NUVEEN INSURED TAX FREE ADVANTAGE MUNICIPAL FUND
Form N-14 8C
March 16, 2009

As filed with the Securities and Exchange Commission on March 16, 2009 File No. 333-______

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-14
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933
o **Pre-Effective Amendment No. __**
o **Post-Effective Amendment No. __**
NUVEEN INSURED TAX-FREE ADVANTAGE
MUNICIPAL FUND
(Exact Name of Registrant as Specified in Charter)
333 West Wacker Drive
Chicago, Illinois 60606
(Address of Principal Executive Offices, Zip Code)
Registrant s Telephone Number, including Area Code **(800) 257-8787**

Kevin J. McCarthy
Vice President and Secretary
Nuveen Investments
333 West Wacker Drive
Chicago, Illinois 60606
(Name and Address of Agent for Service)
Copy to:

David A. Sturms
Vedder Price P.C.
222 North LaSalle Street
Chicago, Illinois 60601

Eric F. Fess
Chapman and Cutler LLP
111 West Monroe Street
Chicago, Illinois 60603

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

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	**Amount Being Registered (1)**	**Proposed Maximum Offering Price Per Unit(1)(2)**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee (1)(3)**
Common Shares, $.01 Par Value Per Share	60,000 shares	$11.75	$705,000.00(2)	$39.34

Municipal Auction Rate Cumulative Preferred Shares, Series W2	12 Shares	$25,000.00	$300,000.00	$16.74

(1) Estimated solely for the purpose of calculating the registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.

(2) Closing share price of common shares on March 12, 2009.

(3) Transmitted prior to filing.

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

IMPORTANT NOTICE TO
NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA) AND
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF) SHAREHOLDERS

MARCH , 2009

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

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

A. The Board of Trustees of the Nuveen Insured Tax-Free Advantage Municipal Fund (the National Fund) and the Nuveen Insured Florida Tax-Free Advantage Municipal Fund (the Florida Fund) recently voted to recommend a merger of the Funds to shareholders. As a Fund shareholder, you are being asked to vote to approve this proposed merger at a special shareholders meeting to be held on , 2009.

Q. Why has the Board of Trustees recommended merging the Florida Fund into the National Fund?

A. This recommendation reflects various considerations, among them: (i) the price level at which the Florida Fund s common shares have traded over time in relation to their underlying net asset value on an absolute basis as well as relative to other closed-end funds; (ii) prior efforts to enhance, over time, the secondary market for the Florida Fund s common shares, including investment strategies aimed at increasing common net earnings as well as common share repurchases; and (iii) the repeal of Florida s intangible personal property tax which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. The Board of Trustees believes the proposed merger is in the best interests of both the National Fund and the Florida Fund.

Q. What are the proposed merger s potential benefits to me as a Fund shareholder?

A. The Board of Trustees believes the proposed merger offers the following potential benefits to National Fund and Florida Fund shareholders:

National Fund:

Lower fees and expenses per common share from greater economies of scale as the combined funds size results in a lower management fee rate and allows fixed operating expenses to be spread over a larger asset base.

Enhanced relative investment performance from increased common net earnings as well as expanded opportunities for enhanced total returns over time from the combined funds larger asset base.

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

Expanded auction rate preferred securities (ARPS) refinancing opportunities because the combined funds larger asset base may increase its ability to refinance ARPS with tender option bonds. Through such refinancings the Fund seeks to provide liquidity at par for ARPS shareholders and to lower the relative cost of leverage over time for common shareholders.

Florida Fund:

Lower fees and expenses per common share from greater economies of scale as the combined funds size results in a lower management fee rate and allows fixed operating expenses to be spread over a larger asset base.

Enhanced relative investment performance from increased common net earnings as well as expanded opportunities for enhanced total returns over time from a nationally-diversified portfolio and the combined funds larger asset base.

Continuity of investment strategy by maintaining the Fund s use of leverage, which offers common shareholders the potential for higher monthly tax-exempt distributions and enhanced total returns on average over market cycles, at a time when the municipal yield spreads are particularly wide or attractive.

Improved secondary market trading as a national fund instead of a Florida-specific fund potential investor base is expected to promote higher common share market prices relative to net asset value, and the combined funds greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements.

Expanded ARPS refinancing opportunities because greater portfolio diversification and the combined funds larger asset base may increase its ability to refinance ARPS with tender option bonds. Through such refinancings the Fund seeks to provide liquidity at par for ARPS shareholders and to lower the relative cost of leverage over time for common shareholders.

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

A. Yes. The Funds have similar investment objectives and policies except for (i) the Florida Fund s policy of concentrating its investment portfolio in Florida state-specific municipal securities in comparison to the National Fund s policy of investing in a nationally diversified portfolio of municipal securities and (ii) the Florida Fund is a non-diversified management investment company while the National Fund is a diversified management investment company.

Q. What specific proposals will I be asked to vote on in connection with the proposed merger?

A. Depending on whether you are a National Fund or Florida Fund shareholder, you will be asked to vote on one or both of the following proposals:

(i) *Approve Agreement and Plan of Reorganization (Both Funds).* To approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which the Florida Fund would (i) transfer all of its assets to the National Fund in exchange solely for National Fund common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, and the National Fund s assumption of all the liabilities of Florida Fund, (ii) distribute such shares of the National Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Florida Fund and (iii) be liquidated, dissolved and terminated as a trust in accordance with the Florida Fund s Declaration of Trust (collectively, the Reorganization).

(ii) *Approve Issuance of Common Shares (National Fund).* To approve the issuance of additional National Fund common shares in connection with the Reorganization.

Your Fund s Board of Trustees, including your Board s independent members, unanimously recommends that you vote **FOR** your Fund s applicable proposal(s). The Reorganization is dependent upon shareholder approval of both proposals. If shareholder approval of both proposals is not obtained, the Reorganization will not occur.

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

Q. How does the Board recommend that I vote?

A. After careful consideration, the Board agreed unanimously that the Reorganization is in the best interests of the Funds and **recommends that you vote FOR your Fund s proposal(s)**.

Q. Will Florida Fund shareholders receive new shares in exchange for their current shares?

A. Yes. Upon approval of the Reorganization, common shareholders of the Florida Fund in exchange for their Fund shares will receive common shares of the National Fund of equivalent total value. Upon approval of the Reorganization, shareholders of the Florida Fund s MuniPreferred, Series W, will receive in exchange one share of the National Fund s MuniPreferred, Series W2, for each share of the Florida Fund s MuniPreferred, Series W, held.

Q. Is the Reorganization a taxable event for Florida Fund shareholders?

A. No. The Reorganization is intended to qualify as a reorganization for federal income tax purposes. It is expected that you will recognize no gain or loss for federal income tax purposes as a result of the Reorganization.

Q. What will happen if shareholders do not approve each proposal?

A. If both proposals are not approved, the Reorganization will not occur. If the Reorganization does not occur, the Board will take such actions as it deems to be in the best interests of the Florida Fund based upon the Fund s current circumstances and market conditions.

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

A. No. However, the Funds expenses associated with the Reorganization will be allocated between the Funds and paid out of the Funds net assets. Fund shareholders will indirectly bear the costs of the Reorganization.

