT THE REORGANIZATIONS**

### **General**

The Board of Nuveen's municipal closed-end funds has approved a series of mergers of single-state municipal closed-end funds, including the Reorganizations with respect to the Acquiring Fund and each Acquired Fund. As noted above, the Acquiring Fund and each Acquired Fund have substantially similar investment objectives, policies and portfolio compositions. With respect to the proposed Reorganizations, it is intended that the combination of the Funds will enhance the secondary trading market for common shares of the Funds and will result in lower operating expenses as a result of the increased size of the combined fund. The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to the Reorganizations in order for the Reorganizations to occur. Because the closing of the Reorganizations is contingent on all the Acquired Funds and the Acquiring Fund satisfying (or obtaining the waiver of) their respective closing conditions, it is possible that your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the Reorganizations are not consummated, the Boards of Trustees of the Funds may take such actions as they deem in the best interest of the Funds, including conducting additional solicitations with respect to the proposals or continuing to operate the Funds as stand-alone funds.

### **Terms of the Reorganizations**

*General.* With respect to the Reorganizations, the Agreement and Plan of Reorganization by and among each Acquired Fund and the Acquiring Fund (the Agreement) sets forth the terms of the Reorganizations, under which (i) the Acquiring Fund will acquire substantially all of the assets of each

Acquired Fund in exchange for newly issued Acquiring Fund Common Shares and newly issued Acquiring Fund MTP Shares, and the Acquiring Fund's assumption of substantially all of the liabilities of each Acquired Fund, and (ii) each Acquired Fund will distribute the Acquiring Fund Common Shares and Acquiring Fund MTP Shares received by the Acquired Fund to its common and preferred shareholders, respectively, as part of the liquidation, termination and dissolution of each Acquired Fund in accordance with its Declaration of Trust. No fractional Acquiring Fund Common Shares will be issued to an Acquired Fund's shareholders, and in lieu of such fractional shares, an Acquired Fund's shareholders will receive cash. As a result of the Reorganizations, the assets of the Acquiring Fund and each Acquired Fund would be combined, and the shareholders of each Acquired Fund would become shareholders of the Acquiring Fund. If Proposals 2 and 3 are approved at the shareholder meeting with respect to each Fund, the closing date is expected to be the close of business on or about February 3, 2012, or such other date as the parties may agree (the Closing Date). Following the Reorganizations, each Acquired Fund would terminate its registration as an investment company under the 1940 Act.

Following the Reorganizations, common shareholders of the Acquired Funds would own common shares of the Acquiring Fund with an aggregate net asset value immediately after the Closing Date equal to the aggregate net asset value of the Acquired Fund common shares outstanding immediately prior to the Closing Date. See Proposal No. 2 Information About the Reorganizations Description of Common Shares Issued by the Acquiring Fund for a description of the rights of such shareholders. No fractional Acquiring Fund Common Shares, however, will be issued in connection with the Reorganizations. In the event there are fractional Acquiring Fund Common Shares due an Acquired Fund shareholder on the Closing Date after each Acquired Fund's common shares have been exchanged for Acquiring Fund common shares, the Acquiring Fund's transfer agent will aggregate such fractional common shares and sell the resulting whole on the NYSE for the account holders of all such fractional interests at a value that may be higher or lower than net asset value, and each such holder will be entitled to a pro rata share of the proceeds from such sale. With respect to the aggregation and sale of fractional Acquiring Fund Common Shares, the Acquiring Fund's transfer agent will act directly on behalf of the shareholders entitled to receive fractional shares and will accumulate such fractional shares, sell the shares and distribute the cash proceeds directly to shareholders entitled to receive the fractional shares (without interest and subject to withholding taxes). For federal income tax purposes, shareholders will be treated as if they received such fractional share interests and then sold such interests for cash. The holding period and the aggregate tax basis of such fractional share interests received by a shareholder will be the same as the holding period and aggregate tax basis of the Acquired Fund common shares previously held by the shareholder, provided the Acquired Fund shares exchanged therefor were held as capital assets. As a result of the Reorganizations, common shareholders of the Funds would hold reduced percentages of ownership in the larger combined entity than they held in the Acquiring Fund or Acquired Funds individually.

Following the Reorganizations, preferred shareholders of an Acquired Fund would own the same number of shares of the Acquiring Fund MTP Shares as the Acquired Fund MTP Shares held by such shareholders immediately prior to the Closing Date, and the newly issued Acquiring Fund MTP Shares would have substantially identical terms, as of the time of the exchange, to the Acquired Fund MTP Shares for which they were exchanged. As a result of the Reorganizations, preferred shareholders of the Funds would hold reduced percentages of ownership in the combined entity. The preferred

shareholders of an Acquired Fund will receive the following new classes of MTP Shares of the Acquiring Fund:

<b>Acquired Fund</b>	<b>Acquired Fund MTP Shares Outstanding</b>	<b>Acquiring Fund Shares to Be Received in Reorganization</b>
Dividend Advantage Fund	MTP Shares, Series 2015 Fixed Dividend Rate: 2.60% Term Redemption Date: 4/1/2015	MTP Shares, 2.60% Series 2015  Fixed Dividend Rate: 2.60% Term Redemption Date: 4/1/2015
Dividend Advantage Fund 2	MTP Shares, Series 2015 Fixed Dividend Rate: 2.60% Term Redemption Date: 4/1/2015	MTP Shares, 2.60% Series 2015 # 1  Fixed Dividend Rate: 2.60% Term Redemption Date: 4/1/2015
Dividend Advantage Fund 3	MTP Shares, Series 2015 Fixed Dividend Rate: 2.65% Term Redemption Date: 3/1/2015	MTP Shares, 2.65% Series 2015 # 1  Fixed Dividend Rate: 2.65% Term Redemption Date: 3/1/2015

See Proposal No. 2 Information About the Reorganizations Description of MTP Shares Issued by the Acquiring Fund.

*Valuation of Assets and Liabilities.* If the Reorganizations are approved and the other closing conditions are satisfied or waived, the value of the net assets of the applicable Acquired Fund shall be the value of its assets, less its liabilities, computed as of the close of regular trading on the NYSE on the business day immediately prior to the Closing Date (such time and date being hereinafter called the Valuation Date). The value of such Acquired Fund's assets shall be determined by using the valuation procedures set forth in the Acquired Fund's Declaration of Trust and the Joint Proxy Statement/Prospectus or such other valuation procedures as shall be mutually agreed upon by the parties. The value of such Acquired Fund's net assets shall be calculated net of the liquidation preference (including accumulated and unpaid dividends) of all outstanding Acquired Fund MTP Shares.

Dividends will accumulate on shares of each Acquired Fund's MTP Shares, up to and including the day before the Closing Date occurs and will be paid, together with the dividends then payable in respect of the shares of Acquiring Fund MTP Shares to the holders thereof on the Dividend Payment Date (as defined below) in respect of the dividend period of such shares. The dividend period for the Acquiring Fund MTP Shares that are issued in exchange for the Acquired Fund MTP Shares will commence on the Closing Date and will end on the last business day of the month that includes the Closing Date.

*Distributions.* Undistributed net investment income represents net earnings from a Fund's investment portfolio that over time have not been distributed to shareholders. The Acquiring Fund and Acquired Funds each have undistributed net investment income and undistributed realized net capital gains that are included in the respective Fund's net asset value. Under the terms of the Agreement, each Acquired Fund is required to declare a distribution, which, together with all previous dividends have the effect of distributing to its shareholders all undistributed net investment income and undistributed realized net capital gains for all taxable periods ending on or before the Closing Date. The Acquiring Fund is not subject to a similar distribution requirement, however, it is anticipated that the Acquiring Fund will declare a distribution prior to the Closing Date which will result in a distribution of a portion of its undistributed net investment income. Consequently, Acquired Fund shareholders effectively will purchase a pro rata portion of the Acquiring Fund's remaining

undistributed net investment income and undistributed realized net capital gains, which may be more or less than the Acquired Fund's undistributed net investment income and undistributed realized net capital gains per share immediately preceding the Reorganizations and the Acquired Fund's distribution of undistributed net investment income and undistributed realized net capital gains described above. As a result, the Acquiring Fund's existing shareholders will experience a corresponding reduction in their respective portion of undistributed net investment income and undistributed realized net capital gains per share such that the Acquiring Fund's undistributed net investment income and undistributed realized net capital gains per share immediately following the Reorganizations is expected to be less than the Acquiring Fund's undistributed net investment income and undistributed realized net capital gains per share immediately preceding the Reorganizations.

*Amendments.* Under the terms of the Agreement, the Agreement may be amended, modified, or supplemented in such manner as may be mutually agreed upon in writing by the officers of each Fund as specifically authorized by each Fund's Board; provided, however, that following the meeting of the shareholders of the Funds called by each Fund, no such amendment, modification or supplement may have the effect of changing the provisions for determining the number of Acquiring Fund Shares to be issued to the Acquired Fund Shareholders under the Agreement to the detriment of such shareholders without their further approval.

*Conditions.* Under the terms of the Agreement, the closing of the Reorganizations is conditioned upon (a) approval by the shareholders of each Fund of the proposals in this Joint Proxy Statement/Prospectus related to the Reorganizations, (b) the Funds' receipt of an opinion to the effect that each Reorganization will qualify as a reorganization under the Code, (c) the absence of legal proceedings challenging the Reorganizations and (d) the Funds' receipt of certain customary certificates and legal opinions. See Certain Federal Income Tax Consequences of the Reorganizations.

*Termination.* The Agreement may be terminated by the mutual agreement of the parties and such termination may be effected by each Fund's Chief Administrative Officer or the Vice President without further action by the Board. In addition, any Fund may at its option terminate the Agreement at or before the Closing Date due to (a) a breach by any other party of any representation, warranty, or agreement contained herein to be performed at or before the Closing Date, if not cured within 30 days; (b) a condition precedent to the obligations of the terminating party that has not been met and it reasonably appears it will not or cannot be met; or (c) a determination by the Board that the consummation of the transactions contemplated herein is not in the best interests of a Fund.

#### **Reasons for the Reorganizations**

Based on the considerations below, the Board of each Fund, including the Board Members who are not interested persons (as defined in the 1940 Act) of the Funds (the Independent Board Members), has determined that the Reorganizations would be in the best interests of the applicable Funds and that the interests of the existing shareholders of the Funds would not be diluted with respect to net asset value as a result of the Reorganizations. The Boards approved the Reorganizations and recommended that shareholders of the respective Funds approve the Reorganizations.

In preparation for a meeting of the Boards held on July 27, 2011 (the Meeting) at which the Reorganizations were proposed, the Adviser provided the Boards with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the

Reorganizations. Prior to approving the Reorganizations, the Independent Board Members reviewed the foregoing information with their independent legal counsel and with management, reviewed with independent legal counsel applicable law and their duties in considering such matters, and met with independent legal counsel in a private session without management present. The Boards considered a number of principal factors presented at the time of the Meeting or prior meetings in reaching their determinations, including the following:

the compatibility of the Funds' investment objectives, policies and related risks;

consistency of portfolio management;

improved economies of scale and the potential for a lower expense ratio;

improved secondary market trading;

the anticipated tax-free nature of the Reorganizations;

the expected costs of the Reorganizations;

the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;

the effect of the Reorganizations on shareholder rights; and

any potential benefits of the Reorganizations to the Adviser and its affiliates as a result of the Reorganizations.

*Compatibility of Investment Objectives, Policies and Related Risks.* Based on the information presented, the Boards noted that the investment objectives, policies and risks of the Funds are substantially similar (although not identical). The Boards noted that Dividend Advantage 2 is a non-diversified fund while each of the other Funds is a diversified fund. Each Fund, however, invests primarily in municipal securities exempt from federal and Connecticut income tax. Each Fund also emphasizes investment grade municipal securities. The Boards considered that the portfolio composition of each Fund is substantially similar and considered the impact of the applicable Reorganization on each Fund's portfolio, including any shifts in sector allocations, credit ratings, duration, yield and leverage costs. The Boards also recognized that each Fund utilizes leverage to seek to enhance its returns to common shareholders. Because the Funds have substantially similar investment strategies, the principal risks of each Fund are also substantially similar. However, Dividend Advantage 2 is a non-diversified fund and is therefore subject to non-diversification risk.

*Consistency of Portfolio Management.* The Boards noted that each Fund has the same investment adviser, sub-adviser and portfolio manager. Through the Reorganizations, the Boards recognized that shareholders will remain invested in a closed-end management investment company that will have: greater net assets and benefits from potential economies of scale; the same investment adviser, sub-adviser and portfolio manager; and substantially similar investment objectives and investment strategies.

*Improved Economies of Scale and Potential for a Lower Expense Ratio.* The Boards considered the fees and expense ratios of each of the Funds (including estimated expenses of the

Acquiring Fund following the Reorganizations). As a result of the greater economies of scale from the larger asset size of the Acquiring Fund after the Reorganizations, the Boards noted that it was expected that the effective management fee rate and net operating expenses per common share (excluding the costs of leverage) of the combined fund would be lower than that of the Acquiring and Acquired Funds prior to the Reorganizations. It is anticipated that the Funds will benefit from the larger asset size as fixed costs are shared over a larger asset base. In addition, as each Fund utilizes leverage to seek to enhance returns to common shareholders, the Boards noted the Adviser's position that the greater asset size of the Acquiring Fund may provide greater flexibility in managing the structure and costs of leverage over time. Preferred shareholders may also benefit from the larger size of the combined fund due to the larger fund's ability to invest in a more diverse pool of securities.

*Improved Secondary Market Trading.* While it is not possible to predict trading levels at the time the Reorganizations close, the Boards noted that the Reorganizations are being proposed, in part, to seek to enhance the secondary trading market for the common shares of the Funds. The Boards considered that anticipated higher common share net earnings and enhanced total return over time may lead to higher common share market prices relative to net asset value and the Acquiring Fund's greater market liquidity after the Reorganizations may lead to narrower bid-ask spreads and smaller trade-to-trade price movements.

*Anticipated Tax-Free Reorganizations.* The Reorganizations will be structured with the intention that they qualify as tax-free reorganizations for federal income tax purposes. The Funds will obtain an opinion of counsel (based on certain factual representations and certain customary assumptions) substantially to the effect that the Funds will recognize no gain or loss for federal income tax purposes as a direct result of the Reorganizations.

*Expected Costs of the Reorganizations.* The Boards considered the terms and conditions of the Agreement, including the estimated costs associated with the Reorganizations and the allocation of such costs between the Acquiring Fund and each Acquired Fund. The Boards noted, however, that the Adviser anticipated that the projected costs of each Reorganization may be recovered over time from increased common share net earnings resulting from reduced operating expenses due to economies of scale, and that additional benefits may arise as a result of the Reorganizations by virtue of changes in the embedded yield, increased flexibility in managing leverage costs and potential distribution increases.

*Terms of the Reorganization and Impact on Shareholders.* The terms of the Reorganizations are intended to avoid dilution of the interests of the existing shareholders of the Funds. In this regard, the Boards considered that each holder of common shares of an Acquired Fund would own common shares of the Acquiring Fund (taking into account any fractional shares to which the shareholder would be entitled) equal to the aggregate per share net asset value of that shareholder's Acquired Fund common shares immediately prior to the closing of the Reorganizations. No fractional common shares of the Acquiring Fund, however, will be issued to shareholders in connection with the Reorganizations and, in lieu of such fractional shares, an Acquired Fund's common shareholders will receive cash.

With respect to preferred shareholders, preferred shareholders of each Acquired Fund will receive the same number of Acquiring Fund MTP Shares having substantially identical terms as the outstanding MTP shares of the Acquired Fund held by such preferred shareholders immediately prior to the Reorganization. Each new series of the Acquiring Fund MTP Shares will have the same fixed per-annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund



MTP Shares for which it will be exchanged. The optional redemption right for the Acquiring Fund for each new series of MTP Shares will be substantially the same as the Acquired Fund's rights as of the closing of the Reorganization, with respect to the corresponding Acquired Fund MTP Shares. The aggregate liquidation preference of the Acquiring Fund MTP Shares received in the Reorganization will equal the aggregate liquidation preference of the corresponding Acquired Fund MTP Shares held immediately prior to the Reorganization.

*Effect on Shareholder Rights.* The Boards considered that each Fund is organized as a Massachusetts business trust. The common shares of each Fund have equal voting rights and equal rights with respect to the payment of dividends and distribution of assets upon liquidation and have no preemptive, conversion or exchange rights or rights to cumulative voting. The Acquiring Fund MTP Shares issued to the Acquired Funds pursuant to the Reorganizations will have rights and preferences, including liquidation preferences, that are substantially identical, as of the time of the exchange, to those of the outstanding Acquired Fund MTP Shares for which they are exchanged.

*Potential Benefits to the Nuveen Fund Advisors and Affiliates.* The Boards recognized that the Reorganizations may result in some benefits and economies for the Adviser and its affiliates. These may include, for example, a reduction in the level of operational expenses incurred for administrative, compliance and portfolio management services as a result of the elimination of the Acquired Funds as separate Funds in the Nuveen complex.

*Conclusion.* The Boards, including the Independent Board Members, approved the Reorganizations, concluding that each Reorganization is in the best interests of the Acquiring Fund and respective Acquired Fund and that the interests of existing shareholders of the Funds will not be diluted as a result of the Reorganizations.

### Capitalization

The following table sets forth the unaudited capitalization of the Funds as of May 31, 2011 and the pro forma combined capitalization of the combined fund as if the Reorganizations had occurred on that date. The table reflects a pro forma exchange ratio of approximately 1.0069 common shares of the Acquiring Fund issued for each common share of Dividend Advantage, 1.0105 common shares of the Acquiring Fund issued for each common share of Dividend Advantage 2 and 0.9866 common shares of the Acquiring Fund issued for each common share of Dividend Advantage 3. If a Reorganization is consummated, the actual exchange ratio may vary.

	Acquiring Fund	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3	Pro Forma Adjustments	Combined Fund Pro Forma <sup>(1)</sup>
Preferred shares, \$10 stated value per share, at liquidation value; 3,608,000 shares outstanding for Acquiring Fund; 2,047,000 shares outstanding for Dividend Advantage; 1,695,000 shares outstanding for Dividend Advantage 2; 3,200,000 shares outstanding for Dividend Advantage 3; and 10,550,000 shares outstanding for Combined Fund Pro Forma	\$ 36,080,000	\$ 20,470,000	\$ 16,950,000	\$ 32,000,000		\$ 105,500,000

	Acquiring Fund	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3	Pro Forma Adjustments	Combined Fund Pro Forma <sup>(1)</sup>
<b>Common Shareholders Equity:</b>						
Common Shares, \$.01 par value per share; 5,365,029 shares outstanding for Acquiring Fund; 2,586,033 shares outstanding for Dividend Advantage; 2,320,177 shares outstanding for Dividend Advantage 2; 4,367,134 shares outstanding for Dividend Advantage 3; and 14,621,731 shares outstanding for Combined Fund Pro Forma	\$ 53,650	\$ 25,860	\$ 23,202	\$ 43,671	\$ (166) <sup>(2)</sup>	\$ 146,217 <sup>(2)</sup>
Paid-in surplus	74,371,699	36,568,506	32,738,609	61,436,456	(524,834) <sup>(3)</sup>	204,590,436 <sup>(3)</sup>
Undistributed (Over-distribution of) net investment income	909,994	302,881	236,533	306,440	(693,584) <sup>(4)</sup>	1,062,264 <sup>(4)</sup>
Accumulated net realized gain (loss) from investments and derivative transactions	33,850	58,541	(13,046)	(500,893)	(144,102) <sup>(4)</sup>	(565,650) <sup>(4)</sup>
Net unrealized appreciation (depreciation) of investments and derivative transactions	914,323	378,696	492,915	173,599		1,959,533
Net assets applicable to common shares	\$ 76,283,516	\$ 37,334,484	\$ 33,478,213	\$ 61,459,273	\$ (1,362,686)	\$ 207,192,800
Net asset value per common share outstanding (net assets applicable to common shares, divided by common shares outstanding)	\$ 14.22	\$ 14.44	\$ 14.43	\$ 14.07		\$ 14.17
Authorized shares:						
Common	Unlimited	Unlimited	Unlimited	Unlimited		Unlimited
Preferred	Unlimited	Unlimited	Unlimited	Unlimited		Unlimited

- (1) The pro forma balances are presented as if the Reorganizations were effective as of May 31, 2011, and are presented for information purposes only. The actual closing date of the Reorganizations is expected to be February 3, 2012, at which time the results would be reflective of the actual composition of shareholders equity as of that date.
- (2) Assumes the issuance of 2,603,765 Acquiring Fund Common Shares in exchange for the net assets of Dividend Advantage, 2,344,429 Acquiring Fund Common Shares in exchange for the net assets of Dividend Advantage 2, and 4,308,507 Acquiring Fund Common Shares in exchange for the net assets of Dividend Advantage 3. These numbers are based on the net asset value of the Acquiring Fund and Acquired Funds as of May 31, 2011 adjusted for estimated Reorganization costs and distributions, if any.
- (3) Includes the impact of total estimated Reorganization costs of \$525,000 which will be borne by the shareholders of the Acquiring Fund, Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 in the amounts of \$260,000, \$70,000, \$35,000, and \$160,000, respectively.
- (4) Figures assume Dividend Advantage, Dividend Advantage 2, and Dividend Advantage 3 make undistributed net investment income distributions of \$264,591, \$182,114, and \$246,879, respectively, and Dividend Advantage and Dividend Advantage 2 make accumulated net realized gains distributions of \$104,027 and \$40,075, respectively.

**Expenses Associated with the Reorganizations**

In evaluating the Reorganizations, management of the Funds estimated the amount of expenses the Funds would incur to be approximately \$525,000, which includes additional stock exchange listing fees, SEC registration fees, legal and accounting fees, proxy solicitation and distribution costs. The expenses of the Reorganizations will be allocated between the Funds ratably based on the relative

benefits of the Reorganizations comprised of forecasted cost savings and distribution increases, if any, to each Fund during the first year following the Reorganizations and paid out of such Fund's net assets. These estimated expenses will be borne by the Acquiring Fund, Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 in the amounts of \$260,000, \$70,000, \$35,000 and \$160,000, respectively.

Additional solicitation may be made by letter or telephone by officers or employees of Nuveen Investments or the Adviser, or by dealers and their representatives. The Funds have engaged Computershare Fund Services to assist in the solicitation of proxies at an estimated cost of \$24,000 per Reorganization plus reasonable expenses, which is included in the estimate above.

Reorganization expenses have been or will be expensed prior to the Closing Date. Management of the Funds expects that increased common net earnings resulting from reduced operating expenses due to economies of scale should allow the recovery of the projected costs of each Reorganization within approximately 6 months after the Closing Date with respect to each Fund. In addition, management of the Funds expects that additional benefits may arise as a result of the Reorganizations by virtue of changes in the embedded yield, increased flexibility in managing leverage costs and potential distribution increases.

#### **Dissenting Shareholders' Rights of Appraisal**

Under the Funds' charter documents, shareholders of the Acquired Funds and Acquiring Fund do not have dissenters' rights of appraisal with respect to the Reorganizations.

#### **Certain Federal Income Tax Consequences of the Reorganizations**

As a condition to each Fund's obligation to consummate the Reorganizations, each Fund will receive a tax opinion from Vedder Price P.C. (which opinion will be based on certain factual representations and certain customary assumptions) with respect to its Reorganization substantially to the effect that, on the basis of the existing provisions of the Code, current administrative rules and court decisions, for federal income tax purposes:

1. The transfer of substantially all of the assets of the Acquired Fund to the Acquiring Fund in exchange solely for Acquiring Fund shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund, followed by the distribution to the Acquired Fund shareholders of all the Acquiring Fund shares received by the Acquired Fund in complete liquidation of the Acquired Fund will constitute a reorganization within the meaning of Section 368(a) of the Code, and the Acquiring Fund and the Acquired Fund will each be a party to a reorganization, within the meaning of Section 368(b) of the Code, with respect to such Reorganization.
2. No gain or loss will be recognized by the Acquiring Fund upon the receipt of substantially all of the assets of the Acquired Fund solely in exchange for Acquiring Fund shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund.
3. No gain or loss will be recognized by the Acquired Fund upon the transfer of substantially all of the Acquired Fund's assets to the Acquiring Fund solely in exchange for Acquiring Fund shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund or upon the distribution (whether actual or constructive) of all such Acquiring Fund shares to the Acquired Fund shareholders solely

in exchange for such shareholders' shares of the Acquired Fund in complete liquidation of the Acquired Fund.

4. No gain or loss will be recognized by the Acquired Fund shareholders upon the exchange of their Acquired Fund shares solely for Acquiring Fund shares in the Reorganization, except with respect to any cash received in lieu of a fractional Acquiring Fund Share.
5. The aggregate basis of the Acquiring Fund shares received by each Acquired Fund shareholder pursuant to the Reorganization (including any fractional Acquiring Fund share to which a shareholder would be entitled) will be the same as the aggregate basis of the Acquired Fund shares exchanged therefor by such shareholder. The holding period of the Acquiring Fund shares received by each Acquired Fund shareholder (including any fractional Acquiring Fund share to which a shareholder would be entitled) will include the period during which the Acquired Fund shares exchanged therefor were held by such shareholder, provided such Acquired Fund shares are held as capital assets at the time of the Reorganization.
6. The basis of the Acquired Fund's assets acquired by the Acquiring Fund will be the same as the basis of such assets to the Acquired Fund immediately before the Reorganization. The holding period of the assets of the Acquired Fund in the hands of the Acquiring Fund will include the period during which those assets were held by the Acquired Fund.

No opinion will be expressed as to (1) the effect of a Reorganization on (A) an Acquired Fund or the Acquiring Fund with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting, (B) any Acquired Fund shareholder or Acquiring Fund shareholder that is required to recognize unrealized gains and losses for U.S. federal income tax purposes under a mark-to-market system of accounting, or (C) an Acquired Fund or the Acquiring Fund with respect to any stock held in a passive foreign investment company as defined in Section 1297(a) of the Code or (2) any other federal tax issues (except those set forth above) and all state, local or foreign tax issues of any kind.

If an Acquired Fund shareholder receives cash in lieu of a fractional Acquiring Fund share, the shareholder will be treated as having received the fractional Acquiring Fund share pursuant to the Reorganization and then as having sold that fractional Acquiring Fund share for cash. As a result, each such Acquired Fund shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the basis in the fractional Acquiring Fund share to which the shareholder is entitled. This gain or loss generally will be a capital gain or loss and generally will be long-term capital gain or loss if, as of the effective time of the Reorganization, the holding period for the shares (including the holding period of Acquired Fund shares surrendered therefor) is more than one year. The deductibility of capital losses is subject to limitations. Any cash received in lieu of a fractional share may be subject to backup withholding taxes.

Prior to the date of the Reorganization, the Acquired Fund will declare a distribution to its shareholders, which together with all previous distributions to preferred and common shareholders, will have the effect of distributing to shareholders all its net investment income and realized net capital gains (after reduction by any available capital loss carryforwards), if any, through the date of the Reorganization. To the extent the distribution is attributable to ordinary taxable income or capital

gains, the distribution will be taxable to shareholders for federal income tax purposes. Additional distributions may be made if necessary. All dividends and distributions will be paid in cash unless a shareholder has made an election to reinvest dividends and distributions in additional shares under the Acquired Fund's dividend reinvestment plan. Dividends and distributions are treated the same for federal income tax purposes whether received in cash or additional shares.

After the Reorganization, the combined fund's ability to use the Acquired Fund's or the Acquiring Fund's pre-Reorganization capital losses may be limited under certain federal income tax rules applicable to reorganizations of this type. Therefore, in certain circumstances, former shareholders of the Acquired Fund may pay federal income taxes sooner, or pay more federal income taxes, than they would have had the Reorganization not occurred. The effect of these potential limitations, however, will depend on a number of factors including the amount of the losses, the amount of gains to be offset, the exact timing of the Reorganization and the amount of unrealized capital gains in the Funds at the time of the Reorganization. As of May 31, 2011, the Funds had capital loss carryforwards as follows:

	Premium Income	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3
Capital loss carryforwards				\$ 414,912

If not applied, the loss carryforwards will expire as follows:

Expiration Date:	Premium Income	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3
May 31, 2013				\$ 35,547
May 31, 2014				\$ 111,331
May 31, 2015				\$ 211,213
May 31, 2017				\$ 43,691
May 31, 2018				\$ 13,130

In addition, the shareholders of an Acquired Fund will receive a proportionate share of any taxable income and gains realized by the Acquiring Fund and not distributed to its shareholders prior to the Reorganization when such income and gains are eventually distributed by the Acquiring Fund. As a result, shareholders of an Acquired Fund may receive a greater amount of taxable distributions than they would have had the Reorganizations not occurred.

This description of the federal income tax consequences of the Reorganizations is made without regard to the particular facts and circumstances of any shareholder. Shareholders are urged to consult their own tax advisers as to the specific consequences to them of the Reorganizations, including the applicability and effect of state, local, non-U.S. and other tax laws.

The foregoing is intended to be only a summary of the principal federal income tax consequences of the Reorganizations and should not be considered to be tax advice. There can be no assurance that the IRS will concur on all or any of the issues discussed above. Acquired Fund shareholders are urged to consult their own tax advisers regarding the federal, state and local tax consequences with respect to the foregoing matters and any other considerations which may be applicable to them.

### Votes Required

Each Reorganization is required to be approved by the affirmative vote of the holders of a majority (more than 50% of the shares entitled to vote on the matter) of the outstanding shares of the Acquired Fund's common shares and the preferred shares, voting as a single class, and by the affirmative vote of a majority (more than 50% of the shares entitled to vote on the matter) of the Acquired Fund's outstanding preferred shares, voting as a separate class. Each Reorganization is required to be approved by the affirmative vote of the holders of a majority (more than 50% of the shares entitled to vote on the matter) of the outstanding shares of the Acquiring Fund's common shares and preferred shares, voting as a single class, and by the affirmative vote of a majority (more than 50% of the shares entitled to vote on the matter) of the Acquiring Fund's outstanding preferred shares voting as a separate class. In addition, common and preferred shareholders of the Acquiring Fund voting as a single class are being asked to approve the issuance of additional common shares of the Acquiring Fund in connection with the Reorganization. See Proposal No. 3 Approval of Additional Common Shares of Acquiring Fund for a description of the votes required for such share issuance.

Abstentions and broker non-votes will have the same effect as a vote against the approval of the Agreement and Plan of Reorganization. Broker non-votes are shares held by brokers or nominees for which the brokers or nominees have executed proxies as to which (i) the broker or nominee does not have discretionary voting power and (ii) the broker or nominee has not received instructions from the beneficial owner or other person who is entitled to instruct how the shares will be voted.

Preferred shareholders of each Fund are being asked to approve the Agreement as a plan of reorganization under the 1940 Act. Section 18(a)(2)(D) of the 1940 Act provides that the terms of preferred shares issued by a registered closed-end management investment company must contain provisions requiring approval by the vote of a majority of such shares, voting as a class, of any plan of reorganization adversely affecting such shares. The 1940 Act makes no distinction between a plan of reorganization that has an adverse effect as opposed to a materially adverse effect. While the respective Boards do not believe that the Fund's preferred shareholders would be materially adversely affected by the Reorganization, it is possible that there may be insignificant adverse effects (such as where the asset coverage with respect to the shares of Acquiring Fund MTP Shares issued pursuant to a Reorganization is slightly more or less than the asset coverage with respect to the shares of Acquired Fund MTP Shares for which they are exchanged). Each Fund is seeking approval of the Agreement by the holders of that Fund's preferred shares.

The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to each of the Reorganizations in order for the Reorganizations to occur. Because the closing of the Reorganizations is contingent on all of the Acquired Funds and the Acquiring Fund satisfying (or obtaining the waiver of) their respective closing conditions, it is possible your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the requisite shareholder approvals are not obtained, the Boards of the Funds may take such actions as they deem in the best interest of the Funds including conducting additional solicitations with respect to the proposals or continuing to operate the Funds as stand-alone funds.

## **Description of Common Shares Issued by the Acquiring Fund**

### ***General***

As a general matter, the common shares of the Acquiring Fund and each Acquired Fund have equal voting rights and equal rights with respect to the payment of dividends and distribution of assets upon liquidation and have no preemptive, conversion or exchange rights or rights to cumulative voting. Furthermore, the provisions set forth in the Declaration of Trust of the Acquiring Fund (the Acquiring Fund Declaration of Trust ) are substantially similar to the provisions of each Acquired Fund's Declaration of Trust, and each contain, among other things, identical super-majority voting provisions, as described under Additional Information about the Funds Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws . The full text of each Fund's Declaration of Trust is on file with the SEC and may be obtained as described on page vi.

The Acquiring Fund's Declaration of Trust authorizes an unlimited amount of common shares, par value \$.01 per share. If a Reorganization is approved, the Acquiring Fund will issue additional common shares at the Closing Date. The number of such additional Acquiring Fund Common Shares will be based on the relative aggregate per share net asset values of the Acquiring Fund and such Acquired Fund, in each case as of the Closing Date.

The terms of the Acquiring Fund Common Shares to be issued pursuant to the Reorganizations will be identical to the terms of the Acquiring Fund Common Shares that are then outstanding. All the Acquiring Fund Common Shares have equal rights with respect to the payment of dividends and the distribution of assets upon liquidation. The Acquiring Fund Common Shares, when issued, will be fully paid and non-assessable and have no preemptive, conversion or exchange rights or rights to cumulative voting.

### ***Distributions***

The Acquiring Fund's intent is to pay regular monthly cash distributions to common shareholders at a level rate (stated in terms of a fixed cents per common share dividend rate) that reflects the past and projected performance of the Acquiring Fund. Distributions can be made only after paying any accrued dividends to preferred shareholders.

The Acquiring Fund's ability to maintain a level dividend rate will depend on a number of factors, including the rate at which dividends are payable on the preferred shares. The net income of the Acquiring Fund generally consists of all interest income accrued on portfolio assets less all expenses of the Fund. Expenses of the Acquiring Fund are accrued each day. Over time, all the net investment income of the Acquiring Fund will be distributed. At least annually, the Acquiring Fund also intends to effectively distribute net capital gain and ordinary taxable income, if any, after paying any accrued dividends or making any liquidation payments to preferred shareholders. Although it does not now intend to do so, the Board may change the Acquiring Fund's dividend policy and the amount or timing of the distributions based on a number of factors, including the amount of the Fund's undistributed net investment income and historical and projected investment income and the amount of the expenses and dividend rates on the outstanding preferred shares.

As explained more fully below, at least annually, the Acquiring Fund may elect to retain rather than distribute all or a portion of any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) otherwise allocable to common shareholders and pay federal income tax on the retained gain. As provided under federal income tax law, common shareholders of record as

of the end of the Acquiring Fund's taxable year will include their share of the retained net capital gain in their income for the year as a long-term capital gain (regardless of their holding period in the common shares), and will be entitled to an income tax credit or refund for the federal income tax deemed paid on their behalf by the Acquiring Fund. See *Federal Income Tax Matters Associated with Investment in the Funds* under *Additional Information About the Funds* below and *Tax Matters* in the Reorganization SAI.

As a general matter, each Fund has a monthly distribution policy and each Fund seeks to maintain a stable level of distributions. The Acquiring Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time.

