

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC  
Form 497  
September 05, 2012

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**IMPORTANT NOTICE TO SHAREHOLDERS OF**

**NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC. (NAZ)**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND (NFZ, NFZ PRC)**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKR, NKR PRC)**

**AND**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NXE, NXE PRC)**

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

**SEPTEMBER 5, 2012**

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

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

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

the election of members of each Fund's Board of Directors or Board of Trustees (the Board), as applicable (the list of specific nominees is contained in the enclosed Joint Proxy Statement/Prospectus);

the change of domicile of Nuveen Arizona Premium Income Municipal Fund, Inc. ( Premium Income or the Acquiring Fund ) from a Minnesota corporation to a Massachusetts business trust (the Domicile Change ); and

the reorganization of the Funds.

*Proposal Regarding the Domicile Change (Premium Income Only)*

**Q. What actions has Premium Income's Board approved?**

**A.** The Board of Premium Income has approved the reorganization of the Fund, currently organized as a Minnesota corporation, into a newly created Massachusetts business trust for purposes of changing the Fund's domicile.

**Q. Why has Premium Income's Board recommended the proposal?**

**A.** The Board of Premium Income believes that the proposed Domicile Change will achieve the following advantages:

create savings and operating efficiencies by simplifying the administration and oversight of Premium Income through increased standardization of charter documents among the Nuveen family of funds, most of which are organized as Massachusetts business trusts; and

lower expenses through economies of scale associated with compliance by the Nuveen family of funds with Massachusetts law only, rather than both Minnesota and Massachusetts law.

**Q. How will shareholders be impacted by the Domicile Change?**

**A.** Upon the closing of the Domicile Change, common and preferred shareholders of Premium Income will receive common and preferred shares of beneficial interest, respectively, of the newly created Massachusetts business trust equal to the number of shares of Premium Income that they owned immediately prior to the closing.

**Q. Does the Domicile Change constitute a taxable event for Premium Income shareholders?**

**A.** No. The Domicile Change is intended to qualify as a tax-free reorganization for federal income tax purposes. It is expected that you will recognize no gain or loss for federal income tax purposes as a direct result of the Domicile Change, except that gain or loss may be recognized by preferred shareholders who exercise dissenters' rights of appraisal under Minnesota law.

**Q. What is the timetable for the Domicile Change?**

**A.** If the shareholder voting and other conditions to closing are satisfied (or waived), the Domicile Change is expected to take effect on such date as Premium Income and the newly created Massachusetts business trust may agree.

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

**A.** After careful consideration, the Board of Directors of Premium Income has determined that the Domicile Change is in the best interests of Premium Income and recommends that you vote FOR the proposal.

***Proposals Regarding the Reorganizations (All Funds)***

**Q. What actions has each Fund's Board approved?**

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

**Q. Why has each Fund's Board recommended these proposals?**

**A.** The Board has determined that the proposed Reorganizations would be in the best interests of its respective Fund. The Acquiring Fund and the Acquired Funds have substantially similar investment objectives and policies, have substantially similar portfolio compositions, and are managed by the same portfolio manager. In light of these similarities, the proposed Reorganizations are intended to reduce fund redundancies and create a single, larger state fund. As a result of the larger size of the combined fund, the proposed Reorganizations are intended to result in lower operating expenses per common share (excluding costs of leverage) and to enhance the secondary trading market for common shares of the Funds, as further discussed below.

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

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

**Lower fees and operating expenses** per common share (excluding costs of leverage) from greater economies of scale as the combined fund's size results in a lower effective management fee rate based on managed assets and allows fixed operating expenses to be spread over a larger asset base. Although the anticipated gross management fees and total operating expenses per common share of the combined fund are expected to be higher for the Acquiring Fund due to the increased levels of leverage in the combined fund, such leverage may produce higher returns for common shares over time.

**Improved secondary market trading** for common shares as the combined fund's greater share volume is expected to result in increased market liquidity, which may lead to narrower bid-ask spreads and smaller trade-to-trade price movements. The potential for higher common share net earnings and enhanced total returns over time may increase investor interest in the combined fund and lead to higher common share market prices relative to net asset value.