Q. What is the timetable for the Reorganization?

A. If Fund shareholders approve each respective proposal at the special shareholders meeting on , 2009, the Reorganization is expected to take effect on , 2009 or as soon as practicable thereafter.

Q. Who do I call if I have questions?

A. If you need any assistance, or have any questions regarding the proposal or how to vote your shares, please call Georgeson Inc., your proxy solicitor, at ( ) - , weekdays during its business hours of 7:00 a.m. to 7:00 p.m. Central time. Please have your proxy material available when you call.

Q. How do I vote my shares?

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

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

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

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

Q. Will Nuveen contact me?

A. You may receive a call to verify that you received your proxy materials and to answer any questions you may have about the Reorganization.

, 2009

NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON , 2009

To the Shareholders:

Notice is hereby given that the Special Meeting of Shareholders of Nuveen Insured Tax-Free Advantage Municipal Fund (National Fund or Acquiring Fund) and Nuveen Insured Florida Tax-Free Advantage Municipal Fund (Florida Fund or Acquired Fund), will be held , , , , on , , 2009, at : a.m., Central time (the Special Meeting), for the following purposes:

1. For shareholders of each Fund, to approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which Florida Fund would (i) transfer all of its assets to National Fund in exchange solely for common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, of National Fund and the National Fund s assumption of all the liabilities of Florida Fund, (ii) distribute such shares of the National Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Florida Fund and (iii) be liquidated, dissolved and terminated as a trust in accordance with the Florida Fund s Declaration of Trust (collectively, the Reorganization).

2. For common shareholders of the National Fund, to approve the issuance of additional common shares of the National Fund in connection with the Reorganization.

Only shareholders of record as of the close of business on , 2009 are entitled to notice of and to vote at the Special Meeting or any adjournment thereof.

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

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

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

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

Kevin J. McCarthy
Vice President and Secretary

333 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60606
(800) 257-8787

PROXY STATEMENT/PROSPECTUS

NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

, 2009

This Proxy Statement/Prospectus is being furnished to the shareholders of Nuveen Insured Tax-Free Advantage Municipal Fund (National Fund or Acquiring Fund), a closed-end management investment company, and Nuveen Insured Florida Tax-Free Advantage Municipal Fund (Florida Fund or Acquired Fund and, together with the Acquiring Fund, the Funds), a closed-end management investment company, in connection with the solicitation of proxies by each Fund s Board of Trustees (each a Board and each Trustee a Board Member) for use at the Special Meeting of Shareholders of each Fund to be held on day, , 2009, at : a.m., Central time, and at any and all adjournments thereof (the Special Meeting). The enclosed proxy and this Proxy Statement/Prospectus are first being sent to shareholders of the Funds on or about , 2009. Shareholders of record of the Funds as of the close of business on , 2009 are entitled to notice and to vote at the Special Meeting and any adjournment thereof. The enclosed proxy and this Proxy Statement/Prospectus are first being sent to shareholders of the Funds on or about , 2009.

The purposes of the Special Meeting are:

For each Fund:

1. To approve an Agreement and Plan of Reorganization (the Agreement), pursuant to which the Acquired Fund would (i) transfer all of its assets to the Acquiring Fund in exchange solely for common shares and Municipal Auction Rate Cumulative Preferred shares (MuniPreferred), Series W2, of the Acquiring Fund and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) distribute such shares of the Acquiring Fund to the common shareholders and MuniPreferred, Series W, shareholders of the Acquired Fund and (iii) be liquidated, dissolved and terminated as a trust in accordance with the Acquired Fund s Declaration of Trust (collectively, the Reorganization).

For common shareholders of the Acquiring Fund:

2. To approve the issuance of additional common shares of the Acquiring Fund in connection with the Reorganization.

The Agreement provides for (i) the Acquiring Fund s acquisition of all the assets of the Acquired Fund in exchange for newly issued common shares of the Acquiring Fund, par value $0.01 per share (Acquiring Fund Common Shares), and newly issued MuniPreferred, Series W2, of the Acquiring Fund, with a par value of $0.01 per share and liquidation preference of $25,000 per share (Acquiring Fund MuniPreferred Shares), and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) the distribution of the Acquiring Fund Common Shares and Acquiring Fund MuniPreferred Shares held by the Acquired Fund to its common and MuniPreferred shareholders, respectively, and (iii) the liquidation, dissolution and termination of the Acquired Fund as a Trust in accordance with the Acquired Fund s Declaration of Trust. The number of Acquiring Fund Common Shares to be issued to the Acquired Fund would be that number having an aggregate per share net asset value equal to the aggregate value of the net assets of the Acquired Fund transferred to the Acquiring Fund. The aggregate net asset value of Acquiring Fund Common Shares received in the Reorganization will equal the aggregate net asset value of Acquired Fund common shares held immediately prior to the Reorganization less the costs of the Reorganization borne by the Acquired Fund. Shareholders of Acquired Fund MuniPreferred, Series W, will receive the same number of Acquiring Fund MuniPreferred, Series W2. The aggregate liquidation preference of the Acquiring Fund MuniPreferred Shares received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund MuniPreferred held immediately prior to the Reorganization. The Acquiring Fund will continue to operate after the Reorganization as a registered closed-end investment company with the investment objectives and policies described in this Proxy Statement/Prospectus.

In connection with the Reorganization, common shareholders of the Acquiring Fund are being asked to approve the issuance of additional Acquiring Fund Common Shares.

The Board of each Fund has determined that including all proposals in one Proxy Statement/Prospectus will reduce costs and is in the best interests of each Fund.

In the event that each Fund s shareholders do not approve the Reorganization or that the Acquiring Fund common shareholders do not approve the issuance of Acquiring Fund Common Shares, the Acquired Fund will continue to exist and the Board of the Acquired Fund will consider what additional action to take, if any.

This Proxy Statement/Prospectus concisely sets forth the information shareholders of the Funds should know before voting on the proposals and constitutes an offering of common shares and MuniPreferred, Series W2, of the Acquiring Fund only. Please read it carefully and retain it for future reference.

The following documents have been filed with the Securities and Exchange Commission (SEC) and are incorporated into this Proxy Statement/Prospectus by reference:

(i) the Statement of Additional Information relating to the proposed Reorganization, dated , 2009 (the Reorganization SAI);

(ii) the audited financial statements and related independent registered public accounting firm s report for the Acquiring Fund and the financial highlights for the Acquiring Fund contained in the Fund s Annual Report for the fiscal year ended October 31, 2008;

(iii) the audited financial statements and related independent registered public accounting firm s report for the Acquired Fund and the financial highlights for the Acquired Fund contained in the Fund s Annual Report for the fiscal year ended April 30, 2008; and

(iv) the unaudited financial statements and the financial highlights for the Acquired Fund contained in the Fund s Semi-Annual Report for the period ended October 31, 2008.

No other parts of the Funds Annual or Semi-Annual Reports are incorporated by reference herein.

Copies of the foregoing may be obtained without charge by calling or writing the Funds at the telephone number or address shown above. If you wish to request the Reorganization SAI, please ask for the Reorganization SAI. In addition, the Acquiring Fund will furnish, without charge, a copy

of its most recent annual report and subsequent semiannual report to a shareholder upon request. Any such request should be directed to the Acquiring Fund by calling (800) 257-8787 or by writing the Acquiring Fund at 333 West Wacker Drive, Chicago, Illinois 60606.

