Nuveen Build America Bond Fund
Form 497
April 28, 2010
PROSPECTUS

23,500,000 Shares

Nuveen Build America Bond Fund

Common Shares

$20.00 per Share

Investment Objectives. The Nuveen Build America Bond Fund (the Fund) is a newly organized, diversified, closed-end management investment company. The Fund s primary investment objective is to provide current income through investments in taxable municipal securities. As a secondary objective, the Fund will seek to enhance portfolio value and total return. The Fund cannot assure you that it will achieve its investment objectives.

Fund Strategies. The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of taxable municipal securities known as Build America Bonds (or BABs), as described further in this prospectus. The Fund believes there could be an opportunity to capitalize on the developing market for BABs by investing in taxable municipal issues at attractive market yields relative to the yields on equivalently rated corporate bonds. Nuveen Asset Management (NAM), the Fund s investment adviser, will use its credit research driven investment process to assemble a diversified portfolio. In addition, the Fund will use an integrated leverage and hedging strategy that, in NAM s judgment, has the potential to enhance income and risk-adjusted total return over time. The Fund s overall goal is to outperform over time the Barclays Capital Build America Bond Index (BABs Index), an unleveraged index representing the BABs market, while maintaining a comparable overall level of interest rate risk.

No Prior History. Because the Fund is newly organized, its common shares have no history of public trading. **Shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors who expect to sell their shares in a relatively short period after completion of the public offering.**

(continued on following page)

The Fund s common shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance. The trading or ticker symbol is NBB.

Investing in the Fund s common shares involves certain risks. See Risks beginning on page 41 of this prospectus. Certain of these risks are summarized in Prospectus Summary Special Risk Considerations beginning on page 15 of this prospectus.

	Per Share	Total(3)
Public offering price	$20.00	$ 470,000,000
Sales load(1)	$.90	$21,150,000

Proceeds, before expenses, to the Fund(2)	$19.10	$ 448,850,000

(1) NAM (and not the Fund) has agreed to pay from its own assets additional compensation to Merrill Lynch, Pierce, Fenner & Smith Incorporated, a structuring fee to each of Citigroup Global Markets Inc., Wells Fargo Securities, LLC, Raymond James Associates, Inc., and Ameriprise Financial Services, Inc., and a marketing and structuring fee to Morgan Stanley & Co. Incorporated. See Underwriting.

(2) Total expenses of issuance and distribution (other than underwriting discounts and commissions) are estimated to be $.04 per share ($940,000). After payment of such expenses, proceeds to the Fund will be $19.06 per share. The Fund has agreed to pay the underwriters $156,745 or $180,257 if the underwriters exercise the over-allotment option in full ($.00667 per common share) as a partial reimbursement of expenses incurred in connection with the offering. Nuveen Asset Management has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay the amount by which the Fund s offering costs (other than sales load, but inclusive of such $.00667 per common share reimbursement) exceed $.04 per common share.

(3) The Fund has granted the underwriters an option to purchase up to 3,525,000 additional common shares at the public offering price less the sales load within 45 days from the date of this prospectus to cover over-allotments, if any. If such option is exercised in full, the Public offering price, Sales load and Proceeds, before expenses, to the Fund will be $540,500,000, $24,322,500 and $516,177,500, respectively. See Underwriting.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common shares to purchasers on or about April 30, 2010.

BofA Merrill Lynch **Citi** **Morgan Stanley** **Wells Fargo Securities**

Nuveen Investments, LLC **Raymond James** **Ameriprise Financial Services, Inc.**

J.J.B. Hilliard, W.L. Lyons, LLC **Janney Montgomery Scott** **Ladenburg Thalmann & Co. Inc.**

Maxim Group LLC **Oppenheimer & Co.** **RBC Capital Markets** **Stifel Nicolaus**

The date of this prospectus is April 27, 2010.

Build America Bonds. BABs are taxable municipal securities that include bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 (the Act). As described more fully herein, the Act authorizes state and local governments to sell new BABs issues without limitation through December 31, 2010. Unlike investments in most other municipal securities, interest received on BABs is subject to federal income tax and may be subject to state income tax. See The Fund s Investments.

Currently, bonds issued after December 31, 2010 will not qualify as BABs unless the relevant provisions of the Act are extended. The Obama administration and Congress are considering a variety of proposals to extend or modify the BABs program, including changes that would make it permanent, reduce the amount of the subsidy, and allow proceeds to be used for certain private, non-municipal activities or for refinancing capital expenditures. It cannot be predicted whether these proposals or other changes in the BABs program will be enacted, nor can it be predicted whether such proposals or changes, if enacted, will have a positive or negative effect on the Fund. See The Fund s Investments.

Portfolio Contents. Under normal circumstances, the Fund will invest at least 80% of its Managed Assets (as defined in this prospectus) in BABs. The Fund may invest up to 20% of its Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal support, tax-exempt municipal securities, U.S. Treasury securities and obligations of the U.S. Government and its agencies. See The Fund s Investments. At least 80% of Managed Assets will be invested in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the nationally recognized statistical rating organizations (NRSROs) that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM. The Fund may invest up to 20% of its Managed Assets in securities that at the time of investment are rated below investment grade quality or that are unrated by any NRSRO but judged to be of comparable quality by NAM. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. See Build America Bonds on page 6 for, among other things, a discussion of anticipated changes in certain ratings methodologies.

Contingent Term Provision. Under its Declaration of Trust, the Fund has no limitation on its term of existence. To accommodate the possibility that the BABs program will not be extended, if, for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of Build America Bonds or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020 (Contingent Term Provision). Such issuances may cease if the current legislation authorizing the U.S. government subsidy for the issuances is not extended beyond December 31, 2010, and no similar legislation is enacted. If the Fund terminates, the Fund will distribute all of its net assets to shareholders of record as of the date of termination. The Fund s investment objectives and policies are not designed to seek to return to investors who purchase common shares in this offering the amount of their initial investment on the termination date, and such initial investors and any investors who purchase common shares after the completion of the offering may receive more or less than their original investment upon termination. See The Fund s Investments.

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase common share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risk, such as credit risk, which are also increased by the Fund s use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) borrowings, including loans from certain financial institutions (bank credit facility), and/or the issuance of debt securities including fixed and floating rate notes or liquidity supported variable rate demand obligations (collectively, Debt); (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of preferred shares (Preferred Shares), although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the combined economic effect of the total leverage used by the Fund (effective leverage) is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated April 27, 2010, as it may be supplemented, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the Statement of Additional Information, the table of contents of which is on page 69 of this prospectus, annual and semi-annual reports to shareholders, when available, and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787 or by writing to the Fund, or from the Fund s website (http://www.nuveen.com). The information contained in, or that can be accessed through, the Fund s website is not part of this prospectus. You also may obtain a copy of the Statement of Additional Information (and other information regarding the Fund) from the SEC s website (http://www.sec.gov).

The Fund s common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus and in the Statement of Additional Information prior to making an investment in the Fund, especially the information set forth under the heading Risks.

The Fund

Nuveen Build America Bond Fund (the Fund) is a newly organized, diversified, closed-end management investment company.

The Offering

The Fund is offering 23,500,000 common shares of beneficial interest at $20.00 per share through a group of underwriters (the Underwriters) led by Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), Citigroup Global Markets Inc. (Citi), Morgan Stanley & Co. Incorporated (Morgan Stanley), Wells Fargo Securities, LLC (Wells Fargo), Nuveen Investments, LLC (Nuveen), Raymond James & Associates, Inc. (Raymond James) and Ameriprise Financial Services, Inc. (Ameriprise). Certain Underwriters participating in this offering or their affiliates, including Merrill Lynch (which is a remote affiliate of NAM and the Fund), Citi and Wells Fargo, have an ownership interest in Nuveen Investments, Inc. (Nuveen Investments), the parent company of Nuveen Asset Management (NAM), the Fund s investment adviser. See Management of the Fund Investment Adviser. The common shares of beneficial interest are called Common Shares in this prospectus. You must purchase at least 100 Common Shares in this offering. The Fund has given the Underwriters an option to purchase up to 3,525,000 additional Common Shares to cover orders in excess of 23,500,000 Common Shares. See Underwriting. NAM has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay all offering costs of the Fund (other than sales load, but inclusive of the partial reimbursement of expenses) that exceed $.04 per Common Share.

Who May Want to Invest

You should consider your investment goals, time horizons and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund may be an appropriate investment for you if you are seeking:

- A new opportunity to invest in a predominately investment grade portfolio of taxable municipal securities;
- Potential for current income and the potential for additional total return;
- Regular monthly dividends that are automatically reinvested, or may be received in cash;
- Potential for daily liquidity afforded by listing on the New York Stock Exchange;
- Portfolio diversification potential from exposure to municipal securities, whose issuers have historically demonstrated a lower default rate than issuers of equivalently rated corporate bonds; and

Professional selection and active management by NAM.

However, keep in mind that you will need to assume the risks associated with an investment in the Fund. See Risks.

Investment Objectives

The Fund s primary investment objective is to provide current income through investments in taxable municipal securities. As a secondary objective, the Fund will seek to enhance portfolio value and total return. The Fund s investment objectives and certain investment policies specifically identified as such are considered fundamental and may not be changed without shareholder approval. The Fund cannot assure you that it will achieve its investment objectives. See The Fund s Investments and Risks.

Fund Strategies

The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of taxable municipal securities known as Build America Bonds (or BABs), as discussed further in this prospectus. The Fund believes there could be an opportunity to capitalize on the developing market for BABs by investing in taxable municipal issues at attractive market yields relative to the yields on equivalently rated corporate bonds. NAM, the Fund s investment adviser, will use its credit research driven investment process to assemble a diversified portfolio. In addition, the Fund will use an integrated leverage and hedging strategy that, in NAM s judgment, has the potential to enhance income and risk-adjusted total return over time. The Fund s overall goal is to outperform over time the Barclays Capital Build America Bond Index (BABs Index), an unleveraged index representing the BABs market, while maintaining a comparable overall level of interest rate risk.

Build America Bonds

BABs are taxable municipal securities that include bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 (the Act).

Enacted in February 2009, the Act was intended in part to assist state and local governments in financing capital projects at lower net borrowing costs through direct subsidies designed to stimulate state and local infrastructure projects, create jobs and encourage non-traditional municipal security investors. Unlike investments in most other municipal securities, interest received on BABs is subject to federal income tax and may be subject to state income tax. BAB issuers may elect either (i) to receive payments from the U.S. Treasury equal to a specified percentage of their interest payments (direct pay) or (ii) to cause investors in the bonds to receive federal tax credits (tax credit).

Most issuers of direct pay BABs currently receive a subsidy from the U.S. Treasury equal to 35% of the interest paid on the bonds, which allows such issuers to issue bonds that pay interest rates that are expected to be competitive with the rates typically paid by private bond issuers in the taxable fixed income market. Bonds issued after December 31, 2010 currently will not qualify as BABs unless the relevant provisions of the Act are extended or similar legislation is enacted that provides for municipal issuers to elect to issue taxable municipal securities and receive from the U.S. Treasury direct pay federal subsidies to offset a portion of the interest costs incurred over the full term of such taxable municipal securities. Currently under the Act, BABs cannot be used to finance private, non-municipal activities, and can only be used to fund capital expenditures. The proceeds of BAB issuances are used for public benefit and generally support facilities that meet such essential needs as water, electricity, transportation, and education. Moreover, many BABs are general obligation bonds, which are backed by the full faith and taxing power of the state and local governments issuing them.

The Obama administration and Congress are considering a variety of proposals to extend or modify the BABs program, including changes that would make it permanent, reduce the amount of the subsidy, and allow proceeds to be used for certain private, non-municipal activities or for refinancing capital expenditures. It cannot be predicted whether these proposals or other changes in the BABs program will be enacted, nor can it be predicted whether such proposals or changes, if enacted, will have a positive or negative effect on the Fund. If, for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of Build America Bonds or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020. See Contingent Term Provision on pages 30-31 for additional information.

NAM believes that BABs presently offer a more compelling yield opportunity than equivalently rated corporate bonds. Municipal issuers, of which BABs issuers are a major subset, have historically lower default rates than issuers of equivalently rated corporate bonds. Past default rates are not predictive of future default rates.

In response to the market s desire for ratings comparability, Moody s Investor Service, Inc. (Moody s) and Fitch Ratings, Inc. (Fitch) have announced that they plan to recalibrate in April 2010 their U.S. municipal ratings. Moody s has announced that it will recalibrate its long-term U.S. municipal ratings to its global ratings scale, while Fitch has stated that it will adjust certain U.S. public finance ratings upwards by one or two notches, depending on the sector in question. According to both Moody s and Fitch, the recalibrations are intended to enhance comparability of ratings across their respective ratings portfolios, and do not reflect an improvement in credit quality or a change in their respective credit opinions for rated issuers of municipal securities. Moody s has announced that its recalibration will be implemented in stages and is expected to occur over a four week period. Fitch has stated that its recalibration process will be completed by April 30, 2010. NAM believes that neither the Moody s nor the Fitch recalibration will have an adverse impact on the Fund.

Based on current market conditions, the Fund anticipates investing in direct pay BABs and not in tax credit BABs. However, the Fund has no policy with respect to direct pay or tax credit BABs and may invest in either type of BAB at any time. Under the terms of the Act, issuers of direct pay BABs are entitled to receive reimbursement from the U.S. Treasury currently equal to 35% (or 45% in the case of Recovery Zone Economic Development Bonds, a new type of taxable governmental bond similar to BABs) of the interest paid on the bonds, which continues for the life of the bond. Issuance of BABs commenced in April 2009 and bonds issued after December 31, 2010 (referred to as the sunset) will not qualify as BABs unless the relevant provisions of the Act are extended. As currently enacted, the Act contains no budgetary limit on issuances through the program through the sunset. However, BABs issuances currently are limited to public purpose or essential purpose bonds. As currently enacted, the Act does not permit refunding issuances, private activity bond issuances, or deficit fund issuances.

