

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC
Form N-CSR
October 08, 2003

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-7278

Nuveen Arizona Premium Income Municipal Fund, Inc.

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: July 31, 2003

Date of reporting period: July 31, 2003

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

Nuveen
Municipal Closed-End
Exchange-Traded
Funds

ANNUAL REPORT July 31, 2003

ARIZONA
NAZ
NFZ
NKR
NXE

TEXAS
NTX

PHOTO OF: WOMAN AND GIRL LOOKING AT PHOTO ALBUM.

PHOTO OF: 2 MEN TALKING.

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

Logo: NUVEEN Investments

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Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: "NO ONE KNOWS WHAT THE FUTURE WILL BRING, WHICH IS WHY WE THINK A WELL-BALANCED PORTFOLIO IS AN IMPORTANT COMPONENT IN ACHIEVING YOUR LONG-TERM FINANCIAL GOALS."

Dear

SHAREHOLDER

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Once again, I am pleased to report that over the most recent reporting period your Fund continued to provide you with attractive tax-free monthly income and the opportunity for increased portfolio diversification. For more specific information about the performance of your Fund, please see the Portfolio Manager's Comments and Performance Overview sections of this report.

With interest rates at historically low levels, many have begun to wonder whether interest rates will rise, and whether that possibility should cause them to adjust their holdings of fixed-income investments. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that municipal bond investments like your Nuveen Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

I'd also like to direct your attention to the inside front cover of this report, which explains the quick and easy process to begin receiving Fund reports like this via e-mail and the internet. Thousands of Nuveen Fund shareholders already have signed-up, and they are getting their Fund information faster and more conveniently than ever. I urge you to consider joining them.

Since 1898, Nuveen Investments has offered financial products and solutions that incorporate careful research, diversification, and the application of conservative risk-management principles. We are grateful that you have chosen us as a partner as you pursue your financial goals. We look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

September 15, 2003

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

Portfolio Manager's
COMMENTS

Portfolio manager Rick Huber discusses economic and market conditions, key investment strategies, and the recent performance of the Funds. With 18 years of investment experience, Rick assumed portfolio management responsibility for these Funds in January 2003.

WHAT FACTORS AFFECTED THE U.S. ECONOMY AND MUNICIPAL MARKET DURING THE TWELVE-MONTH PERIOD ENDED JULY 31, 2003?

In June 2003, the Federal Reserve cut the fed funds rate to 1.0%, its lowest level since 1958. Also in June, the GDP growth rate for the first quarter of 2003 was revised downward to 1.4%. The preliminary second-quarter growth rate, announced in July, was 2.4%, which continued to lag the 3% level some economists

consider to be indicative of a recovery.

This was just the latest evidence of the two factors that, in our opinion, continued to have the greatest influence on the performance of the U.S. economy and the municipal market over the course of this reporting period - historically low interest rate levels and the sluggish pace of economic growth. In addition, inflation remained dormant through the period, while comments by the Fed kept the topic of potential deflation in the news.

In combination, the slow rate of economic recovery, low interest rates and lack of inflationary pressures created conditions that helped many municipal bonds perform well during much of this reporting period. However, in July 2003 some stronger-than-expected economic data raised the specter of a tighter monetary policy sooner rather than later. This, along with volatility in the mortgage-backed securities market, precipitated a spike in bond yields and a corresponding drop in bond prices that impacted all fixed-income markets. One barometer of the volatility experienced in the bond markets during the month of July was the yield on the benchmark 10-year U.S. Treasury, which jumped approximately 150 basis points from 45-year lows in June to its highest point in more than a year by July 31, 2003.

During the first seven months of 2003, the municipal market followed up the record issuance of 2002 with continued strong supply, issuing \$230 billion in new bonds. This represented an increase of 18% over the same period in 2002. Much of the increase in supply reflected issuance intended to address the fiscal problems facing many states as the result of slow growth, rising costs (especially for healthcare and pensions), and sharp declines in the collection of income and capital gains taxes. Matching the increased supply, demand for municipal bonds also remained strong from both individual and institutional investors, particularly insurance companies.

HOW WERE ECONOMIC AND MARKET CONDITIONS IN ARIZONA AND TEXAS?

Boosted by an improving tourism industry, reviving demand in the high-tech and biotech areas, and increased defense-related spending, Arizona's economy continued on the path to recovery during the reporting period. Healthy population trends, affordable housing and low business costs also contributed to the state's economic rebound. In June 2003, a \$6.4 billion fiscal 2004 state budget was approved. While Arizona's rainy day fund was depleted in 2002, the state's pension liabilities are fully funded, and its debt burden remained relatively low. During the first seven months of 2003, Arizona issued just under \$4 billion in new municipal bonds, down 18% from the same period in 2002. As of July 31, 2003, the state's credit rating remained at A1/AA-, with negative outlooks, from Moody's and Standard & Poor's, respectively. The negative outlooks reflected the state's declining sales and income tax collections last year as well as the rating agencies' expectations that, despite the economic recovery projected for the second half of 2003, significant budgetary imbalances could continue over the next several cycles.

Like Arizona, Texas has also benefited from positive demographic trends, a large and diverse high-tech

and research sector, and relatively low costs of business and housing. As home to more than 200,000 military personnel, the state's economic growth has been helped by new defense spending contracts and increased activity at Texas military bases. Many of the state's major metropolitan areas were returning to healthy growth during the reporting period, including Houston (aided by a booming energy industry), Austin (with its high-tech and government base), and San Antonio. Northern Texas, including Dallas and Fort Worth, did not fare as

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well, as this area's economy continued to be constrained by problems in the airline and telecom industries. For the 2004-2005 biennium, the state balanced its \$117.4 billion budget by closing a \$10 billion gap through across-the-board spending cuts of 1.5%, fee increases, a drawdown of the state's \$1 billion rainy day fund, and a new tax amnesty program that is expected to increase collections. While the state's debt levels remained relatively low, pension liabilities were not fully funded. During the first seven months of 2003, Texas retained its position as the third largest state issuer behind California and New York, with \$14.6 billion in new municipal bonds, up 9% over January-July 2002. The state's general obligation debt continued to be rated Aa1/AA with a stable outlooks by Moody's and Standard & Poor's, respectively.

HOW DID THE FUNDS PERFORM OVER THE YEAR ENDED JULY 31, 2003?

Individual results for these Funds, as well as for selected benchmarks, are presented in the accompanying table.

	MARKET YIELD		TOTAL RETURN	LEHMAN	LIPPER
	7/31/03	TAXABLE-EQUIVALENT3	ON NAV	TOTAL RETURN1	AVERAGE2
			1 YEAR ENDED 7/31/03	1 YEAR ENDED 7/31/03	1 YEAR ENDED 7/31/03
NAZ	6.12%	8.93%	2.21%	3.60%	4.35%
NFZ	5.92%	8.64%	3.67%	3.60%	4.35%
NKR	6.00%	8.76%	3.67%	3.60%	4.35%
NXE	5.76%	8.41%	NA	-	-
NTX	6.53%	9.07%	2.54%	3.60%	4.35%

Past performance is not predictive of future results.

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

For the twelve months ended July 31, 2003, both NFZ and NKR outperformed the national, unleveraged Lehman Brothers Municipal Bond Index, while the returns of NAZ and NTX trailed this benchmark over the period. While all four older Funds trailed the Lipper Other States Municipal Debt Funds average, we believe this comparison has more limited value since the Lipper average includes the results of Funds from 10 different states, each with its own unique market environment.

The results of each of the Nuveen Funds over this reporting period were directly affected by the performance of specific securities within their portfolios. For example, for much of the reporting period, both NAZ and NTX had relatively large positions in bonds with short call provisions. These bonds had relatively short durations,⁴ which tended to restrain their performance in a market generally more favorable to longer duration bonds. Over the course of the reporting period, these callable bonds were replaced with longer maturity, longer duration bonds. However, as the Funds worked through their call schedules, their ability to benefit from the generally favorable interest rate environment in existence over much of the reporting period was limited.

In addition, at the start of the reporting period, NTX held over \$11 million (par value) in bonds issued for Alliance and Dallas/Fort Worth airports and backed by American Airlines. Over the reporting period, the market value of most airline-backed bonds fell, due in part to a decline in passenger volume and in part to the well-documented financial struggles of many carriers. Although we

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significantly trimmed NTX's position in airline-backed bonds during the course of the reporting period, the depreciation of these bonds over the twelve-month period had a negative impact on NTX's total return.

NAZ's performance also was affected by its holdings of bonds issued for Phoenix Children's Hospital and Winslow Memorial Hospital, which

- 1 The total annual returns on common share net asset value (NAV) for these Nuveen Funds are compared with the total annual return of the Lehman Brothers Municipal Bond Index, an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. Results for the Lehman index do not reflect any expenses.
- 2 The total returns of the Nuveen Arizona and Texas Funds are compared with the average annualized return of the 36 funds in the Lipper Other States Municipal Debt Funds category. Fund and Lipper returns assume reinvestment of dividends. It should be noted that the performance of the Lipper Other States category represents the overall average of annual returns for funds from 10 different states with a wide variety of economic and municipal market conditions and investment guidelines, making direct comparisons less applicable.
- 3 The taxable-equivalent yield represents the yield that must be earned on a taxable investment in order to equal the yield of the Nuveen Fund on an after-tax basis. The taxable-equivalent yield is based on the Fund's market yield on the indicated date and a federal income tax rate of 28% plus the applicable state income tax rate. The combined federal and state tax rate used for Arizona is 31.5%. Because Texas has no state income tax, NTX's taxable-equivalent yield is based on a federal income tax rate of 28%.
- 4 Duration is a measure of a Fund's NAV volatility in reaction to interest rate movements. Fund duration, also known as leverage-adjusted duration, takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund. References to duration in this commentary are intended to indicate Fund duration unless otherwise noted.

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depreciated in value as these two credits experienced financial and management difficulties. With new managements in place, both Phoenix Children's and Winslow are currently working to resolve problems and achieve a potential turnaround. NKR and NXE also held smaller positions in the Phoenix Children's Hospital bonds.

NAZ, NXE, and NTX had less than 3% of their portfolios invested in bonds backed by the 1998 master tobacco settlement agreement. In recent months, the prices of these bonds weakened as the result of lawsuits involving the major tobacco companies as well as the increased issuance of such bonds by states planning to use the proceeds to help close budget gaps. Although the sector as a whole produced negative returns over the twelve months ended July 31, 2003, tobacco-backed bonds showed some recovery toward the end of the period. As of the end of this reporting period, our strategy was to maintain our tobacco holdings while we continued to regularly evaluate the situation.

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

With short-term interest rates at historically low levels during the reporting period, the dividend-paying capabilities of these Funds benefited from their use

of leverage. The amount of this benefit is tied in part to the short-term rates the Funds pay their MuniPreferred(R) shareholders. Low short-term rates can enable the Funds to reduce the amount of income paid to MuniPreferred shareholders, which can potentially leave more earnings to support common share dividends.

During the twelve months ended July 31, 2003, the continued low level of short-term interest rates enabled us to implement three dividend increases in NFZ and one in NTX. As of July 2003, NAZ had paid steady or increasing dividends for 38 consecutive months, while NKR had offered shareholders stable, attractive dividends for 15 consecutive months. NXE, which was introduced in September 2002, declared its first monthly distribution in November 2002.