The Funds are both closed-end management investment companies, with similar objectives and policies primarily to provide current income exempt from regular federal income tax and the alternative minimum tax applicable to individuals and enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Funds investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued, and in the case of the Acquired Fund, the Fund s shares to be exempt from the Florida intangible personal property tax. The Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company.

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the Investment Company Act of 1940, as amended (the 1940 Act), and in accordance therewith file reports and other information with the SEC. Reports, proxy statements, registration statements and other information filed by the Funds (including the Registration Statement relating to the Acquiring Fund on Form N-14 of which this Proxy Statement/Prospectus is a part may be inspected without charge and copied (for a duplication fee at prescribed rates) at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549 or at the SEC s Northeast Regional Office (3 World Financial Center, New York, New York 10281) or Midwest Regional Office (175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604). You may call the SEC at (202) 551-5850 for information about the operation of the public reference room. You may obtain copies of this information, with payment of a duplication fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may also access reports and other information about the Funds on the EDGAR database on the SEC s Internet site at http://www.sec.gov.

The shares of the Funds are listed on the NYSE Alternext US (NYSE Alternext); reports, proxy statements and other information concerning the Acquired Fund can be inspected at the offices of the NYSE Alternext, 11 Wall Street, New York, New York 10005.

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

The Securities and Exchange Commission has not approved or disapproved these securities or determined whether the information in this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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PROXY STATEMENT/PROSPECTUS

, 2009

NUVEEN INSURED TAX-FREE ADVANTAGE MUNICIPAL FUND (NEA)
NUVEEN INSURED FLORIDA TAX-FREE ADVANTAGE MUNICIPAL FUND (NWF)

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SUMMARY

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

Proposal 1: The Reorganization

If the shareholders of each Fund approve the Reorganization and the common shareholders of the Acquiring Fund approve the issuance of additional Acquiring Fund Common Shares (see Proposal 2: Issuance of Additional Acquiring Fund Common Shares): (i) the Acquiring Fund will acquire all the assets of the Acquired Fund in exchange for newly issued Acquiring Fund Common Shares and newly issued Acquiring Fund MuniPreferred Shares, and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) the distribution of the Acquiring Fund Common Shares and Acquiring Fund MuniPreferred Shares held by the Acquired Fund to its common and preferred shareholders, respectively and (iii) the liquidation, dissolution and termination of the Acquired Fund as a Trust in accordance with the Acquired Fund s Declaration of Trust. The number of Acquiring Fund Common Shares to be issued to the Acquired Fund would be that number having an aggregate per share net asset value equal to the aggregate value of the net assets of the Acquired Fund transferred to the Acquiring Fund. The aggregate net asset value of Acquiring Fund Common Shares received in the Reorganization will equal the aggregate net asset value of Acquired Fund common shares held immediately prior to the Reorganization less the costs of the Reorganization borne by the Acquired Fund. The number of Acquiring Fund MuniPreferred Shares to be issued to the Acquired Fund would be that number of shares of Acquiring Fund MuniPreferred Shares as was held of Acquired Fund MuniPreferred Shares, Series W. The aggregate liquidation preference of the Acquiring Fund MuniPreferred Shares received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund MuniPreferred shares held immediately prior to the Reorganization.

The Board of each Fund, including the trustees who are not interested persons, as defined in the 1940 Act, of each Fund, has unanimously approved the Reorganization. **The Board of each Fund recommends that the shareholders vote FOR the approval of the Reorganization**. See Proposal No. 1 The Reorganization.

Background and Reasons for the Reorganization

The Boards recommendation of the Reorganization reflects various considerations, among them: (i) the price level at which the Acquired Fund s common shares have traded over time in relation to their underlying net asset value on an absolute basis as well as relative to other closed-end funds; (ii) prior efforts to enhance, over time, the secondary market for the Acquired Fund s common shares, including investment strategies aimed at increasing common net earnings as well as common share repurchases; and (iii) the repeal of Florida s intangible personal property tax which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. The Board of Trustees of the Acquiring Fund and the Acquired Fund believes the proposed merger is in the best interests of the Acquiring Fund and the Acquired Fund, respectively.

As a result of the Reorganization, the net assets of the Acquiring Fund and the Acquired Fund would be combined and the shareholders of the Acquired Fund would become shareholders of the Acquiring Fund. The investment objectives and policies of the Funds are similar except that the Acquired Fund invests in municipal bonds that that are exempt from the Florida intangible personal property tax and concentrates its assets in municipal bonds generally issued by the State of Florida, a municipality in Florida, or a political subdivision or agency or instrumentality of such State or municipality (Florida municipal bonds). The Board Members and officers of the larger combined entity would be identical to those of the Funds. The general portfolio characteristics of the larger combined entity would be similar to both Funds.

The Board of each Fund believes that the proposed Reorganization would be in the best interests of the Funds. In approving the Reorganization, the Boards considered information regarding the Funds, the proposed Reorganization and a number of factors, including, among other things:

- the secondary market trading history of the Funds (i.e., the price level at which the Funds shares have traded over time in relation to their underlying net asset value on an absolute basis and as compared to other closed-end funds) and prior efforts to enhance the secondary market for the common shares of the Acquired Fund;
- the elimination of the Florida intangibles tax;
- the compatibility of the investment objectives, policies and strategies of the Funds;
- the potential opportunities to refinance MuniPreferred;
- the relative fees and expense ratios of the Funds, including caps on the Funds expenses agreed to by each Funds adviser;
- the investment performance of the Funds;
- the anticipated tax-free nature of the Reorganization;
- the expected costs of the Reorganization and the extent to which the Funds would bear any such costs;
- the terms of the Reorganization and whether the Reorganization would dilute the interests of shareholders of the Funds; and
- any potential benefits of the Reorganization to the adviser as a result of the Reorganization.

In approving the Reorganization, the Boards considered, in particular, the following potential benefits:

- *Expected lower fees and expenses.* After the Reorganization, the combined fund is expected to have lower fees and expenses per common share than the Acquiring Fund and Acquired Fund from achieving greater economies of scale as the larger asset size of the combined fund is expected to result in a lower management fee rate and allow for the fixed operating costs to be spread over a larger asset base.

Enhanced relative investment performance. The combined fund is estimated to have an increase in common net earnings after the Reorganization compared to that of the Acquiring Fund and Acquired Fund and expected to have expanded opportunities for enhanced total returns due to the larger asset base (and in relation to the Acquired Fund, a nationally-diversified portfolio).

Improved secondary market trading. The estimated higher common net earnings, expected enhanced total returns over time, and the larger asset base of the combined fund after the Reorganization may lead to higher common share market prices relative to net asset value and the combined fund s greater market liquidity may lead to narrower bid-ask spreads and smaller trade-to-trade price movements. In addition, with respect to the Acquired Fund, the Board of the Acquired Fund also considered that a broader potential investor base of a national fund may also promote a higher common share price to net asset value.

Expanded MuniPreferred refinancing opportunities. After the Reorganization, the larger asset size of the combined fund may increase the ability to refinance the MuniPreferred with tender option bonds (TOBs). The greater portfolio diversification of the Acquiring Fund compared to the Acquired Fund may also enhance the combined fund s ability to refinance the MuniPreferred compared to that of the Acquired Fund. The Boards also considered that such refinancings may provide liquidity at par for MuniPreferred shareholders and lower the relative costs of leverage over time for common shareholders.