As a result of the Reorganizations, Fund management expects that immediately after the Reorganizations, the Acquiring Fund will make distributions at a rate equal to or higher than the rate in effect as of the date of this Joint Proxy Statement/Prospectus. There can be no assurance, however, that a stable level of distributions may be maintained over the life of the Fund.

#### ***Dividend Reinvestment Plan***

Under the Acquiring Fund's Dividend Reinvestment Plan (the *Plan*), you may elect to have all dividends, including any capital gain distributions, on your common shares automatically reinvested by State Street Bank and Trust Company (the *Plan Agent*) in additional common shares under the Plan. Generally, the terms of the Acquiring Fund's Dividend Reinvestment Plan are identical to the terms of each Acquired Fund's Dividend Reinvestment Plan. You may elect to participate in the Plan by completing the Dividend Reinvestment Plan Application Form. If you do not participate, you will receive all distributions in cash paid by check mailed directly to you by State Street Bank and Trust Company as dividend paying agent.

If you decide to participate in the Plan of the Acquiring Fund, the number of common shares you will receive will be determined as follows:

- (1) If common shares are trading at or above net asset value at the time of valuation, the Acquiring Fund will issue new shares at the then current market price; or
- (2) If common shares are trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase common shares in the open market, on the NYSE or elsewhere, for the participants' accounts. It is possible that the market price for the common shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in common shares issued by the Acquiring Fund. The Plan Agent will use all dividends and distributions received in cash to purchase common shares in the open market within 30 days of the valuation date. Interest will not be paid on any uninvested cash payments.

If the Plan Agent begins purchasing Acquiring 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.

You may withdraw from the Plan at any time by giving written notice to the Plan Agent. If you withdraw or the Plan is terminated, you will receive a cash payment for any fraction of a share in your



account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions and a \$2.50 service fee.

The Plan Agent maintains all shareholders' accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common shares in your account will be held by the Plan Agent in non-certificated form. Any proxy you receive will include all common shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in common shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. The Acquiring Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of the Acquiring Fund the change is warranted. There is no direct service charge to participants in the Plan; however, the Acquiring Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from State Street Bank and Trust Company, Attn: Computershare Nuveen Investments, P.O. Box 43071, Providence, Rhode Island 02940-3071, (800) 257-8787.

**Common Share Price Data**

The following table sets forth the high and low sales prices for each Fund's common shares as reported on the consolidated transaction reporting system for the periods indicated.

Quarter Ended	Market Price		Acquiring Fund Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
	August 2011	\$ 13.41	\$ 13.05	\$ 14.70	\$ 14.24	6.75%
May 2011	\$ 13.23	\$ 12.74	\$ 14.22	\$ 13.61	4.53%	7.74%
February 2011	\$ 13.59	\$ 12.45	\$ 14.33	\$ 13.31	2.23%	8.87%
November 2010	\$ 14.60	\$ 13.20	\$ 15.00	\$ 14.05	2.34%	7.14%
August 2010	\$ 14.65	\$ 13.74	\$ 15.01	\$ 14.39	1.41%	4.97%
May 2010	\$ 14.15	\$ 13.82	\$ 14.57	\$ 14.26	1.53%	4.94%
February 2010	\$ 14.33	\$ 13.67	\$ 14.37	\$ 14.20	0.63%	3.91%
November 2009	\$ 14.66	\$ 13.55	\$ 14.60	\$ 13.95	0.97%	4.10%
August 2009	\$ 13.98	\$ 12.29	\$ 13.92	\$ 13.21	1.23%	7.48%

Quarter Ended	Market Price		Dividend Advantage Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
	August 2011	\$ 14.55	\$ 13.72	\$ 14.92	\$ 14.45	0.21%
May 2011	\$ 13.89	\$ 13.04	\$ 14.44	\$ 13.88	3.24%	7.12%
February 2011	\$ 14.15	\$ 12.98	\$ 14.57	\$ 13.58	1.01%	6.72%
November 2010	\$ 15.64	\$ 14.05	\$ 15.30	\$ 14.34	2.58%	3.57%
August 2010	\$ 15.47	\$ 14.76	\$ 15.31	\$ 14.77	3.45%	1.27%
May 2010	\$ 15.84	\$ 14.90	\$ 14.94	\$ 14.67	6.31%	1.21%
February 2010	\$ 15.53	\$ 14.32	\$ 14.79	\$ 14.66	5.72%	2.51%
November 2009	\$ 15.50	\$ 14.06	\$ 15.03	\$ 14.42	5.68%	3.30%
August 2009	\$ 15.00	\$ 13.55	\$ 14.39	\$ 13.75	6.91%	3.15%

Quarter Ended	Dividend Advantage 2					
	Market Price		Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
August 2011	\$ 14.90	\$ 13.85	\$ 14.89	\$ 14.45	2.48%	6.80%
May 2011	\$ 14.00	\$ 13.16	\$ 14.43	\$ 13.91	0.21%	7.06%
February 2011	\$ 14.39	\$ 13.11	\$ 14.70	\$ 13.75	0.07%	8.00%
November 2010	\$ 15.97	\$ 14.33	\$ 15.38	\$ 14.46	3.93%	2.31%
August 2010	\$ 16.92	\$ 15.65	\$ 15.39	\$ 14.87	12.51%	3.45%
May 2010	\$ 16.24	\$ 15.45	\$ 15.04	\$ 14.80	9.36%	3.34%
February 2010	\$ 15.54	\$ 14.29	\$ 14.94	\$ 14.80	4.86%	3.54%
November 2009	\$ 15.97	\$ 14.36	\$ 15.21	\$ 14.65	6.73%	2.45%
August 2009	\$ 15.75	\$ 14.07	\$ 14.63	\$ 13.95	8.56%	0.28%

Quarter Ended	Dividend Advantage 3					
	Market Price		Net Asset Value		Premium/Discount	
	High	Low	High	Low	High	Low
August 2011	\$ 13.43	\$ 12.74	\$ 14.53	\$ 14.09	6.56%	12.14%
May 2011	\$ 12.91	\$ 12.47	\$ 14.08	\$ 13.50	6.17%	9.03%
February 2011	\$ 13.65	\$ 12.36	\$ 14.17	\$ 13.13	3.53%	8.55%
November 2010	\$ 14.43	\$ 13.47	\$ 14.85	\$ 13.90	1.87%	4.58%
August 2010	\$ 14.45	\$ 13.88	\$ 14.86	\$ 14.26	0.42%	4.31%
May 2010	\$ 14.41	\$ 13.77	\$ 14.47	\$ 14.18	1.27%	3.57%
February 2010	\$ 14.19	\$ 13.44	\$ 14.31	\$ 14.16	0.45%	5.55%
November 2009	\$ 14.38	\$ 13.10	\$ 14.55	\$ 13.92	0.42%	7.29%
August 2009	\$ 13.90	\$ 12.37	\$ 13.93	\$ 13.23	0.58%	6.99%

On September 30, 2011, the closing sale prices of the Acquiring Fund and Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 common shares were \$13.81, \$14.29, \$14.28 and \$13.31, respectively. These prices represent a discount to net asset value of the Acquiring Fund of 6.63% and a discount to net asset value of Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 of 5.18%, 4.74% and 9.02%, respectively.

Common shares of each Fund have historically traded at both a premium and discount to net asset value. It is not possible to state whether Acquiring Fund Common Shares will trade at a premium or discount to net asset value following the Reorganizations, or what the extent of any such premium or discount might be.

#### Description of MTP Shares Issued by the Acquiring Fund

The following is a brief description of the terms of the shares of MuniFund Term Preferred Shares ( MTP Shares ), including the Acquiring Fund MTP Shares to be issued pursuant to the Agreement. The terms of the shares of Acquiring Fund MTP Shares to be issued pursuant to the Reorganizations will be substantially identical, as of the time of the exchange, to the outstanding MTP Shares of the Acquired Fund for which they are exchanged. Each Acquired Fund's MTP Shares will be exchanged for a new series of Acquiring Fund MTP Shares having the same fixed per annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund MTP Shares held by preferred shareholders immediately prior to the Reorganizations. The Acquiring Fund's optional redemption right with respect to each new series will be substantially the same as the Acquired Fund's rights as of the closing date of the Reorganizations. The description set forth below assumes that the Reorganizations will be consummated and that the Acquiring Fund will issue Acquiring Fund MTP

Shares pursuant to the Agreement. This description does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Acquiring Fund Statement Establishing and Fixing the Rights and Preferences of MuniFund Term Preferred Shares (the *Statement*) attached as Appendix A to the Reorganization SAI. Capitalized terms used but not defined herein have the meanings given them above or in the *Statement*.

### ***General***

The Acquiring Fund Declaration of Trust authorizes the issuance of an unlimited number of preferred shares, par value \$.01 per share, in one or more classes or series, with rights as determined by the Board without the approval of holders of common shares. On the Closing Date, the Acquiring Fund will issue to each of Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 that number of shares of Acquiring Fund MTP Shares, 2.60% Series 2015, 2.60% Series 2015 # 1 and 2.65% Series 2015 # 1, respectively, equal to the number of shares of Acquired Fund MTP Shares of such Acquired Fund that are outstanding immediately prior to a Reorganization. All MTP Shares have a liquidation preference of \$10 per share ( *Liquidation Preference* ) plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared). The aggregate liquidation preference of the Acquiring Fund MTP Shares received in the Reorganizations will equal the aggregate liquidation preference of the Acquired Fund MTP Shares held by preferred shareholders immediately prior to the Reorganizations.

Upon issuance in accordance with the Agreement, the Acquiring Fund MTP Shares will be fully paid and non-assessable and have no preemptive, conversion, or exchange rights or rights to cumulative voting. The Acquiring Fund MTP Shares issued pursuant to the Agreement will rank equally with shares of all other outstanding MTP Shares and with any other series of preferred shares of the Acquiring Fund that might be issued in the future, as to payment of dividends and the distribution of the Acquiring Fund's assets upon dissolution, liquidation or winding up of the affairs of the Acquiring Fund. The MTP Shares and all other preferred shares of the Acquiring Fund are senior as to dividends and distributions to the Acquiring Fund's common shares. The Acquiring Fund may issue additional series of preferred shares in the future, including series that will be classified as MTP Shares, and any such series, together with the outstanding preferred shares, are herein collectively referred to as *Preferred Shares*.

Except in certain limited circumstances, holders of MTP Shares will not receive certificates representing their ownership interest in such shares, and the MTP Shares will be represented by a global certificate to be held by the Securities Depository for the MTP Shares. The Depository Trust Company will initially act as Securities Depository with respect to the MTP Shares.

### ***Dividends and Dividend Periods***

*General.* The following is a general description of dividends and dividend periods of MTP Shares. The holders of MTP Shares will be entitled to receive cumulative cash dividends and distributions on such shares, when, as and if declared by, or under authority granted by, the Board, out of funds legally available for payment and in preference to dividends and distributions on common shares of the Acquiring Fund, calculated separately for each dividend period for such MTP Shares at the Dividend Rate (as defined below) for such MTP Shares in effect during such dividend period, on an amount equal to the Liquidation Preference for such MTP Shares. The Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends so declared and payable will be paid to the extent permitted under state law and the Declaration of Trust, and to the extent available, in preference to and priority over any dividend declared and payable on the common shares.

**Fixed Dividend Rate.** Each series of MTP Shares has a Fixed Dividend Rate as set forth in the Statement for that series. The Fixed Dividend Rate for MTP Shares may be adjusted in certain circumstances, including a change in the credit rating of such MTP Shares and/or upon the occurrence of certain events resulting in a Default Period (as defined below) (the Fixed Dividend Rate as it may be adjusted is referred to as the Dividend Rate). The Acquiring Fund MTP Shares issued to an Acquired Fund pursuant to the Agreement will have the same Fixed Dividend Rate as the outstanding Acquired Fund MTP Shares exchanged therefor.

**Payment of Dividends and Dividend Periods.** Dividends on the MTP Shares will be payable monthly. The first dividend period for Acquiring Fund MTP Shares issued pursuant to the Agreement will commence on the Closing Date and end on the last day of the calendar month following the Closing Date, and each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such MTP Shares) (each, a Dividend Period). Dividends will be paid on the first Business Day of the month next following a Dividend Period and upon redemption of the MTP Shares, except that dividends paid with respect to any Dividend Period consisting of the month of December in any year will be paid on the last Business Day of December (each payment date a Dividend Payment Date). Except for the first Dividend Period for the Acquiring Fund MTP Shares issued pursuant to the Agreement, dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of MTP Shares as their names shall appear on the registration books of Acquiring Fund at the close of business on the 15th day of such monthly Dividend Period (or if such day is not a Business Day, the next preceding Business Day). Dividends with respect to the first Dividend Period will be declared and paid to holders of record of such MTP Shares as their names appear on the registration books at the close of business on the 15th day of the month following the Closing Date or such later date as may be determined by the Board. Dividends payable on any MTP Shares for any period of less than a full monthly Dividend Period, including in connection with the first Dividend Period for such shares or upon any redemption of such shares on any redemption date other than on a Dividend Payment Date, will be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed for any period of less than one month.

On account of the foregoing provisions, only the holders of MTP Shares on the record date for a Dividend Period will be entitled to receive dividends and distributions payable with respect to such Dividend Period, and holders of MTP Shares who sell shares before such a record date and purchasers of MTP Shares who purchase shares after such a record date should take the effect of the foregoing provisions into account in evaluating the price to be received or paid for such MTP Shares.

**Adjustment to Fixed Dividend Rate Ratings.** If the highest credit rating assigned on any date to outstanding MTP Shares by any of Moody's, S&P or Fitch is equal to one of the ratings set forth in the table below, the Dividend Rate applicable to such outstanding MTP Shares for such date will be computed or adjusted by multiplying the Fixed Dividend Rate by the applicable percentage (expressed as a decimal) set forth opposite the applicable highest credit rating so assigned on such date to such outstanding MTP Shares by any such rating agency as set forth in the table below.

**Dividend Rate Adjustment Schedule**

<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>Applicable Percentage</b>
AAA	Aaa	AAA	100%
AA+ to AA-	Aa1 to Aa3	AA+ to AA-	110%
A+ to A-	A1 to A3	A+ to A-	125%
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	150%
BB+ and lower	Ba1 and lower	BB+ and lower	200%

If no Rating Agency is rating outstanding MTP Shares, the Dividend Rate applicable to the MTP Shares for such date shall be adjusted by multiplying the Fixed Dividend Rate for such shares by 200%.

The Board of the Acquiring Fund has the right to terminate the designation of any of S&P, Moody's and Fitch as a Rating Agency of MTP Shares, provided that at least one Rating Agency continues to maintain a rating with respect to the MTP Shares. In such event, any rating of such terminated Rating Agency, to the extent it would have been taken into account in any of the provisions of the MTP Shares that are described in this Joint Proxy Statement/Prospectus or included in the Statement, will be disregarded, and only the ratings of the then-designated Rating Agencies will be taken into account. If a Rating Agency replaces any credit rating used in the determination of the Dividend Rate with a replacement credit rating, references to the replaced credit rating shall thereafter refer to the replacement credit rating. No adjustment to the Dividend Rate shall result in the Dividend Rate being less than the Fixed Dividend Rate.

*Adjustment to Fixed Dividend Rate - Default Period.* The Dividend Rate will be adjusted to the Default Rate in the following circumstances. Subject to the cure provisions below, a Default Period with respect to MTP Shares will commence on a date the Acquiring Fund fails to deposit with the Redemption and Paying Agent by 12:00 noon, New York City time, on the (i) applicable Dividend Payment Date, Deposit Securities (as defined below) sufficient to pay the full amount of any dividend on Acquiring Fund MTP Shares payable on such Dividend Payment Date (a Dividend Default) or (ii) applicable Redemption Date (as defined below), Deposit Securities sufficient to pay the full amount of the redemption price payable on such Redemption Date (a Redemption Default) and, together with a Dividend Default, referred to as a Default. Subject to the cure provisions in the next paragraph below, a Default Period with respect to a Dividend Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. The Redemption and Paying Agent for MTP Shares will be State Street Bank and Trust Company, Canton, Massachusetts. In the case of a Default, the applicable dividend rate for each day during the Default Period will be equal to the Default Rate. The Default Rate for any calendar day shall be equal to the applicable Dividend Rate in effect on such day plus five percent (5%) per annum.

No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any redemption price due (if such default is not solely due to the willful failure of the Acquiring Fund) is deposited irrevocably in trust, in same-day funds with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than three Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the actual number of calendar days comprising such period divided by 360.

*Mechanics of Payment of Dividends.* Not later than 12:00 noon, New York City time, on a Dividend Payment Date, the Acquiring Fund is required to deposit with the Redemption and Paying Agent sufficient funds for the payment of dividends in the form of Deposit Securities. Deposit Securities will generally consist of (i) cash or cash equivalents; (ii) direct obligations of the United States or its agencies or instrumentalities that are entitled to the full faith and credit of the United States (U.S. Government Obligations); (iii) securities that constitute municipal securities as described in this prospectus, including municipal bonds and notes, other securities issued to finance and refinance

public projects, and other related securities and derivative instruments creating exposure to municipal bonds, notes and securities that provide for the payment of income that is exempt from federal income taxes ( Municipal Obligations ) that have credit ratings from at least one NRSRO that is the highest applicable rating generally ascribed by such NRSRO to Municipal Obligations with substantially similar terms; (iv) investments in money market funds registered under the 1940 Act that qualify under Rule 2a-7 under the 1940 Act and certain similar investment vehicles that invest principally in Municipal Obligations, U.S. Government Obligations or any combination thereof; or (v) any letter of credit from a bank or other financial institution that has a credit rating from at least one NRSRO that is the highest applicable rating generally ascribed by such NRSRO to bank deposits or short-term debt of similar banks or other financial institutions, in each case either that is a demand obligation payable to the holder on any Business Day or that has a maturity date, mandatory redemption date or mandatory payment date, preceding the relevant Redemption Date, Dividend Payment Date or other payment date. The Acquiring Fund does not intend to establish any reserves for the payment of dividends.

All Deposit Securities paid to the Redemption and Payment Agent for the payment of dividends will be held in trust for the payment of such dividends to the holders of MTP Shares. Dividends will be paid by the Redemption and Payment Agent to the holders of Acquiring Fund MTP Shares as their names appear on the registration books of the Acquiring Fund. Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date. Such payments are made to holders of Acquiring Fund MTP Shares as their names appear on the registration books of the Acquiring Fund on such date, not exceeding 15 calendar days preceding the payment date thereof, as may be fixed by the Board. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on any MTP Shares which may be in arrears. See Adjustment to Fixed Dividend Rate Default Period.

Upon failure to pay dividends for at least two years, the holders of MTP Shares will acquire certain additional voting rights. See Voting Rights below. Such rights shall be the exclusive remedy of the holders of MTP Shares upon any failure to pay dividends on MTP Shares.

#### *Distributions with Respect to Taxable Allocations*

Holders of MTP Shares will be entitled to receive, when, as and if declared by the Board, out of funds legally available therefor, additional distributions payable with respect to Taxable Allocations (as defined below) that are paid with respect to such shares in accordance with one of the procedures described in the following three paragraphs as set forth below.

Each year, the Acquiring Fund will allocate exempt interest dividends, ordinary income dividends, and capital gain distributions, between its common shares and Preferred Shares, in proportion to the total dividends paid to each class during or with respect to such year. The Acquiring Fund may provide notice to the Redemption and Paying Agent prior to the commencement of any Dividend Period for MTP Shares of the amount of a Taxable Allocation that will be made in respect of such MTP Shares for such Dividend Period (a Notice of Taxable Allocation ). Such Notice of Taxable Allocation will state the amount of the dividends payable in respect of MTP Shares for such Dividend Period that will be treated as a Taxable Allocation and the amount of any Additional Amount Payments (as defined below) to be paid in respect of such Taxable Allocation. If the Acquiring Fund provides a Notice of Taxable Allocation with respect to dividends payable on MTP Shares for a Dividend Period, the Acquiring Fund will, in addition to and in conjunction with the payment of such

dividends payable, make a supplemental distribution in respect of each MTP Share for such Dividend Period of an additional amount equal to the Additional Amount Payment payable in respect of the Taxable Allocation paid on such MTP Share for such Dividend Period. In general, the Acquiring Fund intends to provide Notices of Taxable Allocations as contemplated by this paragraph.

If the Acquiring Fund does not provide a Notice of Taxable Allocation as provided above with respect to a Taxable Allocation that is made in respect of MTP Shares, the Acquiring Fund may make one or more supplemental distributions on such MTP Shares equal to the amount of such Taxable Allocation. Any such supplemental distribution in respect of such shares may be declared and paid on any date, without reference to any regular Dividend Payment Date, to the holders of such Preferred Shares as their names appear on the registration books of the Acquiring Fund on such date, not exceeding 15 calendar days preceding the payment date of such supplemental distribution, as may be fixed by the Board.

If in connection with a redemption of MTP Shares, the Acquiring Fund makes a Taxable Allocation without having either given advance notice thereof or made one or more supplemental distributions as described above, the Acquiring Fund will direct the Redemption and Paying Agent to send an Additional Amount Payment in respect of such Taxable Allocation to each holder of such shares at such holder's address as the same appears or last appeared on the record books of the Acquiring Fund.

The Acquiring Fund will not be required to pay Additional Amount Payments with respect to any Acquiring Fund MTP Shares with respect to any net capital gains or other taxable income determined by the IRS to be allocable in a manner different from the manner used by the Acquiring Fund.

The term "Taxable Allocation" as used above means, with respect to MTP Shares, the allocation of any net capital gains or other income taxable for federal income tax purposes to a dividend paid in respect of such shares. The term "Additional Amount Payment" means a payment to a holder of MTP Shares of an amount which, when taken together with the aggregate amount of Taxable Allocations made to such holder to which such Additional Amount Payment relates, would cause such holder's dividends in dollars (after federal income tax consequences) from the aggregate of such Taxable Allocations and the related Additional Amount Payment to be equal to the dollar amount of the dividends that would have been received by such holder if the amount of such aggregate Taxable Allocations would have been excludable (for federal income tax purposes) from the gross income of such holder. Such Additional Amount Payment will be calculated (i) without consideration being given to the time value of money; (ii) assuming that no holder of Acquiring Fund MTP Shares is subject to the federal alternative minimum tax with respect to dividends received from the Acquiring Fund; and (iii) assuming that each Taxable Allocation and each Additional Amount Payment (except to the extent such Additional Amount Payment is designated as an exempt-interest dividend under Section 852(b)(5) of the Code) would be taxable in the hands of each holder of MTP Shares at the maximum marginal regular federal individual income tax rate applicable to ordinary income or net capital gains, as applicable, or the maximum marginal regular federal corporate income tax rate applicable to ordinary income or net capital gains, as applicable, whichever is greater, in effect at the time such Additional Amount Payment is paid.

***Restrictions on Dividend, Redemption and Other Payments***

No full dividends and distributions will be declared or paid on MTP Shares for any Dividend Period, or a part of a Dividend Period, unless the full cumulative dividends and distributions due through the most recent dividend payment dates for all outstanding shares of Preferred Shares (including shares of series of MTP Shares) have been, or contemporaneously are, declared and paid through the most recent dividend payment dates for each share of Preferred Shares. If full cumulative dividends and distributions due have not been declared and paid on all outstanding shares of Preferred Shares of any series, any dividends and distributions being declared and paid on MTP Shares will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on the shares of each such series of Preferred Shares on the relevant dividend payment date. No holders of MTP Shares will be entitled to any dividends and distributions in excess of full cumulative dividends and distributions as provided in the Statement.

For so long as any Preferred Shares are outstanding, the Acquiring Fund will not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in common stock of the Acquiring Fund) in respect of the common shares of the Acquiring Fund, (y) call for redemption, redeem, purchase or otherwise acquire for consideration any such common shares, or (z) pay any proceeds of the liquidation of the Acquiring Fund in respect of such common shares, unless, in each case, (A) immediately thereafter, the Acquiring Fund shall be in compliance with the 200% asset coverage limitations set forth under the 1940 Act, (B) all cumulative dividends and distributions of shares of all series of MTP Shares of the Acquiring Fund and all other series of Preferred Shares ranking on a parity with the MTP Shares due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and sufficient funds or Deposit Securities as permitted by the terms of such Preferred Shares for the payment thereof shall have been deposited irrevocably with the applicable paying agent) and (C) the Acquiring Fund shall have deposited Deposit Securities with the Redemption and Paying Agent in accordance with the requirements described herein with respect to outstanding MTP Shares of any series to be redeemed pursuant to a Term Redemption or Asset Coverage or Effective Leverage Mandatory Redemption (as those terms are defined below) resulting from the failure to comply with the Asset Coverage or Effective Leverage Ratio as described below for which a Notice of Redemption shall have been given or shall have been required to be given in accordance with the terms described herein on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

Except as required by law, the Acquiring Fund will not redeem any MTP Shares unless all accumulated and unpaid dividends and distributions on all outstanding MTP Shares and other series of Preferred Shares ranking on a parity with MTP Shares with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by the Acquiring Fund) (x) shall have been or are contemporaneously paid or (y) shall have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Shares) for the payment of such dividends and distributions shall have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent, provided, however, that the foregoing shall not prevent the purchase or acquisition of outstanding MTP Shares pursuant to an otherwise lawful purchase or exchange offer made on the same terms to holders of all outstanding MTP Shares and any other series of Preferred Shares for which all accumulated and unpaid dividends and distributions have not been paid.

Under the 1940 Act, the Acquiring Fund may not (i) declare any dividend with respect to any preferred shares if, at the time of such declaration (and after giving effect thereto), asset coverage with



respect to any borrowings of the Acquiring Fund that are senior securities representing indebtedness (as defined in the 1940 Act), would be less than 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring dividends on its preferred shares) or (ii) declare any other distribution on the preferred shares or purchase or redeem preferred shares if at the time of the declaration or redemption (and after giving effect thereto), asset coverage with respect to such borrowings that are senior securities representing indebtedness would be less than 300% (or such higher percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its shares). The Statement provides for a higher Asset Coverage (as defined for purposes of the MTP Shares) of at least 225% instead of 200%.

Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of capital stock) and evidencing indebtedness and could include the Acquiring Fund's obligations under any borrowings. For purposes of determining asset coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the Acquiring Fund at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 calendar days and is not extended or renewed; otherwise it is presumed not to be for temporary purposes. Pursuant to its fundamental policies, the Acquiring Fund may not issue debt securities that rank senior to Preferred Shares other than for temporary or emergency purposes. For purposes of determining whether the 200% and 300% statutory asset coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Preferred Shares, such asset coverages may be determined on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of the applicable determination.

#### *Asset Coverage*

If the Acquiring Fund fails to maintain Asset Coverage of at least 225% as of the close of business on each Business Day, MTP Shares may become subject to mandatory redemption as provided below. Asset Coverage means asset coverage of a class of senior security which is a stock, as defined for purposes of Section 18(h) of the 1940 Act as in effect on the date of the Statement, determined on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of such determination. For purposes of this determination, no MTP Shares or other Preferred Shares shall be deemed to be outstanding for purposes of the computation of Asset Coverage if, prior to or concurrently with such determination, either (A) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Preferred Shares) to pay the full redemption price for such Preferred Shares (or the portion thereof to be redeemed) shall have been deposited in trust with the paying agent for such Preferred Shares and the requisite notice of redemption for such Preferred Shares (or the portion thereof to be redeemed) shall have been given or (B) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Preferred Shares) to pay the full redemption price for such Preferred Shares (or the portion thereof to be redeemed) shall have been segregated by the Acquiring Fund and its custodian from the assets of

the Acquiring Fund in the same manner as described under Term Redemption Liquidity Account and Liquidity Requirement below with respect to the Liquidity Requirement applicable to the Acquiring Fund MTP Shares. In such event, the Deposit Securities or other sufficient funds so deposited or segregated shall not be included as assets of the Acquiring Fund for purposes of the computation of Asset Coverage.

***Effective Leverage Ratio***

If the Acquiring Fund's Effective Leverage Ratio exceeds 50% as of the close of business on any Business Day, the MTP Shares may become subject to mandatory redemption as provided below. The Effective Leverage Ratio on any date means the quotient of the sum of (A) the aggregate liquidation preference of the Acquiring Fund's senior securities (as that term is defined in the 1940 Act) that are stock for purposes of the 1940 Act, excluding, without duplication, (1) any such senior securities for which the Acquiring Fund has issued a notice of redemption and either has delivered Deposit Securities or sufficient funds (in accordance with the terms of such senior securities) to the paying agent for such senior securities or otherwise has adequate Deposit Securities or sufficient funds on hand for the purpose of such redemption and (2) any such senior securities that are to be redeemed with net proceeds from the sale of the MTP Shares, for which the Acquiring Fund has delivered Deposit Securities or sufficient funds to the paying agent for such Preferred Shares or otherwise has adequate Deposit Securities or sufficient funds on hand for the purpose of such redemption; (B) the aggregate principal amount of the Acquiring Fund's senior securities representing indebtedness (as that term is defined in the 1940 Act); and (C) the aggregate principal amount of floating rate securities not owned by the Acquiring Fund that correspond to the associated inverse floating rate securities owned by the Acquiring Fund; divided by the sum of (A) the market value (determined in accordance with the Acquiring Fund's valuation procedures) of the Acquiring Fund's total assets (including amounts attributable to senior securities), less the amount of the Acquiring Fund's accrued liabilities (other than liabilities for the aggregate principal amount of senior securities representing indebtedness, including floating rate securities); and (B) the aggregate principal amount of floating rate securities not owned by the Acquiring Fund that correspond to the associated inverse floating rate securities owned by the Acquiring Fund.

***Term Redemption***

The Acquiring Fund is required to provide for the mandatory redemption (the Term Redemption) of all the shares of each series of MTP Shares as of the date specified for that series in the Statement (the Term Redemption Date), at a redemption price equal to the Liquidation Preference per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the Term Redemption Date (the Term Redemption Price). The Term Redemption Date of each series of Acquiring Fund MTP Shares issued pursuant to the Agreement will be April 1, 2015 for 2.60% Series 2015 and 2.60% Series 2015 # 1 and March 1, 2015 for 2.65% Series 2015 # 1.

***Mandatory Redemption for Asset Coverage and Effective Leverage Ratio***

***Asset Coverage.*** If the Acquiring Fund fails to have Asset Coverage of at least 225% as provided in the Statement on any Business Day on which such Asset Coverage is required to be calculated and such failure is not cured as of the close of business on the date that is 30 calendar days following such Business Day (the Asset Coverage Cure Date), the Acquiring Fund will fix a redemption date and proceed to redeem the number of shares of Preferred Shares as described below at a price per share equal to the liquidation price per share of the applicable Preferred Shares, which in

the case of the MTP Shares is equal to the Liquidation Preference per Share plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption by the Board (the Mandatory Redemption Price). The Acquiring Fund will redeem out of funds legally available the number of shares of Preferred Shares (which may include at the sole option of the Acquiring Fund any number or proportion of MTP Shares) equal to the lesser of (i) the minimum number of shares of MTP Shares, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in the Acquiring Fund having Asset Coverage of at least 230% and (ii) the maximum number of shares of MTP Shares that can be redeemed out of funds expected to be legally available in accordance with the Declaration of Trust of the Acquiring Fund and applicable law. Notwithstanding the foregoing sentence, in the event that shares of MTP Shares are redeemed pursuant to the Statement, the Acquiring Fund may at its sole option, but is not required to, redeem a sufficient number of MTP Shares that, when aggregated with other shares of Preferred Shares redeemed by the Acquiring Fund, permits the Acquiring Fund to have with respect to the shares of Preferred Shares (including MTP Shares) remaining outstanding after such redemption, Asset Coverage on such Asset Coverage Cure Date of as much as 285%. The Acquiring Fund will effect a redemption on the date fixed by the Acquiring Fund, which date will not be later than 30 calendar days after the Asset Coverage Cure Date, except that if the Acquiring Fund does not have funds legally available for the redemption of all of the required number of MTP Shares and other shares of Preferred Shares which have been designated to be redeemed or the Acquiring Fund otherwise is unable to effect such redemption on or prior to 30 calendar days after the Asset Coverage Cure Date, the Acquiring Fund will redeem those MTP Shares and other shares of Preferred Shares which it was unable to redeem on the earliest practicable date on which it is able to effect such redemption.

If fewer than all of the outstanding MTP Shares are to be redeemed pursuant to the Asset Coverage mandatory redemption provisions above, the MTP Shares to be redeemed will be selected either (i) pro rata among MTP Shares, (ii) by lot or (iii) in such other manner as the Board of the Acquiring Fund may determine to be fair and equitable.

*Effective Leverage Ratio.* If the Acquiring Fund fails to comply with the Effective Leverage Ratio (as defined above) requirement as of the close of business on any Business Day on which such compliance is required to be determined and such failure is not cured as of the close of business on a date that is 30 calendar days following such Business Day (the Effective Leverage Ratio Cure Date), the Acquiring Fund will within 30 days following the Effective Leverage Ratio Cure Date cause the Acquiring Fund to have an Effective Leverage Ratio of 50% or less by (A) engaging in transactions involving or relating to the floating rate securities not owned by the Acquiring Fund and/or the inverse floating rate securities owned by the Acquiring Fund, including the purchase, sale or retirement thereof, (B) redeeming in accordance with the Acquiring Fund's Declaration of Trust a sufficient number of shares of Preferred Shares, which at the Acquiring Fund's sole option may include any number or proportion of MTP Shares, or (C) engaging in any combination of the actions contemplated by clauses (A) and (B). Any MTP Shares so redeemed will be redeemed at a price per share equal to the Mandatory Redemption Price.

On the Redemption Date for a redemption contemplated by clause (B) in the paragraph above, the Acquiring Fund will not redeem more than the maximum number of shares of Preferred Shares that can be redeemed out of funds expected to be legally available therefor in accordance with the Acquiring Fund's Declaration of Trust and applicable law. If the Acquiring Fund is unable to redeem the required number of MTP Shares and other shares of Preferred Shares which have been designated to be redeemed in accordance with clause (B) in the paragraph above due to the unavailability of

legally available funds, the Acquiring Fund will redeem those MTP Shares and other shares of Preferred Shares which it was unable to redeem on the earliest practicable date on which it is able to effect such redemption.

If fewer than all of the outstanding MTP Shares are to be redeemed pursuant to the Effective Leverage Ratio mandatory redemption provisions above, the MTP Shares to be redeemed will be selected either (A) pro rata among MTP Shares, (B) by lot or (C) in such other manner as the Board of the Acquiring Fund may determine to be fair and equitable.

*Optional Redemption.* The period from the date of the original issue to the date that the MTP Shares are subject to an optional redemption, if any, is referred to herein as the Non-Call Period. On any Business Day following the expiration of the Non-Call Period for MTP Shares or on any Business Day during any period during which the MTP Shares are rated A+ or lower by S&P, A1 or lower by Moody's and A+ or lower by Fitch (a Rating Downgrade Period) for MTP Shares, including a Business Day during the Non-Call Period for such MTP Shares (any such Business Day, an Optional Redemption Date), the Acquiring Fund may redeem in whole or from time to time in part outstanding MTP Shares, at a redemption price equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the Optional Redemption Date (whether or not earned or declared by the Acquiring Fund, but excluding interest thereon), plus the applicable Optional Redemption Premium per share (as calculated below) (the Optional Redemption Price). For the Acquiring Fund MTP Shares issued pursuant to the Agreement, the Non-Call Period is not applicable so that the terms of Acquiring Fund MTP Shares are substantially identical, as of the time of the exchange, to the Acquired Fund MTP Shares. The Optional Redemption Premium with respect to each MTP Share will be an amount equal to:

For Acquiring Fund MTP Shares, 2.60% Series 2015 and 2.60% Series 2015 # 1,

if the Optional Redemption Date does not occur during a Rating Downgrade Period but occurs on or after the date of issuance and prior to April 1, 2012, 0.5% of the Liquidation Preference; or

if the Optional Redemption Date either occurs during a Rating Downgrade Period or occurs on or after April 1, 2012, 0.00% of the Liquidation Preference.