Although the share prices and net asset values of these Funds performed well during much of this twelve-month reporting period, the increased volatility that led to a general weakening of bond prices during July 2003 resulted in share prices and NAVs that were lower on July 31, 2003, than they had been one year earlier. As of July 31, 2003, NAZ, NFZ, NXE and NTX were trading at premiums to their common share NAVs, while NKR had moved to trading at a slight discount (see charts on individual Performance Overview pages).

WHAT KEY STRATEGIES WERE USED TO MANAGE THESE FUNDS DURING THE PERIOD ENDED JULY 31, 2003?

Over this reporting period, we continued to place strong emphasis on diversifying the portfolios, improving call protection and enhancing each Fund's dividend-paying capabilities. Strategically, our main focus centered on systematically controlling the Funds' durations, which we believed would enhance our ability to mitigate the Funds' interest rate risk and produce more consistent returns over time. Interest rate risk is the risk that the value of a Fund portfolio will decline when market interest rates rise (since bond prices move in the opposite direction of interest rates). The longer the duration of a Fund's portfolio, the greater its interest rate risk.

In line with our duration strategy, we concentrated on finding value in the intermediate part of the yield curve (i.e., bonds that mature in 15 to 20 years), particularly in the Funds with longer durations that we were seeking to moderate. In many cases, bonds in this part of the curve offered yields similar to those of longer-term bonds but, in our opinion, had less inherent interest rate risk. In NAZ and NTX, the need to replace shorter duration bonds that were called from the portfolio with current bonds having longer durations served to extend the Fund's duration over this reporting period.

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In general, issuance in the Texas municipal market over the past year increased our opportunities to make purchases for NTX, while finding appropriate bonds among the tighter supply provided by the Arizona market was more difficult. In both markets, we continued to look for individual issues that we thought would perform relatively well regardless of the future direction of interest rates. In carrying out trades, we watched for opportunities to take losses on selected securities in order to offset the generation of capital gains. Over the past year, we increased the Arizona Funds' exposure to limited tax obligation bonds, which were more plentiful in the Arizona market, with the goal of enhancing the diversification of these Funds.

NXE, our newest Arizona Fund introduced in September 2002, is now fully invested and, as mentioned earlier, began declaring regular monthly dividends in November 2002. As attractive opportunities appeared in the market, we added Arizona securities to this Fund to replace bonds from Puerto Rico that were purchased

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during the initial investment phase last fall. As of July 31, 2003, approximately 95% of NXE's portfolio was invested in Arizona bonds, up from 90% last fall.

Given the current geopolitical and economic climate, we believed that maintaining strong credit quality remained a vital requirement. As of July 31, 2003, the Arizona and Texas Funds offered excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging from 73% to 89%. In general, our weightings in insured and AAA bonds benefited the performance of these Funds during the past year.

WHAT IS YOUR OUTLOOK FOR THESE FUNDS?

We continue to believe that the U.S. economy is slowly headed for a recovery. We also think that inflation and interest rates will remain relatively low over the near term. However, an eventual rise in interest rates remains a distinct risk, and we plan to keep a careful watch on the Funds' durations and holdings in order to be as well positioned as possible if and when this happens.

Looking ahead at potential bond calls for these Funds, the newer Arizona Funds (NFZ, NKR, and NXE) should not experience any significant call exposure for several years. Despite our actions to mitigate the call risks in NAZ and NTX, these Funds still face potential calls on 22% and 11% of their portfolios, respectively, through 2005. The number of actual calls in all of these Funds will depend largely on market interest rates in coming months.

We will continue to manage the Funds' durations and seek to enhance their income-generating capabilities. We also plan to continue closely monitoring the budgetary situations in both states. We believe that these Nuveen Funds remain attractive sources of tax-free income, and continue to offer the potential for considerable portfolio diversification.

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Nuveen Arizona Premium Income Municipal Fund, Inc.

Performance

OVERVIEW As of July 31, 2003

NAZ

CREDIT QUALITY

Pie Chart:

AAA/U.S. Guaranteed	63%
AA	13%
A	2%
BBB	17%
NR	1%
BB or lower	4%

PORTFOLIO STATISTICS

Share Price	\$15.00
Common Share Net Asset Value	\$13.66
Market Yield	6.12%

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Taxable-Equivalent Yield (Federal Income Tax Rate)1	8.50%
Taxable-Equivalent Yield (Federal and State Income Tax Rate)1	8.93%
Net Assets Applicable to Common Shares (\$000)	\$60,547
Average Effective Maturity (Years)	16.63
Leverage-Adjusted Duration	9.32

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

	ON SHARE PRICE	ON NAV
1-Year	-5.98%	2.21%
5-Year	3.77%	3.63%
10-Year	5.26%	5.35%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/Limited	25%
Healthcare	17%
U.S. Guaranteed	17%
Tax Obligation/General	9%
Housing/Multifamily	9%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE

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

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

8/1/02	17
	16.85

	16.9
	16.87
	16.95
	16.98
	16.85
	16.74
	16.48
	16.3
	16.11
	15.93
	15.6
	15.9
	15.72
	15.49
	15.15
	15.16
	15.15
	14.95
	14.67
	15.04
	15.31
	15.15
	15.3
	15.75
	15.6
	16.18
	15.87
	15.89
	15.95
	16
	16.11
	16.11
	16.12
	16.08
	15.85
	15.59
	15.37
	15.84
	16
	15.9
	16.56
	16.52
	16.45
	16.7
	16.58
	16.9
	16.62
	16.3
7/31/03	15

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 28%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 31.5%.

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Nuveen Arizona Dividend Advantage Municipal Fund

Performance

OVERVIEW As of July 31, 2003

NFZ

Pie Chart:

CREDIT QUALITY

AAA/U.S. Guaranteed	53%
AA	20%
A	11%
BBB	15%
BB or lower	1%

PORTFOLIO STATISTICS

Share Price	\$15.30
Common Share Net Asset Value	\$14.45
Market Yield	5.92%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	8.22%
Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹	8.64%
Net Assets Applicable to Common Shares (\$000)	\$22,290
Average Effective Maturity (Years)	19.27
Leverage-Adjusted Duration	11.86

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

	ON SHARE PRICE	ON NAV
1-Year	3.06%	3.67%
Since Inception	6.52%	6.32%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/Limited	26%
Utilities	17%
Housing/Multifamily	13%
Tax Obligation/General	13%
U.S. Guaranteed	8%

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Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE2

Aug	0.07
Sep	0.071
Oct	0.071
Nov	0.071
Dec	0.073
Jan	0.073
Feb	0.073
Mar	0.0755
Apr	0.0755
May	0.0755
Jun	0.0755
Jul	0.0755

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

8/1/02	15.8
	15.71
	15.9
	15.41
	15.25
	15.44
	15.38
	15.58
	15.55
	15.6
	15.36
	15.25
	15.15
	15.2
	15.45
	15
	15.2
	15.2
	15.35
	15.25
	15.15
	15.2
	15.5
	15.6
	15.8
	15.5
	15.28
	15.28
	15.24
	15.5
	15.65
	16.19
	16.23
	16.09
	15.8
	15.53
	15.52
	15.56
	15.38
	15.65

	16.01
	16.3
	16.25
	16.57
	16.5
	16.54
	16.79
	16.88
	16.52
	16.35
7/31/03	15.3

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 28%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 31.5%.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2002 of \$0.0438 per share.

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Nuveen Arizona Dividend Advantage Municipal Fund 2

Performance

OVERVIEW As of July 31, 2003

NKR

Pie Chart:

CREDIT QUALITY

AAA/U.S. Guaranteed	79%
AA	10%
A	3%
BBB	7%
BB or lower	1%

PORTFOLIO STATISTICS

Share Price	\$14.40
Common Share Net Asset Value	\$14.57
Market Yield	6.00%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	8.33%
Taxable-Equivalent Yield (Federal and State Income Tax Rate) ¹	8.76%

Net Assets Applicable to

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Common Shares (\$000)	\$35,237

Average Effective Maturity (Years)	17.56

Leverage-Adjusted Duration	11.85

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

	ON SHARE PRICE	ON NAV

1-Year	-3.53%	3.67%

Since Inception	2.26%	6.78%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	30%

Tax Obligation/Limited	26%

Education and Civic Organizations	10%

Utilities	6%

Healthcare	6%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

Aug	0.072
Sep	0.072
Oct	0.072
Nov	0.072
Dec	0.072
Jan	0.072
Feb	0.072
Mar	0.072
Apr	0.072
May	0.072
Jun	0.072
Jul	0.072

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

8/1/02	15.7
	15.5
	15.85
	15.65
	15.2
	15.25
	15.31
	15.34
	15.5
	15.68
	15.2
	14.76
	14.78

	14.89
	14.75
	14.7
	15.2
	15.22
	15.29
	15.1
	15.4
	15.49
	15.59
	15.59
	15.5
	15.53
	15.55
	15.3
	15.09
	15.15
	15.34
	15.21
	15.26
	15.1
	15.1
	15.23
	15.31
	15.32
	15.12
	15.21
	15.44
	15.86
	15.8
	16.08
	15.83
	16.15
	16.18
	16.2
	15.76
	15.5
7/31/03	14.4

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 28%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 31.5%.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2002 of \$0.0122 per share.

Nuveen Arizona Dividend Advantage Municipal Fund 3

Performance

OVERVIEW As of July 31, 2003

NXE

Pie Chart:

CREDIT QUALITY	
AAA/U.S. Guaranteed	70%
AA	17%
A	5%
BBB	6%
BB or lower	2%

PORTFOLIO STATISTICS

Share Price	\$13.97
Common Share Net Asset Value	\$13.45
Market Yield	5.76%
Taxable-Equivalent Yield (Federal Income Tax Rate)1	8.00%
Taxable-Equivalent Yield (Federal and State Income Tax Rate)1	8.41%
Net Assets Applicable to Common Shares (\$000)	\$41,247
Average Effective Maturity (Years)	18.95
Leverage-Adjusted Duration	14.03

CUMULATIVE TOTAL RETURN (Inception 9/25/02)

	ON SHARE PRICE	ON NAV
Since Inception	-2.76%	-2.05%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/Limited	21%
Tax Obligation/General	18%
Education and Civic Organizations	13%
Transportation	9%
Housing/Multifamily	9%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE

Nov	0.067
Dec	0.067
Jan	0.067
Feb	0.067
Mar	0.067

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Apr	0.067
May	0.067
Jun	0.067
Jul	0.067

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

9/27/02	15.02
	15.02
	15
	15
	15
	15
	15
	14.95
	14.38
	14.15
	13.9
	13.81
	13.54
	13.72
	14.09
	13.65
	13.5
	13.6
	13.52
	13.85
	13.75
	13.85
	14
	14.01
	14.02
	13.85
	13.8
	13.65
	13.4
	13.65
	13.93
	14.01
	14.01
	14.18
	14.11
	14.26
	14.05
	14.29
	14.7
	14.73
	14.25
	14.1
7/31/03	13.97

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 28%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 31.5%.