Continuity of investment objectives and strategies. The Boards considered the compatibility of the Funds investment objectives, policies and strategies except in relevant part, the Acquired Fund would invest primarily in municipal securities that pay interest exempt from an intangible personal property tax assessed by Florida on the value of stocks, bonds, other evidences of indebtedness and mutual fund shares. Florida repealed the intangible personal property tax in 2007 reducing the attractiveness of Florida bonds to investors formerly subject to the tax. Accordingly, a primary reason for the policy of the Acquired Fund to invest primarily in Florida municipal bonds was eliminated and the continuation of such policy is no longer necessary. With the Reorganization, the Acquired Fund common shareholders would be invested in a more diversified portfolio and their exposure to Florida obligations would decrease. In addition, both Funds have issued MuniPreferred to create leverage. Through the use of leverage, the Funds seek to enhance potential common share earnings over time by borrowing at short-term municipal rates and investing at long-term municipal rates which generally are higher. Although there are no assurances that the use of leverage will result in a higher yield or return to common shareholders, the Boards believe that the Acquiring Fund s use of leverage would continue to provide Acquired Fund common shareholders with the potential for higher monthly tax-exempt distributions and enhanced total returns on average over market cycles at a time when the municipal yield spreads are particularly wide or attractive. In addition, as discussed in more detail above, the larger asset base of the combined fund may increase its ability to refinance MuniPreferred with TOBs.

For a fuller discussion of the Boards considerations regarding the approval of the Reorganization, see Proposal No. 1 The Reorganization Reasons for the Reorganization.

Certain Federal Income Tax Consequences of the Reorganization

The Reorganization is intended to qualify as a reorganization for federal income tax purposes. If the Reorganization so qualifies, neither the Acquired Fund nor its shareholders will recognize any gain or loss as a direct result of the transfers contemplated by the Reorganization. See Proposal No. 1 The Reorganization Certain Federal Income Tax Consequences of the Reorganization.

Comparison of the Acquiring Fund and the Acquired Fund

General. The Acquiring Fund and the Acquired Fund are both closed-end management investment companies. The Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company. The Acquiring Fund common shares are listed and trade on the NYSE Alternext under the symbol NEA and the Acquired Fund common shares are listed and trade on the NYSE Alternext under the symbol NWF. The Acquiring Fund and the Acquired Fund are organized as business trusts under the laws of the Commonwealth of Massachusetts. The common shares of each Fund have equal voting rights and equal rights with respect to the payment of dividends and distribution of assets upon liquidation and have no preemptive, conversion or exchange rights or rights to cumulative voting. All outstanding shares of Acquiring Fund MuniPreferred and Acquired Fund MuniPreferred are rated AAA by S&P and Aaa by Moody s. The Acquiring Fund MuniPreferred Shares issued to the Acquired Fund pursuant to the Reorganization will have rights and preferences, including liquidation preferences, that are substantially similar to those of the outstanding shares of Acquired Fund MuniPreferred. See Proposal No. 1 The Reorganization.

Investment Objectives and Policies. The Acquiring Fund and Acquired Fund have similar investment objectives. Both Funds investment objectives are to provide current income exempt from regular federal income tax and the alternative minimum tax applicable to individuals and enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Funds investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued. The Acquired Fund s shares will also be exempt from the Florida intangible personal property tax.

The Acquiring Fund and Acquired Fund also have similar investment policies. The Acquiring Fund, under normal circumstances, will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or preferred shares outstanding (Acquiring Managed Assets), in a portfolio of securities that pay interest exempt from federal income taxes (municipal securities) and from the federal alternative minimum tax applicable to individuals. The Acquired Fund, under normal circumstances, will invest at least 80% of its average daily net assets, including assets attributable to any MuniPreferred shares that may be outstanding (Acquired Managed Assets) in a portfolio of municipal bonds that pay interest that is exempt from regular federal income tax and from the federal alternative minimum tax applicable to individuals, are exempt from the Florida intangible personal property tax, and are covered by insurance guaranteeing the timely payment of principal and interest thereon. The primary difference between the Fund s stated policies is that the Acquired Fund invests substantially all of its assets in municipal bonds that are exempt from the Florida intangible personal property tax and therefore concentrates its assets in Florida municipal bonds. Effective January 1, 2007, the State of Florida repealed the state s intangible personal property tax, which eliminated the state tax benefit to a Florida resident of owning a Florida-specific portfolio of municipal bonds. See Reasons for the Reorganization Elimination of the Florida Intangibles Tax.

Board Members and Officers. The Acquiring Fund and the Acquired Fund have the same Board Members and officers. The management of each Fund, including general supervision of the duties performed by the Adviser (as defined below) under the Investment Management Agreement for each Fund, is the responsibility of its Board. There are currently nine (9) trustees of the Funds, one (1) of whom is an interested person (as defined in the 1940 Act) and eight (8) of whom are not interested persons (the independent trustees). The names and business addresses of the trustees and officers of the Funds and their principal occupations and other affiliations during the past five years are set forth under Management in the Reorganization SAI incorporated herein by reference.

Investment Adviser. Nuveen Asset Management (the Adviser or NAM) is responsible for investing each Fund s net assets. NAM oversees the management of the Funds portfolios, manages the Funds business affairs and provides certain clerical, bookkeeping and other administrative services. NAM is located at 333 West Wacker Drive, Chicago, Illinois 60606.

NAM, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments, Inc. (Nuveen Investments). Founded in 1898, Nuveen Investments and its affiliates had approximately $ billion of assets under management as of December 31, 2008. On November 13, 2007, Nuveen Investments was acquired by investors led by Madison Dearborn Partners, LLC. Madison Dearborn Partners, LLC is a private equity investment firm based in Chicago, Illinois. See Management of the Funds-Investment Adviser.

The portfolio manager for the Acquiring Fund is Paul Brennan, CFA, CPA. Mr. Brennan manages several national open- and closed-end funds. Mr. Brennan began his career in the investment business in 1991 when he was a municipal credit analyst, then became a portfolio manager in 1994. He joined Nuveen Investments in 1997 while at Flagship Financial which Nuveen acquired. He earned his BS in Accountancy and Finance from Wright State University. He is a CPA, has earned the Chartered Financial Analyst designation, and currently sits on the Nuveen Asset Management Investment Management Committee. Prior to joining Flagship, Paul was employed at Deloitte & Touche within the audit group which participated in auditing mutual funds and investment advisers.

The portfolio manager for the Acquired Fund is Daniel Close, CFA. Mr. Close joined Nuveen Investments in 2000 as a member of Nuveen s product management and development team, where he was responsible for the oversight and development of Nuveen s mutual fund product line. 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.

Pursuant to an Investment Management Agreement between the Adviser and each Fund, each Fund pays an annual management fee for the services and facilities furnished by the Adviser on a monthly basis at the following annual rates:

Management Fee Schedule

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

In addition to the fund-level fee, each Fund pays a complex-level fee. The complex-level fee is the same for each Fund and begins at a maximum rate of 0.20% of each Fund s net assets, based upon complex-level assets of $55 billion, with breakpoints for assets above that level. Therefore, the maximum management fee rate for each Fund is the fund-level fee plus 0.20%. As of December 31, 2008, the effective complex-level fee for each Fund was 0.20% of net assets. See Management of the Funds Investment Adviser.