For Acquiring Fund MTP Shares, 2.65% Series 2015 # 1,

if the Optional Redemption Date does not occur during a Rating Downgrade Period but occurs on or after the date of issuance and prior to March 1, 2012, 0.5% of the Liquidation Preference; or

if the Optional Redemption Date either occurs during a Rating Downgrade Period or occurs on or after March 1, 2012, 0.00% of the Liquidation Preference.

If fewer than all of the outstanding MTP Shares are to be redeemed pursuant to the optional redemption provisions above, the MTP Shares to be redeemed will be selected either (i) pro rata among MTP Shares, (ii) by lot or (iii) in such other manner as the Board of the Acquiring Fund may determine to be fair and equitable. Subject to the provisions of the Statement and applicable law, the Acquiring Fund's Board will have the full power and authority to prescribe the terms and conditions upon which MTP Shares will be redeemed from time to time.

The Acquiring Fund may not on any date deliver a notice of redemption to redeem any MTP Shares pursuant to the optional redemption provisions described above unless on such date the Acquiring Fund has available Deposit Securities for the Optional Redemption Date contemplated by such notice of redemption having a Market Value not less than the amount (including any applicable premium) due to holders of Acquiring Fund MTP Shares by reason of the redemption of such MTP Shares on such Optional Redemption Date.

*Redemption Procedures.* The Acquiring Fund will file a notice of its intention to redeem with the Securities and Exchange Commission so as to provide the 30 calendar day notice period contemplated by Rule 23c-2 under the 1940 Act, or such shorter notice period as may be permitted by the Securities and Exchange Commission or its staff.

If the Acquiring Fund shall determine or be required to redeem, in whole or in part, MTP Shares, it will deliver a notice of redemption (a Notice of Redemption ) by overnight delivery, by first-class mail, postage prepaid or by electronic means to the holders of such MTP Shares to be redeemed, or request the Redemption and Paying Agent, on behalf of the Acquiring Fund, to promptly do so by overnight delivery, by first-class mail or by electronic means. A Notice of Redemption will be provided not more than 45 calendar days prior to the date fixed for redemption in such Notice of Redemption (the Redemption Date ). Each Notice of Redemption will state: (i) the Redemption Date; (ii) the number of MTP Shares to be redeemed and the series of MTP Shares; (iii) the CUSIP number(s) of such MTP Shares; (iv) the applicable Redemption Price of MTP Shares to be redeemed on a per-share basis; (v) if applicable, the place or places where the certificate(s) for such MTP Shares (properly endorsed or assigned for transfer, if the Board of the Acquiring Fund will so require and the Notice of Redemption states) are to be surrendered for payment of the Redemption Price; (vi) that dividends on MTP Shares to be redeemed will cease to accumulate from and after the Redemption Date; and (vii) the provisions of the Statement under which such redemption is made. If fewer than all MTP Shares held by any holder are to be redeemed, the Notice of Redemption mailed to such holder shall also specify the number of MTP Shares to be redeemed from such holder or the method of determining such number. The Acquiring Fund may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to a Statement that such redemption is subject to one or more conditions precedent and that the Acquiring Fund will not be required to effect such redemption unless each such condition has been satisfied. No defect in any Notice of Redemption or delivery thereof will affect the validity of redemption proceedings except as required by applicable law.

If the Acquiring Fund gives a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by the Acquiring Fund), the Acquiring Fund will (i) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value at the time of deposit no less than the redemption price of the Acquiring Fund MTP Shares to be redeemed on the Redemption Date and (ii) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable redemption price to the holders of Acquiring Fund MTP Shares called for redemption on the Redemption Date. The Acquiring Fund may direct the Redemption and Paying Agent with respect to the investment of any Deposit Securities consisting of cash so deposited prior to the Redemption Date, provided that the proceeds of any such investment will be available at the opening of business on the Redemption Date as same-day funds. Notwithstanding the foregoing, if the Redemption Date is the Term Redemption Date, then such deposit of Deposit Securities (which may come in whole or in part from the Term Redemption

Liquidity Account described below) will be made no later than 15 calendar days prior to the Term Redemption Date.

Upon the date of the deposit of Deposit Securities by the Acquiring Fund for purposes of redemption of MTP Shares, all rights of the holders of MTP Shares so called for redemption shall cease and terminate except the right of the holders thereof to receive the Term Redemption Price, Mandatory Redemption Price or Optional Redemption Price thereof, as applicable (any of the foregoing referred to herein as the Redemption Price), and such MTP Shares shall no longer be deemed outstanding for any purpose whatsoever (other than the transfer thereof prior to the applicable Redemption Date and other than the accumulation of dividends thereon in accordance with the terms of the MTP Shares up to (but excluding) the applicable Redemption Date). The Acquiring Fund will be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of MTP Shares called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of 90 calendar days from the Redemption Date will, to the extent permitted by law, be repaid to the Acquiring Fund, after which the holders of MTP Shares so called for redemption shall look only to the Acquiring Fund for payment of the Redemption Price. The Acquiring Fund will be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

On or after a Redemption Date, each holder of MTP Shares in certificated form (if any) that are subject to redemption will surrender the certificate(s) evidencing such Acquiring Fund MTP Shares to the Acquiring Fund at the place designated in the Notice of Redemption and will then be entitled to receive the Redemption Price, without interest, and in the case of a redemption of fewer than all MTP Shares represented by such certificate(s), a new certificate representing MTP Shares that were not redeemed.

Notwithstanding the other redemption provisions described herein, except as otherwise required by law, the Acquiring Fund will not redeem any MTP Shares unless all accumulated and unpaid dividends and distributions on all outstanding MTP Shares and shares of other series of Preferred Shares ranking on a parity with the MTP Shares with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by the Acquiring Fund) (x) shall have been or are contemporaneously paid or (y) shall have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Shares) for the payment of such dividends and distributions shall have been or are contemporaneously deposited with the Redemption and Paying Agent as set forth herein, provided that the Acquiring Fund will not be prevented from the purchase or acquisition of outstanding MTP Shares pursuant to an otherwise lawful purchase or exchange offer made on the same terms to holders of all outstanding MTP Shares and any other series of Preferred Shares for which all accumulated and unpaid dividends and distributions have not been paid.

If any redemption for which a Notice of Redemption has been provided is not made by reason of the absence of legally available funds of the Acquiring Fund in accordance with the Declaration of Trust of the Acquiring Fund and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default will be deemed to have occurred if the Acquiring Fund has failed to deposit in trust with the Redemption and Paying Agent the applicable Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent has not been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any Preferred

Shares, dividends may be declared and paid on such Preferred Shares in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such Preferred Shares shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

The Acquiring Fund may, in its sole discretion and without a shareholder vote, modify the redemption procedures with respect to notification of redemption for the MTP Shares, provided that such modification does not materially and adversely affect the holders of MTP Shares or cause the Acquiring Fund to violate any applicable law, rule or regulation.

***Term Redemption Liquidity Account and Liquidity Requirement***

On or prior to the Liquidity Account Initial Date for each series of MTP Shares, the Acquiring Fund will cause its custodian to segregate, by means of appropriate identification on its books and records or otherwise in accordance with its custodian's normal procedures, from the other assets of the Acquiring Fund (the Term Redemption Liquidity Account) Deposit Securities or any other security or investment owned by the Acquiring Fund that is rated not less than A3 by Moody's, A- by S&P, A- by Fitch or an equivalent rating by any other NRSRO (each a Liquidity Account Investment and collectively the Liquidity Account Investments) with a Market Value (as defined in the Statement) equal to at least 110% of the Term Redemption Amount (as defined below) with respect to such MTP Shares. The Term Redemption Amount for MTP Shares is equal to the Term Redemption Price to be paid on the Term Redemption Date, based on the number of MTP Shares then outstanding, assuming for this purpose that the Dividend Rate in effect at the Liquidity Account Initial Date will be the Dividend Rate in effect until the Term Redemption Date. The Liquidity Account Initial Date for Acquiring Fund MTP Shares is set forth below:

Acquiring Fund Preferred Series	Liquidity Account Initial Date
2.60% Series 2015	October 1, 2014
2.60% Series 2015 # 1	October 1, 2014
2.65% Series 2015 # 1	September 1, 2014

If, on any date after the Liquidity Account Initial Date, the aggregate Market Value of the Liquidity Account Investments included in the Term Redemption Liquidity Account for MTP Shares as of the close of business on any Business Day is less than 110% of the Term Redemption Amount, then the Acquiring Fund will cause the custodian and the investment adviser to take all such necessary actions, including segregating assets of the Acquiring Fund as Liquidity Account Investments, so that the aggregate Market Value of the Liquidity Account Investments included in the Term Redemption Liquidity Account is at least equal to 110% of the Term Redemption Amount not later than the close of business on the next succeeding Business Day. With respect to assets of the Acquiring Fund segregated as Liquidity Account Investments with respect to the MTP Shares, the investment adviser, on behalf of the Acquiring Fund, will be entitled to instruct the custodian on any date to release any Liquidity Account Investments from such segregation and to substitute therefor other Liquidity Account Investments not so segregated, so long as (i) the assets of the Acquiring Fund segregated as Liquidity Account Investments at the close of business on such date have a Market Value (as defined in the Statement) equal to 110% of the Term Redemption Amount and (ii) the assets of the Acquiring Fund segregated as Deposit Securities at the close of business on such date have a Market Value equal to the Liquidity Requirement (if any) (as set forth below) that is applicable to such date. The Acquiring Fund will cause the custodian not to permit any lien, security interest or encumbrance to be created or permitted to exist on or in respect of any Liquidity Account Investments included in the Term Redemption Liquidity Account, other than liens, security interests or encumbrances arising by

operation of law and any lien of the custodian with respect to the payment of its fees or repayment for its advances.

The Market Value of the Deposit Securities held in the Term Redemption Liquidity Account for the MTP Shares, from and after the 15th day of the calendar month that is the number of months preceding the month of the Term Redemption Date specified in the table set forth below, will not be less than the percentage of the Term Redemption Amount for the Acquiring Fund MTP Shares set forth below opposite such number of months (the Liquidity Requirement), but in all cases subject to the cure provisions of described below:

Number of Months Preceding	Value of Deposit Securities as Percentage of Term Redemption Amount
5	20%
4	40%
3	60%
2	80%
1	100%

If the aggregate Market Value of the Deposit Securities included in the Term Redemption Liquidity Account for the MTP Shares as of the close of business on any Business Day is less than the Liquidity Requirement for such Business Day, then the Acquiring Fund will cause the segregation of additional or substitute Deposit Securities in respect of the Term Redemption Liquidity Account, so that the aggregate Market Value of the Deposit Securities included in the Term Redemption Liquidity Account is at least equal to the Liquidity Requirement not later than the close of business on the next succeeding Business Day.

The Deposit Securities included in the Term Redemption Liquidity Account may be applied by the Acquiring Fund, in its discretion, towards payment of the Term Redemption Price. Upon the deposit by the Acquiring Fund with the Redemption and Paying Agent of Deposit Securities having an initial combined Market Value sufficient to effect the redemption of the MTP Shares on the Term Redemption Date, the requirement of the Acquiring Fund to maintain the Term Redemption Liquidity Account as described above will lapse and be of no further force and effect.

***Liquidation Rights***

In the event of any liquidation, dissolution or winding up of the affairs of the Acquiring Fund, whether voluntary or involuntary, the holders of MTP Shares will be entitled to receive out of the assets of the Acquiring Fund available for distribution to shareholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the common stock, a liquidation distribution equal to the Liquidation Preference of \$10 per share, plus an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the date fixed for such distribution or payment (whether or not earned or declared by the Acquiring Fund, but excluding interest thereon), and such holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

If, upon any liquidation, dissolution or winding up of the affairs of the Acquiring Fund, whether voluntary or involuntary, the assets of the Acquiring Fund available for distribution among the holders of all Preferred Shares, and any other outstanding shares of MTP Shares, shall be insufficient to permit the payment in full to such holders of MTP Shares of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to such other



shares of Preferred Shares, then the available assets shall be distributed among the holders of such MTP Shares and such other series of Preferred Shares ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of the affairs of the Acquiring Fund whether voluntary or involuntary, unless and until the Liquidation Preference on each outstanding Preferred Share plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Preferred Shares, no dividends, distributions or other payments will be made on, and no redemption, repurchase or other acquisition by the Acquiring Fund will be made by the Acquiring Fund in respect of, the common shares of the Acquiring Fund.

Neither the sale of all or substantially all of the property or business of the Acquiring Fund, nor the merger, consolidation or reorganization of the Acquiring Fund into or with any other business or statutory trust, corporation or other entity, nor the merger, consolidation or reorganization of any other business or statutory trust, corporation or other entity into or with the Acquiring Fund will be a dissolution, liquidation or winding up, whether voluntary or involuntary, for purposes of the provisions relating to liquidation set forth in the Statement.

#### ***Voting Rights***

Except as otherwise provided in the Acquiring Fund's Declaration of Trust, the Statement, or as otherwise required by applicable law, each holder of MTP Shares will be entitled to one vote for each MTP Share held by such holder on each matter submitted to a vote of shareholders of the Acquiring Fund and the holders of outstanding shares of Preferred Shares, including the MTP Shares, will vote with holders of shares of common shares of the Acquiring Fund as a single class. Under applicable rules of the NYSE, the Acquiring Fund is currently required to hold annual meetings of shareholders.

In addition, the holders of outstanding shares of Preferred Shares, including the MTP Shares, will be entitled, as a class, to the exclusion of the holders of all other securities and classes of common shares of the Acquiring Fund, to elect two trustees of the Acquiring Fund at all times. The holders of outstanding common shares and Preferred Shares, including MTP Shares, voting as a single class, will elect the balance of the trustees of the Acquiring Fund.

Notwithstanding the foregoing, if (i) at the close of business on any dividend payment date for dividends on any outstanding share of Preferred Shares, including any outstanding MTP Shares, accumulated dividends (whether or not earned or declared) on the shares of Preferred Shares, including the MTP Shares, equal to at least two full year's dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or (ii) at any time holders of any shares of Preferred Shares are entitled under the 1940 Act to elect a majority of the trustees of the Acquiring Fund (a period when either of the foregoing conditions exists, a Voting Period), then the number of members constituting the Board of Trustees of the Acquiring Fund will automatically be increased by the smallest number that, when added to the two trustees elected exclusively by the holders of shares of Preferred Shares, including the MTP Shares, as described above, would constitute a majority of the Board as so increased by such smallest number; and the holders of the shares of Preferred Shares, including the MTP Shares, will be entitled as a class on a one-vote-per-share basis, to elect such additional trustees. The terms of office of the persons who are trustees at the time of that election will not be affected by the election of the additional trustees. If the Acquiring Fund thereafter shall pay, or declare and set apart for payment, in full all dividends payable on all outstanding shares of Preferred Shares, including MTP Shares, for all past dividend periods, or the Voting Period is

otherwise terminated, (i) the voting rights stated above shall cease, subject always, however, to the reversion of such voting rights in the holders of shares of Preferred Shares upon the further occurrence of any of the events described herein, and (ii) the terms of office of all of the additional trustees so elected will terminate automatically. Any Preferred Shares, including MTP Shares, issued after the date hereof will vote with MTP Shares as a single class on the matters described above, and the issuance of any other Preferred Shares, including MTP Shares, by the Acquiring Fund may reduce the voting power of the holders of MTP Shares.

As soon as practicable after the accrual of any right of the holders of shares of Preferred Shares to elect additional trustees as described above, the Acquiring Fund will call a special meeting of such holders and notify the Redemption and Paying Agent and/or such other person as is specified in the terms of such Preferred Shares to receive notice, (i) by mailing or delivery by electronic means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Shares, a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 30 calendar days after the date of the delivery by electronic means or mailing of such notice. If the Acquiring Fund fails to call such a special meeting, it may be called at the expense of the Acquiring Fund by any such holder on like notice. The record date for determining the holders of shares of Preferred Shares entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of holders of shares of Preferred Shares held during a Voting Period at which trustees are to be elected, such holders, voting as a class (to the exclusion of the holders of all other securities and classes of capital stock of the Acquiring Fund), will be entitled to elect the number of additional trustees prescribed above on a one-vote-per-share basis.

Except as otherwise permitted by the terms of the Statement, so long as any MTP Shares are outstanding, the Acquiring Fund will not, without the affirmative vote or consent of the holders of at least a majority of MTP Shares of all series outstanding at the time, voting as a separate class, amend, alter or repeal the provisions of the Declaration of Trust or the Statement, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the MTP Shares or the holders thereof; provided, however, that (i) a change in the capitalization of the Acquiring Fund as described under the heading Issuance of Additional Preferred Shares will not be considered to materially and adversely affect the rights and preferences of MTP Shares, and (ii) a division of a MTP Share will be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the holders of MTP Shares. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of an MTP Share of such series or the holder thereof unless such matter (i) alters or abolishes any preferential right of such MTP Share, or (ii) creates, alters or abolishes any right in respect of redemption of such MTP Share (other than as a result of a division of an MTP Share). So long as any MTP Shares are outstanding, the Acquiring Fund will not, without the affirmative vote or consent of at least 66 2/3% of the holders of MTP Shares outstanding at the time, voting as a separate class, file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as the Acquiring Fund is solvent and does not foresee becoming insolvent.

Except as otherwise permitted by the terms of the Statement, so long as any MTP Shares are outstanding, the Acquiring Fund will not, without the affirmative vote or consent of the holders of at least a majority of the MTP Shares outstanding at the time, voting as a separate class, amend, alter or repeal the provisions of the appendix to the Statement relating to the MTP Shares, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power set forth in such appendix with respect to such MTP Shares or the holders thereof; provided, however, that

(i) a change in the capitalization of the Acquiring Fund as described under the heading **Issuance of Additional Preferred Shares** will not be considered to materially and adversely affect the rights and preferences of MTP Shares, and (ii) a division of an Preferred Share will be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the holders of the MTP Shares; and provided, further, that no amendment, alteration or repeal of the obligations of the Acquiring Fund to (x) pay the Term Redemption Price on the Term Redemption Date for the MTP Shares or (y) accumulate dividends at the Dividend Rate for the MTP Shares will be effected without, in each case, the prior unanimous vote or consent of the holders of the MTP Shares. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a MTP Share or the holder thereof unless such matter (i) alters or abolishes any preferential right of such MTP Share, or (ii) creates, alters or abolishes any right in respect of redemption of such MTP Share.

Under the terms of the Statement, unless a higher percentage is provided for in the Declaration of Trust of the Acquiring Fund, the affirmative vote of the holders of at least a majority of the outstanding shares of Preferred Shares, including the MTP Shares outstanding at the time, voting as a separate class, will be required to (i) approve any conversion of the Acquiring Fund from a closed-end to an open-end investment company, (ii) approve any plan of reorganization (as such term is defined in Section 2(a)(33) of the 1940 Act) adversely affecting such shares of Preferred Shares or (iii) approve any other action requiring a vote of security holders of the Acquiring Fund under Section 13(a) of the 1940 Act. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Shares means the vote at an annual or special meeting duly called of (i) 67% or more of such shares present at a meeting, if the holders of more than 50% of such shares are present or represented by proxy at such meeting, or (ii) more than 50% of such shares, whichever is less.

For purposes of determining any rights of the holders of MTP Shares to vote on any matter, whether such right is created by the Statement, by the provisions of the Declaration of Trust, by statute or otherwise, no holder of MTP Shares will be entitled to vote any MTP Shares, and no MTP Shares will be deemed to be outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case may be, the requisite Notice of Redemption with respect to such MTP Shares will have been given in accordance with the Statement, and the Redemption Price for the redemption of such MTP Shares will have been irrevocably deposited with the Redemption and Paying Agent for that purpose. No MTP Shares held by the Acquiring Fund will have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

Notwithstanding anything herein to the contrary, the Rating Agency Guidelines discussed below, as they may be amended from time to time by the respective Rating Agency, may be amended by the respective Rating Agency without the vote, consent or approval of the Acquiring Fund, the Board of the Acquiring Fund and any holder of MTP Shares, or any other shareholder of the Acquiring Fund.

Unless otherwise required by law or the Declaration of Trust, holders of MTP Shares will not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in the **Voting Rights** section of the Statement. The holders of MTP Shares will have no rights to cumulative voting. In the event that the Acquiring Fund fails to declare or pay any dividends on MTP Shares, the exclusive remedy of the holders will be the right to vote for additional trustees as discussed above; provided that the foregoing does not affect the obligation of the Acquiring

Fund to accumulate and, if permitted by applicable law and the Statement, pay dividends at the Default Rate as discussed above.

***Rating Agencies***

The Acquiring Fund will use commercially reasonable efforts to cause at least one Rating Agency to issue a credit rating with respect to MTP Shares for so long as such MTP Shares are outstanding (which credit rating may consist of a credit rating on the Preferred Shares generally or the Preferred Shares generally). Rating Agency means any of Moody's, S&P or Fitch, as designated by the Board from time to time to be a Rating Agency for purposes of the Statement. The Board has initially designated Moody's, S&P and Fitch to be Rating Agencies. The Acquiring Fund will use commercially reasonable efforts to comply with any applicable Rating Agency Guidelines. Rating Agency Guidelines are guidelines of any Rating Agency, as they may be amended or modified from time to time, compliance with which is required to cause such Rating Agency to continue to issue a rating with respect to MTP Shares for so long as such MTP Shares are outstanding. The Board may elect to terminate the designation of any Rating Agency previously designated by the Board to act as a Rating Agency for purposes of the Statement (provided that at least one Rating Agency continues to maintain a rating with respect to the MTP Shares), and may elect to replace any Rating Agency previously designated as a Rating Agency by the Board with any other Rating Agency not so designated at such time, if such replacement Rating Agency has at the time of such replacement (i) issued a rating for MTP Shares and (ii) entered into an agreement with the Acquiring Fund to continue to issue such rating subject to the Rating Agency's customary conditions. A copy of the current Rating Agency Guidelines will be provided to any holder of MTP Shares promptly upon request therefor made by such holder to the Acquiring Fund by writing the Acquiring Fund at 333 West Wacker Dr., Chicago, Illinois 60606.

***Issuance of Additional Preferred Shares***

So long as any MTP Shares are outstanding, the Acquiring Fund may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of senior securities of the Acquiring Fund representing stock under Section 18 of the 1940 Act, ranking on a parity with MTP Shares as to payment of dividends and distributions of assets upon dissolution, liquidation or the winding up of the affairs of the Acquiring Fund, including additional series of MTP Shares, and authorize, issue and sell additional shares of any such series of Preferred Shares then outstanding or so established and created, including additional MTP Shares, in each case in accordance with applicable law, provided that the Acquiring Fund will, immediately after giving effect to the issuance of such additional Preferred Shares and to its receipt and application of the proceeds thereof, including to the redemption of Preferred Shares with such proceeds, have Asset Coverage of at least 225%.

***Actions on Other than Business Days***

Unless otherwise provided herein or in the Statement, if the date for making any payment, performing any act or exercising any right is not a Business Day, such payment will be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount will accrue for the period between such nominal date and the date of payment.

**Modification**

The Board, without the vote of the holders of MTP Shares, may interpret, supplement or amend the provisions of the Statement or any appendix thereto to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Preferred Shares of the Acquiring Fund.

**D. ADDITIONAL INFORMATION ABOUT THE INVESTMENT POLICIES**

**Comparison of the Investment Objectives and Policies of the Acquiring Fund and the Acquired Funds**

**General**

The Acquiring Fund and Acquired Funds have substantially similar investment objectives. The Acquiring Fund's primary investment objective is current income exempt from both regular federal income taxes and Connecticut personal income taxes, and its secondary investment objective is the enhancement of portfolio value relative to the Connecticut municipal bond market through investments in tax-exempt Connecticut municipal obligations that, in the opinion of the Fund's investment adviser or sub-adviser, are underrated or undervalued or that represent municipal market sectors that are undervalued. Each Acquired Fund's investment objectives are to provide current income exempt from regular federal and Connecticut income tax and to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Fund's investment adviser or sub-adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued. Each Fund's investment objectives are fundamental policies of the Fund, and may not be changed, without the approval of the holders of a majority of the outstanding common shares and preferred shares voting as a single class, and of the holders of a majority of the outstanding preferred shares voting as a separate class. For purposes of the Funds' objectives, policies and investment strategies, municipal bonds and municipal obligations are treated as municipal securities. Underrated municipal securities are those municipal securities whose ratings do not, in the Adviser's or sub-adviser's opinion, reflect their true value. They may be underrated because of the time that has elapsed since their last ratings, or because rating agencies have not fully taken into account positive factors, or for other reasons. Undervalued municipal securities are those securities that, in the Adviser's or sub-adviser's opinion, are worth more than their market value. They may be undervalued because there is a temporary excess of supply in that particular sector (such as hospital bonds, or bonds of a particular municipal issuer). The Adviser or sub-adviser may buy such a security even if the value of that security is consistent with the value of other securities in that sector. Municipal securities also may be undervalued because there has been a general decline in the market price of municipal securities for reasons that do not apply to the particular municipal securities that the Adviser or sub-adviser considers undervalued. The Adviser (or sub-adviser) believes that the prices of these municipal securities should ultimately reflect their true value.

Each Fund attempts to increase its portfolio value relative to the municipal bond market by prudent selection of municipal bonds regardless of the direction the market may move. There can be no assurance that a Fund's attempt to increase its portfolio value relative to the municipal bond market will succeed. To the extent that it does succeed, however, such success would increase the amount of

net capital gains or reduce the amount of net capital losses that a Fund would otherwise have realized. While this incremental increase in net realized gains due to successful value investing, if any, is expected to be modest over time, it would tend to result in the distribution, over time, of a modestly greater amount of taxable capital gains to common shareholders and preferred shareholders. See [Additional Information About the Funds](#) Federal Income Tax Matters Associated with Investment in the Funds.

### *Investment Policies*

The Acquiring Fund and Acquired Funds have substantially similar investment policies. Under normal circumstances, each Fund will invest at least 80% of its Managed Assets in municipal securities and other related investments, the income from which is exempt from regular federal and Connecticut income taxes. Under normal circumstances, each Fund will invest at least 80% of its Managed Assets in investment-grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by at least one NRSRO or are unrated but judged to be of comparable quality by the Fund's Adviser or sub-adviser. Each Fund may invest up to 20% of its Managed Assets in municipal securities that, at the time of investment, are rated below investment grade or unrated securities determined to be of comparable quality by the Adviser. Not more than 10% of a Fund's Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated and judged to be of comparable quality by the Adviser. Investment grade quality securities are securities rated within the four highest grades (Baa or BBB or better) by at least one of Moody's, S&P or Fitch, or unrated securities judged to be of comparable quality by the Fund's Adviser or sub-adviser.

The foregoing credit quality policy applies only at the time a security is purchased, and a Fund is not required to dispose of a security in the event that a Rating Agency subsequently downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, the Adviser or sub-adviser may consider such factors as its assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies. See [Proposal No. 2](#) [Additional Information About the Investment Policies](#) [Municipal Securities](#) below for a general description of the economic and credit characteristics of municipal securities.

Each Fund may enter into derivative instruments to achieve its investment objectives, enhance return, hedge certain risks of its investments in fixed income securities or as a substitute for a position in the underlying asset. Such instruments include financial futures contracts, swap contracts (including credit default swaps and interest rate swaps), options on financial futures, options on swap contracts, or other derivative instruments. A Fund may not enter into a futures contract or related options or forward contracts if more than 30% of the Fund's net assets would be represented by futures contracts or more than 5% of the Fund's net assets would be committed to initial margin deposits and premiums on future contracts or related options.

Each Fund may invest up to 15% of its net assets in inverse floating rate securities. Inverse floating rate securities represent a leveraged investment in the underlying municipal bond deposited. Inverse floating rate securities offer the opportunity for higher income than the underlying bond, but will subject a Fund to the risk of lower or even no income if short-term interest rates rise sufficiently. By investing in an inverse floating rate security rather than directly in the underlying bond, the Fund will experience a greater increase in its common net asset value if the underlying municipal bond increases in value, but will also experience a correspondingly larger decline in its common net asset value if the underlying bond declines in value. Each Fund may borrow for temporary or emergency

purposes, including to pay dividends, repurchase its shares, or clear portfolio transactions. Each Fund may also invest in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which the Fund may invest directly. See Proposal No. 2 Additional Information About the Investment Policies Other Investment Companies.

Dividend Advantage 2 is a non-diversified management investment company, while each other Acquired Fund and the Acquiring Fund are diversified management investment companies. Additionally, as a fundamental investment policy designed to limit investment risk and maintain portfolio diversification, Dividend Advantage may not invest more than 5% of its total assets in securities of any one issuer (not including securities of the U.S. Government and its agencies, or the investment of 50% of the Fund's total assets) while each other Acquired Fund and the Acquiring Fund may not invest more than 5% of its total assets in securities of any one issuer (not including securities of the U.S. Government and its agencies, or the investment of 25% of the Fund's total assets).

The Acquiring Fund is also subject to certain fundamental policies that do not apply to the Acquired Funds. The Acquiring Fund may not:

- 1) Pledge, mortgage or hypothecate its assets, except that, to secure borrowings permitted by the Fund's fundamental investment policy relating to borrowing for temporary or emergency purposes or for the repurchase of its shares, it may pledge securities having a market value at the time of pledge not exceeding 20% of the value of the Fund's total assets;
- 2) Invest more than 10% of its total assets in repurchase agreements maturing in more than seven days; and
- 3) Purchase or retain the securities of any issuer other than the securities of the Fund if, to the Fund's knowledge, those trustees of the Fund, or those officers and directors of the Adviser, who individually own beneficially more than 1/2 of 1% of the outstanding securities of such issuer, together own beneficially more than 5% of such outstanding securities.

During temporary defensive periods and in order to keep the Fund's cash fully invested, each Fund may invest up to 100% of its net assets in short-term investments including high quality, short-term securities that may be either tax exempt or taxable. It is the intent of each Fund to invest in taxable short-term investments only in the event that suitable tax-exempt short-term investments are not available at reasonable prices and yields. Investment in taxable short-term investments would result in a portion of your dividends being subject to regular federal income taxes.

### ***Portfolio Investments***

As used in this Joint Proxy Statement/Prospectus, the term municipal securities includes municipal securities with relatively short-term maturities. Some of these short-term securities may be variable or floating rate securities. The Funds, however, emphasize investments in municipal securities with long- or intermediate-term maturities. The Funds buy municipal securities with different maturities and intend to maintain an average portfolio maturity of 15 to 30 years, although this may be shortened depending on market conditions. If the long-term municipal security market is unstable, a Fund may temporarily invest up to 100% of its assets in temporary investments. Temporary

investments are high-quality, generally uninsured, short-term municipal securities that may either be tax-exempt or taxable. A Fund will buy taxable temporary investments only if suitable tax-exempt temporary investments are not available at reasonable prices and yields. The Funds will invest only in taxable temporary securities that are U.S. Government securities or corporate debt securities rated within the highest grade by Moody's, S&P or Fitch, and that mature within one year from the date of purchase or carry a variable or floating rate of interest. Each Fund's policies on securities ratings only apply when a Fund buys a security, and a Fund is not required to sell securities that have been downgraded. Each Fund also may invest in taxable temporary investments that are certificates of deposit from U.S. banks with assets of at least \$1 billion, or repurchase agreements. Each Fund seeks to allocate taxable income on temporary investments, if any, proportionately between common shares and preferred shares, based on the percentage of total dividends distributed to each class for that year.

### *Municipal Securities*

*General.* The Funds may invest in various municipal securities, including municipal bonds and notes, other securities issued to finance and refinance public projects, and other related securities and derivative instruments creating exposure to municipal bonds, notes and securities that provide for the payment of interest income that is exempt from federal and Connecticut income tax. Municipal securities are generally debt obligations issued by state and local governmental entities and may be issued by U.S. territories to finance or refinance public projects such as roads, schools, and water supply systems. Municipal securities may also be issued for private activities, such as housing, medical and educational facility construction, or for privately owned transportation, electric utility and pollution control projects. Municipal securities may be issued on a long term basis to provide permanent financing. The repayment of such debt may be secured generally by a pledge of the full faith and credit taxing power of the issuer, a limited or special tax, or any other revenue source including project revenues, which may include tolls, fees and other user charges, lease payments, and mortgage payments. Municipal securities may also be issued to finance projects on a short-term interim basis, anticipating repayment with the proceeds on long-term debt. Municipal securities may be issued and purchased in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms including fixed coupon, variable rate, zero coupon, capital appreciation bonds, tender option bonds, and residual interest bonds or inverse floating rate securities; or acquired through investments in pooled vehicles, partnerships or other investment companies. Inverse floating rate securities are securities that pay interest at rates that vary inversely with changes in prevailing short-term tax-exempt interest rates and represent a leveraged investment in an underlying municipal security, which may increase the effective leverage of a Fund.

The municipal securities in which the Funds invest are generally issued by the State of Connecticut, a municipality of Connecticut, or a political subdivision of either, and pay interest that, in the opinion of bond counsel to the issuer (or on the basis of other authority believed by the Adviser to be reliable), is exempt from regular federal and Connecticut income taxes, although the interest may be subject to the federal alternative minimum tax and the Funds may invest in municipal securities issued by U.S. territories (such as Puerto Rico or Guam) that are exempt from regular federal and Connecticut income taxes.

Yields on municipal securities depend on many factors, including the condition of the general money market and the municipal security market, the size of a particular offering, and the maturity and rating of a particular municipal security. Moody's, S&P's and Fitch's ratings represent their opinions of the quality of a particular municipal security, but these ratings are general and are not absolute



quality standards. Therefore, municipal securities with the same maturity, coupon, and rating may have different yields, while municipal securities with the same maturity and coupon and different ratings may have the same yield. The market value of municipal securities will vary with changes in interest rates and in the ability of their issuers to make interest and principal payments.

Obligations of municipal security issuers are subject to bankruptcy, insolvency and other laws affecting the rights and remedies of creditors. These obligations also may be subject to future federal or state laws or referenda that extend the time to payment of interest and/or principal, or that constrain the enforcement of these obligations or the power of municipalities to levy taxes. Legislation or other conditions may materially affect the power of a municipal security issuer to pay interest and/or principal when due.