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

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

- A.** Upon the closing of the Reorganizations, holders of MuniFund Term Preferred Shares of each Acquired Fund will receive, in exchange for each of their MuniFund Term Preferred Shares held immediately prior to the Reorganization, one MuniFund Term Preferred Share of a new series of the Acquiring Fund with substantially identical terms, as of the time of the exchange, to the Acquired Fund's MuniFund Term Preferred Shares exchanged therefor (MuniFund Term Preferred Shares are referred to herein as MTP Shares). Among other terms, each new series of MTP Shares will have the same fixed per annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund MTP Shares held immediately prior to the Reorganization that are exchanged therefor. Features of the MTP Shares that vary over time, such as the optional redemption premium, will reflect the terms that are effectively in place as of the closing of the Reorganizations.

As of the date of the Joint Proxy Statement/Prospectus, the Acquiring Fund and Acquired Funds had similar levels of preferred shares outstanding as a percentage of managed assets. The Acquiring Fund will have three series of preferred shares outstanding following the Reorganizations, including one series of Variable Rate MuniFund Term Preferred ( VMTP ) Shares and two series of MTP Shares. There are some differences between MTP Shares and VMTP Shares, which are discussed in the Joint Proxy Statement/Prospectus. With respect to matters requiring all preferred shares to vote as a single class, following the Reorganizations, preferred shareholders will hold a smaller percentage of the preferred shares of the combined fund. Preferred shareholders of the Acquiring Fund and Acquired Funds are expected to benefit from the larger size of the combined fund due to the larger combined fund's ability to invest in a more diverse pool of securities.

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

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

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

- A. The Funds have substantially similar investment objectives, policies and risks and are managed by the same portfolio manager. Each Fund invests primarily in municipal securities exempt from regular federal and Arizona income tax. Each Fund emphasizes investments in investment grade municipal securities. Each Fund is a leveraged closed-end management investment company and currently engages in leverage through the issuance of preferred shares and through the use of inverse floating rate securities.

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

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

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

Shareholders of the Acquiring Fund will be asked to vote on an amendment to the Acquiring Fund's articles of incorporation ( Acquiring Fund Articles of Incorporation ) to increase the number of authorized preferred shares that the Acquiring Fund is authorized to issue. If shareholders of the Acquiring Fund approve the proposed Domicile Change and the Domicile Change is effected prior to the Reorganizations, approval of the amendment to the Acquiring Fund Articles of Incorporation will not be required to effect the Reorganizations. If shareholders of the Acquiring Fund do not approve the proposed Domicile Change, approval of the amendment to the Acquiring Fund Articles of Incorporation will be required to effect the Reorganizations.

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

- A. Yes. Upon the closing of the Reorganizations, each Acquired Fund will transfer substantially all of its assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of substantially all of the liabilities of such Acquired Fund. Each Acquired Fund will then be liquidated, dissolved and terminated in accordance with applicable law.

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

If Acquiring Fund shareholders approve the proposed Domicile Change and the Domicile Change is effected prior to the Reorganizations, shareholders of the Acquired Funds will receive shares of beneficial interest of a newly created Massachusetts business trust. If Acquiring Fund shareholders do not approve the proposed Domicile Change, shareholders of the Acquired Funds will receive shares of the Acquiring Fund.

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

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

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

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

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

**A.** The costs of the Reorganizations (whether or not consummated) will be allocated among the Funds ratably based on the relative expected benefits of the Reorganizations comprised of forecasted cost savings and distribution increases, if any, to each Fund during the first year following the Reorganizations. Common shareholders will indirectly bear the costs of the Reorganizations. The costs of the Reorganizations are estimated to be \$80,000 for the Acquiring Fund, \$170,000 for Dividend Advantage, \$95,000 for Dividend Advantage 2, and \$275,000 for Dividend Advantage 3. Preferred shareholders are not expected to bear any costs of the Reorganizations. The Reorganizations are expected to result in cost savings (excluding the costs of leverage) over time for each Fund. The investment adviser to the Funds expects that increased common net earnings resulting from reduced operating expenses (excluding costs of leverage) due to economies of scale should allow the recovery of the projected costs of each Reorganization within approximately eleven months after the closing date with respect to each Fund.