According to a February 2010 report issued by the Municipal Securities Rulemaking Board (MSRB), 749 BABs issues came to market in 2009 totaling approximately $64 billion. Between April 15, 2009 and December 31, 2009, BABs issuance accounted for 20% of long-term securities issued in the municipal market, such that taxable municipal securities issuance (including BABs) represented 26% of the overall municipal market. Municipal market research analysts expect such BABs issuance trends to continue throughout 2010, when the BABs program is currently scheduled to sunset. For example, J.P. Morgan municipal market research analysts currently project BABs issuance of approximately $110 billion in 2010. By December 31, 2010, they expect the BAB total market size to be approximately $172 billion. See Risks Build America Bonds Risk.

Investment Policies

Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in BABs. This investment policy may be changed with 60 days notice to shareholders. The Fund may invest up to 20% of its Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal support, municipal securities the interest income from which is exempt from regular federal income tax (sometimes referred to as tax-exempt municipal securities), U.S. Treasury securities and obligations of the U.S. Government, its agencies and instrumentalities. The Fund may purchase BABs (including for purposes of the 80% test) and other municipal securities (taxable or tax-exempt) in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms that include fixed-coupon, variable rate, zero coupon, capital appreciation bonds, floating rate securities, inverse floating rate securities and other derivative instruments that replicate investment exposure to BABs or other municipal securities. Such BABs and other municipal securities may be acquired through investments in pooled vehicles, partnerships or other investment companies. The Fund may also purchase BABs and other municipal securities representing a wide range of sectors and purposes.

The Fund anticipates that, upon full investment of the net proceeds of this offering, the average credit quality of its investments will be A+. In addition, the Fund anticipates using leverage to seek to enhance current income and total returns. See Leverage.

Under normal circumstances:

The Fund will invest at least 80% of its Managed Assets in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the nationally recognized statistical rating organizations (NRSROs) that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM.

The Fund may invest up to 20% of its Managed Assets in securities that at the time of investment are rated below investment grade or are unrated by any NRSRO but judged to be of comparable quality by NAM. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds . See Risks Credit and Below Investment Grade Risk.

The Fund will generally invest in securities with intermediate- or long-term maturities. The Fund anticipates having a weighted average maturity of 15 to 35 years. The weighted average maturity of securities held by the Fund may be shortened or lengthened, depending on market conditions and on an assessment by the Fund s portfolio manager of which segments of the market offer the most favorable relative investment values and opportunities for income and total return.

The Fund will not invest more than 25% of its Managed Assets in municipal securities in any one industry or in any one state of origin.

The Fund will not invest more than 15% of its Managed Assets in municipal securities that, at the time of investment, are illiquid (*i.e.*, securities that are not readily marketable). See Risks Illiquid Securities Risk.

The Fund also may invest up to 20% of its total assets in certain derivative instruments to enhance returns. Such derivatives include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or similar instruments. This limit will apply to the investment exposure created by those derivative instruments. Inverse floating rate securities are not regarded as derivatives for this purpose. NAM may also use derivative instruments to hedge some of the risk of the Fund s investments in municipal securities. These types of strategies may generate taxable income. See The Fund s Investments Derivatives.

See The Fund s Investments Investment Objectives and Policies.

During temporary defensive periods or in order to keep the Fund s cash fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objectives. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable, or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful. For a more complete discussion of the Fund s portfolio composition, see The Fund s Investments.

Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating effective leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates. See The Fund s Investments Portfolio Composition and Other Information Municipal Securities Inverse Floating Rate Securities and Floating Rate Securities.

Contingent Term Provision

Under its Declaration of Trust, the Fund has no limitation on its term of existence. To accommodate the possibility that the BABs program will not be extended, if for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of BABs or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020 (the Contingent Term Provision). Such issuances may cease if the current legislation authorizing the U.S. government subsidy for the issuances is not extended beyond December 31, 2010, and no similar legislation is enacted. Currently there are several proposals either to make such legislation permanent or to extend it beyond its scheduled sunset date. If, because there are no such new issuances, the Fund is to terminate on June 30, 2020, the Fund s Board of Trustees may extend the term of the Fund for up to six months after that date if deemed to be in the best interests of shareholders, but otherwise may not extend the term of the Fund without shareholder approval. Furthermore, the Fund can be terminated at any time by action of the Trustees, or by action of the shareholders, which could occur prior to June 30, 2020. If the Fund terminates, the Fund will distribute all of its net assets to shareholders of record as of the date of termination. The Fund s investment objectives and policies are not designed to seek to return to investors who purchase common shares in this offering the amount of their initial investment on the termination date, and such initial investors and any investors who purchase common shares after the completion of the offering may receive more or less than their original investment upon termination.

Leverage

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase Common Share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risk, such as credit risk, which are also increased by the Fund s use of leverage. The Fund s leverage and hedging techniques are referred to as integrated because the Fund s use of hedging strategies is expected to be directly calibrated to any increased interest rate risk, relative to the Fund s benchmark, due to the use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) borrowings, including loans from certain financial institutions (bank credit facility), and/or the issuance of debt securities including fixed and floating rate notes or liquidity supported variable rate demand obligations (collectively, Debt); (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of preferred shares (Preferred Shares), although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the combined economic effect of the total leverage used by the Fund (effective leverage) is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals.

The Fund pays NAM a management fee based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund s use of leverage as set forth in the Fund s investment management agreement. NAM will base its decision whether and how much to leverage the Fund based on its assessment of whether such use of leverage will advance the Fund s investment objectives over the longer term. NAM will be responsible for using leverage to pursue the Fund s investment objectives. However, the fact that a decision to increase the Fund s leverage will have the effect, all other things being equal, of increasing Managed Assets and therefore NAM s management fee means that NAM may have an incentive to increase the Fund s use of leverage. NAM will seek to manage that incentive by only increasing the Fund s use of leverage when it determines that such increase is consistent with the Fund s investment objectives, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

The use of leverage creates special risks for holders of Common Shares (Common Shareholders). See Leverage and Risks Leverage Risk. See also Risks Inverse Floating Rate Securities Risk.

Distributions

Commencing with the first distribution, the Fund will seek to pay monthly distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share dividend rate) based on the Fund s projected performance. The Fund s ability to maintain a level Common Share dividend rate will depend on a number of factors. As portfolio and market conditions change, the rate of dividends on the Common Shares and the Fund s distribution policy could change. Over time, the Fund will distribute all of its net investment income. In addition, the Fund intends to distribute, at least annually, the net capital gain and taxable ordinary income, if any, to Common Shareholders. The Fund expects to declare its initial Common Share distribution approximately 30 to 45 days, and to pay that distribution approximately

60 to 90 days, from the completion of this offering, depending on market conditions.

As explained more fully below in Tax Matters, at least annually, the Fund may elect to retain rather than distribute all or a portion of any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) otherwise allocable to Common Shareholders and pay U.S. federal income tax on the retained gain. As provided under federal tax law, Common Shareholders of record as of the end of the Fund s taxable year will include their attributable share of the retained gain in their income for the year as a long-term capital gain, and will be entitled to an income tax credit or refund for the tax deemed paid on their behalf by the Fund. The Fund may treat the cash value of tax credit and refund amounts in connection with retained capital gains as a substitute for equivalent cash distributions. See Distributions and Dividend Reinvestment Plan.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to Common Shareholders.

Automatic Reinvestment

Distributions will be automatically reinvested in additional Common Shares under the Fund s Dividend Reinvestment Plan unless a Common Shareholder elects to receive cash. See Distributions, Dividend Reinvestment Plan and Tax Matters.

Investment Adviser

NAM will be the Fund s investment adviser, responsible for investing the Fund s Managed Assets. NAM, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments. Founded in 1898, Nuveen Investments and its affiliates had approximately $145 billion of assets under management as of December 31, 2009, of which approximately $68.7 billion was in municipal securities. Regarding this approximately $68.7 billion of tax-exempt municipal securities, approximately $34.9 billion, $16.5 billion, $15.6 billion and $2.0 billion represent assets relating to closed-end municipal bond funds, open-end municipal bond funds, retail municipal managed accounts and institutional municipal managed accounts, respectively. According to Morningstar Fundamental Data, Nuveen is the leading sponsor of closed-end funds as measured by the number of funds (123) and the amount of fund assets under management (approximately $46 billion) as of December 31, 2009.

On November 13, 2007, Nuveen Investments was acquired by an investor group led by Madison Dearborn Partners, LLC, a private equity firm based in Chicago, Illinois (the MDP Acquisition). The investor group led by Madison Dearborn Partners, LLC included affiliates of Merrill Lynch & Co., Inc., which was subsequently acquired by Bank of America Corporation (Bank of America), Wells Fargo and Citi. As a result of the MDP Acquisition, Merrill Lynch & Co., Inc. currently owns a 32% non-voting equity stake in Nuveen Investments, owns a $30 million position in a $250 million revolving loan facility of Nuveen

Investments and holds two of ten seats on the board of directors of Nuveen Investments. Wells Fargo and Citi also own an interest in Nuveen Investments. Because these arrangements may give rise to certain conflicts of interest involving NAM and Bank of America (including Merrill Lynch & Co., Inc.), NAM has adopted polices and procedures intended to address these potential conflicts. For additional information regarding the MDP Acquisition, see Management of the Fund Nuveen Investments.

The Fund is dependent upon the services and resources provided by its investment adviser, NAM, and therefore the investment adviser s parent, Nuveen Investments. Nuveen Investments significantly increased its level of debt in connection with the MDP Acquisition. As of December 31, 2009, Nuveen Investments had outstanding approximately $4.0 billion in aggregate principal amount of indebtedness, with approximately $491.8 million of available cash on hand. Nuveen Investments believes that monies generated from operations and cash on hand will be adequate to fund debt service requirements, capital expenditures and working capital requirements for the foreseeable future; however, Nuveen Investments ability to continue to fund these items, to service its debt and to maintain compliance with covenants in its debt agreements may be affected by general economic, financial, competitive, legislative, legal and regulatory factors and by its ability to refinance or repay outstanding indebtedness with scheduled maturities beginning in 2013. The risks, uncertainties and other factors related to Nuveen Investments business, the effects of which may cause its assets under management, earnings, revenues, and/or profit margins to decline, are described in its filings with the Securities and Exchange Commission, which are publicly available.

The Fund will pay NAM an annual management fee, payable monthly, in a maximum amount equal to .65% of the Fund s average daily Managed Assets (as defined below). This maximum fee is equal to the sum of a fund-level fee and a complex-level fee. The fund-level fee is a maximum of .45% of the Fund s average total daily Managed Assets, with lower fees for assets that exceed $125 million. The complex-level fee is a maximum of .2000% of the Fund s daily Managed Assets based on the daily managed assets of all Nuveen-branded closed-end and open-end registered investment companies organized in the United States (collectively, the Nuveen Funds) (as managed assets is defined in each Nuveen Fund s investment management agreement with NAM, which generally includes assets attributable to any preferred shares that may be outstanding and any borrowings), with lower fee levels for complex-level assets that exceed $55 billion.

Based on complex-level assets of approximately $67.3 billion as of December 31, 2009, the complex-level fee would be .1887% of Managed Assets and the total fee to NAM would be .6387% of

Managed Assets (assuming Managed Assets of $125 million). For more information on fees and expenses, including fees attributable to Common Shares, see Management of the Fund.

Nuveen Investments, LLC, a registered broker-dealer affiliate of NAM that is involved in the offering of the Fund s Common Shares, has received notice of certain charges that may be brought against it by the Financial Industry Regulatory Authority (FINRA) in connection with the marketing of preferred shares of other closed-end funds managed by NAM. See Underwriting.

Listing

The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance. See Description of Shares Common Shares. The trading or ticker symbol of the Common Shares is NBB.

Custodian and Transfer Agent

State Street Bank and Trust Company will serve as the Fund s custodian and transfer agent. See Custodian and Transfer Agent.

Special Risk

Considerations

Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. The Fund s performance and the value of its investments will vary in response to changes in interest rates, inflation, the financial condition of a municipal security s issuer, perceptions of the issuer, ratings on a municipal security and other market factors. See Risks for a more complete discussion of the special risk considerations of an investment in the Fund.

No Prior History. The Fund is a newly organized, diversified, closed-end management investment company with no history of operations.

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

Market Discount from Net Asset Value and Expected Reductions in Net Asset Value. Shares of closed-end investment companies like the Fund frequently trade at prices lower than their net asset value, which creates a risk of loss for investors when they sell shares purchased in the initial public offering. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by 4.5% (the amount of the sales load as a percentage of the offering price), making the Fund s net asset value per Common Share equal to $19.10, before deducting offering expenses. Net asset value of the Fund and net asset value per Common Share are then further reduced by the amount of offering expenses paid by the Fund (estimated to be up to an additional $.04 per Common Share). The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for short- term trading purposes. See Risks Market Discount from Net Asset Value and Expected Reductions in Net Asset Value.

Build America Bonds Risk. The BABs market is smaller and less diverse than the broader municipal securities market. In addition, because BABs are a new form of municipal financing and because bonds issued after December 31, 2010 currently will not qualify as BABs unless the relevant provisions of the Act are extended, it is impossible to predict the extent to which a market for such bonds will develop, meaning that BABs may experience less liquidity than other types of municipal securities. If the ability to issue BABs is not extended beyond December 31, 2010, the number of BABs available in the market will be limited and there can be no assurance that BABs will be actively traded. Reduced liquidity may negatively affect the value of the BABs.

Because issuers of direct pay BABs held in the Fund s portfolio receive reimbursement from the U.S. Treasury with respect to interest payment on bonds, there is a risk that those municipal issuers will not receive timely payment from the U.S. Treasury and may remain obligated to pay the full interest due on direct pay BABs held by the Fund. Furthermore, it is possible that a municipal issuer may fail to comply with the requirements to receive the direct pay subsidy or that a future Congress may terminate the subsidy altogether.

Because the BABs program is new, certain aspects of the BABs program may be subject to additional Federal or state level guidance or subsequent legislation. For example, the Internal Revenue Service (IRS) or U.S. Treasury could impose restrictions or limitations on the payments received. Aspects of the BABs program for which the IRS and the U.S. Treasury have solicited public comment include, but have not been limited to, methods for making direct payments to issuers, the tax procedural framework for such payments, and compliance safeguards. It is not known what additional procedures will be implemented with respect to direct pay BABs, if any, nor is it known what effect such possible procedures would have on the BABs market.