*Municipal Leases and Certificates of Participation.* Each Fund may purchase municipal securities that represent lease obligations and certificates of participation in such leases. These carry special risks because the issuer of the securities may not be obligated to appropriate money annually to make payments under the lease. A municipal lease is an obligation in the form of a lease or installment purchase that is issued by a state or local government to acquire equipment and facilities. Income from such obligations generally is exempt from state and local taxes in the state of issuance. Leases and installment purchase or conditional sale contracts (which normally provide for title to the leased asset to pass eventually to the governmental issuer) have evolved as a means for governmental issuers to acquire property and equipment without meeting the constitutional and statutory requirements for the issuance of debt. The debt issuance limitations are deemed to be inapplicable because of the inclusion in many leases or contracts of non-appropriation clauses that relieve the governmental issuer of any obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on a yearly or other periodic basis. In addition, such leases or contracts may be subject to the temporary abatement of payments in the event the issuer is prevented from maintaining occupancy of the leased premises or utilizing the leased equipment or facilities. Although the obligations may be secured by the leased equipment or facilities, the disposition of the property in the event of non-appropriation or foreclosure might prove difficult, time consuming and costly, and result in a delay in recovering, or the failure to recover fully, a Fund's original investment. To the extent that the Funds invest in unrated municipal leases or participates in such leases, the credit quality rating and risk of cancellation of such unrated leases will be monitored on an ongoing basis. In order to reduce this risk, the Funds purchase only municipal securities representing lease obligations where the Adviser believes the issuer has a strong incentive to continue making appropriations until maturity.

A certificate of participation represents an undivided interest in an unmanaged pool of municipal leases, an installment purchase agreement or other instruments. The certificates are typically issued by a municipal agency, a trust or other entity that has received an assignment of the payments to be made by the state or political subdivision under such leases or installment purchase agreements. Such certificates provide the Funds with the right to a pro rata undivided interest in the underlying municipal securities. In addition, such participations generally provide the Funds with the right to demand payment, on not more than seven days' notice, of all or any part of the Funds' participation interest in the underlying municipal securities, plus accrued interest.

*Municipal Notes.* Municipal securities in the form of notes generally are used to provide for short-term capital needs, in anticipation of an issuer's receipt of other revenues or financing, and typically have maturities of up to three years. Such instruments may include tax anticipation notes,

revenue anticipation notes, bond anticipation notes, tax and revenue anticipation notes and construction loan notes. Tax anticipation notes are issued to finance the working capital needs of governments. Generally, they are issued in anticipation of various tax revenues, such as income, sales, property, use and business taxes, and are payable from these specific future taxes. Revenue anticipation notes are issued in expectation of receipt of other kinds of revenue, such as federal revenues available under federal revenue-sharing programs. Bond anticipation notes are issued to provide interim financing until long-term bond financing can be arranged. In most cases, the long-term bonds then provide the funds needed for repayment of the bond anticipation notes. Tax and revenue anticipation notes combine the funding sources of both tax anticipation notes and revenue anticipation notes. Construction loan notes are sold to provide construction financing. Mortgage notes insured by the Federal Housing Authority secure these notes; however, the proceeds from the insurance may be less than the economic equivalent of the payment of principal and interest on the mortgage note if there has been a default. The anticipated revenues from taxes, grants or bond financings generally secure the obligations of an issuer of municipal notes. An investment in such instruments, however, presents a risk that the anticipated revenues will not be received or that such revenues will be insufficient to satisfy the issuer's payment obligations under the notes or that refinancing will be otherwise unavailable.

*Pre-Refunded Municipal Securities.* The principal of, and interest on, pre-refunded municipal securities are no longer paid from the original revenue source for the securities. Instead, the source of such payments is typically an escrow fund consisting of U.S. Government securities. The assets in the escrow fund are derived from the proceeds of refunding bonds issued by the same issuer as the pre-refunded municipal securities. Issuers of municipal securities use this advance refunding technique to obtain more favorable terms with respect to securities that are not yet subject to call or redemption by the issuer. For example, advance refunding enables an issuer to refinance debt at lower market interest rates, restructure debt to improve cash flow or eliminate restrictive covenants in the indenture or other governing instrument for the pre-refunded municipal securities. However, except for a change in the revenue source from which principal and interest payments are made, the pre-refunded municipal securities remain outstanding on their original terms until they mature or are redeemed by the issuer.

*Private Activity Bonds.* Private activity bonds, formerly referred to as industrial development bonds, are issued by or on behalf of public authorities to obtain funds to provide privately operated housing facilities, airport, mass transit or port facilities, sewage disposal, solid waste disposal or hazardous waste treatment or disposal facilities and certain local facilities for water supply, gas or electricity. Other types of private activity bonds, the proceeds of which are used for the construction, equipment, repair or improvement of privately operated industrial or commercial facilities, may constitute municipal securities, although the current federal tax laws place substantial limitations on the size of such issues.

*Inverse Floating Rate Securities.* Inverse floating rate securities (sometimes referred to as inverse floaters) are securities whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. Generally, inverse floating rate securities represent beneficial interests in a special purpose trust formed by a third-party sponsor for the purpose of holding municipal bonds. The special purpose trust typically sells two classes of beneficial interests or securities: floating rate securities (sometimes referred to as short-term floaters or tender option bonds) and inverse floating rate securities (sometimes referred to as inverse floaters or residual interest securities). Both classes of beneficial interests are represented by certificates. The short-term floating rate securities have first priority on the cash flow from the municipal bonds held by the special purpose trust. Typically, a third party, such as a bank, broker-dealer or other financial institution, grants the floating rate security

holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees.

The holder of the short-term floater effectively holds a demand obligation that bears interest at the prevailing short-term, tax-exempt rate. However, the institution granting the tender option will not be obligated to accept tendered short-term floaters in the event of certain defaults or a significant downgrade in the credit rating assigned to the bond issuer. For its inverse floating rate investment, each Fund receives the residual cash flow from the special purpose trust. Because the holder of the short term floater is generally assured liquidity at the face value of the security, a Fund as the holder of the inverse floater assumes the interest rate cash flow risk and the market value risk associated with the municipal bond deposited into the special purpose trust. The volatility of the interest cash flow and the residual market value will vary with the degree to which the trust is leveraged. This is expressed in the ratio of the total face value of the short-term floaters in relation to the value of the inverse floaters that are issued by the special purpose trust, and can exceed three times for more highly leveraged trusts. All voting rights and decisions to be made with respect to any other rights relating to the municipal bonds held in the special purpose trust are passed through to the Funds, as the holder of the residual inverse floating rate securities.

Because increases in the interest rate on the short-term floaters reduce the residual interest paid on inverse floaters, and because fluctuations in the value of the municipal bond deposited in the special purpose trust affect the value of the inverse floater only, and not the value of the short-term floater issued by the trust, inverse floaters value is generally more volatile than that of fixed rate bonds. The market price of inverse floating rate securities is generally more volatile than the underlying bonds due to the leveraging effect of this ownership structure. These securities generally will underperform the market of fixed rate bonds in a rising interest rate environment (*i.e.*, when bond values are falling), but tend to out-perform the market of fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, inverse floaters typically offer the potential for yields higher than those available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Inverse floaters have varying degrees of liquidity or illiquidity based upon the ability to sell the underlying bonds deposited in a special purpose trust at an attractive price.

Each Fund may invest in inverse floating rate securities issued by special purpose trusts whose sponsors have recourse to the Fund pursuant to a separate shortfall and forbearance agreement. Such an agreement would require a Fund to reimburse the third-party sponsor of the trust, upon termination of the trust issuing the inverse floater, for the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate securities issued by the trust. A Fund will enter into such a recourse agreement (i) when the liquidity provider with respect to the floating rate securities issued by the special purpose trust requires such a recourse agreement because the level of leverage in the special purpose trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. In an instance where a Fund has entered such a recourse agreement, the Fund may suffer a loss that exceeds the amount of its original investment in the inverse floating rate securities; such loss could be as great as that original investment amount plus the face amount of the floating rate securities issued by the trust.

Each Fund will segregate or earmark liquid assets with its custodian in accordance with the 1940 Act to cover its obligations with respect to its investments in special purpose trusts.

The Funds invest in both inverse floating rate securities and floating rate securities (as discussed below) issued by the same special purpose trust.

**Floating Rate Securities.** The Funds may also invest in floating rate securities, as described above, issued by special purpose trusts. Floating rate securities may take the form of short-term floating rate securities or the option period may be substantially longer. Generally, the interest rate earned will be based upon the market rates for municipal securities with maturities or remarketing provisions that are comparable in duration to the periodic interval of the tender option, which may vary from weekly, to monthly, to extended periods of one year or multiple years. Since the option feature has a shorter term than the final maturity or first call date of the underlying bond deposited in the trust, a Fund as the holder of the floating rate securities relies upon the terms of the agreement with the financial institution furnishing the option as well as the credit strength of that institution. As further assurance of liquidity, the terms of the trust provide for a liquidation of the municipal bond deposited in the trust and the application of the proceeds to pay off the floating rate securities. The trusts that are organized to issue both short-term floating rate securities and inverse floaters generally include liquidation triggers to protect the investor in the floating rate securities.

**Special Taxing Districts.** Special taxing districts are organized to plan and finance infrastructure developments to induce residential, commercial and industrial growth and redevelopment. The bond financing methods such as tax increment finance, tax assessment, special services district and Mello-Roos bonds, are generally payable solely from taxes or other revenues attributable to the specific projects financed by the bonds without recourse to the credit or taxing power of related or overlapping municipalities. They often are exposed to real estate development-related risks and can have more taxpayer concentration risk than general tax-supported bonds, such as general obligation bonds.

Further, the fees, special taxes, or tax allocations and other revenues that are established to secure such financings are generally limited as to the rate or amount that may be levied or assessed and are not subject to increase pursuant to rate covenants or municipal or corporate guarantees. The bonds could default if development failed to progress as anticipated or if larger taxpayers failed to pay the assessments, fees and taxes as provided in the financing plans of the districts.

#### ***When-Issued and Delayed-Delivery Transactions***

Each Fund may buy and sell municipal securities on a when-issued or delayed-delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. This type of transaction may involve an element of risk because no interest accrues on the bonds prior to settlement and, because bonds are subject to market fluctuations, the value of the bonds at time of delivery may be less (or more) than cost. A separate account of each Fund will be established with its custodian consisting of cash, cash equivalents, or liquid securities having a market value at all times at least equal to the amount of the commitment.

#### ***Zero Coupon Bonds***

A zero coupon bond is a bond that does not pay interest either for the entire life of the obligation or for an initial period after the issuance of the obligation. When held to its maturity, its return comes from the difference between the purchase price and its maturity value. A zero coupon bond is normally issued and traded at a deep discount from face value. Zero coupon bonds allow an

issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently or in cash. A Fund would be required to distribute the income on any of these instruments as it accrues, even though the Fund will not receive all of the income on a current basis or in cash. Thus, a Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to its shareholders.

#### *Structured Notes*

Each Fund may utilize structured notes and similar instruments for investment purposes and also for hedging purposes. Structured notes are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an embedded index), such as selected securities, an index of securities or specified interest rates, or the differential performance of two assets or markets. The terms of such structured instruments normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but not ordinarily below zero) to reflect changes in the embedded index while the structured instruments are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending upon a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index or indices or other assets. Application of a multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss. These types of investments may generate taxable income.

#### *Derivatives*

Each Fund may invest in certain derivative instruments in pursuit of its investment objectives. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts or other derivative instruments. In particular, a Fund may use credit default swaps and interest rate swaps. Credit default swaps may require initial premium (discount) payments as well as periodic payments (receipts) related to the interest leg of the swap or to the default of a reference obligation. If a Fund is a seller of a contract, the Fund would be required to pay the par (or other agreed upon) value of a referenced debt obligation to the counterparty in the event of a default or other credit event by the reference issuer, such as a U.S. or foreign corporate issuer, with respect to such debt obligations. In return, such Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, such Fund would keep the stream of payments and would have no payment obligations. As the seller, a Fund would be subject to investment exposure on the notional amount of the swap. If a Fund is a buyer of a contract, the Fund would have the right to deliver a referenced debt obligation and receive the par (or other agreed-upon) value of such debt obligation from the counterparty in the event of a default or other credit event (such as a credit downgrade) by the reference issuer, such as a U.S. or foreign corporation, with respect to its debt obligations. In return, such Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the counterparty would keep the stream of payments and would have no further obligations to such Fund. Interest rate swaps involve the exchange by a Fund with a counterparty of their respective commitments to pay or receive interest, such as an exchange of fixed-rate payments for floating rate payments. A Fund will usually enter into interest rate swaps on a net basis; that is, the two payment

streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments.

The Adviser may use derivative instruments to seek to enhance return, to hedge some of the risk of each Fund's investments in municipal securities or as a substitute for a position in the underlying asset. These types of strategies may generate taxable income.

There is no assurance that these derivative strategies will be available at any time or that the Adviser will determine to use them for a Fund or, if used, that the strategies will be successful.

#### ***Other Investment Companies***

Each Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds (ETFs)) that invest primarily in municipal securities of the types in which the Fund may invest directly. In addition, each Fund may invest a portion of its Managed Assets in pooled investment vehicles (other than investment companies) that invest primarily in municipal securities of the types in which the Fund may invest directly. Each Fund generally expects that it may invest in other investment companies and/or other pooled investment vehicles either during periods when it has large amounts of uninvested cash or during periods when there is a shortage of attractive, high-yielding municipal securities available in the market. Each Fund may invest in investment companies that are advised by the Adviser or its affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC. As a shareholder in an investment company, a Fund will bear its ratable share of that investment company's expenses and would remain subject to payment of the Fund's advisory and administrative fees with respect to assets so invested. Common shareholders would therefore be subject to duplicative expenses to the extent a Fund invests in other investment companies.

The Adviser will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available municipal security investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to the same leverage risks described herein. The net asset value and market value of leveraged shares will be more volatile, and the yield to common shareholders will tend to fluctuate more than the yield generated by unleveraged shares.

#### ***Investment Portfolio and Capital Structure Strategies to Manage Leverage Risk***

Common shareholders of each Fund are subject to the risks of leverage primarily in the form of additional common share earnings and net asset value risk, associated with a Fund's use of financial leverage in the form of preferred shares or inverse floating rate securities.

In an effort to mitigate these risks, each Fund and the Adviser seek to maintain the Fund's financial leverage within an established range, and to rebalance leverage levels if the Fund's leverage ratio moves outside this range to a meaningful degree for a persistent period of time. A Fund may rebalance leverage levels in one or more ways, including by increasing/reducing the amount of leverage outstanding and issuing/repurchasing common shares. Reducing leverage may require a Fund to raise cash through the sale of portfolio securities at times and/or at prices that would otherwise be unattractive for the Fund. Each Fund may also seek to diversify its capital structure and the risks associated with leverage by employing multiple forms of leverage. Each Fund and the Adviser will

weigh the relative potential benefits and risks as well as the costs associated with a particular action, and will take such action only if it determines that on balance the likely potential benefits outweigh the associated risks and costs.

Because the long-term municipal securities in which a Fund invests generally pay fixed rates of interest while the Fund's costs of leverage generally fluctuate with short-term yields, common shareholders bear incremental earnings risk from leverage.

#### *Hedging Strategies*

Each Fund may use various investment strategies designed to limit the risk of bond price fluctuations and to preserve capital. These hedging strategies include using credit default swaps, interest rate swaps on taxable or tax-exempt indices, forward start interest rate swaps and options on interest rate swaps, financial futures contracts, options on financial futures or options based on either an index of long-term municipal securities or on taxable debt securities whose prices, in the opinion of the Adviser, correlate with the prices of a Fund's investments. These hedging strategies may generate taxable income.

**The Board of each Fund recommends that shareholders vote FOR the approval of the Reorganization.**

#### **PROPOSAL NO. 3 APPROVAL OF ISSUANCE OF ADDITIONAL COMMON SHARES OF ACQUIRING FUND (ACQUIRING FUND SHAREHOLDERS ONLY)**

In connection with the proposed Reorganizations, the Acquiring Fund will issue additional Acquiring Fund Common Shares and, subject to notice of issuance list such shares on the NYSE and will issue additional Acquiring Fund MTP Shares and, subject to notice of issuance list such shares on the NYSE. The Acquiring Fund will acquire substantially all of the assets of each Acquired Fund in exchange for newly issued Acquiring Fund Common Shares and newly issued Acquiring Fund MTP Shares and the assumption of substantially all of the liabilities of each Acquired Fund. Each Acquired Fund will distribute Acquiring Fund Common Shares to its common shareholders and Acquiring Fund MTP Shares to its preferred shareholders and will then terminate its registration under the 1940 Act and dissolve under applicable state law. The Acquiring Fund's Board, based upon its evaluation of all relevant information, anticipates that the Reorganizations may benefit holders of the Acquiring Fund's common shares and preferred shares due to the increased size of the combined Fund.

The aggregate net asset value of Acquiring Fund Common Shares received in each Reorganization will equal the aggregate net asset value of the Acquired Fund's common shares held immediately prior to such Reorganization. Prior to the closing of the Reorganizations, the net asset value of each Acquired Fund and the Acquiring Fund will be reduced by the costs of the Reorganization borne by such Fund. No fractional Acquiring Fund Common Shares will be issued to an Acquired Fund's shareholders and, in lieu of such fractional shares, an Acquired Fund's shareholders will receive cash in an amount equal to the value received for such shares in the open market, which may be higher or lower than net asset value. The aggregate liquidation preference of Acquiring Fund MTP Shares received in each Reorganization will equal the aggregate liquidation preference of the Acquired Fund's MTP Shares held immediately prior to the Reorganization. The

Reorganizations will result in no reduction in net asset value of the Acquiring Fund's common shares, other than to reflect the costs of the Reorganization. No gain or loss will be recognized by the Acquiring Fund for federal income tax purposes as a direct result of the Reorganizations. The Acquiring Fund will continue to operate as a registered closed-end management investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus.

While applicable state and federal law does not require the common shareholders of the Acquiring Fund to approve the issuance of additional Acquiring Fund Common Shares, applicable NYSE rules and the Statement require the common shareholders and preferred shareholders of the Acquiring Fund to approve the issuance of additional Acquiring Fund Common Shares to be issued in connection with the Reorganizations.

Shareholder approval of the issuance of additional Acquiring Fund Common Shares requires the affirmative vote of a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the shares entitled to vote on the matter. Abstentions and broker non-votes will have no effect on the proposal. Broker non-votes are shares held by brokers or nominees for which the brokers or nominees have executed proxies as to which (i) the broker or nominee does not have discretionary voting power and (ii) the broker or nominee has not received instructions from the beneficial owner or other person who is entitled to instruct how the shares will be voted.

The consummation of the Reorganizations is contingent on the satisfaction or waiver of all closing conditions including approval of the proposals relating to the Reorganizations by each Acquired Fund's shareholders.

**The Board of the Acquiring Fund recommends that shareholders of the Acquiring Fund vote FOR the approval of the issuance of additional Acquiring Fund Common Shares in connection with the Reorganizations.**

#### **ADDITIONAL INFORMATION ABOUT THE FUNDS**

##### **Certain Provisions in the Acquiring Fund's Declaration of Trust and By-Laws**

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Acquiring Fund. However, the Acquiring Fund Declaration of Trust contains an express disclaimer of shareholder liability for debts or obligations of the Fund and requires that notice of such limited liability be given in each agreement, obligation or instrument entered into or executed by the Fund or the trustees. The Acquiring Fund's Declaration of Trust further provides for indemnification out of the assets and property of the Fund for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Acquiring Fund would be unable to meet its obligations. The Acquiring Fund believes that the likelihood of such circumstances is remote.

The Acquiring Fund Declaration of Trust includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or to convert the Fund to open-end status. Specifically, the Acquiring Fund Declaration of Trust requires a vote by holders of at least two-thirds of the common shares and Preferred Shares, voting as a single class, except as described below, to



authorize (1) a conversion of the Fund from a closed-end to an open-end investment company, (2) a merger or consolidation of the Fund, or a series or class of the Fund, with any corporation, association, trust or other organization or a reorganization or recapitalization of the Fund, or a series or class of the Fund, (3) a sale, lease or transfer of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), (4) in certain circumstances, a termination of the Fund, or a series or class of the Fund, or (5) a removal of trustees by shareholders, and then only for cause, unless, with respect to (1) through (4), such transaction has already been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Acquiring Fund Declaration of Trust or the Acquiring Fund's By-Laws, in which case the affirmative vote of the holders of at least a majority of the Fund's common shares and Preferred Shares outstanding at the time, voting as a single class, is required, provided, however, that, where only a particular class or series is affected (or, in the case of removing a trustee, when the trustee has been elected by only one class), only the required vote by the applicable class or series will be required. In the case of the conversion of the Acquiring Fund to an open-end investment company, or in the case of any of the foregoing transactions constituting a plan of reorganization which adversely affects the holders of Preferred Shares, the action in question will also require the affirmative vote of the holders of at least two-thirds of the Acquiring Fund's Preferred Shares outstanding at the time, voting as a separate class, or, if such action has been authorized by the affirmative vote of two-thirds of the total number of trustees fixed in accordance with the Acquiring Fund Declaration of Trust or the Acquiring Fund's By-Laws, the affirmative vote of the holders of at least a majority of the Acquiring Fund's Preferred Shares outstanding at the time, voting as a separate class. None of the foregoing provisions may be amended except by the vote of at least two-thirds of the common shares and Preferred Shares, voting as a single class. The votes required to approve the conversion of the Acquiring Fund from a closed-end to an open-end investment company or to approve transactions constituting a plan of reorganization which adversely affects the holders of Preferred Shares are higher than those required by the 1940 Act. The Acquiring Fund's Board believes that the provisions of the Acquiring Fund Declaration of Trust relating to such higher votes are in the best interest of the Acquiring Fund.

The Declaration of Trust provides that the obligations of the Acquiring Fund are not binding upon the Fund's trustees individually, but only upon the assets and property of the Fund, and that the trustees shall not be liable for errors of judgment or mistakes of fact or law. Nothing in the Acquiring Fund Declaration of Trust, however, protects a trustee against any liability to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

In addition, the By-laws require the Board be divided into three classes with staggered terms. See the Reorganization SAI under Management of the Funds. This provision of the By-laws could delay for up to two years the replacement of a majority of the Board. Holders of Preferred Shares, voting as a separate class, are entitled to elect two of the Fund's trustees.

The provisions of the Acquiring Fund Declaration of Trust and By-laws described above could have the effect of depriving the common shareholders of opportunities to sell their common shares at a premium over the then-current market price of the common shares by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of the Acquiring Fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund's investment objectives and policies. The Acquiring Fund's Board has

considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund.

The Acquiring Fund Declaration of Trust provides that common shareholders shall have no right to acquire, purchase or subscribe for any shares or securities of the Fund, other than such right, if any, as the Fund's Board in its discretion may determine. As of the date of this Joint Proxy Statement/Prospectus, no preemptive rights have been granted by the Board.

Reference should be made to the Acquiring Fund's Declaration of Trust on file with the SEC for the full text of these provisions.

#### **Repurchase of Common Shares; Conversion to Open-End Fund**

Each Fund is a closed-end management investment company, and as such its shareholders will not have the right to cause the Fund to redeem their shares. Instead, the common shares of each Fund trade in the open market at a price that is a function of several factors, including dividend levels (which are in turn affected by expenses), net asset value, call protection, dividend stability, portfolio credit quality, relative demand for and supply of such shares in the market, general market and economic conditions and other factors. Because shares of closed-end management investment companies may frequently trade at prices lower than net asset value, each Fund's Board has currently determined that, at least annually, it will consider action that might be taken to reduce or eliminate any material discount from net asset value in respect of common shares, which may include the repurchase of such shares in the open market or in private transactions, the making of a tender offer for such shares at net asset value, or the conversion of the Fund to an open-end investment company. Neither the Acquiring Fund nor any of the Acquired Funds can assure you that its Board will decide to take any of these actions, or that share repurchases or tender offers will actually reduce market discount.

If a Fund converted to an open-end investment company, it would be required to redeem all Preferred Shares then outstanding (requiring in turn that it liquidate a portion of its investment portfolio), and the common shares would no longer be listed on the NYSE. In contrast to a closed-end management investment company, shareholders of an open-end management investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less any redemption charge that is in effect at the time of redemption. See Certain Provisions in the Acquiring Fund's Declaration of Trust and By-Laws above for a discussion of the voting requirements applicable to the conversion of a Fund to an open-end management investment company.

Before deciding whether to take any action if the common shares trade below net asset value, the Board would consider all relevant factors, including the extent and duration of the discount, the liquidity of a Fund's portfolio, the impact of any action that might be taken on the Fund or its shareholders, and market considerations. Based on these considerations, even if a Fund's shares should trade at a discount, the Board may determine that, in the interest of the Fund, no action should be taken. See the Reorganization SAI under Repurchase of Common Shares; Conversion to Open-End Fund for a further discussion of possible action to reduce or eliminate such discount to net asset value.

**Custodian, Transfer Agent, Dividend Disbursing Agent and Redemption Agent**

The custodian of the assets of each Fund is State Street Bank and Trust Company ( State Street ), One Lincoln Street, Boston, Massachusetts 02110. The custodian performs custodial, fund accounting and portfolio accounting services. Each Fund s transfer, shareholder services and dividend disbursing agent and redemption and paying agent is also State Street, 250 Royall Street, Canton, Massachusetts 02021. State Street has subcontracted the transfer agency servicing of each Fund to Computershare, Inc.

**Federal Income Tax Matters Associated with Investment in the Funds**

The following information is meant as a general summary of certain federal income tax matters for U.S. shareholders. Please see the Reorganization SAI for additional information. Investors should rely on their own tax adviser for advice about the particular federal, state and local tax consequences to them of investing in the Funds. Each Fund has elected to be treated and intends to qualify each year (including the taxable year in which the Reorganization occurs) as a regulated investment company ( RIC ) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code ). In order to qualify as a RIC, each Fund must satisfy certain requirements regarding the sources of its income, the diversification of its assets and the distribution of its income. As a RIC, each Fund is not expected to be subject to federal income tax on the income and gains it distributes to its shareholders. The Funds primarily invest in municipal securities issued by Connecticut, its cities and local authorities. Thus, substantially all of a Fund s dividends paid to you should qualify as exempt-interest dividends. A shareholder treats an exempt-interest dividend as interest on state and local bonds exempt from regular federal income tax. Federal income tax law imposes an alternative minimum tax with respect to corporations, individuals, trusts and estates. Interest on certain municipal obligations, such as certain private activity bonds, is included as an item of tax preference in determining the amount of a taxpayer s alternative minimum taxable income. To the extent that a Fund receives income from such municipal obligations, a portion of the dividends paid by the Fund, although exempt from regular federal income tax, will be taxable to shareholders to the extent that their tax liability is determined under the federal alternative minimum tax. Each Fund will annually provide a report indicating the percentage of the Fund s income attributable to municipal obligations subject to the federal alternative minimum tax. Corporations are subject to special rules in calculating their federal alternative minimum taxable income with respect to interest from such municipal obligations.

In addition to exempt-interest dividends, a Fund may also distribute to its shareholders amounts that are treated as long-term capital gain or ordinary income (which may include short-term capital gains). These distributions may be subject to federal, state and local taxation, depending on a shareholder s situation. If so, they are taxable whether or not such distributions are reinvested. Net capital gain distributions (the excess of net long-term capital gain over net short-term capital loss) are generally taxable at rates applicable to long-term capital gains regardless of how long a shareholder has held its shares. Long-term capital gains are currently taxable to noncorporate shareholders at a maximum federal income tax rate of 15%. Absent further legislation, the maximum 15% rate on long-term capital gains will cease to apply to taxable years beginning after December 31, 2012. Each Fund does not expect that any part of its distributions to shareholders from its investments will qualify for the dividends-received deduction available to corporate shareholders or as qualified dividend income available to noncorporate shareholders.

As a RIC, each Fund will not be subject to federal income tax in any taxable year provided that it meets certain distribution requirements. Each Fund may retain for investment some (or all) of its net capital gain. If a Fund retains any net capital gain or investment company taxable income, it will be subject to tax at regular corporate rates on the amount retained. If a Fund retains any net capital gain, it may designate the retained amount as undistributed capital gains in a notice to its shareholders who, if subject to federal income tax on long-term capital gains, (i) will be required to include in income for federal income tax purposes, as long-term capital gain, their share of such undistributed amount; (ii) will be entitled to credit their proportionate shares of the federal income tax paid by the Fund on such undistributed amount against their federal income tax liabilities, if any; and (iii) may claim refunds to the extent the credit exceeds such liabilities. For federal income tax purposes, the basis of shares owned by a shareholder of the Fund will be increased by an amount equal to the difference between the amount of undistributed capital gains included in the shareholder's gross income and the tax deemed paid by the shareholder under clause (ii) of the preceding sentence.

The IRS currently requires that a RIC that has two or more classes of stock allocate to each such class proportionate amounts of each type of its income (such as exempt interest, ordinary income and capital gains). Accordingly, each Fund designates dividends made with respect to the common shares and the Preferred Shares as consisting of particular types of income (e.g., exempt interest, net capital gain and ordinary income) in accordance with each class' proportionate share of the total dividends paid by the Fund during the year.

Dividends declared by a Fund to shareholders of record in October, November or December and paid during the following January may be treated as having been received by shareholders in the year the distributions were declared.

Each shareholder will receive an annual statement summarizing the shareholder's dividend and capital gains distributions.

The redemption, sale or exchange of shares normally will result in capital gain or loss to shareholders who hold their shares as capital assets. Generally, a shareholder's gain or loss will be long-term capital gain or loss if the shares have been held for more than one year even though the increase in value in such shares is attributable to tax-exempt interest income. The gain or loss on shares held for one year or less will generally be treated as short-term capital gain or loss. Present law taxes both long-term and short-term capital gains of corporations at the same rates applicable to ordinary income. For non-corporate taxpayers, however, long-term capital gains are currently taxed at a maximum federal income tax rate of 15%, while short-term capital gains and other ordinary income are currently taxed at ordinary income rates. As noted above, absent further legislation, the maximum rates applicable to long-term capital gains will cease to apply to taxable years beginning after December 31, 2012. Any loss on the sale of shares that have been held for six months or less will be disallowed to the extent of any distribution of exempt-interest dividends received with respect to such shares. If a shareholder sells or otherwise disposes of shares before holding them for more than six months, any loss on the sale or disposition will be treated as a long-term capital loss to the extent of any net capital gain distributions received by the shareholder. Any loss realized on a sale or exchange of shares of a Fund will be disallowed to the extent those shares of the Fund are replaced by other substantially identical shares of the Fund or other substantially identical stock or securities (including through reinvestment of dividends) within a period of 61 days beginning 30 days before and ending 30 days after the date of disposition of the original shares. In that event, the basis of the replacement shares of the Fund will be adjusted to reflect the disallowed loss.

Any interest on indebtedness incurred or continued to purchase or carry a Fund's shares to which exempt-interest dividends are allocated is not deductible. Under certain applicable rules, the purchase or ownership of shares may be considered to have been made with borrowed funds even though such funds are not directly used for the purchase or ownership of the shares. In addition, if you receive Social Security or certain railroad retirement benefits, you may be subject to U.S. federal income tax on a portion of such benefits as a result of receiving investment income, including exempt-interest dividends and other distributions paid by a Fund.

If a Fund invests in certain pay-in-kind securities, zero coupon securities, deferred interest securities or, in general, any other securities with original issue discount (or with market discount if the Fund elects to include market discount in income currently), the Fund must accrue income on such investments for each taxable year, which generally will be prior to the receipt of the corresponding cash payments. However, a Fund must distribute to shareholders, at least annually, all or substantially all of its investment company taxable income (determined without regard to the deduction for dividends paid), including such accrued income, to qualify as a RIC and to avoid federal income and excise taxes. Therefore, a Fund may have to dispose of its portfolio securities under disadvantageous circumstances to generate cash, or may have to leverage itself by borrowing the cash, to satisfy these distribution requirements.

The Funds may hold or acquire municipal obligations that are market discount bonds. A market discount bond is a security acquired in the secondary market at a price below its redemption value (or its adjusted issue price if it is also an original issue discount bond). If a Fund invests in a market discount bond, it will be required to treat any gain recognized on the disposition of such market discount bond as ordinary taxable income to the extent of the accrued market discount.

As with all investment companies, each Fund may be required to withhold U.S. federal income tax at the current rate of 28% of all distributions (including exempt-interest dividends) and redemption proceeds payable to a shareholder if the shareholder fails to provide the Fund with his or her correct taxpayer identification number or to make required certifications, or if the shareholder has been notified by the IRS that he or she is subject to backup withholding. Backup withholding is not an additional tax; rather, it is a way in which the IRS ensures it will collect taxes otherwise due. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability.

#### **Net Asset Value**

Each Fund's net asset value per share is determined as of the close of the regular session trading (normally 4:00 p.m. Eastern time) on each day the NYSE is open for business. Net asset value is calculated by taking the market value of a Fund's total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing by the total number of shares outstanding. The result, rounded to the nearest cent, is the net asset value per share. All valuations are subject to review by such Fund's Board or its delegate.

In determining net asset value, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. The prices of municipal bonds are provided by a pricing service approved by such Fund's Board. 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 security, the Board of such Fund, or its designee, may establish fair market value using a wide variety of market data including yields or prices of municipal

bonds of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from securities dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant by the pricing service or the Board's designee.

#### Legal Opinions

Certain legal matters in connection with the issuance of common shares and preferred shares pursuant to the Agreement and Plan of Reorganization will be passed upon by Bingham McCutchen, LLP, Boston, Massachusetts.

#### Experts

The financial statements of the Acquiring Fund and the Acquired Funds appearing in each Fund's Annual Report for the year ended May 31, 2011 are incorporated by reference herein. The financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in such reports thereon and incorporated herein by reference. Such financial statements are incorporated by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing. Ernst & Young LLP provides auditing services to the Acquiring Fund and the Acquired Funds. The principal business address of Ernst & Young LLP is 155 North Wacker Drive, Chicago, Illinois 60606.

#### **PROPOSAL NO. 4 ELIMINATION OF FUNDAMENTAL POLICY AND APPROVAL OF NEW FUNDAMENTAL POLICY RELATING TO EACH FUND'S ABILITY TO MAKE LOANS (SHAREHOLDERS OF EACH FUND)**

Each Fund has adopted a fundamental investment policy relating to the Fund's ability to make loans (together, the Current Fundamental Policies, and each, a Current Fundamental Policy), that can be changed only by shareholder vote. The Current Fundamental Policy adopted by each Fund reflects industry and other market conditions present at the time of the inception of each Fund.

As a general matter, Nuveen's municipal closed-end funds are seeking to adopt a uniform set of investment policies (together, the New Investment Policies, and each, a New Investment Policy). Investment policies currently vary across otherwise-similar Nuveen municipal closed-end funds, reflecting evolving markets and guidelines as the different funds were launched over the past 20 years. As part of a continuing broader best practices initiative begun approximately three years ago, all Nuveen municipal closed-end funds, including the Funds, are seeking to adopt a uniform set of investment policies that reflect municipal market and regulatory developments over time.

The proposed New Investment Policy with respect to loans would permit the Funds to make loans to the extent permitted by securities laws. Among other things, this change is intended to provide each Fund the flexibility to make loans in circumstances where a municipal issuer is in distress, if the Adviser believes that doing so would both:

facilitate a timely workout of the issuer's situation in a manner that benefits the Fund; and

be or represent the best choice for reducing the likelihood or severity of loss on the Fund's investment.

Conforming and updating these investment policies is intended to benefit common shareholders by increasing portfolio manager efficiency and flexibility to take advantage of a wide range of appropriate opportunities in the municipal bond markets in pursuit of the Funds' investment objectives. Providing a Fund with the option of making loans to help facilitate a timely workout of a distressed issuer's situation merely provides the Fund with an additional tool to help preserve shareholder value and should not be viewed as a commentary on the state of the municipal bond market or as indicative of an immediate need or desire to make a loan to an issuer facing a credit workout situation.