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

**A.** If the shareholder voting and other conditions to closing are satisfied (or waived), the Reorganizations are expected to take effect on or about November 5, 2012 or as soon as practicable thereafter.

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

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

**General**

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

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

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

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

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

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

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





**Q. Will anyone contact me?**

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

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

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

SEPTEMBER 5, 2012

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC. (NAZ)

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND (NFZ, NFZ PRC)

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKR, NKR PRC)

AND

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NXE, NXE PRC)

(EACH, A FUND AND COLLECTIVELY, THE FUNDS )

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 12, 2012

**To the Shareholders:**

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting ) of Nuveen Arizona Premium Income Municipal Fund, Inc. ( Premium Income or the Acquiring Fund ), and Nuveen Arizona Dividend Advantage Municipal Fund ( Dividend Advantage ), Nuveen Arizona Dividend Advantage Municipal Fund 2 ( Dividend Advantage 2 ) and Nuveen Arizona Dividend Advantage Municipal Fund 3 ( Dividend Advantage 3 ) (each, an Acquired Fund and collectively, the Acquired Funds ), will be held in the offices of Nuveen Investments, Inc. ( Nuveen or Nuveen Investments ), 333 West Wacker Drive, Chicago, Illinois 60606, on Friday, October 12, 2012, at 2:00 p.m., Central time, for the following purposes:

1. Election of Board Members.
  - (a) For shareholders of each of Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3, to elect four (4) Board members as follows:
    - (i) Two (2) Board members to be elected by the holders of common shares and preferred shares voting as a single class. Board members Bremner and Evans are nominees for election by all shareholders.
    - (ii) Two (2) Board members to be elected by the holders of preferred shares only, voting separately as a single class. Board members Hunter and Schneider are nominees for election by holders of preferred shares.
  - (b) For shareholders of Premium Income, to elect ten (10) Board members as follows:
    - (i) Eight (8) Board members are to be elected by holders of common shares and preferred shares, voting together as a single class. Board members Amboian, Bremner, Evans, Kundert, Stockdale, Stone, Stringer and Toth are nominees for election by all shareholders.
    - (ii) Two (2) Board members are to be elected by holders of preferred shares only, voting separately as a single class. Board members Hunter and Schneider are nominees for election by holders of preferred

shares.

2. Domicile Change. The shareholders of Premium Income voting as set forth below, for an Agreement and Plan of Reorganization to enable the Fund to change its domicile from a Minnesota corporation to a Massachusetts business trust (the Domicile Change ).
  - (a)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization in connection with the proposed Domicile Change.
  - (a)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization in connection with the proposed Domicile Change.
  
3. Fund Combination Reorganization. The shareholders of each Fund voting as set forth below, for an Agreement and Plan of Reorganization pursuant to which each Acquired Fund would (i) transfer substantially all of its assets to the Acquiring Fund in exchange solely for common shares and preferred shares of the Acquiring Fund, and the Acquiring Fund's assumption of substantially all of the liabilities of the Acquired Fund, (ii) distribute such shares of the Acquiring Fund to the common shareholders and preferred shareholders of the Acquired Fund (with cash being issued in lieu of fractional common shares), and (iii) liquidate, dissolve and terminate in accordance with the Acquired Fund's declaration of trust.

*For Shareholders of each Fund:*

- (a)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.
  - (a)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization.
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4. Approval of Issuance of Common Shares by the Acquiring Fund.

*For Shareholders of Premium Income:*

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

5. Approval of Amendment to Acquiring Fund's Articles of Incorporation.

*For Shareholders of Premium Income:*

- (a)(i) The common and preferred shareholders voting as a single class to approve an amendment to the Fund's articles of incorporation to increase the number of preferred shares the Fund is authorized to issue.



- (a)(ii) The preferred shareholders voting separately as a single class to approve an amendment to the Fund's articles of incorporation to increase the number of preferred shares the Fund is authorized to issue.

6. With respect to each Fund, to transact such other business as may properly come before the Annual Meeting. Only shareholders of record as of the close of business on August 13, 2012 are entitled to notice of and to vote at the Annual Meeting or adjournments or postponements thereof.