Legislation extending the relevant provisions of the Act may also modify the characteristics of BABs issued after December 31, 2010, including the amount of subsidy paid to issuers.

The Fund intends to invest primarily in BABs and therefore the Fund s net asset value may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. Because BABs currently do not include certain industries or types of municipal bonds (i.e., tobacco bonds or private activity bonds), there may be less diversification than with a broader pool of municipal securities.

General Municipal Securities Market Risk. The amount of public information available about the municipal securities in the Fund s portfolio is generally less than that for corporate equities or bonds, and the Fund s investment performance may therefore be more dependent on NAM s analytical abilities. The secondary market for municipal securities, particularly the below investment grade municipal securities in which the Fund may invest, also tends to be less developed or liquid than many other securities markets, which may adversely affect the Fund s ability to sell its municipal securities at attractive prices. See Risks General Municipal Securities Market Risk, Risks Special Risks Related to Certain Municipal Securities and Risks Build America Bonds Risk.

Current Economic Conditions Credit Crisis Liquidity and Volatility Risk. The markets for credit instruments have experienced periods of extreme illiquidity and volatility since the latter half of 2007. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including municipal securities. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Fund s municipal securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Common Shares.

In response to the recent national economic downturn, governmental cost burdens may be reallocated among federal, state and local governments. Also, as a result of the downturn, many state and local governments have experienced significant reductions in revenues and consequently difficulties meeting ongoing expenses. As a result, certain of these state and local governments may have difficulty paying principal or interest on their outstanding debt and may experience ratings downgrades of their debt. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. In addition to actions taken at the federal level, municipalities might seek protection under the bankruptcy laws, thereby affecting the repayment of their outstanding debt.

Credit and Below Investment Grade Risk. Credit risk is the risk that one or more securities in the Fund s portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. The Fund may invest up to 20% (measured at the time of investment) of its Managed Assets in securities that are rated below investment grade or that are unrated but judged to be of comparable quality by NAM. If a security satisfies the rating requirements described above at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, NAM will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer s capacity to pay interest and repay principal when due, and are more susceptible to default or decline in market value due to adverse economic and business developments than investment grade securities. Also, to the extent that the rating assigned to a security in the Fund s portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade securities. For these reasons, an investment in the Fund, compared with a portfolio consisting solely of investment grade securities, may experience the following:

- increased price sensitivity resulting from a deteriorating economic environment and changing interest rates;
- greater risk of loss due to default or declining credit quality;
- adverse issuer specific events that are more likely to render the issuer unable to make interest and/or principal payments; and
- the possibility that a negative perception of the below investment grade market develops, resulting in the price and liquidity of below investment grade securities becoming depressed, and this negative perception could last for a significant period of time.

See Risks Market Discount From Net Asset Value and Expected Reductions in Net Asset Value, Risks Credit and Below Investment Grade Risk and Risks Build America Bonds Risk.

Leverage Risk. The Fund anticipates using leverage to seek to enhance current income and total returns. If current market conditions persist, the Fund s total effective leverage is expected to be in the range of 25% to 27% of its Managed Assets upon completion of the invest-up period. The use of leverage creates special risks for Common Shareholders, including potential interest rate risks and the likelihood of greater volatility of net asset value and market price of, and distributions on, the Common Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy by, among other things, establishing a bank credit facility. The Fund expects that the lender in the bank credit facility may require additional asset coverage and portfolio composition provisions as well as restrictions on the Fund s investment practices. In addition, the Fund may issue debt securities including fixed and floating rate notes or commercial paper. The issuance of such senior securities may limit the Fund s ability to pay dividends to Common Shareholders in accordance with the requirements of Section 18 of the Investment Company Act of 1940 (the 1940 Act). If the Fund seeks an investment grade rating from a NRSRO for any commercial paper or notes, asset coverage or portfolio composition provisions in addition to and more stringent than those required by the 1940 Act or the Fund s policies may be imposed in connection with the issuance of such a rating. The Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the Funds use of leverage, which will result in a reduction in the net asset value of the Common Shares. The Fund may, based on its assessment of market conditions, increase or decrease its level of total effective leverage. Such changes may impact net investment income and the valuation of the Fund s Common Shares in the secondary market. There can be no assurance that the Fund s leverage strategy will be successful. Furthermore, the amount of fees paid to NAM for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund s Managed Assets this may create an incentive for NAM to leverage the Fund. See Risks Leverage Risk and Risks Inverse Floating Rate Securities Risk.

Inverse Floating Rate Securities Risk. The Fund may invest in inverse floating rate securities. Typically, inverse floating rate securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor for the purpose of holding municipal bonds. See The Fund s Investments Portfolio Composition and Other Information Municipal Securities Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal. In addition, inverse floating rate securities may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Fund s investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities.

The Fund may invest in inverse floating rate securities, issued by special purpose trusts that have recourse to the Fund. In NAM s discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the special purpose trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third party sponsor of the trust, upon termination of the trust issuing the inverse floating rate security, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. In such instances, the Fund may be at risk of loss that exceeds its original investment in the inverse floating rate securities.

The Fund s investments in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund may be highly leveraged. The structure and degree to which the Fund s inverse floating rate securities are highly leveraged will vary based upon a number of factors, including the size of the trust itself and the terms of the underlying municipal security. An inverse floating rate security generally is considered highly leveraged if the principal amount of the short-term floating rate interests issued by the related special purpose trust is in excess of three times the principal amount of the inverse floating rate securities owned by the trust (the ratio of the principal amount of such short-term floating rate interests to the principal amount of the inverse floating rate securities is referred to as the gearing). In the event of a significant decline in the value of an underlying security, the Fund may suffer losses in excess of the amount of its investment (up to an amount equal to the value of the municipal securities underlying the inverse floating rate securities) as a result of liquidating the special purpose trust or other collateral required to maintain the Fund s anticipated effective leverage ratio.

The Fund s investments in inverse floating rate securities will create effective leverage, which will create an opportunity for increased Common Share net income and returns, but will also create the possibility that Common Share long-term returns will be diminished if the cost of leverage exceeds the return on the inverse floating rate securities purchased by the Fund.

Inverse floating rate securities have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a special purpose trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. The leverage attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. In certain circumstances, the likelihood of an increase in the volatility of net asset value and market price of the Common Shares may be greater for a fund (like the Fund) that relies primarily on inverse floating rate securities to achieve a desired effective leverage ratio. The Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

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

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

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

The Fund may invest in taxable inverse floating rate securities, issued by special purpose trusts formed with taxable municipal securities. The market for such taxable inverse floating rate securities is relatively new and undeveloped. Initially, there may be a limited number of counterparties, which may increase the credit risks, counterparty risk and liquidity risk of investing in taxable inverse floating rate securities. See Risks Inverse Floating Rate Securities Risk.

Interest Rate Risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the securities in the Fund s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of municipal securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund s value. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. Because the Fund intends to invest primarily in longer-term securities, the Fund s net asset value and market price per Common Share may fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term securities. These risks may be greater because certain interest rates are near historically low levels. Because the values of lower-rated and comparable unrated debt securities are affected both by credit risk and interest rate risk, the price movements of such lower grade securities are not typically highly correlated to the fluctuations of the prices of investment grade quality securities in response to changes in interest rates. The Fund s investments in inverse floating rate securities, as described herein under Inverse Floating Rate Securities Risk, will tend to increase Common Share interest rate risk. See Risks Interest Rate Risk.

Contingent Term Provision Risk. In the event the Fund terminates pursuant to the Contingent Term Provision, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when interest rate or market conditions are not favorable, which may cause the Fund to lose money on its investments. Further, the process of liquidating the Fund s Managed Assets could result in a reduction in the Fund s net investment income and monthly dividend distributions in the last year of the Fund s operations. In the event the Fund terminates pursuant to the Contingent Term Provision, the Fund s investment objectives and policies are not designed to seek to return to investors who purchase Common Shares in this offering their initial investment on the anticipated termination date, and such initial investors and any investors who purchase Common Shares after the completion of the offering may receive more or less than their original investment upon termination.

Derivatives Risk, Including the Risk of Swaps. The Fund s use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Whether the Fund s use of derivatives is successful will depend on, among other things, if NAM correctly forecasts market values, interest rates and other applicable factors. If NAM incorrectly forecasts these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund s ability to successfully use derivative instruments.

The Fund may enter into debt-related derivatives instruments including credit default swap contracts and interest rate swaps. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by NAM of not only of the referenced asset, rate or index, but also of the swap itself. See Risks Derivatives Risk, Including the Risk of Swaps, Risks Counterparty Risk, Risks Hedging Risk, and Portfolio Composition Hedging Strategies and Other Uses of Derivatives in the Statement of Additional Information.

Counterparty Risk. Changes in the credit quality of the companies that serve as the Fund s counterparties with respect to derivatives, insured municipal securities or other transactions supported by another party s credit may affect the value of those instruments. Certain entities that

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have served as counterparties in the markets for these transactions have recently incurred significant losses and financial hardships including bankruptcy as a result of exposure to sub-prime mortgages and other lower quality credit investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such hardships have reduced these entities capital and called into question their continued ability to perform their obligations under such transactions. By using derivatives or other transactions, the Fund assumes the risk that its counterparties could experience similar financial hardships. In the event of insolvency of a counterparty, the Fund may sustain losses or be unable to liquidate a derivatives position. See Risks Counterparty Risk.

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

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund s portfolio will decline if and when the Fund invests the proceeds from matured, traded or called municipal securities at market interest rates that are below the portfolio s current earnings rate. A decline in income could affect the Common Share s market price or your overall returns. See Risks Reinvestment Risk.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. See Risks Inflation Risk.

U.S. Government-Sponsored Agencies Risk. While certain U.S. Government-sponsored agencies, such as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury, and therefore may lose value. On September 7, 2008, the Federal Housing Finance Agency (FHFA), a new independent regulatory agency, placed FNMA and FHLMC into conservatorship, a statutory process designed to stabilize a troubled institution with the objective of returning the entity to normal business operations. In addition, a July, 2009 congressional report issued by the Committee on Oversight and Government Reform noted that the FNMA and FHLMC s role in the financial crisis was significant and has received too little attention.

Reliance on Investment Adviser. The Fund is dependent upon services and resources provided by its investment adviser, NAM, and therefore NAM s parent, Nuveen Investments. Nuveen Investments has a substantial amount of indebtedness. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness with scheduled maturities beginning in 2013 or to fund its other liquidity needs. Nuveen Investments failure to satisfy the terms of its indebtedness, including covenants therein, may generally have an adverse effect on the financial condition of Nuveen Investments. For additional information on NAM and Nuveen Investments, including the financial condition of Nuveen Investments, see Management of the Fund Additional Information Related to the Investment Adviser and Nuveen Investments. See also Risks Reliance on Investment Adviser.

Anti-Takeover Provisions. The Fund s Declaration of Trust (the Declaration) and the Fund s By-laws (the By-laws) include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust and By-Laws Anti-Takeover Provisions and Risks Anti-Takeover Provisions.

Market Disruption and Geopolitical Risk. The aftermath of the war with Iraq, instability in the Middle East and terrorist attacks in the United States and around the world may have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation of Iraq cannot be predicted with any certainty. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events cannot be ruled out in the future. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may adversely affect individual issuers and securities markets, interest rates, secondary trading, ratings, investor psychology, credit risk, inflation and other factors relating to the Fund s Common Shares. High-yield securities tend to be more volatile than higher rated securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of high yield securities than on higher rated securities.

Additional Risks. For additional risks relating to investments in the Fund, including Insurance Risk, Tax Risk, Other Investment Companies Risk, Industry Risk, Special Risks Related to Certain Municipal Securities, Deflation Risk, Illiquid Securities Risk and Certain Affiliations please see Risks beginning on page 41 of this Prospectus.

SUMMARY OF FUND EXPENSES

The purpose of the table below is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. The expenses shown in the table are based on estimated amounts for the Fund s first year of operations and assume that the Fund issues approximately 23,500,000 Common Shares. The Fund s actual expenses may vary from the estimated expenses shown in the table, and may increase as a percentage of net assets attributable to Common Shares if the Fund issues less than 23,500,000 Common Shares. See Management of the Fund and Dividend Reinvestment Plan.

Shareholder Transaction Expenses	
Sales Load Paid by You (as a percentage of offering price)	4.50%
Offering Expenses Borne by the Fund (as a percentage of offering price)(1)	.20%
Dividend Reinvestment Plan Fees	0(2)

	Percentage of Net Assets Attributable to Common Shares(3)
Annual Expenses	
Management Fees:	
Fund-Level Fees(4)	.62%
Complex-Level Fees(4)	.27%
Other Expenses(5)(6)	.12%
Interest Payments on Borrowings(7)	.46%
Total Annual Expenses	1.47%

The following example illustrates the expenses (including (i) the sales load of $45 and (ii) estimated offering expenses of this offering of $2) that you would pay on a $1,000 investment in Common Shares, assuming (1) total annual expenses of 1.47% and (2) a 5% annual return:(6)

1 Year	**3 Years**	**5 Years**	**10 Years**
$61	$91	$123	$214

The example should not be considered a representation of future expenses. Actual expenses may be higher or lower.

(1) Nuveen has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay offering costs of the Fund (other than sales load but inclusive of the partial reimbursement of expenses) that exceed $.04 per Common Share. Based on an estimated offering size of $470,000,000 (approximately 23,500,000 Common Shares), the Fund would pay a maximum of $940,000 of offering costs and NAM would pay all offering costs in excess of $940,000, which are currently estimated to be $230,000.

(2) You will be charged a $2.50 service charge and pay brokerage charges if you direct State Street Bank and Trust Company, as agent for the Common Shareholders (the Plan Agent), to sell your Common Shares held in a dividend reinvestment account.

(3) Assumes effective leverage of 37% of the Fund s net assets attributable to Common Shares (27% of the Fund s Managed Assets).

(4) At the highest fee breakpoint. See Management of the Fund Investment Management Agreement.