In order to implement the New Investment Policy, each Fund must change its Current Fundamental Policy, which change requires your approval. In particular, shareholders must first approve the elimination of their Fund's Current Fundamental Policy as well as the implementation of the New Investment Policy.

The primary purposes of these changes are to provide the Funds with increased flexibility in diversifying portfolio risks and optimizing returns on current investments in order to pursue the preservation of and possible growth of capital which, if successful, will help to sustain and build net asset value, and to create consistent investment policies for all Nuveen municipal bond funds to promote operational efficiencies.

The Board has unanimously approved, and unanimously recommends, the approval by shareholders of each Fund, the elimination of the Current Fundamental Policy of each Fund and the New Investment Policy, described below.

**2. For Premium Income, Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3:**

(a) **Elimination of Fundamental Policy Relating to Making Loans:** Each Fund's Current Fundamental Policy with respect to making loans, which is proposed to be eliminated, provides that the respective Fund shall not: Make loans, other than by entering into repurchase agreements and through the purchase of [Municipal Obligations/municipal bonds] or [temporary/short-term] investments in accordance with its investment objectives, policies and limitations.

(b) **Approval of New Investment Policy Relating to Making Loans:** It is proposed that each Fund adopt a New Investment Policy with respect to making loans. The adoption of the following New Investment Policy for each Fund is contingent on shareholder approval of the elimination of that Fund's Current Fundamental Policy with respect to making loans, as reflected in 2(a) above. The proposed New Investment Policy provides that each Fund shall not: Make loans, except as permitted by, and exemptive orders granted under, the 1940 Act.

For each Fund, approval of the elimination of the Current Fundamental Policy and approval of the New Investment Policy require the affirmative vote of the holders of a majority of the Fund's common shares and preferred shares, voting as a single class, and of the preferred shares, voting as a separate class, which is defined as (i) 67% or more of the voting securities present at the Annual Meeting, if the holders of more than 50% of the outstanding voting securities are present or represented

by proxy; or (ii) more than 50% of the outstanding voting securities, whichever is less. Broker non-votes and abstentions will have the same effect as shares voted against the proposal. Broker non-votes are shares held by brokers or nominees for which the brokers or nominees have executed proxies as to which (i) the broker or nominee does not have discretionary voting power and (ii) the broker or nominee has not received instructions from the beneficial owner or other person who is entitled to instruct how the shares will be voted.

To the extent that shareholders of an Acquired Fund do not approve the proposals relating to the New Investment Policy but the Reorganizations are consummated, it is possible the Acquired Fund's shareholders will be subject to the New Investment Policy following the completion of the Reorganization even though they did not vote to approve the New Investment Policy. Conversely, if the shareholders of the Acquiring Fund do not approve the New Investment Policy, it is possible that shareholders of an Acquired Fund that approved the Reorganization and the New Investment Policy may not benefit from the New Investment Policy.

The Board believes that eliminating the Current Fundamental Policy and adopting the New Investment Policy gives the Adviser flexibility to rapidly respond to continuing developments in the municipal market and would enhance the portfolio managers' ability to meet each Fund's investment objectives. In addition, the Board believes that the proposed change will create consistent investment policies for all Nuveen municipal bond funds and will help to promote operational efficiencies.

**The Board recommends that shareholders of each Fund vote to approve the elimination of each Current Fundamental Policy and to approve each New Investment Policy.**

### GENERAL INFORMATION

#### Outstanding Shares of the Acquiring Fund and the Acquired Funds

The following table sets forth the number of outstanding common shares and Preferred Shares and certain other share information, of each Fund as of May 31, 2011.

(1) Title of Class	(2) Shares Authorized	(3) Shares Held by Fund for Its Own Account	(4) Shares Outstanding Exclusive of Shares Shown under (3)
<b>Acquiring Fund:</b>			
Common shares	Unlimited		5,365,029
Preferred shares	Unlimited		3,608,000
<b>Dividend Advantage:</b>			
Common shares	Unlimited		2,586,033
Preferred shares	Unlimited		2,047,000
<b>Dividend Advantage 2:</b>			
Common shares	Unlimited		2,320,177
Preferred shares	Unlimited		1,695,000
<b>Dividend Advantage 3:</b>			
Common shares	Unlimited		4,367,134
Preferred shares	Unlimited		3,200,000



The Acquiring Fund's common shares are listed and trade on the NYSE under the symbol NTC, and Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 common shares are listed and trade on the NYSE Amex under the symbols NFC, NGK and NKO. The Acquiring Fund's Preferred Shares are listed and trade on NYSE under the symbol NTC PrC and NTC PrD, and Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 Preferred Shares are listed and trade on the NYSE under the symbols NFC PrC, NGK PrC and NGO PrC.

**Shareholders of the Acquiring Fund and the Acquired Funds**

As of October 1, 2011, the trustees and officers of each Fund as a group owned less than 1% of the total outstanding shares common shares and less than 1% of the total outstanding Preferred Shares of that Fund.

The following chart lists each shareholder or group of shareholders who beneficially owned more than 5% of any class of shares for each Fund as of October 26, 2011\*:

Fund and Class	Shareholder Name and Address	Number of Shares Owned	Percentage Owned
Premium Income MuniFund Term Preferred Shares	Karpus Management, Inc., d/b/a Karpus Investment Management 183 Sully's Trail Pittsford, New York 14534	109,185	5.97%
Dividend Advantage 3 MuniFund Term Preferred Shares	Karpus Management, Inc., d/b/a Karpus Investment Management 183 Sully's Trail Pittsford, New York 14534	302,724	9.46%

\* The information contained in this table is based on Schedule 13G filings made on or before October 26, 2011.

**Audit Committee Report**

The Audit Committee of each Fund's Board is responsible for the oversight and monitoring of (1) the accounting and reporting policies, processes and practices, and the audit of the financial statements, of each Fund, (2) the quality and integrity of the Funds' financial statements and (3) the independent registered public accounting firm's qualifications, performance and independence. In its oversight capacity, the committee reviews each Fund's annual financial statements with both management and the independent registered public accounting firm and the committee meets periodically with the independent registered public accounting firm and internal auditors to consider their evaluation of each Fund's financial and internal controls. The committee also selects, retains and evaluates and may replace each Fund's independent registered public accounting firm. The committee is currently composed of five Independent Board Members and operates under a written charter adopted and approved by each Board. Each committee member meets the independence and experience requirements, as applicable, of the NYSE, NYSE Amex, Section 10A of the 1934 Act and the rules and regulations of the SEC.

The committee, in discharging its duties, has met with and held discussions with management and each Fund's independent registered public accounting firm. The committee has also reviewed and discussed the audited financial statements with management. Management has represented to the independent registered public accounting firm that each Fund's financial statements were prepared in accordance with generally accepted accounting principles. The committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards (SAS) No. 114 (The Auditor's Communication With Those Charged With Governance), which supersedes SAS No. 61 (Communication with Audit Committees). Each Fund's independent registered public accounting firm provided to the committee the written disclosure required by Public Company Accounting Oversight Board Rule 3526 (Communications with Audit Committees Concerning Independence), and the committee discussed with representatives of the independent registered public accounting firm their firm's independence. As provided in the Audit Committee Charter, it is not the committee's responsibility to determine, and the considerations and discussions referenced above do not ensure, that each Fund's financial statements are complete and accurate and presented in accordance with generally accepted accounting principles.

Based on the committee's review and discussions with management and the independent registered public accounting firm, the representations of management and the report of the independent registered public accounting firm to the committee, the committee has recommended that the audited financial statements be included in each Fund's Annual Report.

The current members of the committee are:

Robert P. Bremner

David J. Kundert

William J. Schneider

Carole E. Stone

Terence J. Toth

Each Fund's Board has appointed Ernst & Young LLP as independent registered public accounting firm of each Fund for its current fiscal year.

*Audit and Related Fees.* The following tables provide the aggregate fees billed during each Fund's last two fiscal years by each Fund's independent registered public accounting firm for engagements directly related to the operations and financial reporting of each Fund, including those relating (i) to each Fund for services provided to the Fund and (ii) to the Adviser and certain entities controlling, controlled by, or under common control with the Adviser that provide ongoing services to each Fund (Adviser Entities).

	Audit Fees <sup>(1)</sup>		Audit Related Fees <sup>(2)</sup>				Tax Fees <sup>(3)</sup>				All Other Fees <sup>(4)</sup>			
	Fund		Fund		Adviser and Adviser Entities		Fund		Adviser and Adviser Entities		Fund		Adviser and Adviser Entities	
	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2011
Premium Income	10,967	18,200	15,000	12,500	0	0	0	0	0	0	850	850	0	0
Dividend Advantage	9,120	18,200	12,500	0	0	0	0	0	0	0	850	0	0	0
Dividend Advantage 2	8,942	18,200	12,500	0	0	0	0	0	0	0	850	0	0	0
Dividend Advantage 3	10,412	18,200	15,000	0	0	0	0	0	0	0	850	0	0	0

(1) Audit Fees are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

- (2) **Audit Related Fees** are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under **Audit Fees**.
- (3) **Tax Fees** are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.
- (4) **All Other Fees** are the aggregate fees billed for products and services for agreed upon procedures engagements performed for leveraged funds.
- Non-Audit Fees.** The following tables provide the aggregate non-audit fees billed by each Fund's independent registered accounting firm for services rendered to each Fund, the Adviser and the Adviser Entities during each Fund's last two fiscal years.

	<b>Total Non-Audit Fees Billed to Adviser and Adviser Entities</b>				<b>Total Non-Audit Fees Billed to Adviser and Adviser Entities (All Other Engagements)</b>		<b>Total</b>	
	<b>Total Non-Audit Fees Billed to Fund</b>		<b>(Engagements Related Directly to the Operations and Financial Reporting of Fund)</b>					
	<b>Fiscal Year Ended 2010</b>	<b>Fiscal Year Ended 2011</b>	<b>Fiscal Year Ended 2010</b>	<b>Fiscal Year Ended 2011</b>	<b>Fiscal Year Ended 2010</b>	<b>Fiscal Year Ended 2011</b>	<b>Fiscal Year Ended 2010</b>	<b>Fiscal Year Ended 2011</b>
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
Premium Income	850	850	0	0	0	0	850	850
Dividend Advantage	850	0	0	0	0	0	850	0
Dividend Advantage 2	850	0	0	0	0	0	850	0
Dividend Advantage 3	850	0	0	0	0	0	850	0

**Audit Committee Pre-Approval Policies and Procedures.** Generally, the Audit Committee must approve each Fund's independent registered public accounting firm's engagements (i) with the Fund for audit or non-audit services and (ii) with the Adviser and Adviser Entities for non-audit services if the engagement relates directly to the operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent registered public accounting firm for each Fund and the Adviser and Adviser Entities (with respect to the operations and financial reporting of each Fund), such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee Chairman for his/her verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

The Audit Committee has approved in advance all audit services and non-audit services that the independent registered public accounting firm provided to each Fund and to the Adviser and Adviser Entities (with respect to the operations and financial reporting of each Fund). None of the services rendered by the independent registered public accounting firm to each Fund or the Adviser or Adviser Entities was pre-approved by the Audit Committee pursuant to the pre-approval exception under Rule 2-01(c)(7)(i)(C) or Rule 2-01(c)(7)(ii) of Regulation S-X.

### Section 16(a) Beneficial Interest Reporting Compliance

Section 30(h) of the 1940 Act and Section 16(a) of the 1934 Act require Board Members and officers, the Adviser, affiliated persons of the Adviser and persons who own more than 10% of a registered class of a Fund's equity securities to file forms reporting their affiliation with that Fund and reports of ownership and changes in ownership of that Fund's shares with the SEC and the NYSE or NYSE Amex, as applicable. These persons and entities are required by SEC regulation to furnish the Funds with copies of all Section 16(a) forms they file. Based on a review of these forms furnished to each Fund, each Fund believes that its Board Members and officers, the Adviser and affiliated persons of the Adviser have complied with all applicable Section 16(a) filing requirements during its last fiscal year. To the knowledge of management of the Funds, no shareholder of a Fund owns more than 10% of a registered class of a Fund's equity securities, except as provided above in the section entitled **Shareholder of the Acquiring Fund and Acquired Funds**.

### **Expenses of Proxy Solicitation**

The cost of preparing, printing and mailing the enclosed proxy, accompanying notice and proxy statement and all other costs in connection with the solicitation of proxies will be paid by the Funds pro rata based on the projected net benefit and cost savings to each Fund. Additional solicitation may be made by letter or telephone by officers or employees of Nuveen or the Adviser, or by dealers and their representatives. Any additional costs of solicitation will be paid by the Fund that requires additional solicitation.

### **Shareholder Proposals**

To be considered for presentation at the annual meeting of shareholders of the Funds to be held in 2012, shareholder proposals submitted pursuant to Rule 14a-8 under the 1934 Act must have been received at the offices of the Fund, 333 West Wacker Drive, Chicago, Illinois 60606, not later than July 7, 2012. A shareholder wishing to provide notice in the manner prescribed by Rule 14a-4(c)(1) of a proposal submitted outside of the process of Rule 14a-8 for the annual meeting must, pursuant to the Acquiring Fund's By-Laws, submit such written notice to the Acquiring Fund not later than September 22, 2012 or prior to September 22, 2012. Timely submission of a proposal does not mean that such proposal will be included in a proxy statement.

If all proposals are approved and the Reorganizations are consummated, the Acquired Funds will cease to exist and will not hold their 2012 Annual Meeting. If the Reorganizations are not approved or are not consummated, the Acquired Funds will hold their 2012 annual meeting of shareholders, expected to be held in November 2012.

### **Shareholder Communications**

Fund shareholders who want to communicate with the Board or any individual Board Member should write to the attention of Lorna Ferguson, Manager of Fund Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606. The letter should indicate that you are a Fund shareholder and note the Fund or Funds that you own. If the communication is intended for a specific Board Member and so indicates, it will be sent only to that Board Member. If a communication does not indicate a specific Board Member it will be sent to the Independent Chairman and the outside counsel to the Independent Board Members for further distribution as deemed appropriate by such persons.

### **Fiscal Year**

The fiscal year end for each Fund is May 31.

### **Annual Report Delivery**

Annual reports will be sent to shareholders of record of each Fund following each Fund's fiscal year end. Each Fund will furnish, without charge, a copy of its annual report and/or semi-annual report as available upon request. Such written or oral requests should be directed to such Fund at 333 West Wacker Drive, Chicago, Illinois 60606 or by calling 1-800-257-8787.

### **Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on December 16, 2011**

**Each Fund's Proxy Statement is available at <http://www.nuveenproxy.com/proxyinfo/CEF/Default.aspx>. For more information, shareholders may also contact the applicable Fund at the address and phone number set forth above.**

Please note that only one annual report or proxy statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or proxy statement, or for instructions as to how to request a separate copy of such documents or as to how to request a single copy if multiple copies of such documents are received, shareholders should contact the applicable Fund at the address and phone number set forth above.

#### **Other Information**

Management of the Funds does not intend to present and does not have reason to believe that others will present any items of business at the Annual Meetings, except as described in this Joint Proxy Statement/Prospectus. However, if other matters are properly presented at the meetings for a vote, the proxies will be voted upon such matters in accordance with the judgment of the persons acting under the proxies.

A list of shareholders of each Fund entitled to be present and to vote at the Annual Meetings will be available at the offices of the Funds, 333 West Wacker Drive, Chicago, Illinois, for inspection by any shareholder of the Funds during regular business hours for ten days prior to the date of the Annual Meetings.

A majority of the shares entitled to vote at each Annual Meeting, represented in person or by proxy, shall constitute a quorum for the transaction of business, except that for the election of the two Board member nominees to be elected by holders of Preferred Shares for each Fund, 33 1/3% of the shares present and entitled to vote, represented in person or by proxy, will constitute a quorum. In the absence of a quorum for a particular matter, business may proceed on any other matter or matters which may properly come before the Meeting if there shall be present, in person or by proxy, a quorum of shareholders in respect of such other matters. The chairman of the meeting may, whether or not a quorum is present, propose one or more adjournments of the Annual Meeting on behalf of a Fund without further notice to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares of the Fund present in person or by proxy and entitled to vote at the session of the Annual Meeting to be adjourned. Abstentions and broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum for transacting business at the Annual Meeting.

Broker-dealer firms holding shares in street name for the benefit of their customers and clients will request the instruction of such customers and clients on how to vote their shares on the proposals. The NYSE has taken the position that broker-dealers that are members of the NYSE and that have not received instructions from a customer prior to the date specified in the broker-dealers' request for voting instructions may not vote such customer's shares on the proposals other than the election of directors. A signed proxy card or other authorization by a beneficial owner of shares of a Fund that does not specify how the beneficial owner's shares are to be voted on a proposal may be deemed to be an instruction to vote such shares in favor of the proposal.

**IF YOU CANNOT BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

Kevin J. McCarthy

*Vice President and Secretary*

The Nuveen Funds

November 2, 2011

**APPENDIX A**

**AGREEMENT AND PLAN OF REORGANIZATION**

THIS AGREEMENT AND PLAN OF REORGANIZATION (the Agreement) is made as of this 31st day of October, 2011 by and among Nuveen Connecticut Premium Income Municipal Fund, a Massachusetts business trust (the Acquiring Fund), and each of Nuveen Connecticut Dividend Advantage Municipal Fund, a Massachusetts business trust (Dividend Advantage Fund), Nuveen Connecticut Dividend Advantage Municipal Fund 2, a Massachusetts business trust (Dividend Advantage Fund 2), Nuveen Connecticut Dividend Advantage Municipal Fund 3, a Massachusetts business trust (Dividend Advantage Fund 3) and together with Dividend Advantage Fund and Dividend Advantage Fund 2, each an Acquired Fund and collectively the Acquired Funds), and Nuveen Fund Advisors, Inc., the investment adviser to the Acquiring and Acquired Funds (the Adviser) (for purposes of Section 9.1 of the Agreement only). The Acquiring Fund and each Acquired Fund may be referred to collectively herein as the Funds.

For each Reorganization (as defined below), this Agreement is intended to be, and is adopted as, a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code), and the Treasury Regulations promulgated thereunder. The reorganization of each Acquired Fund into the Acquiring Fund will consist of: (i) the transfer of substantially all of the assets of the Acquired Fund to the Acquiring Fund in exchange solely for newly issued common shares, par value \$0.01 per share, of the Acquiring Fund (Acquiring Fund Common Shares) and newly issued MuniFund Term Preferred Shares (MTP Shares), with a par value of \$0.01 per share and liquidation preference of \$10 per share, as set forth in this Agreement (Acquiring Fund MTP Shares) and collectively with the Acquiring Fund Common Shares, Acquiring Fund Shares) and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund; and (ii) the distribution of all the Acquiring Fund Common Shares and Acquiring Fund MTP Shares to the holders of common shares and MTP Shares of the Acquired Fund, respectively, as part of the termination, dissolution and complete liquidation of the Acquired Fund as provided herein, all upon the terms and conditions set forth in this Agreement (each, a Reorganization and collectively, the Reorganizations).

WHEREAS, each Fund is a closed-end, management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act), and each Acquired Fund owns securities that generally are assets of the character in which the Acquiring Fund is permitted to invest;

WHEREAS, the Acquiring Fund is authorized to issue the Acquiring Fund Shares; and

WHEREAS, the Board of Trustees of the Acquiring Fund (the Acquiring Fund Board) has determined that the Reorganizations are in the best interests of the Acquiring Fund and that the interests of the existing shareholders of the Acquiring Fund will not be diluted as a result of the Reorganizations, and the Board of Trustees of each Acquired Fund (each an Acquired Fund Board) has determined that the applicable Reorganization is in the best interests of the respective Acquired Fund and that the interests of the existing shareholders of such Acquired Fund will not be diluted as a result of its Reorganization.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements hereinafter set forth, the parties hereto covenant and agree as follows:

#### ARTICLE I

#### **TRANSFER OF ASSETS OF EACH ACQUIRED FUND IN EXCHANGE FOR ACQUIRING FUND SHARES AND THE ASSUMPTION OF THE LIABILITIES OF EACH ACQUIRED FUND AND TERMINATION AND LIQUIDATION OF EACH ACQUIRED FUND**

1.1 **THE EXCHANGE.** Subject to the terms and conditions contained herein and on the basis of the representations and warranties contained herein, each Acquired Fund agrees to transfer substantially all of its assets, as set forth in Section 1.2, to the Acquiring Fund. In consideration therefor, the Acquiring Fund agrees: (i) to issue and deliver to each Acquired Fund the number of Acquiring Fund Common Shares computed in the manner set forth in Section 2.3, and the same number of Acquiring Fund MTP Shares as the number of MTP Shares of the Acquired Fund outstanding immediately prior to the Closing Date and having substantially identical terms to such Acquired Fund MTP Shares as of the Closing Date, and (ii) to assume substantially all of the liabilities of each Acquired Fund, if any, as set forth in Section 1.3. The Acquiring Fund MTP Shares shall be issued in multiple series as set forth in Exhibit A and shall be issued pursuant to, and be subject to, the terms and preferences set forth in the Statement Establishing and Fixing the Rights and Preferences of MuniFund Term Preferred Shares dated January 14, 2010. Such transactions shall take place at the closing provided for in Section 3.1 (each a Closing and collectively, the Closings).

1.2 **ASSETS TO BE TRANSFERRED.** Each Acquired Fund shall transfer all of its assets to the Acquiring Fund, including, without limitation, cash, securities, commodities, interests in futures, dividends or interest receivables owned by the Acquired Fund and any deferred or prepaid expenses shown as an asset on the books of the Acquired Fund on the Closing Date, except that the Acquired Fund shall retain assets sufficient to pay the preferred share dividend as set forth in Section 1.4 and its expenses as set forth in Article IX.

Each Acquired Fund will, within a reasonable period of time before the Closing Date, furnish the Acquiring Fund with a list of the Acquired Fund's portfolio securities and other investments. The Acquiring Fund will, within a reasonable period of time before the Closing Date, furnish each Acquired Fund with a list of the securities, if any, on the Acquired Fund's list referred to above that do not conform to the Acquiring Fund's investment objective, policies, and restrictions. Each Acquired Fund, if requested by the Acquiring Fund, will dispose of securities on the Acquiring Fund's list before the Closing Date. In addition, if it is determined that the portfolios of each Acquired Fund and the Acquiring Fund, when aggregated, would contain investments exceeding certain percentage limitations imposed upon the Acquiring Fund with respect to such investments, each Acquired Fund, if requested by the Acquiring Fund, will dispose of a sufficient amount of such investments as may be necessary to avoid violating such limitations as of the Closing Date. Notwithstanding the foregoing, nothing herein will require any Acquired Fund to dispose of any investments or securities if, in the reasonable judgment of the Acquired Fund Board or the Adviser, such disposition would adversely affect the status of its Reorganization as a reorganization as such term is used in the Code or would otherwise not be in the best interests of such Acquired Fund.

1.3 **LIABILITIES TO BE ASSUMED.** Each Acquired Fund will endeavor to discharge all of its known liabilities and obligations to the extent possible before the Closing Date, except as



provided in Section 1.4. Notwithstanding the foregoing, the liabilities not so discharged shall be assumed by the Acquiring Fund, which assumed liabilities shall include all of an Acquired Fund's liabilities, debts, obligations, and duties of whatever kind or nature, whether absolute, accrued, contingent, or otherwise, whether or not arising in the ordinary course of business, whether or not determinable at the Closing Date, and whether or not specifically referred to in this Agreement, provided that the Acquiring Fund shall not assume any liabilities with respect to the dividend set forth in Section 1.4.

1.4 **DECLARATION OF PREFERRED SHARE DIVIDENDS.** Dividends shall accumulate on the preferred shares of each Acquired Fund up to and including the day before the Closing Date (as such term is defined in Section 3.1) and then cease to accumulate, and dividends on the Acquiring Fund MTP Shares shall accumulate from and including the Closing Date. Prior to the Closing Date, each Acquired Fund shall declare all accumulated but unpaid dividends on its Acquired Fund MTP Shares up to and including the day before the Closing Date, such dividends to be paid to the holder thereof on the dividend payment date in respect of the first dividend period of the Acquiring Fund MTP Shares for which such Acquired Fund MTP Shares were exchanged. The first dividend period for Acquiring Fund MTP Shares will commence on the Closing Date and end on the last business day of the calendar month that includes the Closing Date, and each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such Acquiring Fund MTP Shares). Each Acquired Fund shall retain assets in an amount sufficient to pay the dividend declared by it pursuant to this Section 1.4, and such assets shall not be transferred to the Acquiring Fund on the Closing Date.

1.5 **LIQUIDATION AND DISTRIBUTION.** On or as soon after the Closing Date as is practicable but in no event later than 12 months after the Closing Date (the Liquidation Date): (a) each Acquired Fund will distribute in complete liquidation of the Acquired Fund, pro rata to its common shareholders of record, determined as of the Valuation Time, as such term is defined in Section 2.1 (the Acquired Fund Common Shareholders), all of the Acquiring Fund Common Shares received by such Acquired Fund pursuant to Section 1.1 (together with any dividends declared with respect thereto to holders of record as of a time after the Valuation Time and prior to the Liquidation Date (Interim Dividends)) and to its preferred shareholders of record, determined as of the Valuation Time (Acquired Fund Preferred Shareholders) and, collectively with each Acquired Fund Common Shareholders, the Acquired Fund Shareholders), one share of Acquiring Fund MTP Shares received by such Acquired Fund (together with any Interim Dividends) in exchange for each Acquired Fund MTP Share held by the shareholders of such Acquired Fund immediately prior to its respective Reorganization; and (b) each Acquired Fund will thereupon proceed to dissolve and terminate as set forth in Section 1.8 below. Such distribution will be accomplished by the transfer of the Acquiring Fund Shares then credited to the account of each Acquired Fund on the books of the Acquiring Fund to open accounts on the share records of the Acquiring Fund in the names of Acquired Fund Shareholders and representing, in the case of an Acquired Fund Common Shareholder, such shareholder's pro rata share of the Acquiring Fund Common Shares received by such Acquired Fund and in the case of an Acquired Fund Preferred Shareholder, a number of Acquiring Fund MTP Shares received by such Acquired Fund equal to the number of Acquired Fund MTP Shares held by such shareholder immediately prior to the Closing Date (as set forth above), and by paying to the shareholders of the Acquired Fund any Interim Dividends on such transferred shares. All issued and outstanding common and preferred shares of each Acquired Fund will simultaneously be canceled on the books of the Acquired Fund. The Acquiring Fund shall not issue certificates representing Acquiring Fund Shares in connection with such transfer.

1.6 OWNERSHIP OF SHARES. Ownership of Acquiring Fund Shares will be shown on the books of the Acquiring Fund's transfer agent. Acquiring Fund Shares will be issued simultaneously to each Acquired Fund, in an amount computed in the manner set forth in this Agreement, to be distributed to Acquired Fund Shareholders.

1.7 TRANSFER TAXES. Any transfer taxes payable upon the issuance of Acquiring Fund Shares in a name other than the registered holder of an Acquired Fund's common shares or preferred shares on the books of such Acquired Fund as of that time shall, as a condition of such issuance and transfer, be paid by the person to whom such Acquiring Fund Shares are to be issued and transferred.

1.8 TERMINATION. Each Acquired Fund shall completely liquidate and be dissolved, terminated and have its affairs wound up in accordance with Massachusetts state law, promptly following the Closing Date and the making of all distributions pursuant to Section 1.5.

1.9 REPORTING. Any reporting responsibility of each Acquired Fund including, without limitation, the responsibility for filing of regulatory reports, tax returns or other documents with the Securities and Exchange Commission (the Commission), the New York Stock Exchange (NYSE), NYSE Amex or any state securities commission and any federal, state or local tax authorities or any other relevant regulatory authority, is and shall remain the responsibility of each Acquired Fund.

1.10 BOOKS AND RECORDS. All books and records of each Acquired Fund, including all books and records required to be maintained under the 1940 Act, and the rules and regulations thereunder, shall be available to the Acquiring Fund from and after the Closing Date and shall be turned over to the Acquiring Fund as soon as practicable following the Closing Date.

## ARTICLE II

### VALUATION

2.1 VALUATION OF ASSETS. The value of the net assets of each Acquired Fund shall be the value of its assets, less its liabilities, computed as of the close of regular trading on the NYSE on the business day immediately prior to the Closing Date (such time and date being hereinafter called the Valuation Time), using the valuation procedures set forth in each Acquired Fund's Declaration of Trust and the Joint Proxy Statement/Prospectus to be used in connection with the Reorganizations or such other valuation procedures as shall be mutually agreed upon by the parties. The value of each Acquired Fund's net assets shall be calculated net of the liquidation preference (including accumulated and unpaid dividends) of all outstanding preferred shares of such Acquired Fund.

2.2 VALUATION OF SHARES. The net asset value per Acquiring Fund Common Share shall be computed as of the Valuation Time, using the valuation procedures set forth in the Acquiring Fund's Declaration of Trust and the Joint Proxy Statement/Prospectus to be used in connection with the Reorganizations or such other valuation procedures as shall be mutually agreed upon by the parties. The value of the Acquiring Fund's net assets shall be calculated net of the liquidation preference (including accumulated and unpaid dividends) of all outstanding Acquiring Fund preferred shares.

2.3 **COMMON SHARES TO BE ISSUED.** The number of Acquiring Fund Common Shares to be issued in exchange for an Acquired Fund's assets transferred to the Acquiring Fund shall be determined by dividing the value of such assets transferred to the Acquiring Fund (net of the liabilities of such Acquired Fund that are assumed by the Acquiring Fund) determined in accordance with Section 2.1, by the net asset value of an Acquiring Fund Common Share determined in accordance with Section 2.2. No fractional Acquiring Fund Common Shares will be issued to an Acquired Fund's shareholders and, in lieu of such fractional shares, an Acquired Fund's shareholders will receive cash. The aggregate net asset value of Acquiring Fund Common Shares received by each Acquired Fund in a Reorganization will equal the aggregate net asset value of Acquired Fund common shares held by shareholders of such Acquired Fund immediately prior to the Closing Date. In the event there are fractional Acquiring Fund Common Shares due an Acquired Fund shareholder on the Closing Date after each Acquired Fund's common shares have been exchanged for Acquiring Fund Common Shares, the Acquiring Fund's transfer agent will aggregate such fractional common shares and sell the resulting whole on the NYSE for the account holders of all such fractional interests, and each such holder will be entitled to a pro rata share of the proceeds from such sale. With respect to the aggregation and sale of fractional common shares, the Acquiring Fund's transfer agent will act directly on behalf of the shareholders entitled to receive fractional shares and will accumulate such fractional shares, sell the shares and distribute the cash proceeds directly to shareholders entitled to receive the fractional shares (without interest and subject to withholding taxes).

2.4 **EFFECT OF SUSPENSION IN TRADING.** In the event that at the Valuation Time, either: (a) the NYSE, NYSE Amex or another primary exchange on which the portfolio securities of the Acquiring Fund or an Acquired Fund are purchased or sold shall be closed to trading or trading on such exchange shall be restricted; or (b) trading or the reporting of trading on the NYSE, NYSE Amex or elsewhere shall be disrupted so that accurate appraisal of the value of the net assets of the Acquiring Fund or an Acquired Fund is impracticable, the Valuation Time shall be postponed until the first business day after the day when trading is fully resumed and reporting is restored.

2.5 **COMPUTATIONS OF NET ASSETS.** All computations of net asset value in this Article II shall be made by or under the direction of State Street Bank and Trust Company ( "State Street" ) in accordance with its regular practice as custodian of the Funds.

### **ARTICLE III**

#### **CLOSINGS AND CLOSING DATE**

3.1 **CLOSING DATE.** Each Closing shall occur on February 3, 2012 or such other date as the parties may agree (each a "Closing Date" ). Unless otherwise provided, all acts taking place at a Closing shall be deemed to take place as of 8:00 a.m. Each Closing shall be held as of 8:00 a.m. Central time at the offices of Vedder Price P.C. in Chicago, Illinois or at such other time and/or place as the parties may agree.

3.2 **CUSTODIAN'S CERTIFICATE.** Each Acquired Fund shall cause State Street, as custodian for such Acquired Fund (the "Custodian" ), to deliver to the Acquiring Fund at the Closing a certificate of an authorized officer stating that: (a) the Acquired Fund's portfolio securities, cash, and any other assets shall have been delivered in proper form to the Acquiring Fund on the Closing Date;

and (b) all necessary taxes, including all applicable federal and state stock transfer stamps, if any, shall have been paid, or provision for payment shall have been made, in conjunction with the delivery of portfolio securities by the Acquired Fund.

3.3 **TRANSFER AGENT'S CERTIFICATE.** Each Acquired Fund shall cause State Street, as transfer agent for such Acquired Fund, to deliver to the Acquiring Fund at the Closing a certificate of an authorized officer stating that its records contain the names and addresses of all of its Acquired Fund Shareholders, and the number and percentage ownership of outstanding common shares and preferred shares owned by each such Acquired Fund Shareholder immediately prior to the Closing. The Acquiring Fund shall issue and deliver or cause State Street, its transfer agent, to issue and deliver to each Acquired Fund a confirmation evidencing the Acquiring Fund Shares to be credited on the Closing Date to the Secretary of each Acquired Fund or provide evidence satisfactory to each Acquired Fund that such Acquiring Fund Shares have been credited to each Acquired Fund's account on the books of the Acquiring Fund.

3.4 **DELIVERY OF ADDITIONAL ITEMS.** At the Closing, each party shall deliver to the other parties such bills of sale, checks, assignments, share certificates, receipts and other documents, if any, as such other parties or their counsel may reasonably request to effect the transactions contemplated by this Agreement.

#### **ARTICLE IV**

##### **REPRESENTATIONS AND WARRANTIES**

4.1 **REPRESENTATIONS OF EACH ACQUIRED FUND.** Each Acquired Fund represents and warrants as follows:

(a) The Acquired Fund is a business trust duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts.

(b) The Acquired Fund is registered as a closed-end management investment company under the 1940 Act, and such registration is in full force and effect.

(c) The Acquired Fund is not, and the execution, delivery, and performance of this Agreement (subject to shareholder approval) will not result in, the violation of any provision of the Acquired Fund's Declaration of Trust or By-Laws or of any material agreement, indenture, instrument, contract, lease, or other undertaking to which the Acquired Fund is a party or by which it is bound.

(d) Except as otherwise disclosed in writing to and accepted by the Acquiring Fund, the Acquired Fund has no material contracts or other commitments that will be terminated with liability to it before the Closing Date.

(e) No litigation, administrative proceeding, or investigation of or before any court or governmental body is presently pending or to its knowledge threatened against the Acquired Fund or any of its properties or assets, which, if adversely determined, would materially and adversely affect its financial condition, the conduct of its business, or the ability of the Acquired Fund to carry out the transactions contemplated by this Agreement. The Acquired Fund knows of no facts that might form

the basis for the institution of such proceedings and is not a party to or subject to the provisions of any order, decree, or judgment of any court or governmental body that materially and adversely affects its business or its ability to consummate the transactions contemplated herein.

(f) The financial statements of the Acquired Fund as of May 31, 2011, and for the year then ended have been prepared in accordance with generally accepted accounting principles, and such statements (copies of which have been furnished to the Acquiring Fund) fairly reflect the financial condition of the Acquired Fund as of May 31, 2011, and there are no known contingent liabilities of the Acquired Fund as of such date that are not disclosed in such statements.