Nuveen Texas Quality Income Municipal Fund

Performance

OVERVIEW As of July 31, 2003

NTX

Pie Chart:

CREDIT QUALITY

AAA/U.S. Guaranteed	63%
AA	13%
A	12%
BBB	11%
BB or lower	1%

PORTFOLIO STATISTICS

Share Price	\$14.71
Common Share Net Asset Value	\$14.57
Market Yield	6.53%
Taxable-Equivalent Yield (Federal Income Tax Rate) ¹	9.07%
Net Assets Applicable to Common Shares (\$000)	\$137,975
Average Effective Maturity (Years)	20.85
Leverage-Adjusted Duration	11.00

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

	ON SHARE PRICE	ON NAV
1-Year	4.14%	2.54%
5-Year	5.50%	4.76%
10-Year	6.03%	6.04%

TOP FIVE SECTORS (as a % of total investments)

Tax Obligation/General	22%
Healthcare	14%
Utilities	9%

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Education and Civic Organizations	8%
Water and Sewer	8%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE²

Aug	0.079
Sep	0.079
Oct	0.079
Nov	0.079
Dec	0.079
Jan	0.079
Feb	0.079
Mar	0.08
Apr	0.08
May	0.08
Jun	0.08
Jul	0.08

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

8/1/02	15.17
	15.41
	15.51
	15.24
	15.1
	15.39
	15.38
	15.54
	15.66
	15.56
	15.37
	14.31
	14.09
	14.56
	14.48
	14.23
	14.11
	14.35
	14.39
	14.19
	14.08
	14.39
	14.63
	14.25
	14.19
	14.35
	14.43
	14.51
	14.29
	14.39
	14.55
	14.9
	14.93
	14.74
	14.82
	14.94
	14.9

	15.09
	15.09
	15.05
	15.17
	15.34
	15.38
	15.54
	15.53
	15.25
	15.44
	15.7
	15.17
	15.25
7/31/03	14.71

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 28%.

2 The Fund also paid shareholders capital gains and net ordinary income distributions in December 2002 of \$0.0112 per share.

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Report of
INDEPENDENT AUDITORS

THE BOARDS OF DIRECTORS, TRUSTEES AND SHAREHOLDERS
NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC.
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3
NUVEEN TEXAS QUALITY INCOME MUNICIPAL FUND

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Arizona Premium Income Municipal Fund, Inc., Nuveen Arizona Dividend Advantage Municipal Fund, Nuveen Arizona Dividend Advantage Municipal Fund 2, Nuveen Arizona Dividend Advantage Municipal Fund 3 and Nuveen Texas Quality Income Municipal Fund as of July 31, 2003, and the related statements of operations, changes in net assets and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of investments owned as of July 31, 2003, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

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financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Arizona Premium Income Municipal Fund, Inc., Nuveen Arizona Dividend Advantage Municipal Fund, Nuveen Arizona Dividend Advantage Municipal Fund 2, Nuveen Arizona Dividend Advantage Municipal Fund 3 and Nuveen Texas Quality Income Municipal Fund at July 31, 2003, and the results of their operations, changes in their net assets and the financial highlights for the periods indicated therein in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Chicago, Illinois
September 12, 2003

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

Portfolio of
INVESTMENTS July 31, 2003

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

	CONSUMER STAPLES - 1.4%	
\$ 970	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100

	EDUCATION AND CIVIC ORGANIZATIONS - 9.2%	
1,000	Arizona State University, Certificates of Participation, Series 2002, 5.375%, 7/01/19 - MBIA Insured	7/12 at 100
1,750	Arizona Student Loan Acquisition Authority, Subordinated Fixed-Rate Student Loan Revenue Bonds, Series 1994B, 6.600%, 5/01/10 (Alternative Minimum Tax)	5/04 at 102
1,250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31	5/11 at 101
1,400	Southern Arizona Capital Facilities Financing Corporation, Student Housing Revenue Bonds, La Aldea Project at the University of Arizona, Series 2002, 5.000%, 9/01/23 - MBIA Insured	9/12 at 100

	HEALTHCARE - 22.9%	

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2,000	Arizona Health Facilities Authority, Hospital Revenue Bonds, Phoenix Children's Hospital, Series 1999A, 6.125%, 11/15/22	11/09 at 100
2,125	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25	12/10 at 102
2,000	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20	7/10 at 101
3,000	Mesa Industrial Development Authority, Arizona, Revenue Bonds, Discovery Health System, Series 1999A, 5.750%, 1/01/25 - MBIA Insured	1/10 at 101
515	Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, Hospital Revenue Bonds, Hospital de la Concepcion Project, Series 2000A, 6.375%, 11/15/15	11/10 at 101
1,500	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at 101
2,000	University Medical Center Corporation, Tucson, Arizona, Hospital Revenue Refunding Bonds, Series 1992, 6.250%, 7/01/16 - MBIA Insured	1/04 at 101
1,055	Industrial Development Authority, Winslow, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital Project, Series 1998, 5.500%, 6/01/22	6/08 at 101

HOUSING/MULTIFAMILY - 11.9%

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

HOUSING/SINGLE FAMILY - 0.5%

110	Phoenix Industrial Development Authority, Arizona, Statewide Single Family Mortgage Revenue Bonds, Series 1995, 6.150%, 6/01/08 (Alternative Minimum Tax)	6/05 at 102
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50	Phoenix Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 2000-1B, 7.350%, 6/01/31 (Alternative Minimum Tax)	6/10 at 105
105	Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 1997A, 6.250%, 11/01/30 (Alternative Minimum Tax)	5/07 at 102

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

	INDUSTRIALS - 3.3%	
\$ 2,000	Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management, Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08)	No Opt. C

	LONG-TERM CARE - 1.7%	
1,000	Mohave County Industrial Development Authority, Arizona, GNMA Collateralized Healthcare Revenue Refunding Bonds, Chris Ridge and Silver Ridge Village Projects, Series 1996, 6.375%, 11/01/31	5/06 at 103

	TAX OBLIGATION/GENERAL - 12.6%	
1,000	Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A, 5.375%, 7/01/15 - FSA Insured	No Opt. C
3,000	Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/18 - FGIC Insured	7/09 at 100
1,255	Phoenix, Arizona, Various Purpose General Obligation Bonds, Series 2002B, 5.000%, 7/01/21	7/12 at 100
1,000	Puerto Rico Public Improvement, General Obligation Bonds, Series 2002A: 5.500%, 7/01/19 - FGIC Insured	No Opt. C
500	5.375%, 7/01/28	7/11 at 100
585	Tempe Union High School District 213, Maricopa County, Arizona, General Obligation Bonds, Series 1994, 6.000%, 7/01/12 - FGIC Insured	7/04 at 101

	TAX OBLIGATION/LIMITED - 34.4%	
1,070	Arizona School Facilities Board, State School Improvement Revenue Bonds, Series 2003, 5.000%, 7/01/20	7/13 at 100

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	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A:		
2,000	5.375%, 7/01/20 - MBIA Insured		7/13 at 100
1,000	5.375%, 7/01/21 - MBIA Insured		7/13 at 100
	Bullhead City, Arizona, Parkway District Special Assessment Improvement Bonds, Series 1993:		
830	6.100%, 1/01/08		1/04 at 102
890	6.100%, 1/01/09		1/04 at 102
1,500	Maricopa County Industrial Development Authority, Education Revenue Bonds, Arizona Charter Schools Project I, Series 2000A, 6.750%, 7/01/29		7/10 at 102
3,400	Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured		6/12 at 100
	Phoenix Industrial Development Authority, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC Project, Series 2000:		
1,000	5.375%, 9/15/22 - AMBAC Insured		9/10 at 100
2,000	5.500%, 9/15/27 - AMBAC Insured		9/10 at 100
2,150	Phoenix Civic Plaza Building Corporation, Arizona, Senior Lien Excise Tax Revenue Bonds, Series 1994, 6.000%, 7/01/14		7/05 at 101
1,200	Prescott Valley Municipal Property Corp., Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured		1/13 at 100
1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24		7/12 at 100
500	Surprise Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2000, 5.700%, 7/01/20 - FGIC Insured		7/09 at 101
500	Tucson, Arizona, Certificates of Participation, Series 2000, 5.700%, 7/01/20 - MBIA Insured		7/08 at 100
1,100	Tucson, Arizona, Streets and Highway Junior Lien User Fee Revenue Bonds, Series 1994E, 5.000%, 7/01/18 - FGIC Insured		7/10 at 100

TELECOMMUNICATION SERVICES - 5.6%

2,000	Mohave County Industrial Development Authority, Arizona, Revenue Bonds, Citizens Utility Company Project, Series 1994, 6.600%, 5/01/29 (Alternative Minimum Tax)		11/03 at 101
1,450	Industrial Development Authority, Yavapai County, Arizona, Revenue Bonds, Citizens Utilities Company Project, Series 1998, 5.450%, 6/01/33 (Alternative Minimum Tax)		6/07 at 101

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

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

	U.S. GUARANTEED - 22.9%	
\$ 530	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10)	7/10 at 100
3,500	Maricopa County Industrial Development Authority, Arizona, Samaritan Health Services, Hospital Revenue Refunding Bonds, Series 1990A, 7.000%, 12/01/16 - MBIA Insured	No Opt. C
2,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded to 7/01/10) - FGIC Insured	7/10 at 101
1,000	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 6.500%, 7/01/27 (Pre-refunded to 7/01/10)	7/10 at 101
1,415	Tempe Union High School District 213, Maricopa County, Arizona, General Obligation Bonds, Series 1994, 6.000%, 7/01/12 (Pre-refunded to 7/01/04) - FGIC Insured	7/04 at 101
3,000	Tucson, Arizona, General Obligation Bonds, Series 1984G, 6.250%, 7/01/18 (Pre-refunded to 7/01/04) - FGIC Insured	7/04 at 101
725	Tucson, Arizona, Certificates of Participation, Series 1994, 6.375%, 7/01/09 (Pre-refunded to 7/01/04) - RAAI Insured	7/04 at 100

	UTILITIES - 7.9%	
1,000	Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15	No Opt. C
1,615	Coconino County, Arizona, Pollution Control Revenue Bonds, Nevada Power Company Project, Series 1996, 6.375%, 10/01/36 (Alternative Minimum Tax)	10/06 at 102
500	Navajo County Pollution Control Corp., Arizona, Pollution Control Revenue Refunding Bonds, Arizona Public Service Company, Series 1993A, 5.875%, 8/15/28 - MBIA Insured	8/03 at 102
1,200	Pima County Industrial Development Authority, Arizona, Lease Obligation Revenue Refunding Bonds, Tucson Electric Power Company Irvington Project, Series 1988A, 7.250%, 7/15/10 - FSA Insured	1/04 at 102
500	Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Salt River Project, Series 2002A, 5.000%, 1/01/31	1/12 at 101

	WATER AND SEWER - 2.4%	
1,500	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured	7/12 at 100

\$ 80,146	Total Long-Term Investments (cost \$80,747,376) - 136.7%	
=====		
	Other Assets Less Liabilities - 12.8%	

	Preferred Shares, at Liquidation Value - (49.5)%	

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

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

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

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

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

N/R Investment is not rated.

See accompanying notes to financial statements.