(5) Estimated expenses based on the current fiscal year. Expenses attributable to the Fund s investments, if any, in other investment companies, including closed-end funds and exchange-traded funds, are currently estimated not to exceed .01%. See The Fund s Investments Other Investment Companies.

(6) Other Expenses do not include any interest attributable to inverse floating rate securities created by selling a fixed-rate bond to a broker-dealer for deposit into the special purpose trust and receiving in turn the residual interest in the trust (self-deposited inverse floating rate securities). The Fund does not currently expect to create self-deposited inverse floating rate securities. However, to the extent the Fund creates self-deposited inverse floating rate securities, the Fund would recognize interest expense because accounting rules require the Fund to treat interest paid by such trusts as having been paid (indirectly) by the Fund. Because the Fund would also recognize a corresponding amount of additional interest earned (also indirectly), the Fund s net asset value per share, net investment income, and total return would not be affected by this accounting treatment.

(7) Assumes effective leverage through the use of bank borrowings at an annual interest rate of 1.25%.

(8) The example assumes that the estimated Total Annual Expenses set forth in the Annual Expenses table are accurate and do not include any interest attributable to self-deposited inverse floating rate securities and that all dividends and distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

THE FUND

The Fund is a newly organized, diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Massachusetts business trust on December 4, 2009, pursuant to the Declaration, which is governed by the laws of The Commonwealth of Massachusetts. As a newly organized entity, the Fund has no operating history. The Fund s principal office is located at 333 West Wacker Drive, Chicago, Illinois 60606, and its telephone number is (800) 257-8787.

USE OF PROCEEDS

The net proceeds of the offering of Common Shares will be approximately $447,910,000 ($515,096,500 if the Underwriters exercise the overallotment option in full) after payment of the estimated offering costs. NAM has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay all offering costs (other than sales load, but inclusive of the partial reimbursement of expenses) that exceed $.04 per Common Share. The Fund will invest the net proceeds of the offering in accordance with the Fund s investment objectives and policies as stated below. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in accordance with the Fund s investment objectives and policies within approximately three to four months after the completion of the offering. During the initial invest-up period, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable, or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds.

THE FUND S INVESTMENTS

Investment Objectives and Policies

Investment Objectives. The Fund s primary investment objective is to provide current income through investments in taxable municipal securities. As a secondary objective, the Fund will seek to enhance portfolio value and total return. The Fund s investment objectives and certain investment policies specifically identified as such are considered fundamental and may not be changed without shareholder approval. The Fund cannot assure you that it will achieve its investment objectives.

Fund Strategies. The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of BABs. The Fund believes there could be an opportunity to capitalize on the developing market for

BABs by investing in taxable municipal issues at attractive market yields relative to the yields on equivalently rated corporate bonds. NAM, the Fund s investment adviser, will use its credit research driven investment process to assemble a diversified portfolio. In addition, the Fund will use an integrated leverage and hedging strategy that, in NAM s judgment, has the potential to enhance income and risk-adjusted total return over time. The Fund s overall goal is to outperform over time the BABs Index, an unleveraged index representing the BABs market, while maintaining a comparable overall level of interest rate risk.

Build America Bonds. BABs are bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the Act. Unlike investments in most other municipal securities, interest received on BABs is subject to federal income tax and may be subject to state income tax.

Enacted in February 2009, the Act was intended in part to assist state and local governments in financing capital projects at lower net borrowing costs through direct subsidies designed to stimulate state and local infrastructure projects, create jobs and encourage non-traditional municipal security investors. The Act authorizes state and local governments to issue taxable bonds on which, assuming certain specified conditions are satisfied, issuers may either (i) receive payments from the U.S. Treasury equal to a specified percentage of its interest payments (direct pay BABs) or (ii) cause investors in the bonds to receive federal tax credits (tax credit BABs).

Based on current market conditions, the Fund anticipates investing in direct pay BABs and not in tax credit BABs. However, the Fund has no policy with respect to direct pay or tax credit BABs and may invest in either type of BABs at any time. Under the terms of the Act, issuers of direct pay BABs are entitled to receive reimbursement from the U.S. Treasury currently equal to 35% (or 45% in the case of Recovery Zone Economic Development Bonds) of the interest paid on the bonds, which allows such issuers to issue bonds that pay interest rates that are expected to be competitive with the rates typically paid by private bond issuers in the taxable fixed income market. Issuance of BABs commenced in April 2009 and bonds issued after December 31, 2010 (referred to as the sunset) currently will not qualify as BABs unless the relevant provisions of the Act are extended. As currently enacted, the Act contains no budgetary limit on issuances through the BABs program through the sunset. Currently under the Act, BABs cannot be used to finance private, non-municipal activities, and can only be used to fund capital expenditures. The proceeds of BAB issuances are used for public benefit, and generally support facilities that meet such essential needs as water, electricity, transportation, and education. Moreover, many BABs are general obligation bonds, which are backed by the full faith and taxing power of the state and local governments issuing them.

The Obama administration and Congress are considering a variety of proposals to extend or modify the BABs program, including changes that would make it permanent, reduce the amount of the subsidy, and allow proceeds to be used for certain private, non-municipal activities or for refinancing capital expenditures. It cannot be predicted whether these proposals or other changes in the BABs program will be enacted, nor can it be predicted whether such proposals or changes, if enacted, will have a positive or negative effect on the Fund. If, for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of Build America Bonds or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020. See Contingent Term Provision below for additional information.

According to a February 2010 report issued by the Municipal Securities Rulemaking Board (MSRB), 749 BABs issues came to market in 2009 totaling approximately $64 billion. Between April 15, 2009 and December 31, 2009, BABs issuance accounted for 20% of long-term securities issued in the municipal market, such that taxable municipal securities issuance (including BABs) represented 26% of the overall municipal market. Municipal market research analysts expect such BABs issuance trends to continue throughout 2010, when the BABs program is currently scheduled to sunset. For example, J.P. Morgan municipal market research analysts currently project BABs issuance of approximately $110 billion in 2010. By December 31, 2010, they expect the BAB total market size to be approximately $172 billion.

On March 18, 2010, the State of Florida announced that it temporarily suspended the new issuance of BABs as a result of its uncertainty relating to a general offset rule in the Internal Revenue Code (the IRS Offset Rule), which allows for the possibility that subsidy payments received by issuers of BABs may be subject to offset against amounts owed by them to the federal government. At this time, Florida s action pertains only to certain issuance by the state and does not govern the potential issuance of BABs by any local municipality or other public agencies, commissions or authorities within the State of Florida. However, if other BAB issuers were to suspend the new issuance of BABs due to the IRS Offset Rule, as Florida has done, this could then have a negative impact on the developing BABs market. The possibility of such offsets has been recognized since the inception of the BABs program. The IRS has broad regulatory authority to develop special rules to adapt or tailor the procedural framework implementing the BABs program, but it has not issued any guidance with respect to the operation of the offset rule. NAM believes the IRS Offset Rule is understood by potential BAB issuers. NAM does not believe that the State of Florida s announcement will have an adverse impact on the future of BAB issuance in general or on the Fund.

NAM believes that BABs presently offer a more compelling yield opportunity than equivalently rated corporate bonds. Municipal issuers, of which BABs issuers are a major subset, have historically lower default rates than issuers of equivalently rated corporate bonds. Past default rates are not predictive of future default rates. According to the February 2010 report issued by Moody s, the average ten year historical cumulative default rate for investment grade municipal debt is .06%, compared to 2.50% for all investment grade corporate issuers.

In response to the market s desire for ratings comparability, Moody s and Fitch have announced that they plan to recalibrate in April 2010 their U.S. municipal ratings. Moody s has announced that it will recalibrate its long-term U.S. municipal ratings to its global ratings scale, while Fitch has stated that it will adjust certain U.S. public finance ratings upwards by one or two notches, depending on the sector in question. According to both Moody s and Fitch, the recalibrations are intended to enhance comparability of ratings across their respective ratings portfolios, and do not reflect an improvement in credit quality or a change in their respective credit opinions for rated issuers of municipal securities. Moody s has announced that its recalibration will be implemented in stages and is expected to occur over a four week period. Fitch has stated that its recalibration process will be completed by April 30, 2010. NAM believes that neither the Moody s nor the Fitch recalibration will have an adverse impact on the Fund.

Investment Policies. Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in BABs. This investment policy may be changed with 60 days notice to shareholders. The Fund may invest up to 20% of its Managed Assets in securities other than BABs, including other taxable municipal securities, tax-exempt municipal securities, U.S. Treasury securities and obligations of the U.S. Government, its agencies and instrumentalities. The Fund may purchase BABs (including for purposes of the 80% test) or other municipal securities (taxable or tax-exempt) in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms that include fixed-coupon, variable rate, zero coupon, capital appreciation bonds, floating rate securities, inverse floating rate securities and other derivative instruments that replicate investment exposure to BABs or other municipal securities. Such BABs and other municipal securities may be acquired through investments in pooled vehicles, partnerships or other investment companies. The Fund may also purchase BABs and other municipal securities representing a wide range of sectors and purposes.

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase Common Share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risk, such as credit risk, which are also increased by the Fund s use of leverage. The Fund s leverage and hedging techniques are referred to as integrated because the Fund s use of hedging strategies is expected to be directly calibrated to any increased interest rate risk, relative to the Fund s benchmark, due to the use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) Debt; (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of Preferred Shares, although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the Fund s effective leverage is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals.

The use of leverage creates special risks for Common Shareholders. See Leverage and Risks Leverage Risk. See also Risks Inverse Floating Rate Securities Risk.

Other Policies. Under normal circumstances:

The Fund will invest at least 80% of its Managed Assets in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the NRSROs that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM.

The Fund may invest up to 20% of its Managed Assets in securities that at the time of investment are rated below investment grade or are unrated by any NRSRO but judged to be of comparable quality by NAM. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. See Risks Credit and Below Investment Grade Risk.

The Fund will generally invest in securities with intermediate- or long-term maturities. The Fund anticipates having a weighted average maturity of 15 to 35 years. The weighted average maturity of securities held by the Fund may be shortened or lengthened, depending on market conditions and on an assessment by the Fund s portfolio manager of which segments of the market offer the most favorable relative investment values and opportunities for income and total return. BABs issuers typically offer ten year call protection. Additionally, most BABs issuers include an extraordinary call in the event the BABs program is terminated.

The Fund will not invest more than 25% of its Managed Assets in municipal securities in any one industry or in any one state of origin.

The Fund will not invest more than 15% of its Managed Assets in municipal securities that, at the time of investment, are illiquid (*i.e.,* securities that are not readily marketable). Inverse floating rate securities or the residual interest certificates of tender option bond trusts are not considered illiquid securities. See Risks Illiquid Securities Risk.

The Fund also may invest up to 20% of its total assets in certain derivative instruments to enhance returns. Such derivatives include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or similar instruments. This limit will apply to the investment exposure created by those derivative instruments. Inverse floating rate securities are not regarded as derivatives for this purpose. NAM may also use derivative instruments to hedge some of the risk of the Fund s investments in municipal securities. These types of strategies may generate taxable income. See The Fund s Investments Derivatives.

The credit quality policies noted above apply only at the time a security is purchased, and the Fund is not required to dispose of a security in the event that an NRSRO downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell such a security, NAM may consider such factors as NAM s assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other NRSROs. A general description of the ratings of Standard & Poor s Corporation Ratings Group, a division of The McGraw-Hill Companies, Inc. (S&P), Moody s and Fitch Ratings, Inc. (Fitch) of municipal securities is set forth in Appendix A to the Statement of Additional Information.

The Fund may purchase municipal securities that are additionally secured by insurance, bank credit agreements or escrow accounts. The credit quality of companies that provide such credit enhancements will affect the value of those securities. Although the insurance feature is designed to reduce certain financial risks, the premiums for insurance and the higher market price paid for insured obligations may reduce the Fund s income. The Fund may use any insurer, regardless of its rating. A municipal security typically will be deemed to have the rating of its insurer. However, in the event an insurer has a credit rating below the rating of an underlying municipal security or is perceived by the market to have such a lower rating, the municipal security rating would be the more relevant rating and the value of the municipal security would more closely, if not entirely, reflect such rating. As a result, the value of insurance associated with a municipal security may decline and the insurance may not add any value. The insurance feature normally provides that it guarantees the full payment of principal and interest when due of an insured obligation, but does not guarantee the market value of the insured obligation or the net asset value of the Common Shares represented by such insured obligation. As of December 1, 2009, there are no longer any bond insurers rated AAA by all of Moody s, S&P and Fitch and at least one NRSRO has placed each insurer on negative credit watch, credit watch evolving, credit outlook developing, or rating withdrawn, which may presage one or more rating reductions for any insurer in the future. See Risks Insurance Risk.

During temporary defensive periods or in order to keep the Fund s cash fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objectives. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable, or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful. For more information, see Tax Matters in the Statement of Additional Information.

The Fund s investment objectives and certain investment policies specifically identified as such are considered fundamental and may not be changed without shareholder approval. See Investment Restrictions in the Statement of Additional Information. All of the Fund s other investment policies are not considered to be fundamental by the Fund and can be changed by the Fund s Board of Trustees without a vote of the Common Shareholders. The Fund s policy to invest at least 80% of its Managed Assets in BABs cannot be changed without 60 days advance notice to shareholders.

The Fund cannot change its investment objectives or fundamental policies without the approval of the holders of a majority of the outstanding Common Shares. When used with respect to particular shares of the Fund, a majority of the outstanding shares means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy or (ii) more than 50% of the shares, whichever is less.

Contingent Term Provision

Under its Declaration of Trust, the Fund has no limitation on its term of existence. To accommodate the possibility that the BABs program will not be extended, if for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of BABs or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020 (previously defined as the Contingent Term Provision). Such issuances may cease if the current legislation authorizing the U.S. government subsidy for the issuances is not extended beyond December 31, 2010, and no similar legislation is enacted. Currently there are several proposals either to make such legislation permanent or to extend it beyond its scheduled sunset date. If, because there are no such new issuances, the Fund is to terminate on June 30, 2020, the Fund s Board of Trustees may extend the term of the Fund for up to six months after that date if deemed to be in the best interests of shareholders, but otherwise may not extend the term of the Fund without shareholder approval. Furthermore, the Fund can be terminated at any time by action of the Trustees, or by action of the shareholders, which could occur prior to June 30, 2020. If the Fund terminates, the Fund will distribute all of its net assets to shareholders of record as of the date of termination. The Fund s investment objectives and policies are not designed to seek to return to investors who purchase common shares in this offering the amount of their initial investment on the termination date, and such initial investors and any investors who purchase common shares after the completion of the offering may receive more or less than their original investment upon termination.