(g) Since the date of the financial statements referred to in subsection (f) above, there have been no material adverse changes in the Acquired Fund's financial condition, assets, liabilities or business (other than changes occurring in the ordinary course of business) and there are no known contingent liabilities of the Acquired Fund arising after such date. For the purposes of this subsection (g), a decline in the net asset value of the Acquired Fund shall not constitute a material adverse change.

(h) All federal, state, local and other tax returns and reports of the Acquired Fund required by law to be filed by it (taking into account permitted extensions for filing) have been timely filed and are complete and correct in all material respects. All federal, state, local and other taxes of the Acquired Fund required to be paid (whether or not shown on any such return or report) have been paid, or provision shall have been made for the payment thereof and any such unpaid taxes, as of the date of the financial statements referred to in subsection (f) above, are properly reflected thereon. To the best of the Acquired Fund's knowledge, no tax authority is currently auditing or preparing to audit the Acquired Fund, and no assessment for taxes, interest, additions to tax or penalties has been asserted against the Acquired Fund.

(i) The authorized capital of the Acquired Fund consists of an unlimited number of common and preferred shares, par value \$.01 per share. All issued and outstanding shares of the Acquired Fund are duly and validly issued and outstanding, fully paid and non-assessable by the Acquired Fund (recognizing that under Massachusetts law, Acquired Fund shareholders, under certain circumstances, could be held personally liable for the obligations of the Acquired Fund). All of the issued and outstanding shares of the Acquired Fund will, at the time of the Closing, be held by the persons and in the amounts set forth in the records of the Acquired Fund's transfer agent as provided in Section 3.3. The Acquired Fund has no outstanding options, warrants or other rights to subscribe for or purchase any shares of the Acquired Fund, and has no outstanding securities convertible into shares of the Acquired Fund.

(j) At the Closing, the Acquired Fund will have good and marketable title to the Acquired Fund's assets to be transferred to the Acquiring Fund pursuant to Section 1.2, and full right, power, and authority to sell, assign, transfer, and deliver such assets, and the Acquiring Fund will acquire good and marketable title thereto, subject to no restrictions on the full transfer thereof, including such restrictions as might arise under the Securities Act of 1933, as amended (the "1933 Act"), except those restrictions as to which the Acquiring Fund has received notice and necessary documentation at or prior to the Closing.

(k) The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Acquired Fund, including the determinations of the

Acquired Fund Board required by Rule 17a-8(a) of the 1940 Act. Subject to approval by shareholders, this Agreement constitutes a valid and binding obligation of the Acquired Fund, enforceable in accordance with its terms, subject as to enforcement, to bankruptcy, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights and to general equity principles.

(l) The information to be furnished by the Acquired Fund for use in no-action letters, applications for orders, registration statements, proxy materials and other documents that may be necessary in connection with the transactions contemplated herein shall be accurate and complete in all material respects and shall comply in all material respects with federal securities and other laws and regulations.

(m) From the effective date of the Registration Statement (as defined in Section 5.7) through the time of the meeting of shareholders and on the Closing Date, any written information furnished by the Acquired Fund with respect to the Acquired Fund for use in the Proxy Materials (as defined in Section 5.7), or any other materials provided in connection with the Reorganization, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make the statements, in light of the circumstances under which such statements were made, not misleading.

(n) For each taxable year of its operations (including the taxable year ending on the Closing Date), the Acquired Fund (i) has elected to qualify, and has qualified or will qualify (in the case of the short taxable year ending with the Closing Date), as a regulated investment company under the Code (a "RIC"), (ii) has been eligible to compute and has computed its federal income tax under Section 852 of the Code, and on or prior to the Closing Date will have declared a distribution with respect to all its investment company taxable income (determined without regard to the deduction for dividends paid), the excess of its interest income excludible from gross income under Section 103(a) of the Code over its deductions disallowed under Section 265 and 171(a)(2) of the Code and its net capital gain (as such terms are defined in the Code) that has accrued or will accrue on or prior to the Closing Date, and (iii) has been, and will be (in the case of the short taxable year ending with the Closing Date), treated as a separate corporation for federal income tax purposes.

4.2 REPRESENTATIONS OF THE ACQUIRING FUND. The Acquiring Fund represents and warrants as follows:

(a) The Acquiring Fund is a business trust duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts.

(b) The Acquiring Fund is registered as a closed-end management investment company under the 1940 Act, and such registration is in full force and effect.

(c) The Acquiring Fund is not, and the execution, delivery and performance of this Agreement will not result, in a violation of the Acquiring Fund's Declaration of Trust or By-Laws or of any material agreement, indenture, instrument, contract, lease, or other undertaking to which the Acquiring Fund is a party or by which it is bound.

(d) No litigation, administrative proceeding or investigation of or before any court or governmental body is presently pending or to its knowledge threatened against the Acquiring Fund or any of its properties or assets, which, if adversely determined, would materially and adversely affect

its financial condition, the conduct of its business or the ability of the Acquiring Fund to carry out the transactions contemplated by this Agreement. The Acquiring Fund knows of no facts that might form the basis for the institution of such proceedings and it is not a party to or subject to the provisions of any order, decree, or judgment of any court or governmental body that materially and adversely affects its business or its ability to consummate the transaction contemplated herein.

(e) The financial statements of the Acquiring Fund as of May 31, 2011 and for the fiscal year then ended have been prepared in accordance with generally accepted accounting principles and have been audited by independent auditors, and such statements (copies of which have been furnished to each Acquired Fund) fairly reflect the financial condition of the Acquiring Fund as of May 31, 2011, and there are no known contingent liabilities of the Acquiring Fund as of such date that are not disclosed in such statements.

(f) Since the date of the financial statements referred to in subsection (e) above, there have been no material adverse changes in the Acquiring Fund's financial condition, assets, liabilities or business (other than changes occurring in the ordinary course of business) and there are no known contingent liabilities of the Acquiring Fund arising after such date. For the purposes of this subsection (f), a decline in the net asset value of the Acquiring Fund shall not constitute a material adverse change.

(g) All federal, state, local and other tax returns and reports of the Acquiring Fund required by law to be filed by it (taking into account permitted extensions for filing) have been timely filed and are complete and correct in all material respects. All federal, state, local and other taxes of the Acquiring Fund required to be paid (whether or not shown on any such return or report) have been paid or provision shall have been made for their payment and any such unpaid taxes, as of the date of the financial statements referred to in subsection (e) above, are properly reflected thereon. To the best of the Acquiring Fund's knowledge, no tax authority is currently auditing or preparing to audit the Acquiring Fund, and no assessment for taxes, interest, additions to tax or penalties has been asserted against the Acquiring Fund.

(h) The authorized capital of the Acquiring Fund consists of an unlimited number of common and preferred shares, par value \$0.01 per share. All issued and outstanding shares of the Acquiring Fund are duly and validly issued and outstanding, fully paid and non-assessable by the Acquiring Fund (recognizing that under Massachusetts law, Acquiring Fund shareholders, under certain circumstances, could be held personally liable for the obligations to the Acquiring Fund). The Acquiring Fund has no outstanding options, warrants, or other rights to subscribe for or purchase shares of the Acquiring Fund, and has no outstanding securities convertible into shares of the Acquiring Fund.

(i) The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of the Acquiring Fund, including the determinations of the Board required pursuant to Rule 17a-8(a) of the 1940 Act. Subject to approval by shareholders, this Agreement constitutes a valid and binding obligation of the Acquiring Fund, enforceable in accordance with its terms, subject as to enforcement, to bankruptcy, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights and to general equity principles.

(j) The Acquiring Fund Shares to be issued and delivered to each Acquired Fund for the account of Acquired Fund Shareholders pursuant to the terms of this Agreement will, at the

Closing Date, have been duly authorized. When so issued and delivered, such shares will be duly and validly issued shares of the Acquiring Fund, and will be fully paid and non-assessable.

(k) The information to be furnished by the Acquiring Fund for use in no-action letters, applications for orders, registration statements, proxy materials, and other documents that may be necessary in connection with the transactions contemplated herein shall be accurate and complete in all material respects and shall comply in all material respects with federal securities and other laws and regulations.

(l) From the effective date of the Registration Statement (as defined in Section 5.7) through the time of the meeting of shareholders and on the Closing Date, any written information furnished by the Acquiring Fund with respect to the Acquiring Fund for use in the Proxy Materials (as defined in Section 5.7), or any other materials provided in connection with the Reorganization, does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make the statements, in light of the circumstances under which such statements were made, not misleading.

(m) For each taxable year of its operations, including the taxable year that includes the Closing Date, the Acquiring Fund (i) has elected to qualify, has qualified or will qualify (in the case of the year that includes the Closing Date) and intends to continue to qualify as a RIC under the Code, (ii) has been eligible to and has computed its federal income tax under Section 852 of the Code, and will do so for the taxable year that includes the Closing Date, and (iii) has been, and will be (in the case of the taxable year that includes the Closing Date), treated as a separate corporation for federal income tax purposes.

(n) The Acquiring Fund agrees to use all reasonable efforts to obtain the approvals and authorizations required by the 1933 Act, the 1940 Act, and any state securities laws as it may deem appropriate in order to continue its operations after the Closing Date.

## ARTICLE V

### COVENANTS OF THE FUNDS

5.1 **OPERATION IN ORDINARY COURSE.** Subject to Sections 1.2, 1.4 and 8.5, the Acquiring Fund and each Acquired Fund will operate its respective business in the ordinary course between the date of this Agreement and the Closing Date, it being understood that such ordinary course of business will include customary dividends and distributions, and any other distribution necessary or desirable to avoid federal income or excise taxes.

5.2 **APPROVAL OF SHAREHOLDERS.** The Acquiring Fund and each Acquired Fund will call a meeting of their respective shareholders to consider and act upon this Agreement (or transactions contemplated thereby) and to take all other appropriate action necessary to obtain approval of the transactions contemplated herein.

5.3 **INVESTMENT REPRESENTATION.** Each Acquired Fund covenants that the Acquiring Fund Shares to be issued pursuant to this Agreement are not being acquired for the purpose of making any distribution, other than in connection with the Reorganizations and in accordance with the terms of this Agreement.



5.4 **ADDITIONAL INFORMATION.** Each Acquired Fund will assist the Acquiring Fund in obtaining such information as the Acquiring Fund reasonably requests concerning the beneficial ownership of the Acquired Fund's shares.

5.5 **FURTHER ACTION.** Subject to the provisions of this Agreement, each Fund will take or cause to be taken, all action, and do or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including any actions required to be taken after the Closing Date.

5.6 **STATEMENT OF EARNINGS AND PROFITS.** As promptly as practicable, but in any case within 60 days after the Closing Date, each Acquired Fund shall furnish the Acquiring Fund, in such form as is reasonably satisfactory to the Acquiring Fund and which shall be certified by such Acquired Fund's Controller, a statement of the earnings and profits of the Acquired Fund for federal income tax purposes, as well as any net operating loss carryovers and capital loss carryovers, that will be carried over to the Acquiring Fund pursuant to Section 381 of the Code.

5.7 **PREPARATION OF REGISTRATION STATEMENT AND PROXY MATERIALS.** The Funds will prepare and file with the Commission a registration statement on Form N-14 relating to the Acquiring Fund Shares to be issued to Acquired Fund Shareholders (the Registration Statement). The Registration Statement shall include a proxy statement of the Funds and a prospectus of the Acquiring Fund relating to the transaction contemplated by this Agreement. The Registration Statement shall be in compliance with the 1933 Act, the Securities Exchange Act of 1934, as amended (the 1934 Act), and the 1940 Act, as applicable. Each party will provide the other parties with the materials and information necessary to prepare the proxy statement and related materials (the Proxy Materials), for inclusion therein, in connection with the meetings of the Funds' shareholders to consider the approval of this Agreement and the transactions contemplated herein.

5.8 **TAX STATUS OF REORGANIZATIONS.** The intention of the parties is that each Reorganization will qualify as a reorganization within the meaning of Section 368(a) of the Code. Neither the Acquired Funds nor the Acquiring Fund shall take any action, or cause any action to be taken (including, without limitation, the filing of any tax return), that is inconsistent with such treatment or that results in the failure of the transactions to qualify as reorganizations within the meaning of Section 368(a) of the Code. At or prior to the Closing Date, the parties to this Agreement will take such action, or cause such action to be taken, as is reasonably necessary to enable counsel to render the tax opinion contemplated in Section 8.7.

## ARTICLE VI

### CONDITION PRECEDENT TO OBLIGATIONS OF EACH ACQUIRED FUND

The obligations of each Acquired Fund to consummate the transactions provided for herein shall be subject to the fulfillment or waiver of the following condition:

6.1 All representations, covenants, and warranties of the Acquiring Fund contained in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date. The Acquiring Fund shall have delivered to each Acquired Fund a certificate executed in the Acquiring Fund's name by the

Acquiring Fund's Chief Administrative Officer or Vice President and its Controller, in form and substance satisfactory to each Acquired Fund and dated as of the Closing Date, to such effect and as to such other matters as each Acquired Fund shall reasonably request.

## **ARTICLE VII**

### **CONDITIONS PRECEDENT TO OBLIGATIONS OF THE ACQUIRING FUND**

The obligations of the Acquiring Fund to consummate the transactions provided for herein shall be subject to the fulfillment or waiver of the following conditions:

7.1 All representations, covenants, and warranties of each Acquired Fund contained in this Agreement shall be true and correct in all material respects as of the date hereof and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date. Each Acquired Fund shall have delivered to the Acquiring Fund on the Closing Date a certificate executed in the Acquired Fund's name by the Acquired Fund's Chief Administrative Officer or Vice President and the Controller, in form and substance satisfactory to the Acquiring Fund and dated as of the Closing Date, to such effect and as to such other matters as the Acquiring Fund shall reasonably request.

7.2 Each Acquired Fund shall have delivered to the Acquiring Fund a statement of the Acquired Fund's assets and liabilities, together with a list of the Acquired Fund's portfolio securities showing the tax basis of such securities by lot and the holding periods of such securities, as of the Closing Date, certified by the Controller of the Fund.

7.3 On or immediately prior to the Closing Date, each Acquired Fund shall have declared the dividends and/or distributions contemplated by Section 1.4.

## **ARTICLE VIII**

### **FURTHER CONDITIONS PRECEDENT**

The obligations of each Acquired Fund and the Acquiring Fund hereunder shall also be subject to the fulfillment or waiver of the following conditions:

8.1 This Agreement and the transactions contemplated herein shall have been approved by the requisite vote of the holders of the outstanding shares of each Acquired Fund in accordance with applicable law and the provisions of each Acquired Fund's Declaration of Trust and By-Laws. In addition, this Agreement, the issuance of Acquiring Fund Shares and the transactions contemplated herein shall have been approved by the requisite votes of the holders of the outstanding shares of the Acquiring Fund in accordance with applicable law, the requirements of the applicable exchanges and the provisions of the Acquiring Fund's Declaration of Trust and By-Laws.

8.2 On the Closing Date, the Commission shall not have issued an unfavorable report under Section 25(b) of the 1940 Act, or instituted any proceeding seeking to enjoin the consummation of the transactions contemplated by this Agreement under Section 25(c) of the 1940 Act. Furthermore, no action, suit or other proceeding shall be threatened or pending before any court or governmental

agency in which it is sought to restrain or prohibit, or obtain damages or other relief in connection with this Agreement or the transactions contemplated herein.

8.3 All required consents of other parties and all other consents, orders, and permits of federal, state and local regulatory authorities (including those of the Commission and of state securities authorities, including any necessary no-action positions and exemptive orders from such federal and state authorities) to permit consummation of the transactions contemplated herein shall have been obtained.

8.4 The Registration Statement shall have become effective under the 1933 Act, and no stop orders suspending the effectiveness thereof shall have been issued. To the best knowledge of the parties to this Agreement, no investigation or proceeding for that purpose shall have been instituted or be pending, threatened or contemplated under the 1933 Act.

8.5 Each Acquired Fund shall have declared a dividend or dividends which, together with all previous such dividends, shall have the effect of distributing to its shareholders all of the Acquired Fund's investment company taxable income for all taxable periods ending on or before the Closing Date (computed without regard to any deduction for dividends paid), if any, plus the excess of its interest income excludible from gross income under Section 103(a) of the Code, if any, over its deductions disallowed under Sections 265 and 171(a)(2) of the Code for all taxable periods ending on or before the Closing Date and all of its net capital gains realized in all taxable periods ending on or before the Closing Date (after reduction for any available capital loss carry forward).

8.6 The Funds shall have received on the Closing Date an opinion from Vedder Price P.C. dated as of the Closing Date, substantially to the effect that:

(a) Each Fund has been formed as a voluntary association with transferable shares of beneficial interest commonly referred to as a Massachusetts business trust, and is existing under the laws of the Commonwealth of Massachusetts and, to such counsel's knowledge, has the power as a business trust to own all of its properties and assets and to carry on its business as presently conducted, in each case as described in the Prospectus/Proxy Statement.

(b) Each Fund is registered as a closed-end management investment company under the 1940 Act, and, to such counsel's knowledge, such registration under the 1940 Act is in full force and effect.

(c) Assuming that the Acquiring Fund Shares will be issued in accordance with the terms of this Agreement, the Acquiring Fund Shares to be issued and delivered to each Acquired Fund on behalf of its Acquired Fund Shareholders as provided by this Agreement are duly authorized and upon such delivery will be legally issued and outstanding and fully paid and non-assessable, except that, as described in the Registration Statement, shareholders of the Acquiring Fund may, under certain circumstances, be held personally liable for its obligations, and no shareholder of the Acquiring Fund has, as such holder, any preemptive rights to acquire, purchase or subscribe for any securities of the Acquiring Fund under the Acquiring Fund's Declaration, By-Laws or Massachusetts law.

(d) The Registration Statement is effective and, to such counsel's knowledge, no stop order under the 1933 Act pertaining thereto has been issued, and to the knowledge of such counsel, no consent, approval, authorization or order of any court or governmental authority of the

United States or the Commonwealth of Massachusetts is required for consummation by the Funds of the transactions contemplated herein, except as have been obtained.

(e) With respect to each Fund, the execution and delivery of the Agreement by the Fund, did not, and the performance of the Fund's obligations pursuant to the terms of the Agreement will not, violate the Fund's Declaration of Trust or By-Laws (assuming approval of shareholders of the Funds has been obtained).

Insofar as the opinion expressed above relates to or is dependent upon matters governed by the Commonwealth of Massachusetts, Vedder Price P.C. may rely on the opinion of Bingham McCutchen LLP.

8.7 With respect to each Reorganization, the Funds shall have received an opinion of Vedder Price P.C. addressed to the Acquiring Fund and the Acquired Fund substantially to the effect that for federal income tax purposes:

(a) The transfer of substantially all of the Acquired Fund's assets to the Acquiring Fund in exchange solely for Acquiring Fund Shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund followed by the distribution to Acquired Fund Shareholders of all the Acquiring Fund Shares received by the Acquired Fund in complete liquidation of the Acquired Fund will constitute a reorganization within the meaning of Section 368(a) of the Code and the Acquiring Fund and the Acquired Fund will each be a party to a reorganization, within the meaning of Section 368(b) of the Code, with respect to the Reorganization.

(b) No gain or loss will be recognized by the Acquiring Fund upon the receipt of substantially all of the assets of the Acquired Fund solely in exchange for Acquiring Fund Shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund.

(c) No gain or loss will be recognized by the Acquired Fund upon the transfer of substantially all of its assets to the Acquiring Fund solely in exchange for Acquiring Fund Shares and the assumption by the Acquiring Fund of substantially all of the liabilities of the Acquired Fund or upon the distribution (whether actual or constructive) of such Acquiring Fund Shares to Acquired Fund Shareholders solely in exchange for such shareholders' common and preferred shares of the Acquired Fund in complete liquidation of the Acquired Fund.

(d) No gain or loss will be recognized by the Acquired Fund Shareholders upon the exchange of their Acquired Fund shares solely for Acquiring Fund Shares in the Reorganization, except with respect to any cash received in lieu of a fractional Acquiring Fund Share.

(e) The aggregate basis of the Acquiring Fund Shares received by Acquired Fund Shareholders pursuant to the Reorganization (including any fractional Acquiring Fund Share to which a shareholder would be entitled) will be the same as the aggregate basis of the Acquired Fund shares exchanged therefor by such shareholder. The holding period of the Acquiring Fund Shares received by each Acquired Fund Shareholder (including any fractional Acquiring Fund Share to which a shareholder would be entitled) will include the period during which the Acquired Fund shares exchanged therefor were held by such shareholder, provided such Acquired Fund shares are held as capital assets at the time of the Reorganization.

(f) The basis of the Acquired Fund's assets transferred to the Acquiring Fund will be the same as the basis of such assets to the Acquired Fund immediately before the Reorganization. The holding period of the assets of the Acquired Fund in the hands of the Acquiring Fund will include the period during which those assets were held by the Acquired Fund.

No opinion will be expressed as to (1) the effect of the Reorganizations on (A) each Acquired Fund or the Acquiring Fund with respect to any asset as to which any unrealized gain or loss is required to be recognized for federal income tax purposes at the end of a taxable year (or on the termination or transfer thereof) under a mark-to-market system of accounting, (B) any Acquired Fund Shareholder or any Acquiring Fund shareholder that is required to recognize unrealized gains and losses for federal income tax purposes under a mark-to-market system of accounting, or (C) an Acquired Fund or the Acquiring Fund with respect to any stock held in a passive foreign investment company as defined in Section 1297(a) of the Code or (2) any other federal tax issues (except those set forth above) and all state, local or foreign tax issues of any kind.

Such opinion shall be based on customary assumptions and such representations as Vedder Price P.C. may reasonably request of the Funds, and each Acquired Fund and the Acquiring Fund will cooperate to make and certify the accuracy of such representations. Notwithstanding anything herein to the contrary, neither the Acquiring Fund nor any Acquired Fund may waive the conditions set forth in this Section 8.7. Insofar as the opinions expressed above relates to or is dependent upon the classification of the Acquiring Fund MTP Shares as equity securities for U.S. federal income tax purposes, Vedder Price P.C. may rely on the opinion of K&L Gates LLP.

8.8 The Acquiring Fund shall have obtained written confirmation from Moody's Investors Service, Inc., Fitch Ratings, Inc. and Standard & Poor's Corporation that (a) consummation of the transactions contemplated by this Agreement will not impair the then current rating assigned by such rating agencies to the existing shares of Acquiring Fund MTP Shares and (b) the shares of Acquiring Fund MTP Shares to be issued pursuant to Section 1.1 will be rated by such rating agencies no less than the Acquired Fund MTP Shares exchanged therefor.

## ARTICLE IX

### EXPENSES

9.1 The expenses incurred in connection with the Reorganizations will be allocated between the Funds involved pro rata based on the projected net benefit to each Fund and paid out of such Funds' net assets on or before the Closing Date. Reorganization expenses include, without limitation: (a) expenses associated with the preparation and filing of the Registration Statement and other Proxy Materials; (b) postage; (c) printing; (d) accounting fees; (e) legal fees incurred by each Fund; (f) solicitation costs of the transactions; and (g) other related administrative or operational costs. If the Reorganizations are not consummated, the Adviser will bear the expenses incurred in connection with each Reorganization.

9.2 Each party represents and warrants to the other parties that there is no person or entity entitled to receive any broker's fees or similar fees or commission payments in connection with the transactions provided for herein.

9.3 Notwithstanding the foregoing, expenses will in any event be paid by the party directly incurring such expenses if and to the extent that the payment by another party of such expenses would result in the disqualification of an Acquired Fund or the Acquiring Fund, as the case may be, as a RIC.

## ARTICLE X

### ENTIRE AGREEMENT; SURVIVAL OF WARRANTIES

10.1 The parties agree that no party has made to the other parties any representation, warranty and/or covenant not set forth herein, and that this Agreement constitutes the entire agreement between and among the parties.

10.2 The representations, warranties, and covenants contained in this Agreement or in any document delivered pursuant to or in connection with this Agreement shall not survive the consummation of the transactions contemplated hereunder.

## ARTICLE XI

### TERMINATION

11.1 This Agreement may be terminated by the mutual agreement of the parties and such termination may be effected by each Fund's Chief Administrative Officer or the Vice President without further action by the Board. In addition, this Agreement may be terminated at or before the Closing Date due to:

(a) a breach by any other party of any representation, warranty, or agreement contained herein to be performed at or before the Closing Date, if not cured within 30 days;

(b) a condition precedent to the obligations of the terminating party that has not been met or waived and it reasonably appears that it will not or cannot be met; or

(c) a determination by the Board that the consummation of the transactions contemplated herein is not in the best interests of an Acquired Fund or Acquiring Fund, respectively, involved in the Reorganizations.

11.2 In the event of any such termination, in the absence of willful default, there shall be no liability for damages on the part of the Board, any Acquired Fund, the Acquiring Fund, the Adviser, or any Fund's or Adviser's officers.

## ARTICLE XII

### AMENDMENTS

12.1 This Agreement may be amended, modified, or supplemented in such manner as may be mutually agreed upon in writing by the officers of each Fund as specifically authorized by each Fund's Board of Trustees; provided, however, that following the meeting of the shareholders of the

Funds called by each Fund pursuant to Section 5.2 of this Agreement, no such amendment, modification or supplement may have the effect of changing the provisions for determining the number of Acquiring Fund Shares to be issued to the Acquired Fund Shareholders under this Agreement to the detriment of such shareholders without their further approval.

### ARTICLE XIII

#### HEADINGS; COUNTERPARTS; GOVERNING LAW; ASSIGNMENT;

#### LIMITATION OF LIABILITY

13.1 The article and section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.2 This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

13.3 This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

13.4 This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, but, except as provided in this section, no assignment or transfer hereof or of any rights or obligations hereunder shall be made by any party without the written consent of the other parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person, firm, or corporation, other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

13.5 It is expressly agreed that the obligations of each Fund hereunder shall not be binding upon any of the Board members, shareholders, nominees, officers, agents, or employees of any Fund personally, but shall bind only the fund property of the respective Fund, as provided in each Fund's Declaration of Trust, which is on file with the Secretary of State of the Commonwealth of Massachusetts. The execution and delivery of this Agreement have been authorized by the Board, and signed by authorized officers of each Fund acting as such. Neither the authorization by such Board members nor the execution and delivery by such officers shall be deemed to have been made by any of them individually or to impose any liability on any of them personally, but shall bind only the fund property of the respective Fund as provided in each Fund's Declaration of Trust.

13.6 It is understood and agreed that the use of a single Agreement is for administrative convenience only and shall constitute a separate agreement between each Acquired Fund and the Acquiring Fund, as if each party had executed a separate document. No Fund shall have any liability for the obligations of any other Fund, and the liabilities of each Fund shall be several and not joint.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties have duly executed this Agreement, all as of the date first written above.

**NUVEEN CONNECTICUT PREMIUM  
INCOME MUNICIPAL FUND**

By:  
Name:  
Title:

ACKNOWLEDGED:

By:  
Name:  
Title:

**NUVEEN CONNECTICUT DIVIDEND  
ADVANTAGE MUNICIPAL FUND**

By:  
Name:  
Title:

ACKNOWLEDGED:

By:  
Name:  
Title:

**NUVEEN CONNECTICUT DIVIDEND  
ADVANTAGE MUNICIPAL FUND 2**

By:  
Name:  
Title:

ACKNOWLEDGED:

By:  
Name:  
Title:



**NUVEEN CONNECTICUT DIVIDEND  
ADVANTAGE MUNICIPAL FUND 3**

By:  
Name:  
Title:

ACKNOWLEDGED:

By:  
Name:  
Title:

The undersigned is a party to this Agreement for  
the purposes of Section 9.1 only:

**NUVEEN FUND ADVISORS, INC.**

By:  
Name:  
Title:

ACKNOWLEDGED:

By:  
Name:  
Title:

**EXHIBIT A**

<b>Acquired Fund</b>	<b>Acquired Fund MTP Shares Outstanding</b>	<b>Acquiring Fund Shares to be Issued In Reorganization</b>	<b>Maximum No. of Shares to be Issued</b>
Nuveen Connecticut Dividend Advantage Municipal Fund	MTP Shares, Series 2015	MTP Shares, 2.60% Series 2015	2,047,000
	Fixed Dividend Rate: 2.60%	Fixed Dividend Rate: 2.60%	
	Term Redemption Date: 4/1/2015	Term Redemption Date: 4/1/2015	
Nuveen Connecticut Dividend Advantage Municipal Fund 2	MTP Shares, Series 2015	MTP Shares, 2.60% Series 2015 # 1	1,695,000
	Fixed Dividend Rate: 2.60%	Fixed Dividend Rate: 2.60%	
	Term Redemption Date: 4/1/2015	Term Redemption Date: 4/1/2015	
Nuveen Connecticut Dividend Advantage Municipal Fund 3	MTP Shares, Series 2015	MTP Shares, 2.65% Series 2015 # 1	3,200,000
	Fixed Dividend Rate: 2.65%	Fixed Dividend Rate: 2.65%	
	Term Redemption Date: 3/1/2015	Term Redemption Date: 3/1/2015	

A-20

## APPENDIX B

## FINANCIAL HIGHLIGHTS

Information contained in the tables below under the headings Per Share Operating Performance and Ratios/Supplemental Data shows the operating performance for the life of the Fund.

## Acquiring Fund

The following financial highlights table is intended to help you understand the Fund's financial performance. Certain information reflects financial results from a single Fund common share outstanding throughout each period. The information in the financial highlights is derived from the Fund's financial statements. The Fund's annual financial statements as of May 31, 2011, including the financial highlights for each of the five years in the period then ended, have been audited by Ernst & Young LLP, independent registered public accounting firm. The Annual and Semi-Annual Reports may be obtained without charge by calling (800) 257-8787.

Per Share Operating Performance	Year Ended May 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Beginning Common Share Net Asset Value	\$ 14.56	\$ 13.59	\$ 14.25	\$ 14.39	\$ 14.42	\$ 15.26	\$ 14.60	\$ 15.56	\$ 14.46	\$ 14.20
Investment Operations:										
Net Investment Income (Loss)	0.67	0.80	0.84	0.83	0.83	0.84	0.88	0.93	0.98	1.00
Net Realized/ Unrealized Gain (Loss)	(0.29)	0.88	(0.66)	(0.09)	0.07	(0.54)	0.75	(0.96)	1.07	0.20
Distributions from Net Investment Income to Auction Rate Preferred Shareholders	(0.01)	(0.02)	(0.14)	(0.22)	(0.20)	(0.14)	(0.09)	(0.05)	(0.07)	(0.10)
Distributions from Capital Gains to Auction Rate Preferred Shareholders	0.00	0.00***	(0.03)	(0.01)	(0.01)	(0.03)	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.37</b>	<b>1.66</b>	<b>0.01</b>	<b>0.51</b>	<b>0.69</b>	<b>0.13</b>	<b>1.54</b>	<b>(0.08)</b>	<b>1.98</b>	<b>1.10</b>
Less Distributions:										
Net Investment Income to Common Shareholders	(0.71)	(0.69)	(0.60)	(0.62)	(0.65)	(0.75)	(0.87)	(0.88)	(0.88)	(0.84)
Capital Gains to Common Shareholders	0.00	0.00***	(0.07)	(0.03)	(0.07)	(0.22)	(0.01)	0.00	0.00	0.00
<b>Total</b>	<b>(0.71)</b>	<b>(0.69)</b>	<b>(0.67)</b>	<b>(0.65)</b>	<b>(0.72)</b>	<b>(0.97)</b>	<b>(0.88)</b>	<b>(0.88)</b>	<b>(0.88)</b>	<b>(0.84)</b>
Ending Common Share Net Asset Value	\$ 14.22	\$ 14.56	\$ 13.59	\$ 14.25	\$ 14.39	\$ 14.42	\$ 15.26	\$ 14.60	\$ 15.56	\$ 14.46
Ending Market Value	\$ 13.18	\$ 13.94	\$ 13.35	\$ 14.08	\$ 14.91	\$ 13.95	\$ 15.81	\$ 14.47	\$ 17.14	\$ 16.05
Total Returns:										
Based on Market Value*	(0.39)%	9.76%	0.32%	(1.08)%	12.33%	(6.00)%	15.61%	(10.80)%	12.63%	5.01%
Based on Common Share Net Asset Value*	2.63%	12.49%	0.45%	3.60%	4.79%	0.88%	10.82%	(0.51)%	14.08%	7.87%

	Year Ended May 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Ratios/Supplemental Data</b>										
Ending Net Assets Applicable to Common Shares (000)	\$ 76,284	\$ 78,106	\$ 72,901	\$ 76,441	\$ 77,151	\$ 77,278	\$ 81,529	\$ 77,725	\$ 82,492	\$ 76,327
Ratios to Average Net Assets Applicable to Common Shares Before Reimbursement :										
Expenses(a)	2.41%	1.57%	1.43%	1.30%	1.24%	1.25%	1.24%	1.23%	1.27%	1.34%
Net Investment Income (Loss)	4.73%	5.64%	6.40%	5.82%	5.67%	5.66%	5.81%	6.16%	6.57%	6.90%
Ratios to Average Net Assets Applicable to Common Shares After Reimbursement **:										
Expenses(a)	2.41%	1.57%	1.43%	1.30%	1.24%	1.25%	1.24%	1.23%	1.27%	1.34%
Net Investment Income (Loss)	4.73%	5.64%	6.40%	5.82%	5.67%	5.66%	5.81%	6.16%	6.57%	6.90%
Portfolio Turnover Rate	9%	5%	0%	22%	8%	16%	12%	15%	23%	12%
Auction Rate Preferred Shares at End of Period:										
Aggregate Amount Outstanding (000)	\$	\$ 15,725	\$ 34,975	\$ 38,300	\$ 38,300	\$ 38,300	\$ 38,300	\$ 38,300	\$ 38,300	\$ 38,300
Liquidation Value Per Share	\$	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset Coverage Per Share	\$	\$ 82,389	\$ 77,110	\$ 74,896	\$ 75,360	\$ 75,443	\$ 78,217	\$ 75,734	\$ 78,846	\$ 74,822
MuniFund Term Preferred Shares at End of Period:										
Aggregate Amount Outstanding (000)	\$ 36,080	\$ 18,300	\$	\$	\$	\$	\$	\$	\$	\$
Liquidation Value Per Share	\$ 10.00	\$ 10.00	\$	\$	\$	\$	\$	\$	\$	\$
Asset Coverage Per Share	\$ 31.14	\$ 32.96	\$	\$	\$	\$	\$	\$	\$	\$
Ending Market Value Per Share (Series 2015)	\$ 10.07	\$ 10.00	\$	\$	\$	\$	\$	\$	\$	\$
Average Market Value Per Share (Series 2015)	\$ 10.04	\$ 10.02 <sup>(b)</sup>	\$	\$	\$	\$	\$	\$	\$	\$
Ending Market Value Per Share (Series 2016)	\$ 10.00	\$	\$	\$	\$	\$	\$	\$	\$	\$
Average Market Value Per Share (Series 2016)	\$ 9.88 <sup>(c)</sup>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Auction Rate Preferred Shares and MuniFund Term Preferred Shares at End of Period:										
Asset Coverage per \$1	\$	\$ 3.30	\$	\$	\$	\$	\$	\$	\$	\$
Liquidation Preference	\$	\$ 3.30	\$	\$	\$	\$	\$	\$	\$	\$

- \* 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 expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable.
- \*\*\* Rounds to less than \$0.01 per share.
- The amounts shown are based on common share equivalents.
- Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income ratios reflect income earned and expenses incurred on assets attributable to Auction Rate Preferred Shares and/or MuniFund Term Preferred Shares, where applicable.