Nuveen Arizona Dividend Advantage Municipal Fund (NFZ)

Portfolio of
INVESTMENTS July 31, 2003

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

	EDUCATION AND CIVIC ORGANIZATIONS - 10.2%	
\$ 1,020	Mesa Industrial Development Authority, Arizona, Student Housing Revenue Bonds, ASU East/Maricopa County	7/11 at 101

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Community College District, Williams Campus Project,
Series 2001A, 6.000%, 7/01/26

1,000 Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System Project, Series 1999, 5.375%, 2/01/29 2/09 at 101

300 Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, University of the Sacred Heart Project, Series 2001, 5.250%, 9/01/21 9/11 at 100

HEALTHCARE - 11.5%

550 Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20 12/10 at 102

920 Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 7/10 at 101

1,000 Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 12/11 at 101

HOUSING/MULTIFAMILY - 19.8%

1,000 Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms Apartments Project, Series 1999A, 5.900%, 7/01/29 - MBIA Insured 7/09 at 102

1,125 Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Syl-Mar Apartments Project, Series 2001, 5.650%, 4/20/21 (Alternative Minimum Tax) 10/11 at 103

275 Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson Project, Series 2001, 5.700%, 6/20/31 (Alternative Minimum Tax) 6/11 at 102

1,000 Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Bay Club Apartments Project, Series 2001, 5.900%, 11/20/31 11/11 at 105

990 Phoenix Industrial Development Authority, Arizona, GNMA Enhanced Mortgage Loan Multifamily Housing Revenue Bonds, Liberty Cove Apartments, Series 2002A, 5.050%, 10/20/32 10/12 at 102

HOUSING/SINGLE FAMILY - 1.5%

320 Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, 11/10 at 101

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Series 2001A-4, 5.050%, 5/01/17

INDUSTRIALS - 4.5%		
1,000	Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management, Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08)	No Opt. C

TAX OBLIGATION/GENERAL - 18.9%		
1,500	Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A, 5.375%, 7/01/15 - FSA Insured	No Opt. C
1,000	Mesa, Arizona, General Obligation Bonds, Series 1999, 5.000%, 7/01/17 - FGIC Insured	7/09 at 100
500	Puerto Rico Public Improvement, General Obligation Bonds, Series 2002A, 5.500%, 7/01/29	No Opt. C
1,020	Tucson, Arizona, General Obligation Refunding Bonds, Series 1997, 5.000%, 7/01/19	7/07 at 100

TAX OBLIGATION/LIMITED - 38.2%		
700	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2001, 5.500%, 7/01/18	7/11 at 100
1,000	Arizona State Transportation Board, Highway Revenue Bonds, Series 2003A, 5.000%, 7/01/22	7/13 at 100

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

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

TAX OBLIGATION/LIMITED (continued)		
\$ 1,000	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.375%, 7/01/21 - MBIA Insured	7/13 at 100
2,000	Maricopa County Industrial Development Authority, Arizona, Education Revenue Bonds, Horizon Community Learning Center Project, Series 2000, 6.350%, 6/01/26 - ACA Insured	6/07 at 102
900	Phoenix Industrial Development, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC II Project,	3/12 at 100

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Series 2001, 5.250%, 9/15/16 - AMBAC Insured

2,675 Tempe, Arizona, Excise Tax Revenue Refunding Bonds, 7/13 at 100
Series 2003, 5.000%, 7/01/21

U.S. GUARANTEED - 11.6%

500 Maricopa County Industrial Development Authority, Arizona, 9/05 at 101
Baptist Hospital System Revenue Refunding Bonds,
Series 1995, 5.500%, 9/01/16 (Pre-refunded to 9/01/05) -
MBIA Insured

1,350 Puerto Rico Infrastructure Financing Authority, Special 10/10 at 101
Obligation Bonds, Series 2000A, 5.500%, 10/01/40

Agricultural Improvement and Power District, Arizona, Electric
System Revenue Refunding Bonds, Salt River Project, Series
1997A:

140 5.000%, 1/01/20 (Pre-refunded to 1/01/08) 1/08 at 101

430 5.000%, 1/01/20 (Pre-refunded to 1/01/11) 1/08 at 101

UTILITIES - 25.8%

1,500 Arizona Power Authority, Special Obligation Power Resource No Opt. C
Revenue Refunding Crossover Bonds, Hoover Project,
Series 2001, 5.250%, 10/01/17

500 Coconino County, Arizona, Pollution Control Revenue Bonds, 11/03 at 101
Nevada Power Company Project, Series 1997B,
5.800%, 11/01/32 (Alternative Minimum Tax)

1,000 Mesa, Arizona, Utility System Revenue Bonds, Series 2000, 7/09 at 100
5.125%, 7/01/19 - FGIC Insured

1,000 Mesa, Arizona, Utility System Revenue Refunding Bonds, No Opt. C
Series 2002, 5.250%, 7/01/17 - FGIC Insured

350 Puerto Rico Electric Power Authority, Power Revenue Bonds, 7/12 at 101
Series 2002II, 5.125%, 7/01/26 - FSA Insured

1,000 Agricultural Improvement and Power District, Arizona, 1/12 at 101
Electric System Revenue Refunding Bonds, Salt River
Project, Series 2002A, 5.250%, 1/01/18

235 Agricultural Improvement and Power District, Arizona, 1/08 at 101
Electric System Revenue Refunding Bonds, Salt River
Project, Series 1997A, 5.000%, 1/01/20

WATER AND SEWER - 6.6%

1,500 Phoenix Civic Improvement Corporation, Arizona, Junior Lien 7/12 at 100
Water System Revenue Bonds, Series 2002,
5.000%, 7/01/26 - FGIC Insured

\$ 32,300 Total Long-Term Investments (cost \$32,884,139) - 148.6%

 Other Assets Less Liabilities - 5.2%

 Preferred Shares, at Liquidation Value - (53.8)%

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

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

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

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

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

See accompanying notes to financial statements.

Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)

Portfolio of
 INVESTMENTS July 31, 2003

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

EDUCATION AND CIVIC ORGANIZATIONS - 14.7%		
\$ 510	Arizona State University, Certificates of Participation, Series 2002, 5.125%, 7/01/26 - MBIA Insured	7/12 at 100
1,000	Arizona State University, System Revenue Bonds, Series 2002: 5.000%, 7/01/25 - FGIC Insured	7/12 at 100
715	5.750%, 7/01/27 - FGIC Insured	7/12 at 100
1,250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31	5/11 at 101
320	Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority, Higher	2/09 at 101

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Education Revenue Bonds, Ana G. Mendez University
System Project, Series 1999, 5.375%, 2/01/19

University of Arizona, Certificates of Participation, Series 2002A:
750 5.500%, 6/01/18 - AMBAC Insured 6/12 at 100
500 5.125%, 6/01/22 - AMBAC Insured 6/12 at 100

HEALTHCARE - 9.0%

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

HOUSING/MULTIFAMILY - 7.2%

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

HOUSING/SINGLE FAMILY - 0.4%

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

INDUSTRIALS - 2.9%

1,000 Yavapai County Industrial Development Authority, Arizona, No Opt. C
Solid Waste Disposal Revenue Bonds, Waste Management,
Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative
Minimum Tax) (Mandatory put 3/01/08)

TAX OBLIGATION/GENERAL - 44.8%

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1,725	Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/17	7/12 at 100
1,000	Gilbert, Arizona, General Obligation Bonds, Series 2002A, 5.000%, 7/01/18 - AMBAC Insured	7/11 at 100
	Maricopa County School District 6, Arizona, General Obligation Refunding Bonds, Washington Elementary School, Series 2002A:	
1,000	5.375%, 7/01/15 - FSA Insured	No Opt. C
2,000	5.375%, 7/01/16 - FSA Insured	No Opt. C
2,165	Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Series 2002A, 5.250%, 7/01/14 - FGIC Insured	No Opt. C
1,000	Mesa, Arizona, General Obligation Bonds, Series 2000, 6.500%, 7/01/11 - FGIC Insured	No Opt. C

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

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

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

	TAX OBLIGATION/LIMITED - 37.7%	
	Arizona State, Certificates of Participation, Series 2002A:	
750	5.000%, 11/01/17 - MBIA Insured	5/12 at 100
1,000	5.000%, 11/01/18 - MBIA Insured	5/12 at 100
500	5.000%, 11/01/20 - MBIA Insured	5/12 at 100
1,000	Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/21	7/12 at 100
1,000	Maricopa County Public Finance Authority, Arizona, Lease Revenue Bonds, Series 2001, 5.500%, 7/01/15 - AMBAC Insured	7/11 at 100

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	Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002:		
840	5.375%, 6/01/18 - AMBAC Insured		6/12 at 100
2,645	5.375%, 6/01/19 - AMBAC Insured		6/12 at 100
1,500	Phoenix Industrial Development, Arizona, Government Office Lease Revenue Bonds, Capitol Mall LLC II Project, Series 2001, 5.250%, 9/15/16 - AMBAC Insured		3/12 at 100
500	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 1996Y, 5.500%, 7/01/36		7/16 at 100
500	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2002D, 5.000%, 7/01/32 - FSA Insured		7/12 at 100
1,000	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24		7/12 at 100
1,000	Tucson, Arizona, Streets and Highway Junior Lien User Fee Revenue Bonds, Series 1994E, 5.000%, 7/01/18 - FGIC Insured		7/10 at 100
640	Yuma Municipal Property Corporation, Arizona, Municipal Facilities Tax Revenue Bonds, Series 2001, 5.000%, 7/01/21 - AMBAC Insured		7/10 at 100

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

	U.S. GUARANTEED - 8.4%		
1,215	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/12 (Pre-refunded to 7/01/10)		7/10 at 100
1,500	Puerto Rico Infrastructure Financing Authority, Special Obligation Bonds, Series 2000A, 5.500%, 10/01/40		10/10 at 101

	UTILITIES - 9.4%		
1,115	Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/15		No Opt. C
1,000	Mesa, Arizona, Utility System Revenue Bonds, Series 2002,		7/11 at 100

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5.000%, 7/01/20 - FGIC Insured

1,000 Mesa, Arizona, Utility System Revenue Refunding Bonds,
Series 2002, 5.250%, 7/01/17 - FGIC Insured

No Opt. C

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
	WATER AND SEWER - 7.5%	
\$ 500	Maricopa County Industrial Development Authority, Arizona, Water System Improvement Revenue Bonds, Chaparra City Water Company Project, Series 1997A, 5.400%, 12/01/22 (Alternative Minimum Tax) - AMBAC Insured	12/07 at 102
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22 - FGIC Insured	No Opt. C
1,000	Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/18 - FGIC Insured	7/12 at 102
\$ 49,805	Total Long-Term Investments (cost \$51,188,087) - 147.6%	
	Other Assets Less Liabilities - 4.9%	
	Preferred Shares, at Liquidation Value - (52.5)%	
	Net Assets Applicable to Common Shares - 100%	

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

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

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

See accompanying notes to financial statements.