NAM Investment Philosophy and Process

NAM is the Fund s investment adviser, responsible for investing the Fund s Managed Assets. NAM, a registered investment adviser, is a wholly-owned subsidiary of Nuveen Investments. Founded in 1898, Nuveen Investments and its affiliates had approximately $145 billion of assets under management as of December 31, 2009, of which approximately $69 billion was in municipal securities. See Management of the Fund.

Investment Philosophy. NAM believes the Act and the developing market for BABs represents a new opportunity to invest in taxable municipal securities. NAM believes the structural characteristics of the developing taxable municipal securities market create attractive opportunities to enhance the diversification of the investment portfolios of investors. NAM believes that these unique characteristics also present unique risks that may be managed to realize the benefits of the asset class. NAM considers the following factors:

Income and Total Return Potential. The primary source of total return from taxable municipal securities comes from the taxable interest income derived therefrom. NAM believes that, at acceptable levels of credit risk and maturity principal risk, the taxable municipal securities market offers the potential for higher income and risk adjusted total returns when compared with other taxable fixed income markets, such as investment grade corporate securities.

Managing Multi-Faceted Risks. Risk in the taxable municipal securities market is derived from multiple sources, including credit risk at the issuer and sector levels, structural risks such as call risk, yield curve risk, and basis risk in relation to benchmark issues of U.S. Treasury securities. NAM believes that managing these risks at both the individual security and Fund portfolio level is an important element of realizing the income and total return potential of the asset class.

Opportunities to Identify Underrated and Undervalued Municipal Securities. Within the state and national taxable municipal securities markets, including BABs, there are issuers with an array of financing purposes, security terms, offering structures and credit quality. NAM believes that the taxable municipal market, including BABs, offers opportunities to identify individual issuers in securities that may be underrated and undervalued relative to the general market.

Market Imbalance. NAM believes that the taxable municipal securities market may offer pricing and other anomalies resulting from imbalances between supply and demand that can be identified and capitalized on through trading strategies.

Investment Process. NAM employs a bottom-up, research-driven investment strategy that seeks to identify underrated and undervalued municipal securities and sectors, to potentially outperform portfolio benchmarks over time. The primary elements of NAM s investment process are:

Credit Analysis and Surveillance. NAM focuses on bottom-up, fundamental analysis of municipal securities issuers. Analysts screen each sector for issuers that meet the fundamental tests of creditworthiness and favor those securities with demonstrable growth potential, solid coverage of debt service and a priority lien on hard assets, dedicated revenue streams or tax resources. As part of NAM s overall risk management process, analysts actively monitor the credit quality of portfolio holdings.

Sector Analysis. Organized by sector, analysts continually assess the key issues and trends affecting each sector in order to maintain a sector outlook. Evaluating such factors as historical default rates and average credit spreads within each sector, analysts provide top-down analysis that supports decisions to overweight or underweight a given sector in a portfolio.

Managing Risk. NAM seeks to manage portfolio risks, including, principally, exposure to individual credits and sectors and exposure to calls, and to manage a portfolio s interest rate sensitivity within tolerance bands relative to the relevant benchmark.

Sell Discipline. NAM generally sells securities when it (i) determines a security has become overvalued or over-rated, (ii) identifies credit deterioration, or (iii) modifies a portfolio strategy, such as sector allocation.

Portfolio Composition and Other Information

The Fund s portfolio will be composed principally of the following investments. More detailed information about the Fund s portfolio investments are contained in the Statement of Additional Information under Portfolio Composition.

Municipal Securities

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

Municipal securities are either general obligation or revenue bonds and typically are issued to finance public projects (such as roads or public buildings), to pay general operating expenses or to refinance outstanding debt. General obligation bonds are backed by the full faith and credit, or taxing authority, of the issuer and may be repaid from any revenue source; revenue bonds may be repaid only from the revenues of a specific facility or

source. The Fund also may purchase municipal securities that represent lease obligations, municipal notes, pre-refunded municipal bonds, private activity bonds, floating rate securities and other related securities and may purchase derivative instruments that create exposure to municipal bonds, notes and securities.

The yields on municipal securities depend on a variety of factors, including prevailing interest rates and the condition of the general money market and the municipal bond market, the size of a particular offering, the maturity of the obligation and the rating of the issue. A municipal security s market value generally will depend upon its form, maturity, call features, and interest rate, as well as the credit quality of the issuer, all such factors examined in the context of the municipal securities market and interest rate levels and trends. The market value of municipal securities will vary with changes in interest rate levels and as a result of changing evaluations of the ability of their issuers to meet interest and principal payments.

BABs offer an alternative form of financing for state and local government entities whose primary means for accessing the capital markets traditionally has been through issuance of tax-exempt municipal securities. BABs are taxable municipal obligations issued pursuant to the Act or other legislation providing for the issuance of taxable municipal securities on which the issuer receives federal support. Enacted in February 2009 with the intent to assist state and local governments in financing capital projects at lower borrowing costs, the Act authorizes state and local governments to issue taxable bonds on which, assuming certain specified conditions are satisfied, issuers may either (i) receive payments from the U.S. Treasury equal to a specified percentage of their interest payments (in the case of direct pay BABs) or (ii) cause investors in the bonds to receive federal tax credits (in the case of tax credit BABs). Unlike most other municipal obligations, interest received on BABs is subject to federal income tax and may be subject to state income tax. Under the terms of the Act, issuers of direct pay BABs are entitled to receive payments from the U.S. Treasury currently equal to 35% (or 45% in the case of Recovery Zone Economic Development Bonds) of the interest paid on the bonds. Holders of tax credit BABs receive a federal tax credit currently equal to 35% of the coupon interest received. The Fund does not expect to receive (or pass through to Common Shareholders) tax credits as a result of its investments. The federal interest subsidy or tax credit continues for the life of the bonds.

Issuance of BABs commenced in April 2009 and bonds issued after December 31, 2010 will not qualify as BABs unless the relevant provisions of the Act are extended.

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

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

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

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

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

Inverse Floating Rate Securities. Inverse floating rate securities (sometimes referred to as inverse floaters) are securities whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. Generally, inverse floating rate securities represent beneficial interests in a special purpose trust formed by a third party sponsor for the purpose of holding municipal bonds. The special purpose trust typically sells two classes of beneficial interests or securities: floating rate securities (sometimes referred to as short-term floaters or tender option bonds) and inverse floating rate securities (sometimes referred to as inverse floaters or residual interest securities). Both classes of beneficial interests are represented by certificates. The short-term floating rate securities have first priority on the cash flow from the municipal bonds held by the special purpose trust. Typically, a third party, such as a bank, broker-dealer or other financial institution, grants the floating rate security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees. The holder of the short-term floater effectively holds a demand obligation that bears interest at the prevailing short-term rate. However, the institution granting the tender option will not be obligated to accept tendered short-term floaters in the event of certain defaults or a significant downgrade in the credit rating assigned to the bond issuer. For its inverse floating rate investment, the Fund receives the residual cash flow from the special purpose trust. Because the holder of the short-term floater is generally assured liquidity at the face value of the security, the Fund as the holder of the inverse floater assumes the interest rate cash flow risk and the market value risk associated with the municipal security deposited into the special purpose trust. The volatility of the interest cash flow and the residual market value will vary with the degree to which the trust is leveraged. This is expressed in the ratio of the total face value of the short-term floaters in relation to the value of the residual inverse floaters that are issued by the special purpose trust. The Fund expects to make investments in inverse floaters, with leverage ratios that may vary at inception between one and three times. In addition, all voting rights and decisions to be made with respect to any other rights relating to the municipal bonds held in the special purpose trust are passed through to the Fund, as the holder of the residual inverse floating rate securities.

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

The Fund may invest in inverse floating rate securities, issued by special purpose trusts that have recourse to the Fund. In NAM s discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the trust exceeds the level that the liquidity provider is willing support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third party sponsor of such inverse floater, upon termination of the trust issuing the inverse floater, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. Such agreements may expose the Fund to a risk of loss that exceeds its investment in the inverse floating rate securities. Absent a shortfall and forbearance agreement, the Fund would not be required to make such a reimbursement. If the Fund chooses not to enter into such an agreement, the special purpose trust could be liquidated and the Fund could incur a loss. See also Portfolio Composition Segregation of Assets in the Statement of Additional Information.

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

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

Investments in inverse floating rate securities create effective leverage. The use of leverage creates special risks for Common Shareholders. See Leverage and Risks Leverage Risk and Inverse Floating Rate Securities Risk.

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

Special Taxing Districts. Special taxing districts are organized to plan and finance infrastructure developments to induce residential, commercial and industrial growth and redevelopment. The bond financing methods such as tax increment finance, tax assessment, special services district and Mello-Roos bonds (a type of municipal bond established by the Community Facilities District Act of 1982), are generally payable solely from taxes or other revenues attributable to the specific projects financed by the bonds without recourse to the credit or taxing power of related or overlapping municipalities. They often are exposed to real estate development-related risks and can have more taxpayer concentration risk than general tax-supported bonds, such as general obligation bonds.

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

When-Issued and Delayed Delivery Transactions

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

Zero Coupon Bonds

A zero coupon bond is a bond that does not pay interest either for the entire life of the obligation or for an initial period after the issuance of the obligation. When held to its maturity, its return comes from the difference between the purchase price and its maturity value. A zero coupon bond is normally issued and traded at a deep discount from face value. Zero coupon bonds allow an issuer to avoid or delay the need to generate cash to meet current interest payments and, as a result, may involve greater credit risk than bonds that pay interest currently or in cash. The market prices of zero coupon bonds are affected to a greater extent by changes in prevailing levels of interest rates and thereby tend to be more volatile in price than securities that pay interest periodically. In addition, the Fund would be required to distribute the income on any of these instruments as it accrues, even though the Fund will not receive all of the income on a current basis or in cash. Thus, the Fund may have to sell other investments, including when it may not be advisable to do so, to make income distributions to its Common Shareholders.

Derivatives

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

NAM may use derivative instruments to seek to enhance return, to hedge some of the risk of the Fund s investments in municipal securities or as a substitute for a position in the underlying asset.

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

Other Investment Companies

The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds, often referred to as ETFs) that invest primarily in securities of the types in which the Fund may invest directly. The Fund may invest in investment companies that are advised by NAM or its affiliates to the extent permitted by applicable law and/or pursuant to exemptive relief from the Securities and Exchange Commission. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company s expenses, and would remain subject to payment of the Fund s advisory and administrative fees with respect to assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies.

NAM will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available municipal security investments. In addition, because the securities of other investment companies may be leveraged and subject to leverage risk, the Fund may indirectly be subject to those risks. See Risks Other Investment Companies Risk.

Initial Portfolio Composition

Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in securities that at the time of investment are investment grade quality. The Fund may also invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated lower than investment grade or that are unrated by any NRSRO but judged to be of comparable quality by NAM. If current market conditions persist, the Fund expects that approximately 92.5% of the Managed Assets in its initial portfolio will consist of investment grade quality municipal securities at the time of investment. As such, the Fund expects that its Managed Assets in its initial portfolio will be invested as follows: 7.5% in Aaa/AAA, 35% in Aa/AA, 45% in A, 5% in BBB/Baa, and 7.5% in BB/Ba. The Fund anticipates that, upon the full investment of the net proceeds of this offering, the average credit quality of its investments will be A+. The Fund will generally invest in securities with intermediate- or long-term maturities. The Fund anticipates having a weighted average maturity of 15 to 35 years. The Fund will generally select obligations which may not be redeemed at the option of the issuer for approximately ten years from the date of purchase by the Fund. Current market conditions may change and the Fund may not be able to invest its initial portfolio as planned.

Portfolio Turnover

The Fund may engage in portfolio trading when considered appropriate, but short-term trading will not be used as the primary means of achieving the Fund s investment objectives. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is generally not expected to exceed 25% under normal circumstances. However, there are no limits on the Fund s rate of portfolio turnover, and investments may be sold without regard to length of time held when, in NAM s opinion, investment considerations warrant such action. A higher portfolio turnover rate would result in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. Although these commissions and expenses are not reflected in the Fund s Total Annual Expenses on page 25 of this prospectus, they will be reflected in the Fund s total return. In addition, high portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. See Tax Matters.

LEVERAGE

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase Common Share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risks, such as credit risk, which are also increased by the Fund s use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) Debt; (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c)

the issuance of Preferred Shares, although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the Fund s effective leverage is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals. See also Risks Inverse Floating Rate Securities Risk.

Senior Securities. The Fund intends to apply for ratings from a NRSRO (most likely S&P, Moody s and/or Fitch) for any commercial paper or notes it may issue. The Fund presently anticipates that any commercial paper or notes that it intends to issue initially would be given ratings of at least AA/Aa (or the equivalent short-term ratings) by such NRSROs as S&P (AA), Moody s (Aa) or Fitch (AA).

Debt will have seniority over the Common Shares. The use of Debt will leverage the Common Shares.

Under the 1940 Act, the Fund generally is not permitted to borrow pursuant to a credit facility or issue commercial paper or notes unless immediately after the borrowing or commercial paper or note issuance the value of the Fund s total assets less liabilities other than the principal amount represented by borrowings, commercial paper or notes is at least 300% of such principal amount. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, the value of the Fund s total assets, less liabilities other than the principal amount represented by borrowings, commercial paper or notes is at least 300% of such principal amount. If the Fund borrows, the Fund intends, to the extent possible, to prepay all or a portion of the principal amount of any outstanding borrowings, commercial paper or notes to the extent necessary in order to maintain the required asset coverage. Failure to maintain certain asset coverage requirements could result in an event of default and entitle the debt holders to elect a majority of the Board of Trustees.