As described in the accompanying Joint Proxy Statement/Prospectus under the caption "Proposal No. 2 Domicile Change Dissenting Shareholders Rights of Appraisal," preferred shareholders of Premium Income who object to the proposed domicile change of their Fund are entitled to demand payment of the fair value of their preferred shares under procedures set forth in the Minnesota Business Corporation Act. The relevant sections of that Act are reproduced in Appendix G to the Joint Proxy Statement/Prospectus.

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

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

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

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

Kevin J. McCarthy

*Vice President and Secretary*

The Nuveen Funds

**NUVEEN FUNDS**

**333 WEST WACKER DRIVE**

**CHICAGO, ILLINOIS 60606**

**(800) 257-8787**

**JOINT PROXY STATEMENT/PROSPECTUS**

**NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC. (NAZ)**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND (NFZ, NFZ PRC)**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKR, NKR PRC)**

**AND**

**NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NXE, NXE PRC)**

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

**SEPTEMBER 5, 2012**

This Joint Proxy Statement/Prospectus is being furnished to the shareholders of Nuveen Arizona Premium Income Municipal Fund, Inc. ( Premium Income or the Acquiring Fund ), and Nuveen Arizona Dividend Advantage Municipal Fund ( Dividend Advantage ), Nuveen Arizona Dividend Advantage Municipal Fund 2 ( Dividend Advantage 2 ) and Nuveen Arizona Dividend Advantage Municipal Fund 3 ( Dividend Advantage 3 ) (each, an Acquired Fund and collectively, the Acquired Funds ), each a closed-end management investment company, in connection with the solicitation of proxies by each Fund s Board of Trustees or Board of Directors (each, a Board and each Trustee or Director a Board Member ) for use at the Annual Meeting of Shareholders of each Fund to be held in the offices of Nuveen Investments, Inc. ( Nuveen or Nuveen Investments ), 333 West Wacker Drive, Chicago, Illinois 60606, on Friday, October 12, 2012, at 2:00 p.m., Central time, and at any and all adjournments or postponements thereof (each, an Annual Meeting and collectively, the Annual Meetings ) to consider the proposals listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 are each organized as a Massachusetts business trust. Premium Income is organized as a Minnesota corporation. The enclosed proxy and this Joint Proxy Statement/Prospectus are first being sent to shareholders of the Funds on or about September 7, 2012. Shareholders of record of the Funds as of the close of business on August 13, 2012 are entitled to notice of, and to vote at, the Annual Meeting and any and all adjournments or postponements thereof.

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

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

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

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

The following table indicates the proposals of each Fund for which the votes of shareholders are being solicited and which shareholders are solicited to vote with respect to each matter. Except as otherwise noted below, the common shareholders of a Fund vote together with, for the Acquired Funds, the holders (the preferred shareholders) of the Fund's MuniFund Term Preferred Shares (MTP Shares or preferred shares), and for the Acquiring Fund, the holders (the preferred shareholders) of the Fund's Variable Rate MuniFund Term Preferred Shares (VMTP Shares or preferred shares).

Matter	Common Shares	Preferred Shares
<i>For Shareholders of each of Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3:</i>		
1(a)(i) Two (2) Board Members to be elected by the holders of common shares and preferred shares voting as a single class. Board Members Bremner and Evans are nominees for election by all shareholders.	X	X
1(a)(ii) Two (2) Board Members to be elected by the holders of preferred shares only, voting separately as a single class. Board Members Hunter and Schneider are nominees for election by holders of preferred shares.		X
<i>For Shareholders of Premium Income:</i>		
1(b)(i) Eight (8) Board Members are to be elected by holders of common shares and preferred shares, voting together as a single class. Board Members Amboian, Bremner, Evans, Kundert, Stockdale, Stone, Stringer and Toth are nominees for election by all shareholders.	X	X
1(b)(ii) Two (2) Board Members are to be elected by holders of preferred shares only, voting separately as a single class. Board Members Hunter and Schneider are nominees for election by holders of preferred shares.		X
<i>For Shareholders of Premium Income:</i>		
2(a)(i) The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization in connection with the proposed Domicile Change.	X	X
2(a)(ii) The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization in connection with the proposed Domicile Change.		X