The Acquiring Fund paid aggregate management fees of $2,527,989 for the fiscal year ended October 31, 2008, for an effective management fee rate of 0.96% based on net assets applicable to common shares (0.62% based on managed assets). The Acquired Fund paid aggregate management fees of $534,685 for the fiscal year ended April 30, 2008, for an effective management fee rate of 0.97% based on net assets applicable to common shares (0.63% based on managed assets).

Dividends and Distributions. The Funds have identical dividend policies with respect to the payment of dividends on their common shares. Each Fund s present policy, which may be changed by its Board, is to make regular monthly cash distributions to holders of its common shares at a level rate (stated in terms of a fixed cents per common share dividend rate) that reflects the past and projected performance of the Fund. Distributions can only be made from net investment income after paying any accrued dividends to MuniPreferred shareholders. Each Fund s ability to maintain a level dividend rate will depend on a number of factors, including dividends payable on the MuniPreferred shares. The net income of each consists of all interest income accrued on portfolio assets less all expenses of the Fund. Over time, all the net investment income of each Fund will be distributed. At least annually, each Fund also intends to distribute net capital gain and ordinary taxable income, if any, after paying any accrued dividends or making any liquidation payments to MuniPreferred shareholders. Holders of common shares of each Fund may elect to have all distributions automatically reinvested in common shares of the Fund pursuant to that Fund s Dividend Reinvestment Plan. See Proposal No. 1 The Reorganization Description of Common Shares Issued by the Acquiring Fund Distributions and Dividend Reinvestment Plan and Additional Information About the Funds Tax Matters Associated with Investment in the Funds.

The dividend rates on shares of each Fund s MuniPreferred, including the Acquiring Fund MuniPreferred Shares issued pursuant to the Reorganization, are structured to be determined on the basis of auctions, which are scheduled to be held weekly. In February 2008, escalating liquidity pressures across financial markets led to the systemic failure of the auction rate preferred

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securities (ARPS) market and the auction process used to set the ARPS dividend rate. This failure is ongoing and affects the Funds MuniPreferred Shares whose dividend rates are currently set by reference to a predetermined, index-based formula (the Maximum Rate). See Proposal No. 1 The Reorganization Description of MuniPreferred Issued by the Acquiring Fund and The Auction and the Reorganization SAI.

Credit Quality. A comparison of the credit quality of the respective portfolios of the Acquiring Fund and the Acquired Fund, as of , 20 , is set forth in the table below.

Credit Rating	**Acquiring Fund**	**Acquired Fund**	**Combined Fund Pro-Forma(1)**
Aaa/AAA*	38.5%	43.8%	39.0%
Aa/AA	32.8	36.7	34.4
A/A	20.3	15.3	19.0
Baa/BBB	7.4	1.8	6.3
Unrated	1.0	2.4	1.3
TOTAL	100.0%	100.0%	100.0%

* Includes securities that are backed by an escrow or trust containing sufficient U.S. Government Securities to ensure the timely payment of principal and interest.

(1) Reflects the effect of the Reorganization.

Maturity and Duration. A comparison of the maturity and duration of the respective portfolios of the Acquiring Fund and the Acquired Fund, as of January 30, 2009, is set forth in the table below.

Fund	**Weighted Average Leverage Adjusted Duration**	**Weighted Average Maturity**
Acquiring	14.09	19.35
Acquired	10.44	16.15
Combined Fund Pro-Forma(1)	13.45	18.79

(1) Reflects the effect of the Reorganization.

Capitalization

The following table sets forth the unaudited capitalization of the Funds as of October 31, 2008 and the pro-forma combined capitalization of the combined Fund as if the Reorganization had occurred on that date. The table reflects a pro-forma exchange ratio of approximately common shares of the Acquiring Fund issued for each common share of the

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Acquired Fund. If the Reorganization is consummated, the actual exchange ratio may vary from the ratio indicated below.

	Acquiring Fund	Acquired Fund	Combined Fund Pro Forma[1]
Shareholders Equity:			
Common Shares, $.01 par value per share; 18,525,697 shares outstanding for Acquiring Fund; 3,882,373 shares outstanding for Acquired Fund; 22,462,644 shares outstanding for Combined Fund Pro Forma	$ 185,257	$ 38,824	$ 224,627(2)
Paid-in surplus	261,630,932	54,746,905	316,117,291(3)
Undistributed (over-distribution of) net investment income	(1,056,455)	(167,111)	(1,223,566)
Accumulated net realized gain (loss) from investments and derivative transactions	(5,027,688)	(1,458,697)	(6,486,385)
Net unrealized appreciation (depreciation) of investments and derivative transactions	(26,656,634)	(4,285,162)	(30,941,796)
Net assets applicable to common shares	$ 229,075,412	$ 48,874,759	$ 277,690,171

(1) The adjusted balances are presented as if the Reorganization were effective as of October 31, 2008 for information purposes only. The actual closing date of the Reorganization is expected to be , 2009, at which time the results would be reflective of the actual composition of shareholders equity at that date.

(2) Assumes the issuance of 3,936,947 Acquiring Fund Common Shares in exchange for the net assets of the Acquired Fund, which number is based on the net asset value of the Acquiring Fund Common Shares and the net asset value of the Acquired Fund Common Shares, as of October 31, 2008, after adjustment for the Reorganization costs referred to in (3) below.

(3) Includes the impact of estimated Reorganization costs of $260,000 which will be borne by the shareholders of the acquiring Fund and the Acquired Fund ($55,000 and $205,000, respectively).

Comparative Performance Information

Comparative total return investment performance for the Funds for periods ended December 31, 2008:

	Average Annual Total Return on Net Asset Value				Average Annual Total Return on Market Value			
	One Year	**Three Years**	**Five Years**	**Life of Fund**	**One Year**	**Three Years**	**Five Years**	**Life of Fund**
Acquiring Fund	−11.74%	−1.04%	1.43%	2.95%	−23.51%	−3.07%	−2.20%	−0.46%
Acquired Fund	−6.61%	0.48%	2.41%	3.22%	−18.93%	5.12%	−3.91%	−1.83%

Total Return on Market Value is the average annual return on an investment in common shares of each Fund, taking into account income and capital gains distributions, if any, as well as changes in market price per share. Total Return on Net Asset Value is the average annual return on investment in common shares of each Fund, taking into account income, capital gains distributions, if any, as well as changes in net asset value per share. Life of Fund performance is calculated from November 21, 2002 for each Fund. Past performance information is not necessarily indicative of future results.