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Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE)

Portfolio of

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INVESTMENTS July 31, 2003

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

	CONSUMER STAPLES - 4.1%	
\$ 1,940	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100

	EDUCATION AND CIVIC ORGANIZATIONS - 19.1%	
2,000	Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 - FGIC Insured	7/12 at 100
1,000	Arizona Student Loan Acquisition Authority, Student Loan Revenue Refunding Bonds, Senior Series 1999A-1, 5.750%, 5/01/15 (Alternative Minimum Tax)	11/09 at 102
1,130	Energy Management Services LLC, Arizona State University, Energy Conservation Revenue Bonds, Main Campus Project, Series 2002, 5.250%, 7/01/18 - MBIA Insured	7/12 at 100
500	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 1998A, 5.375%, 5/15/28	5/08 at 101
1,000	Tucson Industrial Development Authority, Arizona, Lease Revenue Bonds, University of Arizona-Marshall Foundation Project, Series 2002A, 5.000%, 7/15/32 - AMBAC Insured	7/12 at 100
2,000	University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 - AMBAC Insured	6/12 at 100

	HEALTHCARE - 13.4%	
750	Arizona Health Facilities Authority, Hospital Revenue Bonds, Phoenix Children's Hospital, Series 1999A: 6.125%, 11/15/22	11/09 at 100
520	6.250%, 11/15/29	11/09 at 100
1,000	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20	12/10 at 102
250	Arizona Health Facilities Authority, Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20	7/10 at 101
2,000	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37	5/08 at 101
1,250	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31	12/11 at 101

HOUSING/MULTIFAMILY - 13.7%		
1,750	Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Senior Revenue Bonds, National Voluntary Health Facilities II Project, Series 1998A, 5.100%, 1/01/33 - FSA Insured	1/18 at 100
1,545	Phoenix Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Bonds, Campaigne Place on Jackson Project, Series 2001, 5.600%, 6/20/21 (Alternative Minimum Tax)	6/11 at 102
2,460	Phoenix Industrial Development Authority, Arizona, GNMA Enhanced Mortgage Loan Multifamily Housing Revenue Bonds, Liberty Cove Apartments, Series 2002A, 4.950%, 10/20/22 (Alternative Minimum Tax)	10/12 at 102

INDUSTRIALS - 3.7%		
1,500	Yavapai County Industrial Development Authority, Arizona, Solid Waste Disposal Revenue Bonds, Waste Management, Inc. Project, Series 2003B, 4.450%, 3/01/28 (Alternative Minimum Tax) (Mandatory put 3/01/08)	No Opt. C

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
TAX OBLIGATION/GENERAL - 27.0%		
\$ 660	Chandler, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/18	7/12 at 100
2,250	DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 - AMBAC Insured	7/13 at 100
1,930	Glendale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/19	7/11 at 100
1,000	Maricopa County School District 11, Peoria, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/15 - FSA Insured	No Opt. C
765	Maricopa County Unified School District 69, Paradise Valley, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/15 - FSA Insured	No Opt. C
1,000	Maricopa County Unified School District 95, Queen Creek, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/14 - FGIC Insured	No Opt. C

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1,500	Puerto Rico Public Improvement, General Obligation Refunding Bonds, Series 2002A, 5.500%, 7/01/20 - MBIA Insured	No Opt. C
1,150	Scottsdale, Arizona, General Obligation Refunding Bonds, Series 2002, 5.000%, 7/01/16	No Opt. C
440	Tucson, Arizona, General Obligation Bonds, Series 2001B, 5.000%, 7/01/20	7/11 at 100

TAX OBLIGATION/LIMITED - 31.6%		
2,000	Arizona School Facilities Board, School Improvement Revenue Bonds, Series 2002, 5.250%, 7/01/20	7/12 at 100
1,000	Goodyear, Arizona, Municipal Financing Program, Certificates of Participation, Series 31, 7.250%, 8/01/09 - MBIA Insured	No Opt. C
2,000	Arizona State Transportation Board, Highway Revenue Bonds, Series 2001, 5.250%, 7/01/20	7/11 at 100
3,000	Arizona State Transportation Board, Highway Revenue Refunding Bonds, Series 2002A, 5.250%, 7/01/18	7/12 at 102
1,000	Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/22	7/12 at 100
680	Avondale Municipal Development Corporation, Arizona, Excise Tax Revenue Bonds, Series 2002, 5.000%, 7/01/16 - FGIC Insured	7/12 at 100
2,770	Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22	7/13 at 100

TELECOMMUNICATION SERVICES - 1.1%		
500	Industrial Development Authority, Yavapai County, Arizona, Revenue Bonds, Citizens Utilities Company Project, Series 1998, 5.450%, 6/01/33 (Alternative Minimum Tax)	6/07 at 101

TRANSPORTATION - 14.0%		
	Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B:	
1,000	5.750%, 7/01/16 (Alternative Minimum Tax) - FGIC Insured	7/12 at 100
2,300	5.250%, 7/01/21 (Alternative Minimum Tax) - FGIC Insured	7/12 at 100
2,450	Tucson Airport Authority, Inc., Arizona, Revenue Refunding Bonds, Series 2001B, 5.000%, 6/01/20 (Alternative Minimum Tax) - AMBAC Insured	6/11 at 100

UTILITIES - 11.4%		
1,750	Maricopa County, Arizona, Pollution Control Corporation Revenue Bonds, Arizona Public Service Company Palo Verde	11/12 at 100

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	Project, Series 2002A, 5.050%, 5/01/29 - AMBAC Insured	
2,000	Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Salt River Project, Series 2002A, 5.125%, 1/01/27	1/12 at 101
1,000	Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Salt River Project, Series 2002B, 5.000%, 1/01/31	1/13 at 100

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

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

	WATER AND SEWER - 10.7%	
\$ 1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21 - FGIC Insured	7/11 at 100
1,250	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21 - FGIC Insured	No Opt. C
2,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/18 - FGIC Insured	7/12 at 100

\$ 60,990	Total Long-Term Investments (cost \$63,733,881) - 149.8%	
=====		
	Other Assets Less Liabilities - 3.5%	
	Preferred Shares, at Liquidation Value - (53.3)%	
	Net Assets Applicable to Common Shares - 100%	
=====		

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

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

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

See accompanying notes to financial statements.

Nuveen Texas Quality Income Municipal Fund (NTX)

Portfolio of
INVESTMENTS July 31, 2003

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

	CONSUMER STAPLES - 1.8%	
\$ 2,910	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100

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

	ENERGY - 2.9%	
3,000	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project,	4/08 at 102

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Series 1998, 5.600%, 4/01/32 (Alternative Minimum Tax)

1,300	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project, Series 1999, 5.700%, 4/01/32 (Alternative Minimum Tax)	4/09 at 101
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HEALTHCARE - 20.5%

3,500	Abilene Health Facilities Development Corporation, Texas, Hospital Revenue Refunding and Improvement Bonds, Hendrick Medical Center Project, Series 1995C, 6.150%, 9/01/25 - MBIA Insured	9/05 at 102
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Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000:

2,000	6.875%, 10/01/20 - RAAI Insured	10/10 at 101
3,250	6.375%, 10/01/25 - RAAI Insured	10/10 at 101

1,500	Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, St. Luke's Episcopal Hospital, Series 2001A, 5.500%, 2/15/21	8/11 at 100
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2,000	Harris County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Memorial Hermann Healthcare System, Series 2001A, 6.375%, 6/01/29	6/11 at 101
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5,750	Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11	No Opt. C
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2,000	North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Baylor Healthcare System Project, Series 2001A, 5.125%, 5/15/29	5/11 at 100
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1,760	Parker County Hospital District, Texas, Hospital Revenue Bonds, Campbell Health System, Series 1999, 6.250%, 8/15/19	8/09 at 102
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1,050	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System/Sunbelt Obligated Group, Series 1998, 5.375%, 11/15/20	11/08 at 101
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Nuveen Texas Quality Income Municipal Fund (NTX) (continued)
Portfolio of INVESTMENTS July 31, 2003

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

\$ 3,500	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System/Sunbelt Obligated Group, Series 2000, 6.625%, 11/15/20	11/10 at 101
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2,000	Tom Green County Health Facilities Development	5/11 at 101
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Corporation, Texas, Hospital Revenue Bonds, Shannon
Health System Project, Series 2001, 6.750%, 5/15/21

1,000	Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Health Center, Series 2001, 6.000%, 7/01/31	7/12 at 100
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HOUSING/MULTIFAMILY - 8.7%

Bexar County Housing Finance Corporation, Texas, Multifamily Housing Revenue Bonds, Waters at Northern Hills Apartments Project, Series 2001A:		
2,000	6.000%, 8/01/31 - MBIA Insured	8/11 at 102
750	6.050%, 8/01/36 - MBIA Insured	8/11 at 102

Grand Prairie Housing Finance Corporation, Texas, GNMA Multifamily Housing Revenue Bonds, Landings of Carrier Project, Series 2000A:		
1,000	6.650%, 9/20/22	9/10 at 105
2,030	6.750%, 9/20/28	9/10 at 105

5,668	Houston Housing Finance Corporation, Texas, GNMA Collateralized Mortgage Multifamily Housing Revenue Bonds, RRG Apartments Project, Series 2001, 6.250%, 9/20/35	9/11 at 105
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HOUSING/SINGLE FAMILY - 6.6%

2,800	El Paso Housing Finance Corporation, Texas, GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33	4/11 at 106
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270	Galveston Property Finance Authority, Inc., Texas, Single Family Mortgage Revenue Bonds, Series 1991A, 8.500%, 9/01/11	9/03 at 101
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585	Houston Housing Finance Corporation, Texas, Single Family Mortgage Revenue Refunding Bonds, Series 1993A, 5.950%, 12/01/10 - FSA Insured	12/03 at 102
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1,940	Texas Department of Housing, Single Family Mortgage Revenue Bonds, Series 1996E, 6.000%, 9/01/17 - MBIA Insured	9/06 at 102
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3,000	Texas Department of Housing and Community Affairs, Single Family Mortgage Bonds, Series 2002B, 5.550%, 9/01/33 (Alternative Minimum Tax) - MBIA Insured	3/12 at 100
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320	Victoria Housing Finance Corporation, Texas, FNMA Single Family Mortgage Revenue Refunding Bonds, Series 1995, 8.125%, 1/01/11	No Opt. C
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LONG-TERM CARE - 7.2%

Bell County Health Facilities Development Corporation, Texas,

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

MATERIALS - 5.7%

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

TAX OBLIGATION/GENERAL - 32.2%

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

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

TAX OBLIGATION/GENERAL (continued)

\$ 2,000	Harris County, Texas, Tax and Revenue Certificates of Obligation, Series 2001, 5.000%, 8/15/27	8/11 at 100
1,500	Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21	2/11 at 100
1,250	Katy Independent School District, Harris, Fort Bend, and	2/12 at 100

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	Waller Counties, Texas, General Obligation Bonds, Series 2002A, 5.000%, 2/15/32	
2,600	Klein Independent School District, Harris County, Texas, Unlimited Tax Schoolhouse Bonds, Series 1999A, 5.000%, 8/01/18	8/09 at 100
1,500	Lake Dallas Independent School District, Denton County, Texas, General Obligation Building Bonds, Series 2001, 5.000%, 8/15/30	8/11 at 100
5,220	Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 0.000%, 8/15/21	8/09 at 46
1,545	Montgomery County, Texas, General Obligation Refunding Bonds, Series 1997, 0.000%, 3/01/14 - MBIA Insured	9/07 at 72
2,000	Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25	8/10 at 100
500	Puerto Rico Public Improvement, General Obligation Bonds, Series 2002A, 5.500%, 7/01/29	No Opt. C
1,825	Socorro Independent School District, El Paso County, Texas, General Obligation Bonds, Series 1996, 5.750%, 2/15/21	2/06 at 100
1,440	South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17 - AMBAC Insured	8/12 at 100
2,000	Texas State, General Obligation Bonds, Veterans Land Board, Series 1994, 6.400%, 12/01/24 (Alternative Minimum Tax)	12/04 at 100
3,490	Texas State, General Obligation Bonds, Veterans Housing Assistance Program Fund, Series 1993, 6.800%, 12/01/23 (Alternative Minimum Tax)	12/03 at 102
2,000	Texas State, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/23	8/11 at 100
1,500	Texas State Public Finance Authority, General Obligation Refunding Bonds, Series 2002, 5.000%, 10/01/18	10/12 at 100
1,795	United Independent School District, Webb County, Texas, Unlimited Tax School Building Bonds, Series 2000, 5.375%, 8/15/18	8/12 at 100
5,290	Weslaco Independent School District, Hidalgo County, Texas, General School Building Obligation Bonds, Series 2000, 5.500%, 2/15/25	2/10 at 100
	West Texas Independent School District, McLennan and Hill Counties, Unlimited Tax School Building and Refunding Bonds, Series 1998:	
1,000	0.000%, 8/15/22	8/13 at 61
1,000	0.000%, 8/15/24	8/13 at 54
1,800	Williamson County, Texas, General Obligation Road Bonds, Series 2002, 5.500%, 2/15/16 - FSA Insured	2/12 at 100