<b>Matter</b>		<b>Common Shares</b>	<b>Preferred Shares</b>
<i>For Shareholders of each Fund:</i>			
3(a)(i)	The common and preferred shareholders voting as a single class to approve the Agreement and Plan of Reorganization.	X	X
3(a)(ii)	The preferred shareholders voting separately as a single class to approve the Agreement and Plan of Reorganization.		X
<i>For Shareholders of Premium Income:</i>			
4(a)(i)	The common and preferred shareholders voting as a single class to approve the issuance of additional common shares in connection with each reorganization pursuant to the Agreement and Plan of Reorganization.	X	X
4(a)(ii)	The common shareholders voting separately as a single class to approve the issuance of additional common shares in connection with each reorganization pursuant to the Agreement and Plan of Reorganization.	X	
<i>For Shareholders of Premium Income:</i>			
5(a)(i)	The common and preferred shareholders voting as a single class to approve an amendment to the Fund's articles of incorporation to increase the number of preferred shares the Fund is authorized to issue.	X	X
5(a)(ii)	The preferred shareholders voting separately as a single class to approve an amendment to the Fund's articles of incorporation to increase the number of preferred shares the Fund is authorized to issue.		X

A quorum of shareholders is required to take action at each Annual Meeting. A majority of the shares entitled to vote at each Annual Meeting, represented in person or by proxy, will constitute a quorum of shareholders at that Annual Meeting, except that for the election of the two Board Member nominees to be elected by holders of preferred shares of each Fund, 33 1/3% of the preferred shares entitled to vote and represented in person or by proxy will constitute a quorum. Votes cast by proxy or in person at each Annual Meeting will be tabulated by the inspectors of election appointed for that Annual Meeting. The inspectors of election will determine whether or not a quorum is present at the Annual Meeting. The inspectors of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

Those persons who were shareholders of record at the close of business on August 13, 2012 will be entitled to one vote for each share held and, with respect to holders of common shares, a proportionate fractional vote for each fractional common share held.

As of August 13, 2012, the shares of the Funds issued and outstanding were as follows:

<b>Fund Ticker Symbol*</b>	<b>Common Shares</b>	<b>MTP Shares</b>	<b>MTP Shares Ticker Symbol</b>	<b>VMTP Shares</b>
Acquiring Fund (NAZ)	4,472,678	N/A	N/A	280
Dividend Advantage (NFZ)	1,548,311	1,110,000	NFZ PrC	N/A
Dividend Advantage 2 (NKR)	2,439,728	1,872,500	NKR PrC	N/A
Dividend Advantage 3 (NXE)	3,066,030	2,084,600	NXE PrC	N/A

\* The common shares of Premium Income are listed on the New York Stock Exchange ( NYSE ). The common shares of Dividend Advantage, Dividend Advantage 2 and Dividend Advantage 3 are listed on the NYSE MKT (formerly NYSE Amex). The MTP Shares of Dividend Advantage are listed on the NYSE MKT, and the MTP Shares of Dividend Advantage 2 and Dividend Advantage 3 are listed on the NYSE. The VMTP Shares of Premium Income are not listed on any exchange. Upon the closing of the reorganizations, it is expected that the common shares and MTP Shares of Premium Income to be issued in the reorganizations will be listed on the NYSE.

Premium Income is currently organized as a Minnesota corporation. The proposed change in domicile (the Domicile Change ) for Premium Income seeks to reorganize the Fund into a newly created Massachusetts business trust (the Successor Fund ). The Agreement and Plan of Reorganization for the Domicile Change (the Domicile Agreement ) contemplates (a) the sale, assignment, conveyance, transfer and delivery of all of the assets of Premium Income in exchange for newly issued common shares and newly issued preferred shares of the Successor Fund (corresponding to the then outstanding preferred shares of Premium Income) and the assumption by the Successor Fund of all of the liabilities of Premium Income; and (b) the subsequent distribution of the newly issued common shares and newly issued preferred shares of the Successor Fund to the shareholders of the corresponding class of Premium Income in complete liquidation and termination of Premium Income. As a result of the Domicile Change, the shareholders of Premium Income would become shareholders of the Successor Fund. The Successor Fund will have the same investment objectives and policies as Premium Income. The Domicile Change is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of Premium Income s common shares and preferred shares, voting as a single class, and by the affirmative vote of a majority of Premium Income s outstanding preferred shares, voting separately as a single class. The Domicile Change is contingent upon certain conditions being satisfied or waived, including obtaining shareholder approval as set forth above and obtaining certain consents, confirmations and/or waivers from various third parties.