Comparative Fee Table(1)

	Acquiring Fund 10/31/08	**Acquired Fund 4/30/08**	**Combined Fund Pro-Forma 10/31/08**
Annual Expenses (as a percentage of net assets applicable to common shares)			
Management Fees	0.96%	0.97%	0.96%
Interest Expense	0.06%		0.05%
Other Expenses	0.24%	0.27%	0.23%
Total Annual Expenses Gross	1.26%	1.24%	1.24%
Fee and Expense Reimbursement(2)	(0.39%)	(0.44%)	(0.38%)
Custodian Fee Credit	(0.01%)	(0.02%)	(0.01%)
Total Annual Expenses Net	0.86%	0.78%	0.85%

(1)

The Comparative Fee Table is presented as of each Fund s fiscal year end (October 31, 2008 for the Acquiring Fund and April 30, 2008 for the Acquired Fund). The pro forma combined figures assume the consummation of the merger on October 31, 2008 and reflect average net asset levels for both the Acquiring Fund and Acquired Fund for the 12-month period ended October 31, 2008. It is important for you to understand that a decline in the Fund s average net assets during the current fiscal year due to recent unprecedented market volatility or other factors could cause the Fund s expense ratios for the Fund s current fiscal year to be higher than the expense information presented.

(2) NAM has contractually agreed to reimburse the Funds, as a percentage of average daily net assets (including net assets attributable to preferred shares), for fees and expenses in the following amounts:

Year ending November 30,	
2007	0.32%
2008	0.24%
2009	0.16%
2010	0.08%

NAM has not agreed to reimburse the Funds for any portion of its fees and expenses beyond November 30, 2010.

Example: The following table illustrates the expenses on a $1,000 investment based upon the Total Annual Expenses Gross shown above and reflects the actual management fee reimbursement levels in effect (see Footnote 2 above) beginning on April 1, 2009 and assumes a 5% annual return.

	1 Year	3 Years	5 Years	10 Years
Acquiring Fund	$ 11	$ 37	$ 66	$ 150
Acquired Fund	$ 11	$ 37	$ 65	$ 147
Combined Fund Pro-Forma	$ 11	$ 36	$ 65	$ 147

The purpose of the comparative fee table is to assist you in understanding the various costs and expenses of investing in shares of the Funds. The information in the table is based upon annualized expenses for the fiscal year ended October 31, 2008 for the Acquiring Fund and the fiscal year ended April 30, 2008 for the Acquired Fund. The figures in the Example are not necessarily indicative of past or future expenses, and actual expenses may be greater or less than those shown. The Funds actual rate of return may be greater or less than the hypothetical 5% annual return shown in the Example.

Proposal 2: Issuance of Acquiring Fund Common Shares

In connection with the proposed Reorganization described under Proposal 1: Reorganization, the Acquiring Fund will issue additional Acquiring Fund Common Shares and list such shares on the NYSE Alternext. The Acquiring Fund will acquire all the assets and assume all the liabilities of the Acquired Fund in exchange for the newly-issued Acquiring Fund Common Shares and newly-issued Acquiring Fund MuniPreferred Shares. The Reorganization will result in no reduction of net asset value of the Acquiring Fund Common Shares, other than the costs of the Reorganization. No gain or loss will be recognized by the Acquiring Fund or its shareholders in connection with the Reorganization. The Acquiring Fund Board, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit holders of Acquiring Fund Common Shares. In particular, the Acquiring Fund Board believes, based on data presented by the Adviser, that the Acquiring Fund will experience a reduced annual operating expense ratio as a result of the Reorganization. See Proposal No. 1 Reasons for the Reorganization.

The Board of the Acquiring Fund recommends that common shareholders of the Acquiring Fund vote FOR the approval of the issuance of additional Acquiring Fund Common Shares in connection with the Reorganization. See Proposal No. 2 Issuance of Acquiring Fund Common Shares.

RISK FACTORS

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

The following risks and special considerations should be considered by shareholders of each Fund in their evaluation of the Reorganization:

Differences in Risks

The primary difference between the Funds is that the Acquired Fund invests substantially all of its assets in municipal bonds that are exempt from the Florida intangible personal property tax and therefore concentrates its assets in Florida municipal bonds. Also, the Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company.

The Acquired Fund invests in Florida municipal bonds and is non-diversified which gives rise to the following risks:

Special Considerations Relating to Florida Municipal Bonds. Except to the extent the Acquired Fund invests in temporary investments or in U.S. Territorial bonds, the Acquired Fund will invest substantially all of its net assets in Florida municipal bonds. The Acquired Fund is therefore more susceptible to political, economic or regulatory factors affecting issuers of Florida municipal bonds. The information set forth below and the related information in the Reorganization SAI is derived from sources that are generally available to investors. The information is provided as general information intended to give a recent historical description and is not intended to indicate future or continuing trends in the financial or other positions of Florida. It should be noted that the creditworthiness of obligations issued by local Florida issuers may be unrelated to the creditworthiness of obligations issued by the State of Florida, and that there is no obligation on the part of the State to make payment on such local obligations in the event of default.

Beginning in September 2007, Florida s job growth began a negative trend that has continued to the present. From December 2007 until December 2008 non-agricultural or nonfarm employment decreased 3.1%. The unemployment rate in Florida as of December 2008 was 8.1%. The national unemployment rate in December 2008 was 7.2%. Much of the state of Florida s decrease in employment stems from declines in construction jobs, declines in manufacturing jobs, declines in jobs in information, and declines in jobs in financial activities. However, according to the State of Florida Agency for Workforce Innovation, employment is expected to grow at a 1.65% annual rate for the period 2008 until 2016.

Additionally, Florida s statewide economic activity has recently been on a downward trend. Taxable sales have decreased by 12.6% for the period November 2007 until November 2008 with the largest percentage decrease in autos and accessories and the largest absolute decrease in consumer nondurables. Sales tax collections for fiscal year 2007-08 were 5.8% below the previous fiscal year s collections. Corporate income tax collections were 9.7% below the previous fiscal year s corporate income tax collections. Finally, documentary stamp tax collections in Fiscal Year 2007-08 decreased 36% from the previous year s collections.

In 2007, Florida s GDP increased by 2.51%, which underperformed the nation as a whole the nation s GDP increased by 4.75%. Florida had consistently outperformed the nation in GDP growth over the previous nine years.

In 2008, per capita personal income increased by 2.5%, which is down significantly from the personal income growth rates of 7.08% in 2005, 6.30% in 2006 and 3.74% rate in 2007. In the upcoming fiscal year, personal income growth is expected to increase at a rate of 2.0%, which is below the expected 3.1% forecast nationally. In 2007, the United States annual per capita income was $38,611. During the same year Florida annual per capita income was $38,444.

Population growth has slowed from a rate that hovered between 2.0% and 2.6% since the mid-1990 s. The State is expected to add an average of about 209,000 residents a year between 2007 and 2010, compared with annual increases of 418,000 people between 2002 and 2006.

A voter-approved amendment to Florida s Constitution that became effective in 1996 limits the rate of growth of state revenues to the growth rate of personal income. Revenues that are pledged to bonds, including new issuance, are exempt from the limitation. Another constitutional amendment requires the State to maintain a budget stabilization fund. The fund provides a counterbalance to the State s reliance on economically-sensitive sales tax revenues. As of February 24, 2009, Florida s general obligation bonds carry ratings of AAA by Standard & Poor s, Aa1 by Moody s, and AA+ by Fitch. Ratings for Florida municipal bonds may differ from the ratings granted to the general obligation bonds.