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TAX OBLIGATION/LIMITED - 11.1%		
4,500	Austin, Texas, Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 1999, 5.800%, 11/15/29 - AMBAC Insured	11/09 at 100
2,305	Corpus Christi, Texas, Certificates of Obligation, Limited Tax and Hotel Occupancy Tax Revenue Bonds, Series 2002, 5.500%, 9/01/21 - FSA Insured	9/12 at 100
2,250	Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G, 5.250%, 11/15/22 - MBIA Insured	11/11 at 100
1,000	Laredo, Texas, Sports Venue Sales Tax Revenue Bonds, Series 2001, 5.300%, 3/15/26 - FGIC Insured	3/09 at 100
4,580	San Antonio, Texas, Hotel Occupancy Tax Revenue Bonds, Henry B. Gonzalez Convention Center Project, Series 1996, 5.700%, 8/15/26 - FGIC Insured	8/06 at 102

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

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL C PROVISIO
<hr/>		
TRANSPORTATION - 5.3%		
\$ 2,600	Dallas-Fort Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines, Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax)	11/09 at 101
1,000	Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 1994, 5.375%, 8/15/20 - FGIC Insured	8/04 at 102
2,000	Houston, Texas, Airport System Subordinate Lien Revenue Bonds, Series 2000A, 5.625%, 7/01/30 (Alternative Minimum Tax) - FSA Insured	7/10 at 100
3,000	Texas Turnpike Authority, Central Texas Turnpike System First Tier Revenue Bonds, Series 2002A, 5.500%, 8/15/39 - AMBAC Insured	8/12 at 100
<hr/>		
U.S. GUARANTEED - 8.0%		
195	Abilene Housing Development Corporation, Texas, Section 8 First Lien Revenue Bonds, Abilene East Apartments, Series 1978, 7.000%, 7/01/08	No Opt. C
1,000	Caddo Mills Independent School District, Hunt County, Texas, General Obligation Unlimited Tax School Building and Refunding Bonds, Series 1995, 6.375%, 8/15/25	2/05 at 100

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(Pre-refunded to 2/15/05)

575	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Bonds, Series 2000, 5.750%, 7/01/20 (Pre-refunded to 7/01/10)	7/10 at 100
1,185	Fort Bend County Levee Improvement District 11, Texas, Unlimited Tax Levee Improvement Bonds, Series 1994, 6.900%, 9/01/17 (Pre-refunded to 9/01/04) - MBIA Insured	9/04 at 100
1,450	Galveston Industrial Development Corporation, Texas, Sales Tax Revenue Bonds, Series 1995, 5.750%, 9/01/15 (Pre-refunded to 9/01/05) - AMBAC Insured	9/05 at 100
800	Laredo, Webb County, Texas, Waterworks System Combined Tax and Revenue Certificates of Obligation, Series 1994, 5.625%, 8/15/11 (Pre-refunded to 8/15/04) - MBIA Insured	8/04 at 100
1,000	North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System Project, Series 1996B, 5.750%, 6/01/26 - MBIA Insured	No Opt. C
2,500	Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack Project, Series 1993, 8.750%, 12/15/17	No Opt. C
665	San Antonio, Texas, Water System Revenue Refunding Bonds, Series 1992, 6.500%, 5/15/10 - MBIA Insured	No Opt. C

UTILITIES - 13.3%

5,000	Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2003, 5.000%, 11/15/28 - MBIA Insured	5/13 at 100
2,560	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company Project, Series 1999C, 7.700%, 4/01/32 (Alternative Minimum Tax)	4/13 at 101
2,500	Brazos River Authority, Texas, Revenue Refunding Bonds, Reliant Energy, Incorporated Project, Series 1999A, 5.375%, 4/01/19	4/09 at 101
2,000	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2000, 5.750%, 2/15/15 (Alternative Minimum Tax) - AMBAC Insured	2/10 at 100
1,500	Matagorda County Navigation District 1, Texas, Pollution Control Revenue Refunding Bonds, Central Power and Light Company Project, Series 1993, 6.000%, 7/01/28 - MBIA Insured	1/04 at 102
1,000	Matagorda County Navigation District 1, Texas, Revenue Refunding Bonds, Reliant Energy Project, Series 1999B, 5.950%, 5/01/30 (Alternative Minimum Tax)	5/09 at 101
2,000	Sabine River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company Project, Series 2001A, 5.500%, 5/01/22 (Mandatory put 11/01/11)	No Opt. C

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1,750	San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds, Series 2002, 5.375%, 2/01/20	2/12 at 100

	WATER AND SEWER - 11.4%	
3,500	Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2002A, 5.000%, 12/01/30 - FSA Insured	12/12 at 100
5,275	Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2000B, 5.250%, 12/01/30 - FGIC Insured	12/10 at 100
800	Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 1997A, 5.375%, 12/01/27 - FGIC Insured	12/07 at 101

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)	OPTIONAL CALL PROVISION

	WATER AND SEWER (continued)	
\$ 3,500	Houston, Texas, Water and Sewer System Junior Lien Revenue Refunding Bonds, Series 2001A, 5.500% 12/01/17 - FSA Insured	12/11 at 100
1,000	San Antonio, Texas, Water System Senior Lien Revenue Refunding Bonds, Series 2002, 5.000%, 5/15/28 - FSA Insured	5/12 at 100
1,500	Texas Water Development Board, State Revolving Fund Senior Lien Revenue Bonds, Series 1999A, 5.500%, 7/15/21	7/09 at 100

\$ 207,838	Total Long-Term Investments (cost \$196,080,113) - 146.4%	

	Other Assets Less Liabilities - 3.6%	

	Preferred Shares, at Liquidation Value - (50.0)%	

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

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

* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

** Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or

Moody's rating.

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

N/R Investment is not rated.

See accompanying notes to financial statements.

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Statement of
ASSETS AND LIABILITIES July 31, 2003

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
<hr/>			
ASSETS			
Investments, at market value (cost \$80,747,376, \$32,884,139, \$51,188,087, \$63,733,881, and \$196,080,113, respectively)	\$82,781,269	\$33,116,471	\$52,001,686
Cash	2,940,076	886,917	1,381,467
Receivables:			
Interest	751,853	317,765	384,028
Investments sold	4,187,653	--	--
Other assets	11,302	7,397	9,131
<hr/>			
Total assets	90,672,153	34,328,550	53,776,312
<hr/>			
LIABILITIES			
Accrued expenses:			
Management fees	51,264	18,239	21,236
Other	70,983	19,541	17,408
Preferred share dividends payable	3,096	361	192
<hr/>			
Total liabilities	125,343	38,141	38,836
<hr/>			
Preferred shares, at liquidation value	30,000,000	12,000,000	18,500,000
<hr/>			
Net assets applicable to			
Common shares	\$60,546,810	\$22,290,409	\$35,237,476
<hr/>			
Common shares outstanding	4,431,048	1,542,142	2,418,271
<hr/>			
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 13.66	\$ 14.45	\$ 14.57
<hr/>			

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NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

Common shares, \$.01 par value per share	\$ 44,310	\$ 15,421	\$ 24,183
Paid-in surplus	61,569,117	21,800,653	34,248,894
Undistributed (Over-distribution of) net investment income	612,114	211,017	36,173
Accumulated net realized gain (loss) from investments	(3,712,624)	30,986	114,627
Net unrealized appreciation (depreciation) of investments	2,033,893	232,332	813,599
Net assets applicable to Common shares	\$60,546,810	\$22,290,409	\$35,237,476
Authorized shares:			
Common	200,000,000	Unlimited	Unlimited
Preferred	1,000,000	Unlimited	Unlimited

See accompanying notes to financial statements.

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Statement of
OPERATIONS Year Ended July 31, 2003

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
INVESTMENT INCOME	\$ 5,096,247	\$1,748,393	\$2,613,161
EXPENSES			
Management fees	605,885	230,324	361,168
Preferred shares - auction fees	76,972	32,996	45,552
Preferred shares - dividend disbursing agent fees	10,000	10,000	10,000
Shareholders' servicing agent fees and expenses	7,824	766	1,281
Custodian's fees and expenses	30,622	18,064	21,431
Directors'/Trustees' fees and expenses	1,343	349	914
Professional fees	9,939	9,156	9,699
Shareholders' reports - printing and mailing expenses	12,838	5,591	8,827
Stock exchange listing fees	11,540	177	129
Investor relations expense	10,754	2,105	7,090
Other expenses	11,851	6,461	5,641
Total expenses before custodian fee credit and expense reimbursement	789,568	315,989	471,732
Custodian fee credit	(6,660)	(5,071)	(7,038)
Expense reimbursement	--	(98,590)	(162,020)
Net expenses	782,908	212,328	302,674
Net investment income	4,313,339	1,536,065	2,310,487

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REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS			
Net realized gain (loss) from investments	(3,250,460)	43,532	132,780
Change in net unrealized appreciation (depreciation) of investments	649,626	(623,996)	(880,264)
Net gain (loss) from investments	(2,600,834)	(580,464)	(747,484)
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS			
From net investment income	(295,481)	(100,618)	(185,421)
From accumulated net realized gains from investments	--	(8,316)	(3,802)
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(295,481)	(108,934)	(189,223)
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 1,417,024	\$ 846,667	\$1,373,780

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

See accompanying notes to financial statements.

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Statement of
CHANGES IN NET ASSETS

	ARIZONA PREMIUM INCOME (NAZ)		ARIZONA DIVIDEND ADVANTAGE (NFZ)	
	YEAR ENDED 7/31/03	YEAR ENDED 7/31/02	YEAR ENDED 7/31/03	YEAR ENDED 7/31/02
OPERATIONS				
Net investment income	\$ 4,313,339	\$ 4,726,364	\$ 1,536,065	\$ 1,597,000
Net realized gain (loss) from investments	(3,250,460)	(462,165)	43,532	148,900
Change in net unrealized appreciation (depreciation) of investments	649,626	(2,058,272)	(623,996)	425,300
Distributions to Preferred Shareholders:				
From net investment income	(295,481)	(414,197)	(100,618)	(175,100)
From accumulated net realized gains from investments	--	(51,989)	(8,316)	(4,700)
Net increase (decrease) in net assets applicable to Common shares from operations	1,417,024	1,739,741	846,667	1,991,400

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DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(4,059,731)	(3,884,716)	(1,357,099)	(1,291,7
From accumulated net realized gains from investments	--	(182,992)	(65,547)	(21,2

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(4,059,731)	(4,067,708)	(1,422,646)	(1,313,0

CAPITAL SHARE TRANSACTIONS				
Common shares:				
Net proceeds from sale of shares	--	--	--	
Net proceeds from shares issued to shareholders due to reinvestment of distributions	313,593	344,887	45,775	39,7
Preferred shares offering costs	--	--	29,976	

Net increase in net assets applicable to Common shares from capital share transactions	313,593	344,887	75,751	39,7

Net increase (decrease) in net assets applicable to Common shares	(2,329,114)	(1,983,080)	(500,228)	718,1
Net assets applicable to Common shares at the beginning of period	62,875,924	64,859,004	22,790,637	22,072,4

Net assets applicable to Common shares at the end of period	\$60,546,810	\$62,875,924	\$22,290,409	\$22,790,6
=====				
Undistributed (Over-distribution of) net investment income at the end of period	\$ 612,114	\$ 656,041	\$ 211,017	\$ 135,9
=====				

See accompanying notes to financial statements.