The proposed reorganizations for the Acquiring Fund and Acquired Funds seek to combine four Funds that have substantially similar investment objectives, policies and risks to achieve certain economies of scale and other operational efficiencies for the Funds (each, a Reorganization and collectively, the Reorganizations ). The Agreement and Plan of Reorganization by and among each Acquired Fund and Acquiring Fund (the

Agreement ) provides for: (i) the Acquiring Fund s acquisition of substantially all of the assets of each Acquired Fund in exchange for newly issued common shares of the Acquiring Fund, par value \$0.01 per share, and newly issued MTP Shares of the Acquiring Fund, with a par value of \$0.01 per share and a liquidation preference of \$10 per share, and the Acquiring Fund s assumption of substantially all of the liabilities of each Acquired Fund; and (ii) the distribution of the Acquiring Fund common shares and Acquiring Fund MTP Shares received by each Acquired Fund to its common and preferred shareholders, respectively, as part of the liquidation, dissolution and termination of each Acquired Fund in accordance with applicable law. The aggregate net asset value of Acquiring Fund common shares received by each Acquired Fund in a Reorganization will equal, as of the Valuation Date (as such term is defined on page 55), the aggregate net asset value of Acquired Fund common shares held by shareholders of such Acquired Fund. Prior to the closing of the Reorganizations, the net asset value of each Acquired Fund and Acquiring Fund will be reduced by the costs of the Reorganization borne by such Fund. No fractional Acquiring Fund common shares will be issued to an Acquired Fund s shareholders in connection with the Reorganizations and, in lieu of such fractional shares, an Acquired Fund s shareholders will receive cash in an amount equal to the value received for such shares in the open market, which may be higher

or lower than net asset value. MTP shareholders of each Acquired Fund will receive the same number of Acquiring Fund MTP Shares having substantially identical terms as the outstanding MTP Shares of the Acquired Fund held by such preferred shareholders immediately prior to the closing of the Reorganization. The preferred shareholders of an Acquired Fund will receive the following new classes of MTP Shares of the Acquiring Fund:

<b>Acquired Fund</b>	<b>Acquired Fund MTP Shares Outstanding</b>	<b>Acquiring Fund MTP Shares to Be Issued in the Reorganizations</b>
Dividend Advantage	MTP Shares, Series 2015 Fixed Dividend Rate: 2.05%	MTP Shares, 2.05% Series 2015 Fixed Dividend Rate: 2.05%
	Term Redemption Date: 11/1/2015	Term Redemption Date: 11/1/2015
Dividend Advantage 2	MTP Shares, Series 2015 Fixed Dividend Rate: 2.05%	MTP Shares, 2.05% Series 2015 Fixed Dividend Rate: 2.05%
	Term Redemption Date: 11/1/2015	Term Redemption Date: 11/1/2015
Dividend Advantage 3	MTP Shares, Series 2016 Fixed Dividend Rate: 2.90%	MTP Shares, 2.90% Series 2016 Fixed Dividend Rate: 2.90%
	Term Redemption Date: 3/1/2016	Term Redemption Date: 3/1/2016

Each new series of the Acquiring Fund MTP Shares will have the same fixed per annum dividend rate, mandatory redemption term and liquidation preference as the Acquired Fund MTP Shares for which it will be exchanged. Features of the MTP Shares that vary over time, such as the optional redemption premium, will reflect the terms that are effectively in place as of the closing of the Reorganizations. The aggregate liquidation preference of the Acquiring Fund MTP Shares received in each Reorganization will equal the aggregate liquidation preference of the corresponding Acquired Fund MTP Shares held immediately prior to the Reorganization. The Acquiring Fund MTP Shares to be issued in connection with the Reorganizations will have equal priority with each other and with the Acquiring Fund's other outstanding preferred shares as to the payment of dividends and as to distribution of assets in the event of the Acquiring Fund's liquidation. In addition, the preferred shares of the Acquiring Fund, including the Acquiring Fund MTP Shares to be issued in connection with the Reorganizations, will be senior in priority to the Acquiring Fund's common shares as to payment of dividends and as to distribution of assets in the event of the Acquiring Fund's liquidation. The Acquiring Fund will continue to operate after the Reorganizations as a registered closed-end investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus. If Acquiring Fund shareholders approve the proposed Domicile Change and the Domicile Change closes prior to the Reorganizations, shareholders of the Acquired Funds will receive shares of beneficial interest of the Successor Fund. If Acquiring Fund shareholders do not approve the proposed Domicile Change, shareholders of the Acquired Funds will receive shares of Premium Income.