On January 29, 2008, the voters of Florida approved a constitutional amendment for property tax relief which: (1) provides for an additional exemption for $25,000 for homes valued over $50,000, except for school levies; (2) provides for transfer of accumulated Save-Our-Homes benefits, applicable to all tax levies; (3) establishes an exemption from property taxes of $25,000 of assessed value of tangible personal property, applicable to all tax levies; and (4) limits the assessment increases for specified non-homestead real property to 10 percent each year, except for school levies. Such amendment should have little to no financial impact on the State budget; however, such amendment will reduce ad valorem taxes received by local governments.

In addition to the constitutional amendment for property tax relief, Florida sales activity for homes is down approximately 5% from the same period last year and the median sales price is down 16% over the same period last year. Furthermore, there still remains a large inventory of unsold homes, and access to construction and mortgage financing is still tightening. These factors in conjunction with slower income growth will suppress growth in the housing sector for at least another 12 months.

The economic downturn has also negatively affected Florida s tourism industry. Approximately 2.3% less tourists visited Florida in 2008 than in 2007. The growth rate for tourism is expected to weakly increase over the next few years. Growth rates for fiscal years 2009-10, 2010-11, and 2011-12 are 0.6%, 1.0% and 1.8% respectively.

The Citizens Property Insurance Corporation is a quasi-governmental company that was created as an insurer of last resort in 2002. However, it has become Florida s top underwriter of homeowners insurance, with more than $433 billion of property exposure on its books. Furthermore, Florida has taken on $28 billion worth or reinsurance risk itself. The reinsurance pool would have to issue bonds for anything over $7.8 billion in losses. A major hurricane or series of hurricanes has the potential to exceed Florida s reserves to cover the losses.

On February 17, 2009 President Obama signed into law a federal stimulus package. Florida is expected to receive as much as $12.2 billion from the stimulus package. $3.2 billion is expected to be received in the 2008-09 fiscal year, $5.2 billion is expected to be received in the 2009-10 fiscal year, and the final $3.8 billion is expected to be received in the 2010-11 fiscal year. The stimulus payments received are expected to be used for health and human services, education, and transportation and economic development.

Furthermore, the validity of a compact that Governor Charlie Crist signed with the Seminole Indian Tribe in 2007 is under debate. The compact could provide $288 million to the 2009-10 fiscal year state budget. The compact allowed casino gambling on Seminole Indian territory found located in Florida. However, the Florida legislature has not ratified the compact and has set the money aside until the issue is settled.

As of December 2008, Florida faced a budget deficit of at least $2.3 billion. The Florida constitution requires that the Legislature pass a balanced budget. Thus, the legislature will be required to decrease certain expenditures or cut certain programs to balance the budget.

The foregoing information constitutes only a brief summary of some of the general factors which may impact certain issuers of municipal bonds and does not purport to be a complete or exhaustive description of all adverse conditions to which the issuers of municipal bonds held by the Fund are subject. Additionally, many factors including national economic, social and environmental policies and conditions, which are not within the control of the issuers of the municipal bonds, could affect or could have an adverse impact on the financial condition of the issuers. The Fund is unable to predict whether or to what extent such factors or other factors may affect the issuers of the municipal bonds, the market value or marketability of the municipal bonds or the ability of the respective issuers of the municipal bonds acquired by the Fund to pay interest on or principal of the municipal bonds. This information has not been independently verified. It should also be noted that the creditworthiness of obligations issued by local Florida issuers may be unrelated to the creditworthiness of obligations issued by the State of Florida, and that there is no obligation on the part of the State to make payment on such local obligations in the event of default.

Economic Sector Risk. The Acquired Fund may invest 25% or more of its total assets in municipal bonds in the same economic sector. Subject to the concentration limits of the Acquired Fund s investment policies and guidelines, the Fund may invest a significant portion of its net assets in certain sectors of the municipal bond 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 Acquired Fund invests a significant portion of its net assets in the sectors noted above, the Fund s performance may be subject to additional risk and variability. To the extent that the Acquired Fund focuses its net 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, labor relations, insurance costs and government regulation.

Non-Diversification. Because the Acquired Fund is classified as non-diversified under the 1940 Act it can invest a greater portion of its assets in obligations of a single issuer. As a result, the Acquired Fund may be more susceptible than a fund classified as a diversified fund under the 1940 Act to any single corporate, economic, political or regulatory occurrence. In addition, the Acquired Fund must satisfy certain asset diversification rules in order to qualify as a regulated investment company for federal income tax purposes.

Similarity of Risks

Despite the differences noted above, the Funds face more of the same type of risks, including the following:

Investment and Market Risk. An investment in the Funds shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in common shares represents an indirect investment in the municipal securities owned by a Fund, which generally trade in the over-the-counter markets. Your shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions, if applicable. In addition, 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.

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

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

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

Credit Risk. Credit risk is the risk that one or more municipal securities in a Fund s portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. In general, lower-rated municipal 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 a Fund s net asset value or dividends. Ratings may not accurately reflect the actual credit risk associated with a municipal security. Each Fund will not be required to dispose of a security if a downgrade occurs after the time of investment. If a downgrade occurs, NAM will consider what action, including the sale of the security, is in the best interests of a Fund. Also, to the extent that the rating assigned to a municipal security in a Fund s portfolio is downgraded by any National Recognized Statistical Rating Organization (NRSRO), the market price and liquidity of such security may be adversely affected.

Interest Rate Risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in a Fund s portfolio will decline in value because of increases in market interest rates. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. Because the Funds invest primarily in longer-term municipal securities, the common share net asset value and market price per share will fluctuate more in response to changes in market interest rates than if a Fund invested primarily in shorter-term municipal securities. 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.

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 each Fund s portfolio is generally less than that for corporate equities or bonds, and each Fund s investment performance may therefore be more dependant on NAM s analytical abilities than if such Fund were to invest in stocks or taxable bonds. The secondary market for municipal securities also tends to be less well-developed or liquid than many other securities markets, which may adversely affect each Fund s ability to sell its municipal securities at attractive prices or at prices approximating those at which such Fund currently values them.

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. 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. Issues of municipal securities might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, a Fund could experience delays in collecting principal and interest and 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, a 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. Any income derived from a Fund s ownership or operation of such assets may not be tax-exempt.

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

Reinvestment Risk. Reinvestment risk is the risk that income from a 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.

Inverse Floating Rate Securities Risk. Each 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 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.

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

Any economic effect of leverage through a Fund s purchase of 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.

There is no assurance that a 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 tender option bond trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. In circumstances where Fund has a need for cash and the securities in a tender option bond trust are not actively trading, the Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings.

Insurance Risk. Each 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. Certain 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. 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 may not add any value. The insurance feature of a municipal security does not guarantee the full payment of principal and interest through the life of an insured obligation, the market value of the insured obligation or the net asset value of the common shares represented by such insured obligation.

In addition, a Fund may be subject to certain restrictions on investments imposed by guidelines of the insurance companies issuing master municipal insurance policy purchased by the Fund (Portfolio Insurance). Each Fund does not expect these guidelines to prevent NAM from managing the Fund s portfolio in accordance with the Fund s investment objectives and policies.