Assuming the utilization of leverage through Debt in the amount currently anticipated to represent approximately 27% of the Fund s Managed Assets at an annual funding rate of 1.35% payable on such leverage, the income generated by the Fund s portfolio (net of non-leverage expenses) must exceed .37% in order to cover such interest rates and other expenses specifically related to Debt. Of course, these numbers are merely estimates, used for illustration. Actual interest rates may vary frequently and may be significantly higher or lower than the rate estimated above.

The Fund may be subject to certain restrictions imposed by a lender, if the Fund establishes a bank credit facility or by guidelines of one or more NRSROs that may issue ratings for commercial paper or notes. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act or the Fund s policies. It is not anticipated that these covenants or guidelines will impede NAM from managing the Fund s portfolio in accordance with the Fund s investment objectives and policies. In addition to other considerations, to the extent that the Fund believes that the covenants and guidelines required by the lenders or NRSROs would impede its ability to meet its investment objective, or if the Fund is unable to obtain the rating on Debt (expected to be at least AA/Aa or the equivalent short-term ratings), the Fund will not incur Debt.

The following table is furnished in response to requirements of the Securities and Exchange Commission. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of investments held in the Fund s portfolio net of expenses) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns expected to be experienced by the Fund. The table further reflects the use of Debt representing 27% of the Fund s Managed Assets, and the Fund s currently projected annual borrowing interest rate or borrowing interest rate set by an interest rate transaction of 1.35%. See Risks Leverage Risk.

Assumed Portfolio Total Return (Net of Expenses)	(10.00)%	(5.00)%	0.00%	5.00%	10.00%
Common Share Total Return	(14.20)%	(7.35)%	(0.50)%	6.35%	13.20%

Common Share total return is comprised of two elements the Common Share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying interest on Debt) and gains or losses on the value of the securities the Fund owns. As required by the Securities and Exchange Commission rules, the table assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0%, the Fund must assume that the tax-advantaged dividends and other income it receives on its portfolio investments will be entirely offset by losses in the value of these portfolio securities.

The Fund pays NAM a management fee based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund s use of leverage as set forth in the Fund s investment management agreement. NAM will base its decision whether and how much to leverage the Fund based on its assessment of whether such use of leverage will advance the Fund s investment objectives. NAM will be responsible for using leverage to achieve the Fund s investment objectives. However, the fact that a decision to increase the Fund s leverage will have the effect of increasing Managed Assets and therefore NAM s management fee means that NAM may have an incentive to increase the Fund s use of leverage. NAM will seek to manage that incentive by only increasing the Fund s use of leverage when it determines that such increase is consistent with the Fund s investment objectives, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

The use of leverage creates special risks for Common Shareholders. See Risks Leverage Risk and Inverse Floating Rate Securities Risk.

RISKS

The Fund is a diversified, closed-end management investment company designed primarily as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program and, due to the uncertainty inherent in all investments, there can be no assurance that the Fund will achieve its investment objectives. The Fund s performance and the value of its investments will vary in response to changes in interest rates, inflation, the financial condition of a municipal security s issuer, perceptions of the issuer, ratings on a municipal security and other market factors. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

No Prior History

The Fund is a newly organized, diversified, closed-end management investment company and has no operating history.

Investment and Market Risk

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

Market Discount from Net Asset Value and Expected Reductions in Net Asset Value

Shares of closed-end investment companies like the Fund frequently trade at prices lower than their net asset value, which creates a risk of loss for investors when they sell shares purchased in the initial public offering. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by 4.5% (the amount of the sales load as a percentage of the offering price), making the Fund s net asset value per Common Share equal to $19.10, before deducting offering expenses. The net asset value of the Fund and the net asset value per Common Share are then further reduced by the amount of offering expenses paid by the Fund (estimated to be up to an additional $.04 per Common Share). Whether investors will realize gains or losses upon the sale of the Common Shares will depend not upon the Fund s net asset value but entirely upon whether the market price of the Common Shares at the time of sale is above or below the investor s purchase price for the Common Shares. Because the market price of the Common Shares will be determined by factors such as relative supply of and demand for the Common Shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot predict whether the Common Shares will trade at, below or above net asset value or at, below or above the initial public offering price. The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for short-term trading purposes.

Build America Bonds Risk

The BABs market is smaller and less diverse than the broader municipal securities market. In addition, because BABs are a new form of municipal financing and because bonds issued after December 31, 2010 currently will not qualify as BABs unless the relevant provisions of the Act are extended, it is difficult to predict the extent to which a market for such bonds will develop, meaning that BABs may experience greater illiquidity than other types of municipal securities. If the ability to issue BABs is not extended beyond December 31, 2010, the number of BABs available in the market will be limited and there can be no assurance that BABs will be actively traded. In addition, illiquidity may negatively affect the value of the bonds.

Because issuers of direct pay BABs held in the Fund s portfolio receive reimbursement from the U.S. Treasury with respect to interest payment on bonds, there is a risk that those municipal issuers will not receive timely payment from the U.S. Treasury and may remain obligated to pay the full interest due on direct pay BABs held by the Fund. Furthermore, it is possible that a municipal issuer may fail to comply with the requirements to receive the direct pay subsidy or that a future Congress may terminate the subsidy altogether.

Because the BABs program is new, certain aspects of the program may be subject to additional Federal or state level guidance or subsequent legislation. For example, the IRS or U.S. Treasury could impose restrictions or limitations on the payments received. Aspects of the BABs program for which the IRS and the U.S. Treasury have solicited public comment include, but have not been limited to, methods for making direct payments to issuers, the tax procedural framework for such payments, and compliance safeguards. It is not known what additional procedures will be implemented with respect to direct pay BABs, if any, nor is it known what effect such possible procedures would have on the BABs market.

The Fund intends to invest primarily in BABs and therefore the Fund s net asset value of the Fund may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. Because BABs currently do not include certain industries or types of municipal bonds (i.e., tobacco bonds or private activity bonds), there may be less diversification than with a broader pool of municipal securities.

General Municipal Securities Market Risk

Investing in the municipal securities market involves certain risks. The municipal market is one in which dealer firms make markets in bonds on a principal basis using their proprietary capital, and during the recent market turmoil these firms capital was severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal bonds. The amount of public information available about the municipal securities in the Fund s portfolio is generally less than that for corporate equities or bonds, and the Fund s investment performance may therefore be more dependent on NAM s analytical abilities. The secondary market for municipal securities, particularly the below investment grade bonds in which the Fund may invest, also tends to be less developed or liquid than many other securities markets, which may adversely affect the Fund s ability to sell its municipal securities at attractive prices or at prices approximating those at which the Fund currently values them. Municipal securities may contain redemption provisions, which may allow the securities to be called or redeemed prior to their stated maturity, potentially resulting in the distribution of principal and a reduction in subsequent interest distributions.

Current Economic Conditions Credit Crisis Liquidity and Volatility Risk

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

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

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

In response to the recent national economic downturn, governmental cost burdens may be reallocated among federal, state and local governments. Also, as a result of the downturn, many state and local governments have experienced significant reductions in revenues and consequently difficulties meeting ongoing expenses. As a result, certain of these state and local governments may have difficulty paying principal or interest on their outstanding debt and may experience ratings downgrades of their debt. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. In addition to actions taken at the federal level, municipalities might seek protection under the bankruptcy laws, thereby affecting the repayment of their outstanding debt.

Credit and Below Investment Grade Risk

Credit risk is the risk that one or more securities in the Fund s portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. In general, lower-rated securities carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative impact on the Fund s net asset value or dividends. Ratings may not accurately reflect the actual credit risk associated with a security. The Fund may invest up to 20% of its Managed Assets in securities that are rated below investment grade at the time of investment or that are unrated but judged to be of comparable quality by NAM. If a security satisfies the rating requirements described above at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, NAM will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. Securities of below investment grade quality, commonly referred to as junk bonds, are regarded as having predominately speculative characteristics with respect to the issuer s capacity to pay interest and repay principal when due, and are more susceptible to default or decline in market value due to adverse economic and business developments than investment grade municipal securities. Also, to the extent that the rating assigned to a security in the Fund s portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade securities, potentially making them difficult to value. Issuers of below investment grade securities are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments. It is likely that the current economic recession may severely disrupt the market for such securities and have an adverse impact on the value of such securities. In addition, it is likely that continued economic deterioration may adversely affect the ability of such issuers to repay principal and pay interest on these securities and increase the incidence of default for such securities. For these reasons, an investment in the Fund, compared with a portfolio consisting solely of investment grade securities, may experience the following:

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

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

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

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

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a below investment grade issuer to make principal payments and interest payments compared to an investment grade issuer. The principal amount of below investment grade securities outstanding has proliferated in the past decade as an increasing number of issuers have used below investment grade securities for financing. The current economic downturn may severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. As the national economy experiences the current economic downturn, resulting in decreased tax and other revenue streams of issuers, or in the event interest rates rise sharply, increasing the interest cost on variable rate instruments and negatively impacting economic activity, the number of defaults by below investment grade issuers is likely to increase. Similarly, down-turns in profitability in specific industries could adversely affect private activity bonds. The market values of lower quality debt securities tend to reflect individual developments of the issuer to a greater extent than do higher quality securities, which react primarily to fluctuations in the general level of interest rates. Factors having an adverse impact on the market value of lower quality securities may have an adverse impact on the Fund s net asset value and the market value of its Common Shares. In addition, the Fund may incur additional expenses to the extent it is required to seek recovery upon a default in payment of principal or interest on its portfolio holdings. In certain circumstances, the Fund may be required to foreclose on an issuer s assets and take possession of its property or operations. In such circumstances, the Fund would incur additional costs in disposing of such assets and potential liabilities from operating any business acquired.

The secondary market for below investment grade securities may not be as liquid as the secondary market for more highly rated securities, a factor that may have an adverse effect on the Fund s ability to dispose of a particular security. There are fewer dealers in the market for below investment grade securities than the market for investment grade securities. The prices quoted by different dealers for below investment grade securities may vary significantly, and the spread between the bid and ask price is generally much larger for below investment grade securities than for higher quality instruments. Under adverse market or economic conditions, the secondary market for below investment grade securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these instruments may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund s net asset value.

Issuers of below investment grade securities may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risk associated with acquiring the securities of such issuers generally is greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of below investment grade securities may experience financial stress. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer s ability to service its debt obligations also may be adversely affected by specific developments, the issuer s inability to meet specific projected forecasts or the unavailability of additional financing. The risk of loss from default by the issuer is significantly greater for the holders of below investment grade securities because such securities are generally unsecured and are often subordinated to other creditors of the issuer. Prices and yields of below investment grade securities will fluctuate over time and, during periods of economic uncertainty, volatility of below investment grade securities may adversely affect the Fund s net asset value. In addition, investments in below investment grade zero coupon bonds rather than income-bearing below investment grade securities, may be more speculative and may be subject to greater fluctuations in value due to changes in interest rates.

Leverage Risk

The Fund may employ the following leveraging instruments: (a) Debt; (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of Preferred Shares, though the Fund has no current intention to issue Preferred Shares. The use of leverage creates special risks for Common Shareholders, including potential interest rate risks and the likelihood of greater volatility of net asset value and market price of, and distributions on, the Common Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy by, among other things, establishing a bank credit facility. The Fund expects that the lender in the bank credit facility may require additional asset coverage and portfolio composition provisions as well as restrictions on the Fund s investment practices. In addition, the Fund may issue debt securities including fixed and floating rate notes or commercial paper. The issuance of such senior securities may limit the Fund s ability to pay dividends to Common Shareholders in accordance with the requirements of Section 18 of the 1940 Act. If the Fund seeks an investment grade rating from a NRSRO for any commercial paper or notes, asset coverage or portfolio composition provisions in addition to and more stringent than those required by the 1940 Act or the Fund s policies may be imposed in connection with the issuance of such a rating. The Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the Funds use of leverage, which will result in a reduction in the net asset value of the Common Shares. The Fund may, based on its assessment of market conditions, change total effective leverage. Such changes may impact net investment income and the valuation of the Fund s Common Shares in the secondary market. To the extent that the Fund is required or elects to prepay any Debt, the Fund may need to liquidate investments to fund such prepayments. Liquidations at times of adverse economic conditions may result in capital loss and reduce returns to Common Shareholders. There can be no assurance that the Fund s leverage strategy will be successful. Furthermore, the amount of fees paid to NAM for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund s Managed Assets this may create an incentive for NAM to leverage the Fund. See also, Risks Inverse Floating Rate Securities Risk.

Inverse Floating Rate Securities Risk

The Fund may invest in inverse floating rate securities. Typically, inverse floating rate securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor for the purpose of holding municipal bonds. See The Fund s Investments Portfolio Composition and Other Information Municipal Securities Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal.

The Fund may invest in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund. In NAM s discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third party sponsor of the trust, upon termination of the trust issuing the inverse floating rate security, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. In such instances, the Fund may be at risk of loss that exceeds its original investment in the inverse floating rate securities.

Inverse floating rate securities may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Fund s investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities.

The Fund s investments in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund may be highly leveraged. The structure and degree to which the Fund s inverse floating rate securities are highly leveraged will vary based upon a number of factors, including the size of the trust itself and the terms of the underlying municipal security. An inverse floating rate security generally is considered highly leveraged if the principal amount of the short-term floating rate interests issued by the related special purpose trust is in excess of three times the principal amount of the inverse floating rate securities owned by the trust. In the event of a significant decline in the value of an underlying security, the Fund may suffer losses in excess of the amount of its investment (up to an amount equal to the value of the municipal securities underlying the inverse floating rate securities) as a result of liquidating the special purpose trust or other collateral required to maintain the Fund s anticipated effective leverage ratio.

The Fund s investments in inverse floating rate securities will create effective leverage. Any effective leverage achieved through the Fund s investment in inverse floating rate securities will create an opportunity for increased Common Share net income and returns, but will also create the possibility that Common Share long-term returns will be diminished if the cost of leverage exceeds the return on the inverse floating rate securities purchased by the Fund. See Risks Leverage Risk.