- (a) The expense ratios reflect, among other things, all interest expense and other costs related to MuniFund Term Preferred Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, both as described in Footnote 1 General Information and Significant Accounting Policies, MuniFund Term Preferred Shares and Inverse Floating Rate Securities, respectively, in the most recent shareholder report, as follows:

2011	1.20%
2010	.37
2009	.11
2008	.03
2007	
2006	
2005	
2004	
2003	
2002	

(b) For the period January 19, 2010 (first issuance date of shares) through May 31, 2010.

(c) For the period December 15, 2010 (first issuance date of shares) through May 31, 2011.

### Acquired Funds

The following financial highlights table is intended to help you understand each Acquired Fund's financial performance. Certain information reflects financial results from a single Fund common share outstanding throughout each period. Except where noted, the information in the financial highlights is derived from the Fund's financial statements. The Fund's annual financial statements as of May 31, 2011, including the financial highlights for each of the five years in the period then ended, have been audited by Ernst & Young LLP, independent registered public accounting firm. The Annual and Semi-Annual Reports may be obtained without charge by calling (800) 257-8787.

### Dividend Advantage

Per Share Operating Performance	Year Ended May 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Beginning Common Share Net Asset Value	\$ 14.91	\$ 14.08	\$ 14.69	\$ 14.76	\$ 14.75	\$ 15.39	\$ 14.56	\$ 15.53	\$ 14.24	\$ 13.88
Investment Operations:										
Net Investment Income (Loss)	0.67	0.85	0.91	0.91	0.92	0.93	0.95	0.97	1.00	1.00
Net Realized/ Unrealized Gain (Loss)	(0.37)	0.75	(0.55)	0.01	0.04	(0.55)	0.86	(1.00)	1.19	0.31
Distributions from Net Investment Income to Auction Rate Preferred Shareholders	0.00	(0.03)	(0.15)	(0.24)	(0.22)	(0.17)	(0.09)	(0.05)	(0.07)	(0.11)
Distributions from Capital Gains to Auction Rate Preferred Shareholders	0.00	0.00	(0.04)	(0.02)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.30</b>	<b>1.57</b>	<b>0.17</b>	<b>0.66</b>	<b>0.74</b>	<b>0.21</b>	<b>1.72</b>	<b>(0.08)</b>	<b>2.12</b>	<b>1.20</b>
Less Distributions:										
Net Investment Income to Common Shareholders	(0.77)	(0.74)	(0.67)	(0.67)	(0.73)	(0.85)	(0.89)	(0.89)	(0.84)	(0.84)
Capital Gains to Common Shareholders	0.00	0.00	(0.11)	(0.06)	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>(0.77)</b>	<b>(0.74)</b>	<b>(0.78)</b>	<b>(0.73)</b>	<b>(0.73)</b>	<b>(0.85)</b>	<b>(0.89)</b>	<b>(0.89)</b>	<b>(0.84)</b>	<b>(0.84)</b>
Offering Costs and Preferred Share Underwriting Discounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Ending Common Share Net Asset Value	\$ 14.44	\$ 14.91	\$ 14.08	\$ 14.69	\$ 14.76	\$ 14.75	\$ 15.39	\$ 14.56	\$ 15.53	\$ 14.24

Edgar Filing: NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND - Form N-14 8C/A

Ending Market Value	\$ 13.85	\$ 15.29	\$ 13.75	\$ 14.93	\$ 16.37	\$ 16.26	\$ 15.73	\$ 14.12	\$ 16.35	\$ 15.79
Total Returns:										
Based on Market Value*	(4.38)%	16.92%	(2.10)%	(4.10)%	5.46%	8.79%	17.89%	(8.64)%	9.19%	8.61%
Based on Common Share Net Asset Value*	2.09%	11.34%	1.50%	4.62%	5.05%	1.38%	12.06%	(0.56)%	15.38%	8.81%

B-3

	Year Ended May 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Ratios/Supplemental Data</b>										
Ending Net Assets Applicable to Common Shares (000)	\$ 37,334	\$ 38,532	\$ 36,329	\$ 37,874	\$ 38,024	\$ 37,905	\$ 39,464	\$ 37,238	\$ 39,625	\$ 36,233
Ratios to Average Net Assets Applicable to Common Shares										
Before Reimbursement :										
Expenses(a)	3.13%	1.62%	1.47%	1.33%	1.29%	1.29%	1.29%	1.26%	1.27%	1.38%
Net Investment Income (Loss)	4.55%	5.73%	6.45%	5.90%	5.78%	5.70%	5.81%	5.97%	6.29%	6.56%
Ratios to Average Net Assets Applicable to Common Shares										
After Reimbursement **:										
Expenses(a)	3.08%	1.49%	1.26%	1.05%	0.94%	0.86%	0.84%	0.80%	0.81%	0.88%
Net Investment Income (Loss)	4.60%	5.86%	6.66%	6.18%	6.14%	6.12%	6.26%	6.44%	6.76%	7.06%
Portfolio Turnover Rate	13%	4%	0%	20%	9%	14%	9%	4%	7%	20%
Auction Rate Preferred Shares at End of Period:										
Aggregate Amount										
Outstanding (000)	\$	\$	\$ 18,000	\$ 19,500	\$ 19,500	\$ 19,500	\$ 19,500	\$ 19,500	\$ 19,500	\$ 19,500
Liquidation Value Per Share	\$	\$	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset Coverage Per Share	\$	\$	\$ 75,457	\$ 73,556	\$ 73,749	\$ 73,596	\$ 75,595	\$ 72,740	\$ 75,801	\$ 71,453
MuniFund Term Preferred Shares at End of Period:										
Aggregate Amount										
Outstanding (000)	\$ 20,470	\$ 20,470	\$	\$	\$	\$	\$	\$	\$	\$
Liquidation Value Per Share	\$ 10.00	\$ 10.00	\$	\$	\$	\$	\$	\$	\$	\$
Asset Coverage Per Share	\$ 28.24	\$ 28.82	\$	\$	\$	\$	\$	\$	\$	\$
Ending Market Value Per Share										
Share	\$ 13.85	\$ 9.98	\$	\$	\$	\$	\$	\$	\$	\$
Average Market Value Per Share										
Share	\$ 14.24	\$ 9.95 <sup>(b)</sup>	\$	\$	\$	\$	\$	\$	\$	\$
Auction Rate Preferred Shares and MuniFund Term Preferred Shares and End of Period:										
Asset Coverage per \$1										
Liquidation Preference	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

\* 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 expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian, where applicable. As of January 31, 2011, the Adviser is no longer reimbursing the Fund for any fees and expenses.

The amounts shown are based on common share equivalents.

Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investments Income Ratios reflect income earned and expenses incurred on assets attributable to Auction Rate Preferred Shares and/or MuniFund Term Preferred Shares, where applicable.

- (a) The expense ratios reflect, among other things, all interest expense and other costs related to MuniFund Term Preferred Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, both as described in Footnote 1 General Information and Significant Accounting Policies, MuniFund Term Preferred Shares and Inverse Floating Rate Securities, respectively, in the most recent shareholder report, as follows:

2011	1.80%
2010	.36
2009	.11
2008	.02
2007	
2006	
2005	
2004	
2003	
2002	

- (b) For the period March 31, 2010 (first issuance date of shares) through May 31, 2010.

**Dividend Advantage 2**

Per Share Operating Performance	Year Ended May 31,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002(b)
Beginning Common Share Net Asset Value	\$ 15.02	\$ 14.28	\$ 14.76	\$ 14.85	\$ 14.86	\$ 15.64	\$ 15.01	\$ 16.23	\$ 14.48	\$ 14.33
Investment Operations:										
Net Investment Income (Loss)	0.67	0.86	0.91	0.91	0.91	0.91	0.92	0.96	0.98	0.08
Net Realized/ Unrealized Gain (Loss)	(0.47)	0.67	(0.43)	(0.01)	0.08	(0.60)	0.74	(1.13)	1.74	0.30
Distributions from Net Investment Income to Auction Rate Preferred Shareholders		(0.03)	(0.14)	(0.23)	(0.22)	(0.17)	(0.09)	(0.04)	(0.07)	0.00
Distributions from Capital Gains to Auction Rate Preferred Shareholders	0.00	0.00	(0.04)	(0.02)	(0.01)	(0.01)	0.00	(0.01)	(0.01)	0.00
<b>Total</b>	<b>0.20</b>	<b>1.50</b>	<b>0.30</b>	<b>0.65</b>	<b>0.76</b>	<b>0.13</b>	<b>1.57</b>	<b>(0.22)</b>	<b>2.64</b>	<b>0.38</b>
Less Distributions:										
Net Investment Income to Common Shareholders	(0.79)	(0.76)	(0.66)	(0.67)	(0.73)	(0.83)	(0.87)	(0.87)	(0.83)	(0.07)
Capital Gains to Common Shareholders	0.00	0.00	(0.12)	(0.07)	(0.04)	(0.08)	(0.07)	(0.12)	(0.06)	0.00
<b>Total</b>	<b>(0.79)</b>	<b>(0.76)</b>	<b>(0.78)</b>	<b>(0.74)</b>	<b>(0.77)</b>	<b>(0.91)</b>	<b>(0.94)</b>	<b>(0.99)</b>	<b>(0.89)</b>	<b>(0.07)</b>
Offering Costs and Preferred Share Underwriting Discounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.01)	0.00	(0.16)
Ending Common Share Net Asset Value	\$ 14.43	\$ 15.02	\$ 14.28	\$ 14.76	\$ 14.85	\$ 14.86	\$ 15.64	\$ 15.01	\$ 16.23	\$ 14.48
Ending Market Value	\$ 13.96	\$ 16.20	\$ 14.30	\$ 15.00	\$ 16.38	\$ 16.60	\$ 15.98	\$ 14.14	\$ 15.80	\$ 15.05
Total Returns:										
Based on Market Value*	(8.96)%	19.15%	1.40%	(3.63)%	3.58%	9.78%	19.92%	(4.65)%	11.16%	0.79%
Based on Common Share Net Asset Value*	1.41%	10.69%	2.52%	4.54%	5.13%	0.84%	10.70%	(1.48)%	18.77%	1.53%

**Ratios/Supplemental Data**



Edgar Filing: NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND - Form N-14 8C/A

Ending Net Assets										
Applicable to Common Shares (000)	\$ 33,478	\$ 34,833	\$ 33,092	\$ 34,188	\$ 34,366	\$ 34,352	\$ 36,105	\$ 34,646	\$ 37,441	\$ 33,408
Ratios to Average Net Assets Applicable to Common Shares										
Before Reimbursement :										
Expenses(a)	2.98%	1.61%	1.48%	1.36%	1.31%	1.29%	1.28%	1.25%	1.31%	1.06%***
Net Investment Income (Loss)	4.44%	5.64%	6.31%	5.79%	5.60%	5.51%	5.52%	5.73%	5.94%	2.90%***
Ratios to Average Net Assets Applicable to Common Shares										
After Reimbursement **: :										
Expenses(a)	2.83%	1.40%	1.19%	1.00%	0.87%	0.84%	0.83%	0.80%	0.82%	0.73%***
Net Investment Income (Loss)	4.58%	5.86%	6.60%	6.15%	6.04%	5.96%	5.97%	6.18%	6.43%	3.23%***

B-5

	Year Ended May 31,										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002(b)	
Portfolio Turnover Rate	11%	3%	0%	23%	12%	11%	12%	10%	13%	0%	
Auction Rate Preferred											
Shares at End of Period:											
Aggregate Amount											
Outstanding (000)	\$	\$	\$ 16,125	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500	\$ 17,500
Liquidation Value Per Share	\$	\$	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset Coverage Per Share	\$	\$	\$ 76,305	\$ 73,840	\$ 74,094	\$ 74,074	\$ 76,579	\$ 74,495	\$ 78,487	\$ 72,726	
MuniFund Term Preferred											
Shares at End of Period:											
Aggregate Amount											
Outstanding (000)	\$ 16,950	\$ 16,950	\$	\$	\$	\$	\$	\$	\$	\$	\$
Liquidation Value Per Share	\$ 10.00	\$ 10.00	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset Coverage Per Share	\$ 29.75	\$ 30.55	\$	\$	\$	\$	\$	\$	\$	\$	\$
Ending Market Value Per Share	\$ 13.96	\$ 9.97	\$	\$	\$	\$	\$	\$	\$	\$	\$
Average Market Value Per Share	\$ 14.62	\$ 9.96 <sup>(c)</sup>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Auction Rate Preferred											
Shares and MuniFund Term Preferred Shares and End of Period:											
Asset Coverage per \$1 Liquidation Preference	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

\* 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 expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian, where applicable.

\*\*\* Annualized.

The amounts shown are based on common share equivalents.

Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income Ratios reflect income earned and expenses incurred on assets attributable to Auction Rate Preferred Shares and/or MuniFund Term Preferred Shares, where applicable.

(a) The expense ratios reflect, among other things, all interest expense and other costs related to MuniFund Term Preferred Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, both as described in Footnote 1 General Information and Significant Accounting Policies, MuniFund Term Preferred Shares and Inverse Floating Rate Securities, respectively, in the most recent Shareholder report, as follows:

2011	1.67%
2010	.34
2009	.11
2008	.03
2007	
2006	
2005	
2004	
2003	
2002	

(b) For the period March 25, 2002 (commencement of operations) through May 31, 2002.

(c) For the period March 31, 2010 (first issuance date of shares) through May 31, 2010.

**Dividend Advantage 3**

Per Share Operating Performance	Year Ended May 31,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003(b)
Beginning Common Share Net Asset Value	\$ 14.44	\$ 13.57	\$ 14.08	\$ 14.30	\$ 14.18	\$ 14.78	\$ 13.97	\$ 15.06	\$ 14.33
Investment Operations:									
Net Investment Income (Loss)	0.64	0.77	0.84	0.87	0.86	0.84	0.86	0.88	0.51
Net Realized/ Unrealized Gain (Loss)	(0.29)	0.80	(0.58)	(0.23)	0.13	(0.54)	0.83	(1.14)	0.93
Distributions from Net Investment Income to Auction Rate Preferred Shareholders	0.00	(0.02)	(0.17)	(0.25)	(0.23)	(0.18)	(0.10)	(0.05)	(0.04)
Distributions from Capital Gains to Auction Rate Preferred Shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.35</b>	<b>1.55</b>	<b>0.09</b>	<b>0.39</b>	<b>0.76</b>	<b>0.12</b>	<b>1.59</b>	<b>(0.31)</b>	<b>1.40</b>
Less Distributions:									
Net Investment Income to Common Shareholders	(0.72)	(0.68)	(0.60)	(0.61)	(0.64)	(0.72)	(0.78)	(0.78)	(0.46)
Capital Gains to Common Shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>(0.72)</b>	<b>(0.68)</b>	<b>(0.60)</b>	<b>(0.61)</b>	<b>(0.64)</b>	<b>(0.72)</b>	<b>(0.78)</b>	<b>(0.78)</b>	<b>(0.46)</b>
Offering Costs and Preferred Share Underwriting Discounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.21)
Ending Common Share Net Asset Value	\$ 14.07	\$ 14.44	\$ 13.57	\$ 14.08	\$ 14.30	\$ 14.18	\$ 14.78	\$ 13.97	\$ 15.06
Ending Market Value	\$ 12.89	\$ 14.06	\$ 13.04	\$ 13.63	\$ 14.70	\$ 14.09	\$ 14.54	\$ 13.00	\$ 15.09
Total Returns:									
Based on Market Value*	(3.29)%	13.26%	0.53%	(3.07)%	9.15%	1.84%	18.17%	(8.92)%	3.71%
Based on Common Share Net Asset Value*	2.52%	11.66%	0.89%	2.79%	5.42%	0.83%	11.60%	(2.08)%	8.46%
<b>Ratios/Supplemental Data</b>									
Ending Net Assets Applicable to Common Shares (000)	\$ 61,459	\$ 63,059	\$ 59,244	\$ 61,476	\$ 62,325	\$ 61,826	\$ 64,324	\$ 60,774	\$ 65,324
Ratios to Average Net Assets Applicable to Common Shares									
Before Reimbursement :									
Expenses(a)	2.91%	1.78%	1.43%	1.29%	1.26%	1.24%	1.24%	1.24%	1.19%***
Net Investment Income (Loss)	4.47%	5.28%	6.12%	5.70%	5.44%	5.30%	5.40%	5.58%	4.72%***
Ratios to Average Net Assets Applicable to Common Shares									
After Reimbursement **:									
Expenses(a)	2.87%	1.61%	1.14%	0.88%	0.78%	0.76%	0.77%	0.74%	0.71%***
Net Investment Income (Loss)	4.52%	5.45%	6.41%	6.11%	5.92%	5.78%	5.88%	6.08%	5.20%***
Portfolio Turnover Rate	8%	3%	0%	24%	15%	9%	9%	14%	18%
Auction Rate Preferred Shares at End of Period:									
Aggregate Amount Outstanding (000)	\$	\$	\$ 30,025	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000
Liquidation Value Per Share	\$	\$	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset Coverage Per Share	\$	\$	\$ 74,329	\$ 73,028	\$ 73,691	\$ 73,302	\$ 75,253	\$ 72,480	\$ 76,034
MuniFund Term Preferred Shares at End of Period:									
Aggregate Amount Outstanding (000)	\$ 32,000	\$ 32,000	\$	\$	\$	\$	\$	\$	\$
Liquidation Value Per Share	\$ 10.00	\$ 10.00	\$	\$	\$	\$	\$	\$	\$
Asset Coverage Per Share	\$ 29.21	\$ 29.71	\$	\$	\$	\$	\$	\$	\$
Ending Market Value Per Share	\$ 12.89	\$ 10.00	\$	\$	\$	\$	\$	\$	\$
Average Market Value Per Share	\$ 13.47	\$ 9.99 <sup>(c)</sup>	\$	\$	\$	\$	\$	\$	\$
Auction Rate Preferred Shares and MuniFund Term Preferred Shares and End of Period:									
Asset Coverage per \$1 Liquidation Preference	\$	\$	\$	\$	\$	\$	\$	\$	\$

\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested divided 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.

B-7

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 expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable. As of September 30, 2010, the Adviser is no longer reimbursing the Fund for any fees or expenses.

\*\*\* Annualized.

The amounts shown are based on common share equivalents.

Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders; Net Income Ratios reflect income earned and expenses incurred on assets attributable to Auction Rate Preferred Shares and/or MuniFund Term Preferred Shares, where applicable.

(a) The expense ratios reflect, among other things, all interest expense and other costs related to MuniFund Term Preferred Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, both as described in Footnote 1 General Information and Significant Accounting Policies, MuniFund Term Preferred Shares and Inverse Floating Rate Securities, respectively, in the most recent shareholder report, as follows:

2011	1.69%
2010	.57
2009	.11
2008	.02
2007	
2006	
2005	
2004	
2003	

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

(c) For the period February 10, 2010 (first issuance date of shares) through May 31, 2010.

## APPENDIX C

## BENEFICIAL OWNERSHIP

## Beneficial Ownership

The following table lists the dollar range of equity securities beneficially owned by each Board Member and Board Member Nominee and for the Board Members and Board Member Nominees as a group in each Fund and in all Nuveen funds overseen by the Board Member nominee as of May 31, 2011.

Board Member Nominees	Premium Income	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3	Aggregate Dollar Range of Securities All Registered Investment Companies Overseen by Board Member Nominees in Family of Investment Companies <sup>(1)</sup>
<b>Board Members/Nominees who are not interested persons of the Funds</b>					
Robert P. Bremner	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
Jack B. Evans	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
William C. Hunter	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
David J. Kundert	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
William J. Schneider	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
Judith M. Stockdale	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
Carole E. Stone	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
Virginia L. Stringer	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
Terence J. Toth	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000
<b>Board Member/Nominee who is an interested person of the Funds</b>					
John P. Amboian	\$ 0	\$ 0	\$ 0	\$ 0	Over \$ 100,000

(1) The amounts reflect the aggregate dollar range of equity securities and the number of shares beneficially owned by the Board Member/Nominee in the Funds and in all Nuveen funds overseen by the Board Member/Nominee.

The following table sets forth, for each Board Member and Board Member Nominee and for the Board Members and Board Member Nominees and officers as a group, the amount of shares beneficially owned in each Fund as of December 31, 2010. The information as to beneficial ownership is based on statements furnished by each Board Member and officer.

Board Member Nominees	Premium Income	Dividend Advantage	Dividend Advantage 2	Dividend Advantage 3
<b>Board Members/Nominees who are not interested persons of the Funds</b>				
Robert P. Bremner	0	0	0	0
Jack B. Evans	0	0	0	0
William C. Hunter	0	0	0	0
David J. Kundert	0	0	0	0
William J. Schneider	0	0	0	0
Judith M. Stockdale	0	0	0	0
Carole E. Stone	0	0	0	0
Virginia L. Stringer	0	0	0	0
Terence J. Toth	0	0	0	0
<b>Board Member/Nominee who is an interested person of the Funds</b>				
John P. Amboian	0	0	0	0
<b>Board Members and Officers as a Group</b>				

**APPENDIX D**

**NUMBER OF BOARD AND COMMITTEE MEETINGS HELD**

**DURING EACH FUND'S LAST FISCAL YEAR**

<b>Fund</b>	<b>Regular Board Meeting</b>	<b>Special Board Meeting</b>	<b>Executive Committee Meeting</b>	<b>Dividend Committee Meeting</b>	<b>Compliance, Risk Management and Regulatory Oversight Committee Meeting</b>	<b>Nominating and Governance Committee Meeting</b>	<b>Audit Committee Meeting</b>
Premium Income	6	6	1	4	5	6	4
Dividend Advantage	6	6	0	4	5	6	4
Dividend Advantage 2	6	6	0	4	5	6	4
Dividend Advantage 3	6	6	0	4	5	6	4

D-1

**APPENDIX E**

**NUVEEN FUND BOARD**

**AUDIT COMMITTEE CHARTER**

**I. Organization and Membership**

There shall be a committee of each Board of Directors/Trustees (the Board) of the Nuveen Management Investment Companies (the Funds or, individually, a Fund) to be known as the Audit Committee. The Audit Committee shall be comprised of at least three Directors/Trustees. Audit Committee members shall be independent of the Funds and free of any relationship that, in the opinion of the Directors/Trustees, would interfere with their exercise of independent judgment as an Audit Committee member. In particular, each member must meet the independence and experience requirements applicable to the Funds of the exchanges on which shares of the Funds are listed, Section 10A of the Securities Exchange Act of 1934 (the Exchange Act), and the rules and regulations of the Securities and Exchange Commission (the Commission). Each such member of the Audit Committee shall have a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and be financially literate, and at least one such member shall have accounting or related financial management expertise, in each case as determined by the Directors/Trustees, exercising their business judgment (this person may also serve as the Audit Committee's financial expert as defined by the Commission). The Board shall appoint the members and the Chairman of the Audit Committee, on the recommendation of the Nominating and Governance Committee. The Audit Committee shall meet periodically but in any event no less frequently than on a semi-annual basis. Except for the Funds, Audit Committee members shall not serve simultaneously on the audit committees of more than two other public companies.

**II. Statement of Policy, Purpose and Processes**

The Audit Committee shall assist the Board in oversight and monitoring of (1) the accounting and reporting policies, processes and practices, and the audits of the financial statements, of the Funds; (2) the quality and integrity of the financial statements of the Funds; (3) the Funds compliance with legal and regulatory requirements, (4) the independent auditors' qualifications, performance and independence; and (5) oversight of the Pricing Procedures of the Funds and the Valuation Group. In exercising this oversight, the Audit Committee can request other committees of the Board to assume responsibility for some of the monitoring as long as the other committees are composed exclusively of independent directors.

In doing so, the Audit Committee shall seek to maintain free and open means of communication among the Directors/Trustees, the independent auditors, the internal auditors and the management of the Funds. The Audit Committee shall meet periodically with Fund management, the Funds' internal auditor, and the Funds' independent auditors, in separate executive sessions. The Audit Committee shall prepare reports of the Audit Committee as required by the Commission to be included in the Fund's annual proxy statements or otherwise.

The Audit Committee shall have the authority and resources in its discretion to retain special legal, accounting or other consultants to advise the Audit Committee and to otherwise discharge its responsibilities, including appropriate funding as determined by the Audit Committee for compensation to independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for a Fund, compensation to advisers employed by



the Audit Committee, and ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties, as determined in its discretion. The Audit Committee may request any officer or employee of Nuveen Investments, Inc. (or its affiliates) (collectively, Nuveen ) or the Funds independent auditors or outside counsel to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Funds independent auditors and internal auditors shall have unrestricted accessibility at any time to Committee members.

### **Responsibilities**

Fund management has the primary responsibility to establish and maintain systems for accounting, reporting, disclosure and internal control.

The independent auditors have the primary responsibility to plan and implement an audit, with proper consideration given to the accounting, reporting and internal controls. Each independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Funds shall report directly to the Audit Committee. The independent auditors are ultimately accountable to the Board and the Audit Committee. It is the ultimate responsibility of the Audit Committee to select, appoint, retain, evaluate, oversee and replace any independent auditors and to determine their compensation, subject to ratification of the Board, if required. These Audit Committee responsibilities may not be delegated to any other Committee or the Board.

The Audit Committee is responsible for the following:

#### **With respect to Fund financial statements:**

1. Reviewing and discussing the annual audited financial statements and semi-annual financial statements with Fund management and the independent auditors including major issues regarding accounting and auditing principles and practices, and the Funds disclosures in its periodic reports under Management s Discussion and Analysis.
2. Requiring the independent auditors to deliver to the Chairman of the Audit Committee a timely report on any issues relating to the significant accounting policies, management judgments and accounting estimates or other matters that would need to be communicated under Statement on Auditing Standards (SAS) No. 90, Audit Committee Communications (which amended SAS No. 61, Communication with Audit Committees), that arise during the auditors review of the Funds financial statements, which information the Chairman shall further communicate to the other members of the Audit Committee, as deemed necessary or appropriate in the Chairman s judgment.
3. Discussing with management the Funds press releases regarding financial results and dividends, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally, consisting of discussing the types of information to be disclosed and the types of presentations to be made. The Chairman of the Audit Committee shall be authorized to have these discussions with management on behalf of the Audit Committee.
4. Discussing with management and the independent auditors (a) significant financial reporting issues and judgments made in connection with the preparation and presentation of the Funds financial statements, including any significant changes in the

Funds' selection or application of accounting principles and any major issues as to the adequacy of the Funds' internal controls and any special audit steps adopted in light of material control deficiencies; and (b) analyses prepared by Fund management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

5. Discussing with management and the independent auditors the effect of regulatory and accounting initiatives on the Funds' financial statements.
6. Reviewing and discussing reports, both written and oral, from the independent auditors and/or Fund management regarding (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments and disclosures, and the treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
7. Discussing with Fund management the Funds' major financial risk exposures and the steps management has taken to monitor and control these exposures, including the Funds' risk assessment and risk management policies and guidelines. In fulfilling its obligations under this paragraph, the Audit Committee may review in a general manner the processes other Board committees have in place with respect to risk assessment and risk management.
8. Reviewing disclosures made to the Audit Committee by the Funds' principal executive officer and principal financial officer during their certification process for the Funds' periodic reports about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Funds' internal controls. In fulfilling its obligations under this paragraph, the Audit Committee may review in a general manner the processes other Board committees have in place with respect to deficiencies in internal controls, material weaknesses, or any fraud associated with internal controls.

**With respect to the independent auditors:**

1. Selecting, appointing, retaining or replacing the independent auditors, subject, if applicable, only to Board and shareholder ratification; and compensating, evaluating and overseeing the work of the independent auditor (including the resolution of disagreements between Fund management and the independent auditor regarding financial reporting).
2. Meeting with the independent auditors and Fund management to review the scope, fees, audit plans and staffing for the audit, for the current year. At the conclusion of the audit, reviewing such audit results, including the independent auditors' evaluation of the Funds' financial and internal controls, any comments or recommendations of the independent auditors, any audit problems or difficulties and management's response, including any restrictions on the scope of the independent auditor's activities or on

access to requested information, any significant disagreements with management, any accounting adjustments noted or proposed by the auditor but not made by the Fund, any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement, any significant changes required from the originally planned audit programs and any adjustments to the financial statements recommended by the auditors.

3. Pre-approving all audit services and permitted non-audit services, and the terms thereof, to be performed for the Funds by their independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10A of the Exchange Act that the Audit Committee approves prior to the completion of the audit, in accordance with any policies or procedures relating thereto as adopted by the Board or the Audit Committee. The Chairman of the Audit Committee shall be authorized to give pre-approvals of such non-audit services on behalf of the Audit Committee.
4. Obtaining and reviewing a report or reports from the independent auditors at least annually (including a formal written statement delineating all relationships between the auditors and the Funds consistent with Independent Standards Board Standard 1, as may be amended, restated, modified or replaced) regarding (a) the independent auditor's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with any such issues; and (d) all relationships between the independent auditor and the Funds and their affiliates, in order to assist the Audit committee in assessing the auditor's independence. After reviewing the foregoing report[s] and the independent auditor's work throughout the year, the Audit Committee shall be responsible for evaluating the qualifications, performance and independence of the independent auditor and their compliance with all applicable requirements for independence and peer review, and a review and evaluation of the lead partner, taking into account the opinions of Fund management and the internal auditors, and discussing such reports with the independent auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
5. Reviewing any reports from the independent auditors mandated by Section 10A(b) of the Exchange Act regarding any illegal act detected by the independent auditor (whether or not perceived to have a material effect on the Funds' financial statements) and obtaining from the independent auditors any information about illegal acts in accordance with Section 10A(b).
6. Ensuring the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, and further considering the rotation of the independent auditor firm itself.
7. Establishing and recommending to the Board for ratification policies for the Funds, Fund management or the Fund adviser's hiring of employees or former employees of the independent auditor who participated in the audits of the Funds.

8. Taking, or recommending that the Board take, appropriate action to oversee the independence of the outside auditor.

**With respect to any internal auditor:**

1. Reviewing the proposed programs of the internal auditor for the coming year. It is not the obligation or responsibility of the Audit Committee to confirm the independence of any Nuveen internal auditors performing services relating to the Funds or to approve any termination or replacement of the Nuveen Manager of Internal Audit.
2. Receiving a summary of findings from any completed internal audits pertaining to the Funds and a progress report on the proposed internal audit plan for the Funds, with explanations for significant deviations from the original plan.

**With respect to pricing and valuation oversight:**

1. The Board has responsibilities regarding the pricing of a Fund's securities under the 1940 Act. The Board has delegated this responsibility to the Committee to address valuation issues that arise between Board meetings, subject to the Board's general supervision of such actions. The Committee is primarily responsible for the oversight of the Pricing Procedures and actions taken by the internal Valuation Group ( Valuation Matters ). The Valuation Group will report on Valuation Matters to the Committee and/or the Board of Directors/Trustees, as appropriate.
2. Performing all duties assigned to it under the Funds' Pricing Procedures, as such may be amended from time to time.
3. Periodically reviewing and making recommendations regarding modifications to the Pricing Procedures as well as consider recommendations by the Valuation Group regarding the Pricing Procedures.
4. Reviewing any issues relating to the valuation of a Fund's securities brought to the Committee's attention, including suspensions in pricing, pricing irregularities, price overrides, self-pricing, NAV errors and corrections thereto, and other pricing matters. In this regard, the Committee should consider the risks to the Funds in assessing the possible resolutions of these Valuation Matters.
5. Evaluating, as it deems necessary or appropriate, the performance of any pricing agent and recommending changes thereto to the full Board.
6. Reviewing any reports or comments from examinations by regulatory authorities relating to Valuation Matters of the Funds and considering management's responses to any such comments and, to the extent the Committee deems necessary or appropriate, proposing to management and/or the full Board the modification of the Fund's policies and procedures relating to such matters. The Committee, if deemed necessary or desirable, may also meet with regulators.
7. Meeting with members of management of the Funds, outside counsel, or others in fulfilling its duties hereunder, including assessing the continued appropriateness and

adequacy of the Pricing Procedures, eliciting any recommendations for improvements of such procedures or other Valuation Matters, and assessing the possible resolutions of issues regarding Valuation Matters brought to its attention.

8. Performing any special review, investigations or oversight responsibilities relating to Valuation as requested by the Board of Directors/Trustees.
9. Investigating or initiating an investigation of reports of improprieties or suspected improprieties in connection with the Fund's policies and procedures relating to Valuation Matters not otherwise assigned to another Board committee.

**Other responsibilities:**

1. Reviewing with counsel to the Funds, counsel to Nuveen, the Fund adviser's counsel and independent counsel to the Board legal matters that may have a material impact on the Fund's financial statements or compliance policies.
2. Receiving and reviewing periodic or special reports issued on exposure/controls, irregularities and control failures related to the Funds.
3. Reviewing with the independent auditors, with any internal auditor and with Fund management, the adequacy and effectiveness of the accounting and financial controls of the Funds, and eliciting any recommendations for the improvement of internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose payments, transactions or procedures that might be deemed illegal or otherwise improper.
4. Reviewing the reports of examinations by regulatory authorities as they relate to financial statement matters.
5. Discussing with management and the independent auditor any correspondence with regulators or governmental agencies that raises material issues regarding the Funds' financial statements or accounting policies.
6. Obtaining reports from management with respect to the Funds' policies and procedures regarding compliance with applicable laws and regulations.
7. Reporting regularly to the Board on the results of the activities of the Audit Committee, including any issues that arise with respect to the quality or integrity of the Funds' financial statements, the Funds' compliance with legal or regulatory requirements, the performance and independence of the Funds' independent auditors, or the performance of the internal audit function.
8. Performing any special reviews, investigations or oversight responsibilities requested by the Board.
9. Reviewing and reassessing annually the adequacy of this charter and recommending to the Board approval of any proposed changes deemed necessary or advisable by the Audit Committee.

10. Undertaking an annual review of the performance of the Audit Committee.

11. Establishing procedures for the receipt, retention and treatment of complaints received by the Funds regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of Fund management, the investment adviser, administrator, principal underwriter, or any other provider of accounting-related services for the Funds, as well as employees of the Funds.

Although the Audit Committee shall have the authority and responsibilities set forth in this Charter, it is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Funds' financial statements are complete and accurate and are in accordance with generally accepted accounting principles. That is the responsibility of management and the independent auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to ensure compliance with laws and regulations.

E-7

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606-1286

(800) 257-8787

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

CT-1211

**The information contained in this Statement of Additional Information is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Statement of Additional Information is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**STATEMENT OF ADDITIONAL INFORMATION**

**RELATING TO THE REORGANIZATIONS OF NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND (NFC)**

**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NGK)**

**NUVEEN CONNECTICUT DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NGO)**

**(each, an Acquired Fund and collectively the Acquired Funds )**

**AND**

**NUVEEN CONNECTICUT PREMIUM INCOME MUNICIPAL FUND (NTC)**

**(the Acquiring Fund and, together with the Acquired Funds, the Funds and each, a Fund )**

This Statement of Additional Information is available to shareholders of the Acquired Funds in connection with the proposed reorganizations whereby, with respect to each reorganization, (i) the Acquiring Fund would acquire substantially all of the assets of each Acquired Fund in exchange solely for common shares and MuniFund Term Preferred Shares ( MTP Shares ) of the Acquiring Fund and the Acquiring Fund's assumption of substantially all of the liabilities of the Acquired Fund and (ii) the Acquired Fund would be liquidated, dissolved and terminated in accordance with its Declaration of Trust (each, a Reorganization ).