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ARIZONA
DIVIDEND ADVANTAGE 3 (NXE)

FOR THE
PERIOD 9/26/
(COMMENCEME
OF OPERATIO
THROUGH 7/31

OPERATIONS	
Net investment income	\$ 2,008,2
Net realized gain (loss) from investments	(72,2
Change in net unrealized appreciation (depreciation) of investments	(1,959,4
Distributions to Preferred Shareholders:	
From net investment income	(166,9

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From accumulated net realized gains from investments	

Net increase (decrease) in net assets applicable to Common shares from operations	(190,5

DISTRIBUTIONS TO COMMON SHAREHOLDERS	
From net investment income	(1,849,4
From accumulated net realized gains from investments	

Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,849,4

CAPITAL SHARE TRANSACTIONS	
Common shares:	
Net proceeds from sale of shares	43,742,7
Net proceeds from shares issued to shareholders due to reinvestment of distributions	
Preferred shares offering costs	(556,0

Net increase in net assets applicable to Common shares from capital share transactions	43,186,6

Net increase (decrease) in net assets applicable to Common shares	41,146,7
Net assets applicable to Common shares at the beginning of period	100,2

Net assets applicable to Common shares at the end of period	\$41,247,0
=====	
Undistributed (Over-distribution of) net investment income at the end of period	\$ (8,6
=====	

See accompanying notes to financial statements.

Notes to
FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The state funds (the "Funds") covered in this report and their corresponding common share stock exchange symbols are Nuveen Arizona Premium Income Municipal

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

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

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

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

Securities Valuation

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

Securities Transactions

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

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Investment Income

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

Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income to its share holders. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable interest from municipal securities, which is exempt from regular federal and designated state income taxes, where applicable, to retain such tax-exempt status when distributed to shareholders of the Funds. All monthly tax-exempt income dividends paid during the fiscal year ended July 31, 2003, have been designated Exempt Interest Dividends.

Dividends and Distributions to Common Shareholders

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

Distributions to Common shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

Preferred Shares

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

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)
Number of shares:				
Series M	--	--	--	880
Series T	--	480	--	--
Series W	--	--	740	--
Series TH	1,200	--	--	--
Total	1,200	480	740	880

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

FINANCIAL STATEMENTS (continued)

Derivative Financial Instruments

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

Custodian Fee Credit

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

Offering Costs

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

Costs incurred by Arizona Dividend Advantage 2 (NKR), and Arizona Dividend Advantage 3 (NXE) in connection with their offering of Preferred shares (\$304,168, and \$556,001, respectively) were recorded as a reduction to paid-in surplus.

Use of Estimates

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

2. FUND SHARES

Transactions in Common and Preferred shares were as follows:

ARIZONA PREMIUM INCOME (NAZ)		ARIZONA DIVIDEND ADVANTAGE (NFZ)		ARIZONA DIVI ADVANTAGE 2	PERIO
YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED	(
					OP

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	7/31/03	7/31/02	7/31/03	7/31/02	7/31/03

Common shares:					
Shares sold	--	--	--	--	--
Shares issued to shareholders due to reinvestment of distributions	19,523	21,407	2,947	2,811	5,171
	19,523	21,407	2,947	2,811	5,171
=====					
Preferred shares sold	--	--	--	--	--
=====					

	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	TEXAS QU INCOME (N
	FOR THE PERIOD 9/26/02 (COMMENCE- MENT OF OPERATIONS) THROUGH 7/31/03	YEAR ENDED 7/31/03

Common shares:		
Shares sold	3,060,000	--
Shares issued to shareholders due to reinvestment of distributions	--	4,266
	3,060,000	4,266
=====		
Preferred shares sold	880	--
=====		

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Notes to
FINANCIAL STATEMENTS (continued)

3. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities during the fiscal year ended July 31, 2003, were as follows:

ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE) *
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Purchases	\$15,527,989	\$6,858,818	\$2,055,180	\$73,054,731	\$2
Sales and maturities	22,363,525	7,354,606	3,257,675	9,048,489	2

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

4. INCOME TAX INFORMATION

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

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

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	
Cost of investments	\$80,730,842	\$32,886,701	\$51,187,715	\$63,732,793	\$1

Gross unrealized appreciation and gross unrealized depreciation of investments at July 31, 2003, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	
Gross unrealized:					
Appreciation	\$ 3,474,366	\$ 542,694	\$1,116,545	\$ 85,004	\$
Depreciation	(1,423,939)	(312,924)	(302,574)	(2,043,414)	
Net unrealized appreciation (depreciation) of investments	\$ 2,050,427	\$ 229,770	\$ 813,971	\$(1,958,410)	\$

The tax components of undistributed net investment income and net realized gains at July 31, 2003, were as follows:

ARIZONA	ARIZONA	ARIZONA	ARIZONA
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	PREMIUM INCOME (NAZ)	DIVIDEND ADVANTAGE (NFZ)	DIVIDEND ADVANTAGE 2 (NKR)	DIVIDEND ADVANTAGE 3 (NXE)	
Undistributed net tax-exempt income	\$937,435	\$325,194	\$208,855	\$196,735	\$
Undistributed net ordinary income *	216	68,563	110,761	--	
Undistributed net long-term capital gains	--	--	5,120	--	

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

The tax character of distributions paid during the fiscal years ended July 31, 2003, and July 31, 2002, was designated for purposes of the dividends paid deduction as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	
2003					
Distributions from net tax-exempt income	\$4,355,548	\$1,446,815	\$2,277,296	\$1,809,880	\$
Distributions from net ordinary income *	--	2,222	33,393	--	
Distributions from net long-term capital gains	--	73,795	--	--	

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	
2002					
Distributions from net tax-exempt income		\$4,276,629	\$1,469,871	\$393,659	\$
Distributions from net ordinary income *		--	25,947	--	
Distributions from net long-term capital gains		234,981	--	--	

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

At July 31, 2003, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

	ARIZONA PREMIUM INCOME (NAZ)
Expiration year:	
2010	\$ 2,164
2011	1,436,486

 Total \$1,438,650
 =====

The following Funds have elected to defer net realized losses from investments incurred from November 1, 2002 through July 31, 2003 ("post-October losses") in accordance with Federal income tax regulations. The following post-October losses are treated as having arisen in the following year:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)
	\$2,273,974	\$32,396	\$71,776

Notes to
 FINANCIAL STATEMENTS (continued)

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

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

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

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

AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES)	MANAGEMENT FEE
For the first \$125 million	.6500%
For the next \$125 million	.6375

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For the next \$250 million	.6250
For the next \$500 million	.6125
For the next \$1 billion	.6000
For net assets over \$2 billion	.5750

=====

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

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

YEAR ENDING JANUARY 31,		YEAR ENDING JANUARY 31,	
2001*	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

=====

* From the commencement of operations.

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

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

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

=====

* From the commencement of operations.

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

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

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expenses in the amounts, and for the time periods set forth below:

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

* From the commencement of operations.

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

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Notes to
FINANCIAL STATEMENTS (continued)

6. SUBSEQUENT EVENT - DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on September 2, 2003, to shareholders of record on August 15, 2003, as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	ARIZONA DIVIDEND ADVANTAGE 3 (NXE)
Dividend per share	\$.0765	\$.0755	\$.0720	\$.0670

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Financial
HIGHLIGHTS

Financial
HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

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

Year Ended 7/31:						
2003	\$14.25	\$.97	\$ (.57)	\$ (.07)	\$ --	\$.33
2002	14.77	1.07	(.57)	(.09)	(.01)	.40
2001	14.25	1.09	.50	(.23)	--	1.36
2000	14.90	1.06	(.61)	(.25)	--	.20
1999	15.43	1.07	(.55)	(.21)	--	.31
ARIZONA DIVIDEND ADVANTAGE (NFZ)						

Year Ended 7/31:						
2003	14.81	1.00	(.38)	(.07)	(.01)	.54
2002	14.37	1.04	.36	(.11)	--	1.29
2001 (a)	14.33	.44	.23	(.08)	--	.59
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)						

Year Ended 7/31:						
2003	14.88	.96	(.31)	(.08)	--	.57
2002 (b)	14.33	.24	.71	(.02)	--	.93
ARIZONA DIVIDEND ADVANTAGE 3 (NXE)						

Year Ended 7/31:						
2003 (c)	14.33	.66	(.67)	(.05)	--	(.06)
TEXAS QUALITY INCOME (NTX)						

Year Ended 7/31:						
2003	15.14	1.05	(.58)	(.08)	--	.39
2002	15.16	1.11	(.02)	(.10)	(.02)	.97
2001	14.26	1.16	.88	(.27)	--	1.77
2000	15.13	1.16	(.74)	(.27)	(.02)	.13

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1999 15.90 1.16 (.72) (.22) (.02) .20

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

ARIZONA PREMIUM
INCOME (NAZ)

Year Ended 7/31:

2003	\$--	\$13.66	\$15.0000	(5.98)%	2.21%
2002	--	14.25	16.9000	9.63	2.88
2001	--	14.77	16.3200	17.77	9.74
2000	--	14.25	14.6250	(8.80)	1.61
1999	--	14.90	17.0000	8.67	1.92

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:

2003	.02	14.45	15.3000	3.06	3.67
2002	--	14.81	15.7500	6.38	9.32
2001 (a)	(.20)	14.37	15.6500	6.76	2.81

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:

2003	(.01)	14.57	14.4000	(3.53)	3.67
2002 (b)	(.16)	14.88	15.8000	6.81	5.38

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:

2003 (c)	(.21)	13.45	13.9700	(2.76)	(2.05)
----------	-------	-------	---------	--------	--------

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:

2003	--	14.57	14.7100	4.14	2.54
2002	--	15.14	15.0700	9.29	6.61
2001	--	15.16	14.7300	21.16	12.74
2000	--	14.26	12.9375	(7.93)	1.15
1999	--	15.13	15.1875	2.97	1.21

Ratios/Supplemental Data

Before Credit/Reimbursement	After Credit/Reimbursement*
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	Ending Net Assets Applicable to Common Shares (000)	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++
=====					
ARIZONA PREMIUM INCOME (NAZ)					

Year Ended 7/31:					
2003	\$ 60,547	1.25%	6.81%	1.24%	6.82%
2002	62,876	1.28	7.45	1.26	7.47
2001	64,859	1.28	7.47	1.27	7.48
2000	62,287	1.26	7.58	1.25	7.59
1999	64,775	1.29	6.88	1.29	6.88
ARIZONA DIVIDEND ADVANTAGE (NFZ)					

Year Ended 7/31:					
2003	22,290	1.35	6.11	.91	6.55
2002	22,791	1.41	6.72	.93	7.20
2001 (a)	22,072	1.43*	5.80*	.95*	6.28*
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)					

Year Ended 7/31:					
2003	35,237	1.27	5.78	.82	6.23
2002 (b)	35,913	1.19*	4.43*	.77*	4.85*
ARIZONA DIVIDEND ADVANTAGE 3 (NXE)					

Year Ended 7/31:					
2003 (c)	41,247	1.19*	5.05*	.73*	5.52*
TEXAS QUALITY INCOME (NTX)					

Year Ended 7/31:					
2003	137,975	1.20	6.93	1.19	6.94
2002	143,305	1.23	7.40	1.22	7.42
2001	143,127	1.21	7.87	1.19	7.88
2000	134,637	1.27	8.18	1.26	8.19
1999	142,784	1.23	7.31	1.23	7.32
=====					

Preferred Shares at End of Period

	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share
=====			
ARIZONA PREMIUM INCOME (NAZ)			

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Year Ended 7/31:			
2003	\$30,000	\$25,000	\$75,456
2002	30,000	25,000	77,397
2001	30,000	25,000	79,049
2000	30,000	25,000	76,906
1999	30,000	25,000	78,979

ARIZONA DIVIDEND
ADVANTAGE (NFZ)

Year Ended 7/31:			
2003	12,000	25,000	71,438
2002	12,000	25,000	72,480
2001(a)	12,000	25,000	70,984

ARIZONA DIVIDEND
ADVANTAGE 2 (NKR)

Year Ended 7/31:			
2003	18,500	25,000	72,618
2002(b)	18,500	25,000	73,531

ARIZONA DIVIDEND
ADVANTAGE 3 (NXE)

Year Ended 7/31:			
2003(c)	22,000	25,000	71,872

TEXAS QUALITY
INCOME (NTX)

Year Ended 7/31:			
2003	69,000	25,000	74,991
2002	69,000	25,000	76,922
2001	69,000	25,000	76,858
2000	69,000	25,000	73,782
1999	69,000	25,000	76,733

=====

* Annualized.