The amount of fees paid to NAM for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund s Managed Assets this may create an incentive for NAM to leverage the Fund. Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than liabilities incurred for the express purpose of creating effective leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates.

There is no assurance that the Fund s strategy of investing in inverse floating rate securities will be successful.

Inverse floating rate securities have varying degrees of liquidity based, among other things, upon the liquidity of the underlying securities deposited in a special purpose trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. The leverage attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. In certain circumstances, the likelihood of an increase in the volatility of net asset value and market price of the Common Shares may be greater for a fund (like the Fund) that relies primarily on inverse floating rate securities to achieve a desired effective leverage ratio. The Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

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

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

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

The Fund may invest in taxable inverse floating rate securities, issued by special purpose trusts formed with taxable municipal securities. The market for such taxable inverse floating rate securities is relatively new and undeveloped. Initially, there may be a limited number of counterparties, which may increase the credit risks, counterparty risk and liquidity risk of investing in taxable inverse floating rate securities.

Interest Rate Risk

Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the debt securities in the Fund s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of municipal securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund s value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than the prices of shorter-term debt securities as interest rates change. These risks may be greater because certain interest rates are near historically low levels. Because the Fund intends to invest primarily in longer-term municipal securities, the Common Share net asset value and market price per Common Share may fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term municipal securities. The Fund s investments in floating rate securities, as described in this prospectus under Inverse Floating Rate Securities Risk, will tend to increase Common Share interest rate risk. To the extent the Fund invests in debt securities that may be prepaid at the option of the obligor, the sensitivity of such securities to changes in interest rates may increase (to the detriment of the Fund) when interest rates rise. Moreover, because rates on certain floating rate debt securities in which the Fund may invest typically reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the Fund s net asset value. The Fund may utilize certain strategies, including taking positions in futures or interest rate swaps, for the purpose of reducing the interest rate sensitivity of the Fund s debt securities and decreasing the Fund s exposure to interest rate risk. The Fund is not required to hedge its exposure to interest rate risk and may choose not to do so. In addition, there is no assurance that any attempts by the Fund to reduce interest rate risk will be successful.

Contingent Term Provision Risk

In the event the Fund terminates pursuant to the Contingent Term Provision, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when interest rate or market conditions are not favorable, which may cause the Fund to lose money on its investments. Further, the process of liquidating the Fund s Managed Assets could result in a reduction in the Fund s net investment income and monthly dividend distributions in the last year of the Fund s operations. In addition, in the event the Fund terminates pursuant to the Contingent Term Provision, the Fund s investment objectives and policies are not designed to seek to return to investors who purchase Common Shares in this offering their initial investment on the anticipated termination date, and such initial investors and any investors who purchase Common Shares after the completion of the offering may receive more or less than their original investment upon termination.

Derivatives Risk, Including the Risk of Swaps

The Fund s use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested.

Whether the Fund s use of derivatives is successful will depend on, among other things, if NAM correctly forecasts market values, interest rates and other applicable factors. If NAM incorrectly forecasts these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund s ability to successfully use derivative instruments.

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in domestic markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund s ability to use derivative instruments as a hedging strategy.

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

Counterparty Risk

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

Hedging Risk

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

Reinvestment Risk

Reinvestment risk is the risk that income from the Fund s portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the portfolio s current earnings rate. A decline in income could affect the Common Shares market price or your overall returns.

Inflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the dividends paid to Common Shareholders can decline.

U.S. Government-Sponsored Agencies Risk

While certain U.S. Government-sponsored agencies, such as the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury, and therefore may lose value. On September 7, 2008, the Federal Housing Finance Agency (FHFA), a new independent regulatory agency, placed FNMA and FHLMC into conservatorship, a statutory process designed to stabilize a troubled institution with the objective of returning the entity to normal business operations. A July, 2009 congressional report issued by the Committee on Oversight and Government Reform noted that the FNMA and FHLMC s role in the financial crisis was significant and has received too little attention. In addition, the U.S. Treasury has been purchasing mortgage-backed securities issued by FNMA and FHLMC in the open market to create market liquidity and, in part, to stabilize their market values. The U.S. Treasury has also entered into a new secured lending credit facility with both of those corporations to provide liquidity if needed, and a Preferred Stock Purchase Agreement, which will ensure that each corporation maintains a positive net worth.

Reliance on Investment Adviser

The Fund is dependent upon services and resources provided by its investment adviser, NAM, and therefore the investment adviser s parent, Nuveen Investments. Nuveen Investments has a substantial amount of indebtedness. Nuveen Investments, through its own business or the financial support of its affiliates, may not be able to generate sufficient cash flow from operations or ensure that future borrowings will be available in an amount sufficient to enable it to pay its indebtedness with scheduled maturities beginning in 2013 or to fund its other liquidity needs. Nuveen Investments failure to satisfy the terms of its indebtedness, including covenants therein, may generally have an adverse effect on the financial condition of Nuveen Investments. For additional information on NAM and Nuveen Investments, including the financial condition of Nuveen Investments, see Management of the Fund Additional Information Related to the Investment Adviser and Nuveen Investments.

Anti-Takeover Provisions

The Declaration and By-laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares. See Certain Provisions in the Declaration of Trust and By-Laws.

Insurance Risk

The Fund may purchase municipal securities that are secured by insurance, bank credit agreements or escrow accounts. The credit quality of the companies that provide such credit enhancements will affect the value of those securities. Many significant providers of insurance for municipal securities have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower credit quality investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such losses have reduced the insurers capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. As of February 25, 2010, there are no longer any bond insurers rated AAA by all of Moody s, S&P and Fitch and at least one rating agency has placed all insurers except Berkshire Hathaway Assurance Company on negative credit watch, credit watch evolving, credit outlook developing, or rating withdrawn. These events may presage one or more rating reductions for any other insurer in the future. While an insured municipal security will typically be deemed to have the rating of its insurer, if the insurer of a municipal security suffers a downgrade in its credit rating or the market discounts the value of the insurance provided by the insurer, the rating of the underlying municipal security will be more relevant and the value of the municipal security would more closely, if not entirely, reflect such rating. In such a case, the value of insurance associated with a municipal security would decline and the insurance may not add any value. As concern has increased about the balance sheets of insurers, prices on insured bonds especially those bonds issued by weaker underlying credits declined. Most insured bonds are currently being valued according to their fundamentals as if they were uninsured. The insurance feature of a municipal security normally provides that it guarantees the full payment of principal and interest when due through the life of an insured obligation, but does not guarantee the market value of the insured obligation or the net asset value of the Common Shares represented by such insured obligation.

Tax Risk

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

Other Investment Companies Risk

The Fund may invest up to 10% of its Managed Assets in the securities of other investment companies. Such securities may be leveraged. As a result, the Fund may be indirectly exposed to leverage through an investment in such securities. Utilization of leverage is a speculative investment technique and involves certain risks. An investment in securities of other investment companies that are leveraged may expose the Fund to higher volatility in the market value of such securities and the possibility that the Fund s long-term returns on such securities (and, indirectly, the long-term returns of the Common Shares) will be diminished.

Industry Risk

The Fund may invest up to 25% of its Managed Assets in municipal securities in any one industry or in any one state of origin. In addition, subject to the concentration limits of the Fund s investment policies and guidelines, the Fund may invest a significant portion of its Managed Assets in certain sectors of the municipal securities market, such as hospitals and other health care facilities, charter schools and other private educational facilities, special taxing districts and start-up utility districts, and private activity bonds including industrial development bonds on behalf of transportation companies such as airline companies, whose credit quality and performance may be more susceptible to economic, business, political, regulatory and other developments than other sectors of municipal issuers. If the Fund invests a significant portion of its Managed Assets in the sectors noted above, the Fund s performance may be subject to additional risk and variability. To the extent that the Fund focuses its Managed Assets in the hospital and healthcare facilities sector, for example, the Fund will be subject to risks associated with such sector, including adverse government regulation and reduction in reimbursement rates, as well as government approval of products and services and intense competition. Securities issued with respect to special taxing districts will be subject to various risks, including real-estate development related risks and taxpayer concentration risk. Further, the fees, special taxes or tax allocations and other revenues

established to secure the obligations of securities issued with respect to special taxing districts are generally limited as to the rate or amount that may be levied or assessed and are not subject to increase pursuant to rate covenants or municipal or corporate guarantees. Charter schools and other private educational facilities are subject to various risks, including the reversal of legislation authorizing or funding charter schools, the failure to renew or secure a charter, the failure of a funding entity to appropriate necessary funds and competition from alternatives such as voucher programs. Issuers of municipal utility securities can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel and natural resource conservation. The transportation sector, including airports, airlines, ports and other transportation facilities, can be significantly affected by changes in the economy, fuel prices, maintenance, labor relations, insurance costs and government regulation.

Special Risks Related to Certain Municipal Securities

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

Deflation Risk

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

Illiquid Securities Risk

The market for municipal securities is generally smaller than other markets, resulting in heightened liquidity risk. The Fund may invest up to 15% of its Managed Assets in municipal securities and other instruments that, at the time of investment, are illiquid. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933, as amended (the Securities Act), if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid securities involve

the risk that the securities will not be able to be sold at the time desired by the Fund or at prices approximating the value at which the Fund is carrying the securities on its books. Inverse floating rate securities or the residual interest certificates of tender option bond trusts are not considered illiquid securities.

Market Disruption and Geopolitical Risk

The aftermath of the war with Iraq, instability in the Middle East and terrorist attacks in the United States and around the world may have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the occupation of Iraq cannot be predicted with any certainty. Terrorist attacks closed some of the U.S. securities markets in 2001, and similar events cannot be ruled out in the future. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. These risks may adversely affect individual issuers and securities markets, interest rates, secondary trading, ratings, investor psychology, credit risk, inflation and other factors relating to the Fund s Common Shares. High-yield securities tend to be more volatile than higher rated securities so that these events and any actions resulting from them may have a greater impact on the prices and volatility of high yield securities than on higher rated securities.

Certain Affiliations

Certain broker-dealers may be considered to be affiliated persons of the Fund, NAM and/or Nuveen. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund generally is precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund s ability to engage in securities transactions and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of the Common Shares, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate. See also Management of the Fund Investment Adviser and Nuveen Investments.

HOW THE FUND MANAGES RISK

Investment Limitations

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. See Investment Objectives and Policies in the Statement of Additional Information for information about these limitations and a complete list of the Fund s fundamental and non-fundamental investment policies.

Quality of Investments

Under normal circumstances the Fund will invest at least 80% of its Managed Assets in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the NRSROs that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM.

Derivative Instruments

As discussed above, the Fund may use derivatives in its integrated leverage and hedging strategy and may utilize derivatives to hedge the risk of investment in municipal securities. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. NAM may use derivative instruments to seek to enhance return, to hedge some of the risk of the Fund s investments in municipal securities or as a substitute for a position in the underlying asset.

MANAGEMENT OF THE FUND

Trustees and Officers

The Board of Trustees is responsible for the Fund s management, including supervision of the duties performed by NAM. The names and business addresses of the Fund s trustees and officers and their principal occupations and other affiliations during the past five years are set forth under Management of the Fund in the Statement of Additional Information.

Investment Adviser

NAM, 333 West Wacker Drive, Chicago, Illinois 60606, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments. Founded in 1898, Nuveen Investments and its affiliates had approximately $145 billion of assets under management as of December 31, 2009, of which approximately $68.7 billion was in municipal securities. Regarding this approximately $68.7 billion of tax-exempt municipal securities, approximately $34.9 billion, $16.5 billion, $15.6 billion and $2.0 billion represent assets relating to closed-end municipal bond funds, open-end municipal bond funds, retail municipal managed accounts and institutional municipal managed accounts, respectively. According to Morningstar Fundamental Data, Nuveen Investments is the leading sponsor of closed-end funds as measured by the number of funds (123) and the amount of fund assets under management (approximately $46 billion) as of December 31, 2009. At such time as the Fund receives an exemptive order permitting it to do so, or as otherwise permitted by the 1940 Act or the rules thereunder, the Fund may, without obtaining approval of the Common Shareholders, retain an unaffiliated subadviser to perform some or all of the portfolio management functions on the Fund s behalf. NAM also serves as sub-advisor to the Build America Investment Grade Bond Fund, an investment fund established under the laws of the Province of Ontario and managed by Connor, Clark & Lunn Capital Markets Inc.

NAM will be responsible for investing the Fund s Managed Assets. NAM also is responsible for managing the Fund s business affairs and providing certain clerical, bookkeeping and other administrative services. Daniel Close and John Miller will serve as the Fund s portfolio managers.

Daniel J. Close, CFA, is a Vice President of Nuveen Investments. He has direct responsibility for managing approximately $4 billion of municipal securities in 22 municipal funds. He joined Nuveen Investments in 2000 as a member of Nuveen s product management and development team. He then served as a research analyst for Nuveen s municipal investing team, covering corporate-backed, energy, transportation and utility credits. He received his BS in Business from Miami University and his MBA from Northwestern University s Kellogg School of Management. Mr. Close has earned the Chartered Financial Analyst designation. Mr. Close also serves as a portfolio manager to the Build America Investment Grade Bond Fund.

John V. Miller, CFA, is Chief Investment Officer and Managing Director of NAM. He supervises Nuveen Investments municipal fixed-income investment activities. He also has direct responsibility for managing high-yield municipal funds and certain institutional accounts. He joined Nuveen Investments in 1996 as a municipal credit analyst and moved into portfolio management in 2000. Mr. Miller became a managing director and head of NAM s portfolio managers in 2006, and he became NAM s Chief Investment Officer in 2007. Mr. Miller earned his BA in economics and political science from Duke University, an MA in economics from Northwestern University, and an MBA with honors in finance from the University of Chicago. Mr. Miller also serves as a portfolio manager to the Build America Investment Grade Bond Fund.

Additional information about the portfolio managers compensation, other accounts managed by them and other information is provided in the Statement of Additional Information. The Statement of Additional Information is available free of charge by calling (800) 257-8787 or by visiting Nuveen s website at www.nuveen.com.