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Joint Proxy Statement/Prospectus dated , 2011 relating to the proposed Reorganizations of the Acquired Funds into the Acquiring Fund (the Joint Proxy Statement/Prospectus ). A copy of the Joint Proxy Statement/Prospectus and other information may be obtained without charge by calling (800) 257-8787, by writing to the Funds or from the Funds website (<http://www.nuveen.com>). The information contained in, or that can be accessed through, the Funds website is not part of the Joint Proxy Statement/Prospectus or this Statement of Additional Information. You may also obtain a copy of the Joint Proxy Statement/Prospectus on the Securities and Exchange Commission's website (<http://www.sec.gov>). Capitalized terms used but not defined in this Statement of Additional Information have the meanings ascribed to them in the Joint Proxy Statement/Prospectus.

This Statement of Additional Information is dated , 2011.



**TABLE OF CONTENTS**

	<b>Page</b>
<u>INVESTMENT OBJECTIVES AND POLICIES</u>	1
<u>PORTFOLIO COMPOSITION</u>	2
<u>INVESTMENT RESTRICTIONS</u>	13
<u>MANAGEMENT OF THE FUNDS</u>	18
<u>BOARD LEADERSHIP STRUCTURE AND RISK OVERSIGHT</u>	30
<u>INVESTMENT ADVISER AND SUB-ADVISER</u>	40
<u>PORTFOLIO MANAGERS</u>	42
<u>PORTFOLIO TRANSACTIONS AND BROKERAGE</u>	44
<u>REPURCHASE OF FUND SHARES: CONVERSION TO OPEN-END FUND</u>	46
<u>TAX MATTERS</u>	48
<u>EXPERTS</u>	54
<u>CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REDEMPTION AND PAYING AGENT</u>	55
<u>ADDITIONAL INFORMATION</u>	55
<u>PRO FORMA FINANCIAL INFORMATION</u>	56
<u>APPENDIX A</u>	A-1
<u>APPENDIX B</u>	B-1
<u>APPENDIX C</u>	C-1

Effective January 1, 2011, the Funds' investment adviser changed its name to Nuveen Fund Advisors, Inc. ( "Nuveen Fund Advisors" ) and Nuveen Asset Management, LLC ( "Nuveen Asset Management" ), a wholly-owned subsidiary of Nuveen Fund Advisors, was appointed as sub-adviser to the Funds, and the Funds' portfolio managers became employees of Nuveen Asset Management rather than Nuveen Fund Advisors.

### INVESTMENT OBJECTIVES AND POLICIES

The following supplements the information contained in the Joint Proxy Statement/Prospectus concerning the investment objectives and policies of the Funds. The investment policies described below, except as set forth under "Investment Restrictions," are not fundamental policies and may be changed by a Fund's Board of Trustees without the approval of shareholders.

Under normal circumstances, each Fund will invest at least 80% of its net assets, plus assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or any preferred shares outstanding ( "Managed Assets" ), in municipal securities and other related investments the income from which is exempt from regular federal and Connecticut income taxes. Under normal circumstances, each Fund will invest at least 80% of its Managed Assets in investment grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by at least one nationally recognized statistical rating organization ( "NRSRO" ) or are unrated but judged to be of comparable quality by Nuveen Asset Management. Each Fund may invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by Nuveen Asset Management. No more than 10% of a Fund's Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated but judged to be of comparable quality by Nuveen Asset Management. The foregoing credit quality policies apply only at the time a security is purchased, and the Funds are not required to dispose of a security in the event that a rating agency downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, Nuveen Asset Management may consider such factors as Nuveen Asset Management's assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other rating agencies. Each Fund may also invest in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which the Funds may invest directly.

Underrated municipal securities are those municipal securities whose ratings do not, in Nuveen Asset Management's opinion, reflect their true value. They may be underrated because of the time that has elapsed since their last ratings, or because rating agencies have not fully taken into account positive factors, or for other reasons. Undervalued municipal securities are those securities that, in Nuveen Asset Management's opinion, are worth more than their market value. They may be undervalued because there is a temporary excess of supply in that particular sector (such as hospital bonds, or bonds of a particular municipal issuer). Nuveen Asset Management may buy such a security even if the value of that security is consistent with the value of other securities in that sector. Municipal securities also may be undervalued because there has been a general decline in the market price of municipal securities for reasons that do not apply to the particular municipal securities that Nuveen Asset Management considers undervalued. Nuveen Asset Management believes that the prices of these municipal securities should ultimately reflect their true value.

The Funds have not established any limit on the percentage of their portfolio that may be invested in municipal securities subject to the alternative minimum tax provisions of federal tax law, and each Fund expects that a substantial portion of the income it produces will be includable in alternative minimum taxable income.

Each Fund also may invest up to 15% of its net assets in inverse floating rate securities.

During temporary defensive periods and in order to keep each Fund's cash fully invested, a Fund may invest up to 100% of its net assets in short-term investments including high-quality, short-term securities that may be either tax exempt or taxable. Each Fund intends to invest in taxable short-term investments only in the event that suitable tax-exempt short-term investments are not available at reasonable prices and yields. Investment in taxable short-term investments would result in a portion of your dividends being subject to regular federal income taxes.

A general description of NRSRO (i.e., Moody's, S&P and Fitch) ratings of municipal securities is set forth in Appendix B to this Statement of Additional Information.

### **PORTFOLIO COMPOSITION**

In addition to and supplementing the Joint Proxy Statement/Prospectus, each Fund's portfolio will be composed principally of the investments described below.

#### **Municipal Securities**

Each Fund may invest in various municipal securities, including municipal bonds and notes, other securities issued to finance and refinance public projects, and other related securities and derivative instruments creating exposure to municipal bonds, notes and securities that provide for the payment of interest income that is exempt from federal and Connecticut income taxes (Municipal Obligations). Municipal Obligations are generally debt obligations issued by state and local governmental entities and may be issued by U.S. territories to finance or refinance public projects such as roads, schools, and water supply systems. Municipal Obligations may also be issued for private activities, such as housing, medical and educational facility construction, or for privately owned transportation, electric utility and pollution control projects. Municipal Obligations may be issued on a long-term basis to provide permanent financing. The repayment of such debt may be secured generally by a pledge of the full faith and credit taxing power of the issuer, a limited or special tax, or any other revenue source including project revenues, which may include tolls, fees and other user charges, lease payments, and mortgage payments. Municipal Obligations may also be issued to finance projects on a short-term interim basis, anticipating repayment with the proceeds on long-term debt. Municipal Obligations may be issued and purchased in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms including fixed coupon, variable rate, zero coupon, capital appreciation bonds, tender option bonds, and residual interest bonds or inverse floating rate securities; or acquired through investments in pooled vehicles, partnerships or other investment companies. Inverse floating rate securities are securities that pay interest at rates that vary inversely with changes in prevailing short-term tax-exempt interest rates and represent a leveraged investment in an underlying municipal security, which may increase the effective leverage of a Fund.

Included within the general category of Municipal Obligations described above and in the Joint Proxy Statement/Prospectus are participations in lease obligations or installment purchase contract obligations (hereinafter collectively called Municipal Lease Obligations ) of municipal authorities or entities. Although Municipal Lease Obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a Municipal Lease Obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the Municipal Lease Obligation. However, certain Municipal Lease Obligations contain non-appropriation clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In the case of a non-appropriation lease, a Fund's ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition or releasing of the property might prove difficult. Each Fund seeks to minimize these risks by investing only in those non-appropriation Municipal Lease Obligations where (a) the nature of the leased equipment or property is such that its ownership or use is essential to a governmental function of the municipality, (b) the lease payments will commence amortization of principal at an early date that results in an average life of seven years or less for the Municipal Lease Obligation, (c) appropriate covenants will be obtained from the municipal obligor prohibiting the substitution or purchase of similar equipment if lease payments are not appropriated, (d) the lease obligor has maintained good market acceptability in the past, (e) the investment is of a size that will be attractive to institutional investors and (f) the underlying leased equipment has elements of portability or use, or both, that enhance its marketability in the event foreclosure on the underlying equipment were ever required.

Obligations of issuers of municipal securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Bankruptcy Reform Act of 1978, as amended. In addition, Congress, state legislatures or referenda may in the future enact laws affecting the obligations of these issuers by extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or upon municipalities to levy taxes. There is also the possibility that, as a result of legislation or other conditions, the power or ability of any issuer to pay, when due, the principal of and interest on its Municipal Obligations may be materially affected.

Each Fund has no intention to file a voluntary application for relief under Federal bankruptcy law or any similar application under state law for so long as each Fund is solvent and does not foresee becoming insolvent.

#### **Financial Futures and Options Transactions**

Each Fund may invest in derivative instruments in pursuit of its investment objectives. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. Nuveen Asset Management uses derivatives to seek to enhance return, to hedge some of the risks of its investments in fixed income securities or as a substitute for a position in the underlying asset. Each Fund may attempt to hedge all or a portion of its investment portfolio against market risk by engaging in transactions in financial futures contracts, options on financial futures or options that either are based on an index of long-term municipal securities (i.e., those with remaining maturities averaging 20-30 years) or relate to debt securities whose prices Nuveen Asset Management anticipates to correlate with the prices of the municipal securities each Fund owns. To accomplish such hedging,

each Fund may take an investment position in a futures contract or in an option which is expected to move in the opposite direction from the position being hedged. Hedging may be utilized to reduce the risk that the value of securities a Fund owns may decline on account of an increase in interest rates and to hedge against increases in the cost of the securities a Fund intends to purchase as a result of a decline in interest rates. The use of futures and options for hedging purposes can be expected to result in taxable income or gain. Each Fund currently intends to allocate any taxable income or gain proportionately between its common shares and its Preferred Shares. See Tax Matters.

The sale of financial futures or the purchase of put options on financial futures or on debt securities or indexes is a means of hedging against the risk of rising interest rates, whereas the purchase of financial futures or of call options on financial futures or on debt securities or indexes is a means of hedging each Fund's portfolio against an increase in the price of securities such Fund intends to purchase. Writing a call option on a futures contract or on debt securities or indexes may serve as a hedge against a modest decline in prices of municipal securities held in each Fund's portfolio, and writing a put option on a futures contract or on debt securities or indexes may serve as a partial hedge against an increase in the value of municipal securities a Fund intends to acquire. The writing of these options provides a hedge to the extent of the premium received in the writing transaction.

No Fund will purchase futures unless it has segregated or earmarked cash, government securities or high-grade liquid debt equal to the contract price of the futures less any margin on deposit, or unless the purchase of a put option covers the long futures position. No Fund will sell futures unless the Fund owns the instruments underlying the futures or owns options on such instruments or owns a portfolio whose market price may be expected to move in tandem with the market price of the instruments or index underlying the futures. If a Fund engages in transactions involving the purchase or writing of put and call options on debt securities or indexes, such Fund will not purchase these options if more than 5% of its assets would be invested in the premiums for these options and it will only write covered or secured options, where a Fund holds the securities or cash required to be delivered upon exercise, with such cash being maintained in a segregated account. These requirements and limitations may limit a Fund's ability to engage in hedging transactions. So long as any Rating Agency is rating a Fund's preferred shares, such Fund will engage in futures or options transactions only in accordance with the then-current guidelines of such rating agencies, and only after it has received written confirmation from Moody's and S&P, as appropriate, that these transactions would not impair the ratings then assigned by Moody's and S&P to such shares.

*Description of Financial Futures and Options.* A futures contract is a contract between a seller and a buyer for the sale and purchase of specified property at a specified future date for a specified price. An option is a contract that gives the holder of the option the right, but not the obligation, to buy (in the case of a call option) specified property from, or to sell (in the case of a put option) specified property to, the writer of the option for a specified price during a specified period prior to the option's expiration. Financial futures contracts and options cover specified debt securities (such as U.S. Treasury securities) or indexes designed to correlate with price movements in certain categories of debt securities. At least one exchange trades futures contracts on an index designed to correlate with the long-term municipal bond market. Financial futures contracts and options on financial futures contracts are traded on exchanges regulated by the U.S. Commodity Futures Trading Commission (CFTC). Options on certain financial instruments and financial indexes are traded on securities markets regulated by the Securities and Exchange Commission (SEC). Although futures contracts and options on specified financial instruments call for settlement by delivery of the financial

instruments covered by the contracts, in most cases positions in these contracts are closed out in cash by entering into offsetting liquidating or closing transactions. Index futures and options are designed for cash settlement only.

*Risks of Futures and Options Transactions.* There are certain risks associated with the use of financial futures and options to hedge investment portfolios. There may be an imperfect correlation between price movements of the futures and options and price movements of the portfolio securities being hedged. Losses may be incurred in hedging transactions, which could reduce the portfolio gains that might have been realized if the hedging transactions had not been entered into. The ability to close out positions in futures and options depends upon the existence of a liquid secondary market, which may not exist for all futures and options at all times. If a Fund engages in futures transactions or in the writing of options on futures, it will be required to maintain initial margin and maintenance margin and may be required to make daily variation margin payments in accordance with applicable rules of the exchanges and the CFTC. If a Fund purchases a financial futures contract or a call option or writes a put option in order to hedge the anticipated purchase of municipal securities, and if a Fund fails to complete the anticipated purchase transaction, such Fund may have a loss or a gain on the futures or options transaction that will not be offset by price movements in the municipal securities that were the subject of the anticipatory hedge. The cost of put options on debt securities or indexes effectively increases the cost of the securities subject to them, thereby reducing the yield otherwise available from these securities. If a Fund decides to use futures contracts or options on futures contracts for hedging purposes, such Fund will be required to establish an account for such purposes with one or more CFTC-registered futures commission merchants. A futures commission merchant could establish initial and maintenance margin requirements for the Funds that are greater than those which would otherwise apply to a Fund under applicable rules of the exchanges and the CFTC.

*Repurchase Agreements.* Each Fund may buy repurchase agreements as temporary investments. A repurchase agreement is a contract in which the seller of securities (U.S. government securities or municipal bonds) agrees to repurchase the same securities from the buyer at a specified price on a future date. The repurchase price determines the yield during a Fund's holding period. Repurchase agreements are considered to be loans whose collateral is the underlying security that is the subject of the repurchase agreement. Income from repurchase agreements is taxable and required to be allocated proportionately between common shares and Preferred Shares. See Tax Matters. Each Fund will enter into repurchase agreements only with registered securities dealers or domestic banks that, in Nuveen Asset Management's opinion, present minimal credit risks. The risk to a Fund is limited to the ability of the other party to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time of the transaction always equals or exceeds the repurchase price, if the value of the collateral declines there is a risk of loss of principal and interest. If the other party defaults, the collateral may be sold, but a Fund may lose money if the value of the collateral declines and may have to pay the costs of the sale or experience delays in selling the collateral. If the seller files for bankruptcy, a Fund may not be able to sell the collateral quickly or at all. Nuveen Asset Management will monitor the value of the collateral at the time a Fund enters into a repurchase agreement and during the term of the repurchase agreement to determine that at all times that value of the collateral equals or exceeds the repurchase price. If the value of the collateral is less than the repurchase price, Nuveen Asset Management will demand additional collateral from the other party to increase the value of the collateral to at least the redemption price plus interest.

#### **Segregation of Assets**

As closed-end investment companies registered with the SEC, each Fund is subject to the federal securities laws, including the Investment Company Act of 1940, as amended (the "1940 Act"),

the rules thereunder, and various interpretive provisions of the SEC and its staff. In accordance with these laws, rules and positions, each Fund must set aside (often referred to as asset segregation) liquid assets, or engage in other SEC or staff-approved measures, to cover open positions with respect to certain kinds of derivatives instruments. In the case of forward currency contracts that are not contractually required to cash settle, for example, each Fund must set aside liquid assets equal to such contracts' full notional value while the positions are open. With respect to forward currency contracts that are contractually required to cash settle, however, a Fund is permitted to set aside liquid assets in an amount equal to such Fund's daily marked-to-market net obligations (i.e., the Fund's daily net liability) under the contracts, if any, rather than such contracts' full notional value. Each Fund reserves the right to modify its asset segregation policies in the future to comply with any changes in the positions from time to time articulated by the SEC or its staff regarding asset segregation.

Each Fund generally will use its assets to cover its obligations as required by the 1940 Act, the rules thereunder, and applicable positions of the SEC and its staff. As a result of such segregation, such assets may not be used for other operational purposes.

Each Fund may invest in inverse floating rate securities issued by special purpose trusts. With respect to such investments, each Fund will segregate or earmark assets in an amount equal to at least 100% of the face amount of the floating rate securities issued by such trust.

### **Short-Term Investments**

*Short-Term Taxable Fixed Income Securities.* For temporary defensive purposes or to keep cash on hand fully invested, each Fund may invest up to 100% of its net assets in cash equivalents and short-term taxable fixed-income securities, although each Fund intends to invest in taxable short-term investments only in the event that suitable tax-exempt short-term investments are not available at reasonable prices and yields. Short-term taxable fixed-income investments include, without limitation, the following:

(1) U.S. government securities, including bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities. U.S. government agency securities include securities issued by (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, and the Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks, and the Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association, whose securities are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, whose securities are supported only by its credit. While the U.S. government provides financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. government and its agencies and instrumentalities do not guarantee the market value of their securities. Consequently, the value of such securities may fluctuate.

(2) Certificates of Deposit issued against funds deposited in a bank or a savings and loan association. Such certificates are for a definite period of time, earn a specified rate of return, and are normally negotiable. The issuer of a certificate of deposit agrees to pay the amount

deposited plus interest to the bearer of the certificate on the date specified thereon. Under current Federal Deposit Insurance Company regulations, the maximum insurance payable as to any one certificate of deposit is \$250,000; therefore, certificates of deposit purchased by a Fund may not be fully insured.

(3) Repurchase agreements, which involve purchases of debt securities. At the time a Fund purchases securities pursuant to a repurchase agreement, it simultaneously agrees to resell and redeliver such securities to the seller, who also simultaneously agrees to buy back the securities at a fixed price and time. This assures a predetermined yield for a Fund during its holding period, since the resale price is always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for each Fund to invest temporarily available cash. Each Fund may enter into repurchase agreements only with respect to obligations of the U.S. government and its agencies or instrumentalities; certificates of deposit; or bankers' acceptances in which a Fund may invest. Repurchase agreements may be considered loans to the seller, collateralized by the underlying securities. The risk to a Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date; in the event of default, the repurchase agreement provides that each Fund is entitled to sell the underlying collateral. If the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, a Fund could incur a loss of both principal and interest. Nuveen Asset Management monitors the value of the collateral at the time the action is entered into and at all times during the term of the repurchase agreement. Nuveen Asset Management does so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to each Fund. If the seller were to be subject to a federal bankruptcy proceeding, the ability of the each to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

(4) Commercial paper, which consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations. Master demand notes are direct lending arrangements between a Fund and a corporation. There is no secondary market for such notes. However, they are redeemable by a Fund at any time. Nuveen Asset Management will consider the financial condition of the corporation (e.g., earning power, cash flow, and other liquidity measures) and will continuously monitor the corporation's ability to meet all of its financial obligations, because a Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the highest categories by a major rating agency and which mature within one year of the date of purchase or carry a variable or floating rate of interest.

*Short-Term Tax-Exempt Municipal Securities.* Short-term tax-exempt municipal securities are securities that are exempt from regular federal income tax and mature within three years or less from the date of issuance. Short-term tax-exempt municipal income securities are defined to include, without limitation, the following:

Bond Anticipation Notes ( BANs ) are usually general obligations of state and local governmental issuers which are sold to obtain interim financing for projects that will eventually be funded through the sale of long-term debt obligations or bonds. The ability of an issuer to meet its obligations on its BANs is primarily dependent on the issuer's access to the long-term municipal bond market and the likelihood that the proceeds of such bond sales will be used to pay the principal and interest on the BANs.



Tax Anticipation Notes ( TANS ) are issued by state and local governments to finance the current operations of such governments. Repayment is generally to be derived from specific future tax revenues. TANS are usually general obligations of the issuer. A weakness in an issuer's capacity to raise taxes due to, among other things, a decline in its tax base or a rise in delinquencies, could adversely affect the issuer's ability to meet its obligations on outstanding TANS.

Revenue Anticipation Notes ( RANs ) are issued by governments or governmental bodies with the expectation that future revenues from a designated source will be used to repay the notes. In general, they also constitute general obligations of the issuer. A decline in the receipt of projected revenues, such as anticipated revenues from another level of government, could adversely affect an issuer's ability to meet its obligations on outstanding RANs. In addition, the possibility that the revenues would, when received, be used to meet other obligations could affect the ability of the issuer to pay the principal and interest on RANs.

Construction Loan Notes are issued to provide construction financing for specific projects. Frequently, these notes are redeemed with funds obtained from the Federal Housing Administration.

Bank Notes are notes issued by local government bodies and agencies, such as those described above to commercial banks as evidence of borrowings. The purposes for which the notes are issued are varied, but they are frequently issued to meet short-term working capital or capital-project needs. These notes may have risks similar to the risks associated with TANS and RANs.

Tax-Exempt Commercial Paper ( Municipal Paper ) represents very short-term unsecured, negotiable promissory notes issued by states, municipalities and their agencies. Payment of principal and interest on issues of municipal paper may be made from various sources, to the extent the funds are available therefrom. Maturities of municipal paper generally will be shorter than the maturities of TANS, BANs or RANs. There is a limited secondary market for issues of Municipal Paper.

Certain municipal securities may carry variable or floating rates of interest whereby the rate of interest is not fixed but varies with changes in specified market rates or indices, such as a bank prime rate or a tax-exempt money market index.

While the various types of notes described above as a group represent the major portion of the short-term tax-exempt note market, other types of notes are available in the marketplace, and each Fund may invest in such other types of notes to the extent permitted under its investment objectives, policies and limitations. Such notes may be issued for different purposes and may be secured differently from those mentioned above.

### **Illiquid Securities**

Each Fund may invest in municipal securities and other instruments that, at the time of investment, are illiquid (i.e., securities that are not readily marketable). For this purpose, illiquid securities may include, but are not limited to, restricted securities (securities the disposition of which is restricted under the federal securities laws), securities that may be resold only pursuant to Rule 144A under the Securities Act that are deemed to be illiquid, and certain repurchase agreements. The Board of Trustees or its delegate has the ultimate authority to determine which securities are liquid or illiquid. The Board of Trustees has delegated to Nuveen Asset Management the day-to-day determination of the illiquidity of any security held by a Fund, although it has retained oversight and ultimate responsibility

for such determinations. No definitive liquidity criteria are used. The Board of Trustees has directed Nuveen Asset Management when making liquidity determinations to look for such factors as (i) the nature of the market for a security (including the institutional private resale market; the frequency of trades and quotes for the security; the number of dealers willing to purchase or sell the security; the amount of time normally needed to dispose of the security; and the method of soliciting offers and the mechanics of transfer), (ii) the terms of certain securities or other instruments allowing for the disposition to a third party or the issuer thereof (e.g., certain repurchase obligations and demand instruments), and (iii) other relevant factors. The assets used to cover OTC derivatives used by a Fund will be considered illiquid until the OTC derivatives are sold to qualified dealers who agree that the Fund may repurchase them at a maximum price to be calculated by a formula set forth in an agreement. The cover for an OTC derivative subject to this procedure would be considered illiquid only to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the derivative.

Restricted securities may be sold only in privately negotiated transactions or in a public offering with respect to which a registration statement is in effect under the Securities Act. Where registration is required, each Fund may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the time of the decision to sell and the time each Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, a Fund might obtain a less favorable price than that which prevailed when it decided to sell. Illiquid securities will be priced at fair value as determined in good faith by the Board of Trustees or its delegatee. If, through the appreciation of illiquid securities or the depreciation of liquid securities, a Fund should be in a position where more than 15% of the value of its net assets is invested in illiquid securities, including restricted securities that are not readily marketable, a Fund will take such steps as are deemed advisable by Nuveen Asset Management, if any, to protect liquidity.

#### **Inverse Floating Rate Securities and Floating Rate Securities**

*Inverse Floating Rate Securities.* Inverse floating rate securities (sometimes referred to as inverse floaters) are securities whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. Generally, inverse floating rate securities represent beneficial interests in a special purpose trust formed by a third party sponsor for the purpose of holding municipal bonds. The special purpose trust typically sells two classes of beneficial interests or securities: floating rate securities (sometimes referred to as short-term floaters or tender option bonds) and inverse floating rate securities (sometimes referred to as inverse floaters or residual interest securities). Both classes of beneficial interests are represented by certificates. The short-term floating rate securities have first priority on the cash flow from the municipal bonds held by the special purpose trust. Typically, a third party, such as a bank, broker-dealer or other financial institution, grants the floating rate security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees. The holder of the short-term floater effectively holds a demand obligation that bears interest at the prevailing short-term, tax-exempt rate. However, the institution granting the tender option will not be obligated to accept tendered short-term floaters in the event of certain defaults or a significant downgrade in the credit rating assigned to the bond issuer. For its inverse floating rate investment, each Fund receives the residual cash flow from the special purpose trust. Because the holder of the short-term floater is generally assured liquidity at the face value of the security, each Fund as the holder of the inverse floater assumes the interest rate cash flow risk and the market value risk associated with the

municipal bond deposited into the special purpose trust. The volatility of the interest cash flow and the residual market value will vary with the degree to which the trust is leveraged. This is expressed in the ratio of the face value of the short-term floaters in relation to the inverse floaters that are issued by the special purpose trust. Each Fund expects to make limited investments in inverse floaters, with leverage ratios that may vary between one and three times. However, each Fund is permitted to invest in highly leveraged inverse floating rate securities. In addition, all voting rights and decisions to be made with respect to any other rights relating to the municipal bonds held in the special purpose trust are passed through to a Fund, as the holder of the residual inverse floating rate securities.

Because increases in either the interest rate on the securities or the value of indexes (with which inverse floaters maintain their inverse relationship) reduce the residual interest paid on inverse floaters, inverse floaters' value is generally more volatile than that of fixed rate bonds. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. These securities generally will underperform the market of fixed rate bonds in a rising interest rate environment but tend to outperform the market of fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, inverse floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity.

Inverse floaters have varying degrees of liquidity or illiquidity based upon, among other things, the liquidity of the underlying bonds deposited in a special purpose trust. Each Fund may invest in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund. In Nuveen Asset Management's discretion, each Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. Each Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require a Fund to reimburse the third party sponsor of such inverse floater, upon termination of the trust issuing the inverse floater, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. Such agreements may expose a Fund to a risk of loss that exceeds its investment in the inverse floating rate securities. Absent a shortfall and forbearance agreement, each Fund would not be required to make such a reimbursement. If a Fund chooses not to enter into such an agreement, the special purpose trust could be liquidated, and such Fund could incur a loss. Each Fund will segregate or earmark liquid assets with its custodian in accordance with the 1940 Act to cover its obligations with respect to its investments in special purpose trusts. See also "Segregation of Assets" in the Statement of Additional Information.

*Floating Rate Securities.* Each Fund may also invest in floating rate securities, as described above, issued by special purpose trusts. Floating rate securities may take the form of short-term floating rate securities or the option period may be substantially longer. Generally, the interest rate earned will be based upon the market rates for municipal securities with maturities or remarketing provisions that are comparable in duration to the periodic interval of the tender option, which may vary from weekly, to monthly, to extended periods of one year or multiple years. Since the option feature has a shorter term than the final maturity or first call date of the underlying bond deposited in the trust, each Fund as the holder of the floating rate security relies upon the terms of the agreement with the financial institution furnishing the option as well as the credit strength of that institution. As further

assurance of liquidity, the terms of the trust provide for a liquidation of the municipal security deposited in the trust and the application of the proceeds to pay off the floating rate security. The trusts that are organized to issue both short-term floating rate securities and inverse floaters generally include liquidation triggers to protect the investor in the floating rate security.

#### **Auction Rate Securities**

Municipal securities also include auction rate municipal securities and auction rate preferred securities issued by closed-end investment companies that invest primarily in municipal securities (collectively, "auction rate securities"). In recent market environments, auction failures have been widespread, which has adversely affected the liquidity and price of auction rate securities. Provided that the auction mechanism is successful, auction rate securities usually permit the holder to sell the securities in an auction at par value at specified intervals. The dividend is reset by "Dutch" auction in which bids are made by broker-dealers and other institutions for a certain amount of securities at a specified minimum yield. The dividend rate set by the auction is the lowest interest or dividend rate that covers all securities offered for sale. While this process is designed to permit auction rate securities to be traded at par value, there is a risk that an auction will fail due to insufficient demand for the securities. Moreover, between auctions, there may be no secondary market for these securities, and sales conducted on a secondary market may not be on terms favorable to the seller. Thus, with respect to liquidity and price stability, auction rate securities may differ substantially from cash equivalents, notwithstanding the frequency of auctions and the credit quality of the security. Each Fund's investments in auction rate securities of closed-end funds are subject to the limitations prescribed by the 1940 Act. Each Fund will indirectly bear its proportionate share of any management and other fees paid by such closed-end funds in addition to the advisory fees payable directly by a Fund.

#### **When-Issued and Delayed Delivery Transactions**

Each Fund may buy and sell municipal securities on a when-issued or delayed delivery basis, making payment or taking delivery at a later date, normally within 15 to 45 days of the trade date. On such transactions, the payment obligation and the interest rate are fixed at the time the purchaser enters into the commitment. Beginning on the date a Fund enters into a commitment to purchase securities on a when-issued or delayed delivery basis, such Fund is required under the rules of the SEC to maintain in a separate account liquid assets, consisting of cash, cash equivalents or liquid securities having a market value at all times of at least equal to the amount of any delayed payment commitment. Income generated by any such assets which provide taxable income for federal income tax purposes is includable in the taxable income of such Fund and, to the extent distributed, will be taxable distributions to shareholders. Each Fund may enter into contracts to purchase securities on a forward basis (i.e., where settlement will occur more than 60 days from the date of the transaction) only to the extent that the Fund specifically collateralizes such obligations with a security that is expected to be called or mature within 60 days before or after the settlement date of the forward transaction. The commitment to purchase securities on a when-issued, delayed delivery or forward basis may involve an element of risk because no interest accrues on the bonds prior to settlement and at the time of delivery the market value may be less than their cost.

#### **Other Investments**

*Zero Coupon Securities.* Each Fund's investments in debt securities may be in the form of a zero coupon bond. Zero coupon bonds are debt obligations that do not entitle the holder to any periodic

payments of interest for the entire life of the obligation. When held to its maturity, its return comes from the difference between the purchase price and its maturity value. These instruments are typically issued and traded at a deep discount from their face amounts. The amount of the discount varies depending on such factors as the time remaining until maturity of the securities, prevailing interest rates, the liquidity of the security and the perceived credit quality of the issuer. The market prices of zero coupon bonds generally are more volatile than the market prices of debt instruments that pay interest currently and in cash and are likely to respond to changes in interest rates to a greater degree than do other types of securities having similar maturities and credit quality. In order to satisfy a requirement for qualification to be taxed as a regulated investment company under the Code (as defined under Tax Matters ), an investment company, such as a Fund, must distribute each year at least 90% of its investment company taxable income (determined without regard to the deduction for dividends paid)(as described under Tax Matters ) including the original issue discount accrued on zero coupon bonds. Because each Fund will not on a current basis receive cash payments from the issuer of these securities in respect of any accrued original issue discount, in some years a Fund may have to distribute cash obtained from selling other portfolio holdings of such Fund in order to avoid unfavorable tax consequences. In some circumstances, such sales might be necessary in order to satisfy cash distribution requirements to each Fund's shareholders even though investment considerations might otherwise make it undesirable for a Fund to sell securities at such time. Under many market conditions, investments in zero coupon bonds may be illiquid, making it difficult for a Fund to dispose of them or determine their current value.

*Structured Notes.* Each Fund may utilize structured notes and similar instruments for investment purposes and also for hedging purposes. Structured notes are privately negotiated debt obligations where the principal and/or interest is determined by reference to the performance of a benchmark asset, market or interest rate (an embedded index ), such as selected securities, an index of securities or specified interest rates, or the differential performance of two assets or markets. The terms of such structured instruments normally provide that their principal and/or interest payments are to be adjusted upwards or downwards (but not ordinarily below zero) to reflect changes in the embedded index while the structured instruments are outstanding. As a result, the interest and/or principal payments that may be made on a structured product may vary widely, depending upon a variety of factors, including the volatility of the embedded index and the effect of changes in the embedded index on principal and/or interest payments. The rate of return on structured notes may be determined by applying a multiplier to the performance or differential performance of the referenced index or indices or other assets. Application of a multiplier involves leverage that will serve to magnify the potential for gain and the risk of loss. These types of investments may generate taxable income.

#### **Other Investment Companies**

Each Fund may invest in securities of other open- or closed-end investment companies (including ETFs) that invest primarily in municipal securities of the types in which a Fund may invest directly. Each Fund generally expects that it may invest in other investment companies either during periods when it has large amounts of uninvested cash, or during periods when there is a shortage of attractive municipal securities available in the market. Each Fund may invest in investment companies that are advised by Nuveen Asset Management or its affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the SEC. As a shareholder in an investment company, each Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of a Fund's advisory and administrative fees with respect to assets so invested. Fund common shareholders would therefore be subject to duplicative expenses to the extent a Fund invested in other investment companies.

Nuveen Asset Management will take expenses into account when evaluating the investment merits of an investment in the investment company relative to available municipal security instruments. In addition, because the securities of other investment companies may be leveraged and subject to the same leverage risk, each Fund may indirectly be subject to those risks described in the Joint Proxy Statement/Prospectus. Market value will tend to fluctuate more than the yield generated by unleveraged shares.

#### INVESTMENT RESTRICTIONS

In addition to each Fund's investment objectives, the following investment restrictions are fundamental policies for the Funds and may not be changed without the approval of the holders of a majority of the outstanding common shares and preferred shares, including MTP Shares (collectively, Preferred Shares), of such Fund, voting together, and of the holders of a majority of the outstanding Preferred Shares, voting separately. For this purpose, a majority of the outstanding shares means the vote of (1) 67% or more of the voting securities present at a meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy; or (2) more than 50% of the outstanding voting securities, whichever is less.

Except as described below, each Fund may not:

##### Acquiring Fund

- 1) Under normal circumstances, invest less than 80% of its Managed Assets in municipal securities and other related investments, the income from which is exempt from regular federal and Connecticut income taxes;
- 2) Issue senior securities, as defined in the 1940 Act, other than Preferred Shares, except to the extent such issuance might be involved with respect to borrowings described under subparagraph (3) below or with respect to transactions involving futures contracts or the writing of options within the limits described in Certain Trading Strategies of the Fund Financial Futures and Options Transactions and Description of MuniPreferred Asset Maintenance MuniPreferred Basic Maintenance Amount<sup>1</sup>;

##### Acquired Funds

- 1) Under normal circumstances, invest less than 80% of its Managed Assets in municipal securities and other related investments, the income from which is exempt from regular federal and Connecticut income taxes;
- 2) Issue senior securities, as defined in the Investment Company Act of 1940, other than MuniPreferred shares, except to the extent permitted under the Investment Company Act of 1940 and except as otherwise described in the prospectus;