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

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

+ The amounts shown are based on Common share equivalents.

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

(a) For the period January 31, 2001 (commencement of operations) through July 31, 2001.

(b) For the period March 26, 2002 (commencement of operations) through July 31, 2002.

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

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See accompanying notes to financial statements.

Directors/Trustees
AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board of Directors/ Trustees of the Funds. The number of directors/trustees of the Funds is currently set at eight. None of the directors/trustees who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the directors/trustees and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEARS
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DIRECTOR/TRUSTEE WHO IS AN INTERESTED PERSON OF THE FUNDS:

Timothy R. Schwertfeger (1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606	Chairman of the Board and Director/Trustee	1994	Chairman and Director (since 1992) of Nuveen Investments, Inc. and Nuveen In Director (since 1992) and Chair Nuveen Advisory Corp. and Nuvee Advisory Corp.; Chairman and Di of Nuveen Asset Management, Inc of Institutional Capital Corpor Director (since 1999) of Ritten Inc.; Chairman of Nuveen Invest (since 2002).
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DIRECTORS/TRUSTEES WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

William E. Bennett 10/16/46 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	2001	Private Investor; previously, P Executive Officer, Draper & Kra company that handles mortgage b development, pension advisory a (1995-1998). Prior thereto, Exe Chief Credit Officer of First C its principal subsidiary, The F of Chicago.
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Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1997	Private Investor and Management
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Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1993	Retired (since 1989) as Senior Northern Trust Company; Director Highland Park-Highwood (since 2
Anne E. Impellizzeri 1/26/33 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1994	Retired, formerly, Executive Director of Manitoga/The Russel Wright D thereto, President and Chief Executive Blanton-Peale Institute (since Vice President, Metropolitan Li
Peter R. Sawers 4/3/33 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1991	Adjunct Professor of Business at University of Dubuque, Iowa; former Adjunct Professor, Lake Forest Management, Lake Forest, Illinois Executive Director, Towers Perrin management consulting firm; Chairman Analyst; Certified Management Consultant Executive Service Corps of Chicago organization.
William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1997	Senior Partner and Chief Operating Miller-Valentine Group, Vice President Miller-Valentine Realty, a development company; Chair, MiamiValley Hos Valley Economic Development Coa Member, Community Advisory Board Dayton, Ohio and Business Advis Federal Reserve Bank.
Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606	Director/Trustee	1997	Executive Director, Gaylord and Foundation (since 1994); prior Director, Great Lakes Protection to 1994).

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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(3)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
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OFFICERS OF THE FUNDS:

Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative Officer	1988	Managing Director (since 2002), and Associate General Counsel, President and Assistant General Investments, LLC; Managing Director General Counsel and Assistant Vice President of Nuveen Advisory Institutional Advisory Corp.; M
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(since 2002), Assistant Secretary, General Counsel, formerly, Vice President (since 2000), of Nuveen Asset Management, Secretary of Nuveen Investments, Assistant Secretary of Nuveen Investment Company, LLC (since 2002); Vice President (since 2002); Managing Director, General Counsel and Assistant Secretary of Nuveen Investment Management, Inc. (since May 2002); Financial Analyst.

Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	2000	Vice President (since 2002), formerly, Vice President (since 2000), of Nuveen Investments, LLC.
Paul L. Brennan 11/10/66 333 W. Wacker Drive Chicago, IL 60606	Vice President	1999	Vice President (since 2002), formerly, Vice President (since 1997), of Nuveen Investment Management, Inc.; Chartered Financial Analyst and Public Accountant.
Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606	Vice President and Treasurer	1999	Vice President of Nuveen Investment Management, Inc. (since 1999), prior thereto, Assistant Treasurer (since 1997); Vice President and Treasurer of Nuveen Advisory Corporation (since 1999); Treasurer of Nuveen Institutional Advisory Corp. (since 2002) and of Nuveen Investment Management Company, Inc. (since 2002); Assistant Treasurer of Nuveen Investment Management Company, Inc. (since 2002); Chartered Financial Analyst.
Susan M. DeSanto 9/8/54 333 W. Wacker Drive Chicago, IL 60606	Vice President	2001	Vice President of Nuveen Advisory Corporation (since 2001), previously, Vice President of Nuveen Institutional Advisory Corp. (since 1998); Vice President of Nuveen Investment Advisory Corp. (since 1998), prior thereto, Assistant Vice President of Nuveen Investment Advisory Corp. (since 1998).
Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606	Vice President and Secretary	2000	Vice President (since 2002) and Secretary (since 1998); formerly, Vice President (since 1998) of Nuveen Investment Management, Inc. (since 2002) and of Nuveen Investment Management Company, Inc. (since 1998), formerly Assistant Treasurer of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp.

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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(3)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS

OFFICERS OF THE FUNDS (CONTINUED):			

Lorna C. Ferguson 10/24/45 333 W. Wacker Drive Chicago, IL 60606	Vice President	1998	Vice President of Nuveen Invest President (since 1998) of Nuveen Nuveen Institutional Advisory Co

William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606	Vice President	1995	Managing Director (since 2002) LLC; Managing Director (since 2 President of Nuveen Advisory Co Institutional Advisory Corp. (s Director of Nuveen Asset Manage Vice President of Nuveen Invest (since 2002); Chartered Financi

Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606	Vice President and Controller	1998	Vice President (since 1993) and (since 1998) of Nuveen Investme President and Funds Controller Investments, Inc.; Certified Pu

J. Thomas Futrell 7/5/55 333 W. Wacker Drive Chicago, IL 60606	Vice President	1988	Vice President of Nuveen Adviso Chartered Financial Analyst.

Richard A. Huber 3/26/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	1997	Vice President of Nuveen Instit (since 1998) and Nuveen Advisor prior thereto, Vice President a Flagship Financial, Inc.

Steven J. Krupa 8/21/57 333 W. Wacker Drive Chicago, IL 60606	Vice President	1990	Vice President of Nuveen Adviso

David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	Vice President (since 2000) of LLC, previously Assistant Vice 1999); prior thereto, Associate LLC; Certified Public Accountan

Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	Vice President (since 1999), pr Vice President (since 1993) of

Larry W. Martin 7/27/51 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	1988	Vice President, Assistant Secretary, General Counsel of Nuveen Investment and Assistant Secretary of Nuveen Institutional Management Corp. and Nuveen Institutional Management Corp. and (since 1997) Nuveen Asset Management Inc. and (since 1997) Nuveen Asset Management Inc.; Vice President (since 2000) and Secretary and Assistant General Counsel (since 1998) of Rittenhouse Asset Management; Vice President and Assistant Secretary of Nuveen Investments Advisers Inc. and Assistant Secretary of Nuveen Investment Company, LLC (since 2002).
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NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(3)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
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OFFICERS OF THE FUNDS (CONTINUED):

Edward F. Neild, IV 7/7/65 333 W. Wacker Drive Chicago, IL 60606	Vice President	1996	Managing Director (since 2002) of Nuveen Investment Company, LLC; Managing Director (since 1996) of Nuveen Institutional Management, Inc. and Chartered Financial Analyst.
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Thomas J. O'Shaughnessy 9/4/60 333 W. Wacker Drive Chicago, IL 60606	Vice President	1999	Vice President (since 2002), former Vice President (since 1998), of Nuveen Institutional Management, Inc. prior thereto, portfolio manager.
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Thomas C. Spalding 7/31/51 333 W. Wacker Drive Chicago, IL 60606	Vice President	1982	Vice President of Nuveen Institutional Management, Inc. and Chartered Financial Analyst.
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- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and trustee of the Adviser.
- (2) Directors/Trustees serve a one-year term until his/her successor is elected. The year first elected or appointed represents the year in which the Directors/Trustee was first elected or appointed to any fund in the Nuveen Complex.

- (3) Officers serve a one-year term through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

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Build Your Wealth
AUTOMATICALLY

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

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

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

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

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

EASY AND CONVENIENT

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

HOW SHARES ARE PURCHASED

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

FLEXIBILITY

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

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his

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or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

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

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

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Fund INFORMATION

BOARD OF DIRECTORS/TRUSTEES

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

FUND MANAGER

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

CUSTODIAN

State Street Bank & Trust
Boston, MA

TRANSFER AGENT AND SHAREHOLDER SERVICES

State Street Bank & Trust
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071

(800) 257-8787

LEGAL COUNSEL

Chapman and Cutler LLP
Chicago, IL

INDEPENDENT AUDITORS

Ernst & Young LLP
Chicago, IL

POLICY CHANGE

On November 14, 2002, the Board adopted a policy that allows these Funds, in

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

GLOSSARY OF TERMS USED IN THIS REPORT

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

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

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

Market Yield (also known as Dividend Yield or Current Yield): An investment's current annualized dividend divided by its current market price.

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

Taxable-Equivalent Yield: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.

Each Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the fiscal year ended July 31, 2003. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

Serving Investors
FOR GENERATIONS

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

Building on this tradition, we today offer a range of high quality equity and

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fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

Managing \$80 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in tax-free investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

To learn more about the products and services Nuveen Investments offers and for a prospectus, where applicable, talk to your financial advisor, or call us at (800) 257-8787. Please read the information carefully before you invest.

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| www.nuveen.com

EAN-A-0703D

ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The registrant has posted such code of ethics on its website at www.nuveen.com/etf.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's board of directors has determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its audit committee. The registrant's audit committee financial expert is William E. Bennett, who is "independent" for purposes of Item 3 of Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. [RESERVED]

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

In the rare event that a municipal issuer held by the Fund were to issue a proxy or that the Fund were to receive a proxy issued by a cash management security, Nuveen Advisory Corp. (the "Adviser") would either engage an independent third party to determine how the proxy should be voted or vote the proxy with the

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consent, or based on the instructions, of the Fund's Board of Directors or Trustees or its representative. A member of the Adviser's legal department would oversee the administration of the voting, and ensure that records were maintained in accordance with Rule 206(4)-6, reports were filed with the SEC on Form N-PX, and the results provided to the Board of Directors or Trustees and made available to shareholders as required by applicable rules.

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

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

ITEM 10. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

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

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

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

SIGNATURES

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

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

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

Jessica R. Droeger
Vice President and Secretary

Date: October 8, 2003

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

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

Gifford R. Zimmerman
Chief Administrative Officer
(Principal Executive Officer)

Date: October 8, 2003

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

Stephen D. Foy
Vice President and Controller
(Principal Financial Officer)

Date: October 8, 2003

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