Nuveen Investments

On November 13, 2007, Nuveen Investments was acquired by an investor group led by Madison Dearborn Partners, LLC, a private equity firm based in Chicago, Illinois (previously defined as the MDP Acquisition). The investor group led by Madison Dearborn Partners, LLC included affiliates of Merrill Lynch & Co., Inc., which has since been acquired by Bank of America, Wells Fargo and Citi. As a result of the MDP Acquisition, Merrill Lynch & Co., Inc. currently owns a 32% non-voting equity stake in Nuveen Investments, owns a $30 million position in a $250 million revolving loan facility of Nuveen Investments and holds two of ten seats on the board of directors of Nuveen Investments. Wells Fargo and Citi also have an ownership interest in Nuveen Investments. Because these arrangements may give rise to certain conflicts of interest involving NAM and Bank of America (including Merrill Lynch & Co., Inc.), NAM has adopted polices and procedures intended to address these potential conflicts.

Additional Information Related to the Investment Adviser and Nuveen Investments

The Fund is dependent upon the services and resources provided by its investment adviser, NAM and therefore the investment adviser s parent, Nuveen Investments. Nuveen Investments significantly increased its level of debt in connection with the MDP Acquisition. As of December 31, 2009, Nuveen Investments had outstanding approximately $4.0 billion in aggregate principal amount of indebtedness, with approximately $491.8 million of available cash on hand. Nuveen Investments believes that monies generated from operations and cash on hand will be adequate to fund debt service requirements, capital expenditures and working capital requirements for the foreseeable future; however, Nuveen Investments ability to continue to fund these items, to service its debt and to maintain compliance with covenants in its debt agreements may be affected by general economic, financial, competitive, legislative, legal and regulatory factors and by its ability to refinance or repay outstanding indebtedness with scheduled maturities beginning in 2013. The risks, uncertainties and other factors related to Nuveen Investments business, the effects of which may cause its assets under management, earnings, revenues, and/or profit margins to decline, are described in its filings with the Securities and Exchange Commission, which are publicly available.

Investment Management Agreement

Pursuant to an investment management agreement between NAM and the Fund, the Fund has agreed to pay an annual management fee for the services and facilities provided by NAM, payable on a monthly basis, based on the sum of a fund-level fee and a complex-level fee, as described below, according to the following schedule.

Fund-Level Fee. The fund-level fee shall be applied according to the following schedule:

Fund-Level Average Daily Managed Assets(1)	Fund-Level Fee Rate
Up to $125 million	.4500%
$125 million to $250 million	.4375%
$250 million to $500 million	.4250%

$500 million to $1 billion	.4125%
$1 billion to $2 billion	.4000%
$2 billion and over	.3875%

Complex-Level Fee. The effective rates of the complex-level fee at various specified complex-wide asset levels are as indicated in the following table:

Complex-Level Asset Breakpoint Level(1)	Effective Rate at Breakpoint Level
$55 billion	.2000%
$56 billion	.1996%
$57 billion	.1989%
$60 billion	.1961%
$63 billion	.1931%
$66 billion	.1900%
$71 billion	.1851%
$76 billion	.1806%
$80 billion	.1773%
$91 billion	.1691%
$125 billion	.1599%
$200 billion	.1505%
$250 billion	.1469%
$300 billion	.1445%

(1) Breakpoints apply up to the dollar amounts listed above. For this Fund, Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating effective leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates. The complex-level fee is based on the aggregate daily managed assets (as managed assets is defined in each Nuveen Fund s investment management agreement with NAM, which generally includes assets attributable to any preferred shares that may be outstanding and any borrowings (including the issuance of commercial paper or notes)) of the Nuveen Funds. The complex-level fee was based on approximately $67.3 billion as of December 31, 2009.

In addition to NAM s management fee, the Fund pays all other costs and expenses of its operations, including compensation of its trustees (other than those affiliated with NAM), custodian, transfer agency and dividend disbursing expenses, legal fees, expenses of independent registered accounting firm, expenses of repurchasing shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies, listing fees and taxes, if any. All fees and expenses are accrued daily and deducted before payment distributions to shareholders.

The basis for the Board of Trustee s initial approval of the Fund s investment management agreement will be provided in the Fund s initial shareholder report. The basis for subsequent continuations of the Fund s investment management agreement will be provided in annual or semi-annual reports to shareholders for the periods during which such continuations occur.

NET ASSET VALUE

The Fund will determine the net asset value of its shares daily, as of the close of regular session trading on the New York Stock Exchange (normally 4:00 p.m. New York time). Net asset value is computed by dividing the value of all assets of the Fund (including accrued interest and dividends), less all liabilities (including accrued expenses and dividends declared but unpaid), by the total number of shares outstanding.

In determining net asset value, expenses are accrued and applied daily and securities and other assets for which market quotations are available are valued at market value. The prices of municipal bonds are provided by a pricing service approved by the Fund s Board of Trustees. When market price quotes are not readily available (which is usually the case for municipal securities), the pricing service, or, in the absence of a pricing service for a particular security, the Fund s Board of Trustees, or its designee, may establish fair market value using a wide variety of market data including yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from securities dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor s credit characteristics considered relevant by the pricing service or the Board of Trustees designee. Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities reported on NASDAQ are valued at the NASDAQ Official Closing Price. Temporary investments in securities that have variable rate and demand features qualifying them as short-term investments are valued at amortized cost, which approximates market value.

DISTRIBUTIONS

Commencing with the first distribution, the Fund will pay monthly distributions to Common Shareholders. Distributions will be reinvested in additional Common Shares under the Fund s Dividend Reinvestment Plan unless a Common Shareholder elects to receive cash.

The Fund will seek to pay monthly distributions at a level rate (stated in terms of a fixed cents per Common Share dividend rate) based on the Fund s projected performance. The Fund s ability to maintain a level Common Share dividend rate will depend on a number of factors. As portfolio and market conditions change, the rate of dividends on the Common Shares and the Fund s distribution policy could change. Over time, the Fund will distribute all of its net investment income. In addition, the Fund intends to distribute, at least annually, the net capital gain and taxable ordinary income, if any, to Common Shareholders. The Fund expects to declare its initial Common Share distribution approximately 30 to 45 days, and to pay that distribution approximately 60 to 90 days, from the completion of this offering, depending on market conditions.

To permit the Fund to maintain a more stable monthly distribution, the Fund may initially distribute less than the entire amount of net investment income earned in a particular period. Any such undistributed net investment income would be available to supplement future distributions. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of net investment income actually earned by the Fund during the period.

Undistributed net investment income will be included in the Fund s net asset value and, correspondingly, distributions from undistributed net investment income will be deducted from the Fund s net asset value.

As explained more fully below in Tax Matters, at least annually, the Fund may elect to retain rather than distribute all or a portion of any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) otherwise applicable to Common Shareholders and pay U.S. federal income tax on the retained gain. As provided under federal tax law, Common Shareholders of record as of the end of the Fund s taxable year will include their attributable share of the retained net capital gain in their income for the year as a long-term capital gain (regardless of their holding period in the Common Shares), and will be entitled to an income tax credit or refund for the tax deemed paid on their behalf by the Fund. The Fund may treat the cash value of tax credit and refund amounts in connection with retained capital gains as a substitute for equivalent cash distributions. In addition, the Fund may make total distributions during a given calendar year in an amount that exceeds the Fund s net investment income and net realized long-term capital gains for that calendar year, in which case the excess would be treated by Common Shareholders as return of capital for tax purposes.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to Common Shareholders.

DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund s Dividend Reinvestment Plan (the Plan), your distributions, including any capital gain distributions, will automatically be reinvested in additional Common Shares under the Plan unless you request otherwise. If you elect not to participate in the Plan, or are not eligible to participate because your brokerage firm does not participate in the Plan, you will receive all distributions in cash paid by check mailed directly to you or your brokerage firm by State Street Bank and Trust Company, as dividend paying agent. The tax consequences of a distribution are the same regardless of whether such distribution is reinvested or received in cash. See Tax Matters.

Under the Plan, the number of Common Shares you will receive will be determined as follows:

(1) If the Common Shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) net asset value per Common Share on that date or (ii) 95% of the market price on that date.

(2) If Common Shares are trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the New York Stock Exchange or elsewhere, for the participants accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date. Interest will not be paid on any uninvested cash payments. The Plan provides that if Common Shares start trading at or above net asset value before the Plan Agent has completed its purchases, the Plan Agent may cease purchasing Common Shares in the open market, and may invest the uninvested portion in new shares at a price equal to the greater of (i) net asset value per Common Share determined on the last business day immediately prior to the purchase date or (ii) 95% of the market price on that date.

You may withdraw from the Plan at any time by giving written notice to the Plan Agent. If you withdraw or the Plan is terminated, you will receive whole shares in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds, minus brokerage commissions and a $2.50 service fee.

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

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

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions.

As noted above, if you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from State Street Bank and Trust Company, Attn: Computershare Nuveen Investments, P.O. Box 43071, Providence, Rhode Island 02940-3071, (800) 257-8787.

DESCRIPTION OF SHARES

Common Shares

The Declaration authorizes the issuance of an unlimited number of Common Shares. The Common Shares being offered have a par value of $.01 per share and have equal rights to the payment of dividends and the distribution of assets upon liquidation of the Fund. The Common Shares being offered will, when issued, be fully paid and, subject to matters discussed under Certain Provisions in the Declaration of Trust and By-Laws, non-assessable, and will have no preemptive or conversion rights or rights to cumulative voting. If the Fund issues preferred shares, the Common Shareholders will not be entitled to receive any cash distributions from the Fund unless all accrued dividends on preferred shares have been paid, and unless asset coverage (as defined in the 1940 Act) with respect to preferred shares would be at least 200% after giving effect to the distributions. See Preferred Shares below.

The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance. The Fund intends to hold annual meetings of shareholders so long as the Common Shares are listed on a national securities exchange and such meetings are required as a condition to such listing. The Fund will not issue share certificates.

Proceeds from the sale of Common Shares in this offering will be reduced by 4.5% (the amount of the sales load as a percentage of the offering price), making the Fund s net asset value per Common Share equal to $19.10, before deducting offering expenses. Net asset value of the Fund and the net asset value per Common Share are then further reduced by the amount of offering expenses paid by the Fund (estimated to be an additional .20% as a percentage of the offering price). NAM has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay all offering costs of the Fund (other than sales load, but inclusive of the partial reimbursement of expenses) that exceed $.04 per Common Share. See Use of Proceeds.

Unlike open-end funds, closed-end funds like the Fund do not continuously offer shares and do not provide daily redemptions. Rather, if a Common Shareholder determines to buy additional Common Shares or sell shares already held, the Common Shareholder may conveniently do so by trading on the exchange through a broker or otherwise. Shares of closed-end investment companies may frequently trade on an exchange at prices lower than net asset value. Shares of closed-end investment companies like the Fund have, during some periods, traded at prices higher than net asset value and, during other periods, have traded at prices lower than net asset value. Because the market value of the Common Shares may be influenced by such factors as dividend levels (which are in turn affected by expenses), dividend stability, net asset value, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the Fund s control, the

Fund cannot guarantee you that Common Shares will trade at a price equal to or higher than net asset value in the future. The Common Shares are designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes. See Repurchase of Fund Shares; Conversion to Open-End Fund below and in the Statement of Additional Information.

Debt

The Declaration authorizes the Fund, without approval of the Common Shareholders, to borrow money. In this connection, the Fund may issue notes or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such Debt by mortgaging, pledging or otherwise subjecting as security the Fund s assets. In connection with such borrowing, the Fund may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit. Any such requirements will increase the cost of borrowing over the stated interest rate. Under the requirements of the 1940 Act, the Fund, immediately after any such Debt, must have an asset coverage of at least 300%. With respect to any such Debt, asset coverage means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of such borrowing represented by senior securities issued by the Fund. Certain types of Debt may result in the Fund being subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for commercial paper or notes issued by the Fund. Such restrictions may be more stringent than those imposed by the 1940 Act.

The rights of lenders to the Fund to receive interest on and repayment of principal of any such Debt will be senior to those of the Common Shareholders, and the terms of any such Debt may contain provisions which limit certain activities of the Fund, including the payment of dividends to Common Shareholders in certain circumstances. Further, the 1940 Act does (in certain circumstances) grant to the lenders to the Fund certain voting rights in the event of default in the payment of interest on or repayment of principal. In the event that such provisions would impair the Fund s status as a regulated investment company under the Code, the Fund, subject to its ability to liquidate its relatively illiquid portfolio, intends to repay the Debt. Any Debt will likely be ranked senior or equal to all other existing and future Debt of the Fund. The Fund also may borrow up to an additional 5% of its total assets for temporary emergency purposes. See Investment Restrictions in the Statement of Additional Information.

Preferred Shares

The Fund has no current intention to issue Preferred Shares. However, the Declaration authorizes the issuance of an unlimited number of preferred shares in one or more classes or series, with rights as determined by the Board of Trustees of the Fund, by action of the Board of Trustees without the approval of the Common Shareholders. The terms of any Preferred Shares that may be issued by the Fund may be the same as, or different from, the terms described below, subject to applicable law and the Declaration.

Limited Issuance of Preferred Shares. Under the 1940 Act, the Fund could issue Preferred Shares with an aggregate liquidation value of up to one-half of the value of the Fund s total net assets, measured immediately after issuance of the preferred shares. Liquidation value means the original purchase price of the shares being liquidated plus any accrued and unpaid dividends. In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless the liquidation value of the Preferred Shares is less than one-half of the value of the Fund s total net assets (determined after deducting the amount of such dividend or distribution) immediately after the distribution.

Distribution Preference. Any Preferred Shares would have complete priority over the Common Shares as to distribution of assets.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Fund, holders of preferred shares would be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends

thereon, whether or not earned or declared) before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Fund. A consolidation or merger of the Fund with or into any Massachusetts business trust or corporation or a sale of all or substantially all of the assets of the Fund shall not be deemed to be a liquidation, dissolution or winding up of the Fund.

Voting Rights. In connection with any issuance of Preferred Shares, the Fund must comply with Section 18(i) of the 1940 Act, which requires, among other things, that Preferred Shares be voting shares and have equal voting rights with Common Shares. Except as otherwise indicated in th