With respect to each Reorganization, the Reorganization is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of the Acquired Fund's common shares and preferred shares, voting as a single class, and by the affirmative vote of a majority of the Acquired Fund's outstanding preferred shares, voting separately as a single class. Each Reorganization also is required to be approved by the affirmative vote of the holders of a majority of the Acquiring Fund's outstanding common shares and preferred shares, voting as a single class, and by the affirmative vote of a majority of the Acquiring Fund's outstanding preferred shares, voting separately as a single class. In addition, (i) common and preferred shareholders of the Acquiring Fund voting as a single class, and common shareholders voting separately as a single class, are being asked to approve

the issuance of additional common shares of the Acquiring Fund in connection with the Reorganizations, and (ii) common and preferred shareholders of the Acquiring Fund voting as a single class, and preferred shareholders voting separately as a single class, are being asked to approve an amendment to the Acquiring Fund's articles of incorporation (the Acquiring Fund Articles of Incorporation) to increase the number of preferred shares the Fund is authorized to issue. If shareholders of the Acquiring Fund approve the proposed Domicile Change and the Domicile Change closes prior to the Reorganizations, approval of the amendment to the Acquiring Fund Articles of Incorporation will not be required to effect the Reorganizations. If shareholders of the Acquiring Fund do not approve the proposed Domicile Change, approval of the amendment to the Acquiring Fund Articles of Incorporation will be required to effect the Reorganizations.

The closing of the Reorganizations is contingent upon certain conditions being satisfied or waived. Principally, shareholders of each Acquired Fund, voting separately, must approve the Reorganization of their Fund into the Acquiring Fund. The Acquiring Fund also must obtain the shareholder approvals described in this Joint Proxy Statement/Prospectus with respect to the Reorganizations in order for the Reorganizations to occur. Additionally, in order for the Reorganizations to occur, each Fund must obtain certain consents, confirmations and/or waivers from various third parties. Because the closing of the Reorganizations is contingent on all of the Acquired Funds and the Acquiring Fund obtaining the requisite shareholder approvals and satisfying (or obtaining the waiver of) other closing conditions, it is possible that your Fund's Reorganization will not occur, even if shareholders of your Fund approve the Reorganization and your Fund satisfies all of its closing conditions. If the requisite shareholder approvals are not obtained, each Fund's Board may take such actions as it deems in the best interests of its Fund, including conducting additional solicitations with respect to the proposals or continuing to operate the Fund as a stand-alone fund.

This Joint Proxy Statement/Prospectus concisely sets forth the information shareholders of the Funds should know before voting on the proposals and constitutes an offering of common shares and MTP Shares, 2.05% Series 2015 and 2.90% Series 2016, of the Acquiring Fund only. Shareholders should read it carefully and retain it for future reference.

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

- (i) the Statement of Additional Information relating to the proposed Reorganizations, dated September 5, 2012 (the Reorganization SAI); and
- (ii) the audited financial statements and related independent registered public accounting firm's report for the Acquiring Fund and Acquired Fund contained in the Funds' Annual Report for the fiscal year ended February 29, 2012.

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

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

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 1934 Act ), and the Investment Company Act of 1940, as amended (the 1940 Act ), and in accordance therewith file reports and other information with the SEC. Reports, proxy statements, registration statements and other information filed by the Funds, including the Registration Statement on Form N-14 relating to the Acquiring Fund of which this Joint Proxy Statement/Prospectus is a part, may be inspected without charge and copied (for a duplication fee at prescribed rates) at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549 or at the SEC's New York Regional Office (3 World Financial Center, Suite 400, New York, New York 10281) or Chicago Regional Office (175 W. Jackson Boulevard, Suite 900, Chicago, Illinois