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

In February 2008, escalating liquidity pressures across financial markets led to the systemic failure of the ARPS market and the auction process used to set the ARPS dividend rate. This failure is on-going and affects the Funds MuniPreferred shares whose dividend rates are currently set by reference to the Maximum Rate. Because the Funds Maximum Rates over time are expected to result in a higher relative cost of leverage compared with historical levels, the potential incremental earnings from the Funds use of MuniPreferred shares would be expected to be reduced relative to historical levels. Each Fund and NAM continue to explore various alternatives for refinancing the Fund s outstanding MuniPreferred shares in order to reduce the Fund s relative cost of leverage over time and to provide liquidity at par for MuniPreferred shareholders.

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

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

The amount of fees paid to NAM for investment advisory services will be higher since each Fund uses financial leverage because the fees will be calculated based on the Fund s Managed Assets.

Each Fund seeks to manage the risks associated with its use of financial leverage as described below under Management of Investment Portfolio and Capital Structure to Limit Leverage Risk.

Tax Risk. To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, a Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources. If for any taxable year a Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain) would be subject to 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.

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

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

Taxability Risk. Each Fund will invest in municipal securities in reliance at the time of purchase on an opinion of bond counsel to the issuer that the interest paid on those securities will be excludable from gross income for federal income tax purposes, and NAM will not independently verify that opinion.

Subsequent to a Fund s acquisition of such a municipal security, however, the security may be determined to pay, or to have paid, taxable income. As a result, the treatment of dividends previously paid or to be paid by the Fund as exempt-interest dividends could be adversely affected, subjecting a Fund s shareholders to increased federal income tax liabilities.

Under highly unusual circumstances, the IRS may determine that a municipal bond issued as tax-exempt should in fact be taxable. If a Fund holds such a bond, it might have to distribute taxable ordinary income dividends or reclassify as taxable income previously distributed as exempt-interest dividends.

Distributions of ordinary taxable income (including any net short-term capital gain) will be taxable to shareholders as ordinary income (and not eligible for favorable taxation as qualified dividend income), and capital gain dividends will be subject to capital gains taxes. See Tax Matters.

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

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

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

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

Each Fund may enter into debt-related derivatives instruments including credit default swap contracts and interest rate swaps. Like most derivative instruments, the use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. In addition, the use of swaps requires an understanding by 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. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Fund s ability to terminate existing swap agreements or to realize amounts to be received under such agreements. See Counterparty Risk , Hedging Risk and the Reorganization SAI.

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

Hedging Risk. Each 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 a Fund will enter into hedging or other transactions at times or under circumstances in which it may be advisable to do so.

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 a Fund s portfolio.

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

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

Call Risk. If interest rates fall, it is possible that issuers of callable bonds with higher interest coupons will call (or prepay) their bonds before their maturity date. If a call were exercised by the issuer during a period of declining interest rates, a Fund is likely to replace such called security with a lower yielding security.

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

Anti-Takeover Provisions. Each Fund s Declaration and By-laws includes 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 common shareholders of opportunities to sell their common shares at a premium over the then current market price of the Common Shares. For further information on the Acquiring Fund, see Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws.

MuniPreferred Interest Rate Risk. The Funds issue MuniPreferred shares, which pay dividends based on short-term interest rates, and use the proceeds to buy municipal bonds, which pay interest based on long-term yields. Long-term municipal bond yields are typically, although not always, higher than short-term interest rates. Both long-term and short term interest rates may fluctuate. If short-term interest rates rise, MuniPreferred rates may rise so that the amount of dividends paid to MuniPreferred shareholders exceeds the income from a Fund s portfolio securities. Because income from each Fund s entire investment portfolio (not just the portion of the portfolio purchased with the proceeds of the MuniPreferred share offering) is available to pay MuniPreferred dividends, however, MuniPreferred dividend rates would need to greatly exceed the Fund s net portfolio income before the Fund s ability to pay MuniPreferred dividends would be jeopardized. Due to the systematic failure of the ARPS market and the auction process used to set the ARPS dividend rate, the Funds MuniPreferred dividend rates are currently set by reference to the Maximum Rate. Because the Funds Maximum Rates over time are expected to result in a higher relative cost of leverage compared with historical levels, the potential incremental earnings from the Funds use of MuniPreferred shares would be expected to be reduced relative to historical levels.

Auction Risk. Since mid-February 2008 the functioning of the auction markets for certain types of auction rate securities (including MuniPreferred) has been disrupted by an imbalance between buy and sell orders. As a result of this imbalance, auctions for MuniPreferred have not cleared and MuniPreferred generally have become illiquid. There is no current expectation that these circumstances will change following the Reorganization and it is possible that the MuniPreferred markets will never resume normal functioning. The dividend rate on MuniPreferred when MuniPreferred auctions do not clear is the Maximum Rate. In normally functioning auctions, if you place hold orders (orders to retain MuniPreferred shares) at an auction only at a specified rate, and that bid rate exceeds the rate set at the auction, you will not retain your MuniPreferred shares. Finally, if you buy shares or elect to retain shares without specifying a rate below which you would not wish to continue to hold those shares, and the auction sets a below-market rate, you may receive a lower rate of return on your shares than the market rate. Description of MuniPreferred shares and The Auction Auction Procedures.

Secondary Market Risk. There is currently no established secondary market for MuniPreferred and, if one should develop, it may only be possible to sell them for a price of less than $25,000 per share plus any accumulated dividends. If either Fund has designated a Special Dividend Period (a dividend period of more than 7 days), changes in interest rates could affect the price of MuniPreferred sold in the secondary market. Broker-dealers may maintain a secondary trading market in the MuniPreferred; however, they have no obligation to do so and there can be no assurance that a secondary market for the MuniPreferred will develop or, if it does develop, that it will provide holders with a liquid trading market (i.e., trading will depend on the presence of willing buyers and sellers and the trading price is subject to variables to be determined at the time of the trade by the broker-dealers). MuniPreferred are not be registered on any stock exchange or on any automated quotation system. An increase in the level of interest rates, particularly during dividend periods between one and five years, likely will have an adverse effect on the secondary market price of the MuniPreferred, and a selling shareholder may sell MuniPreferred between auctions at a price per share of less than $25,000. Accrued MuniPreferred dividends, however, should at least partially compensate for the increased market interest rate.

Ratings and Asset Coverage Risk. While Moody s and S&P assign ratings of Aaa and AAA, respectively, to each Fund s MuniPreferred shares, the ratings do not eliminate or necessarily mitigate the risks of investing in MuniPreferred shares. A rating agency could downgrade MuniPreferred shares, which may negatively affect your MuniPreferred Shares. If a rating agency downgrades MuniPreferred shares, a Fund will alter its portfolio or redeem

MuniPreferred shares. A Fund may voluntarily redeem MuniPreferred shares under certain circumstances.

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

THE SPECIAL MEETING

General

This Proxy Statement/Prospectus is furnished in connection with the solicitation by the Boards of the Funds of proxies to be voted at the Special Meeting to be held , , , , on , , 2009, at : a.m., Central time, and at any and all adjournments of such Special Meeting. The cost of preparing, printing and mailing the enclosed proxy, accompanying notice and Proxy Statement/Prospectus, and all other costs in connection with the solicitation of proxies will be allocated between the Funds. Additional solicitation may be made by officers of the Funds, by officers or employees of the Adviser or Nuveen Investments, or by dealers and their representatives. The Funds have engaged Georgeson Inc. to assist in the solicitation of proxies at an estimated cost of $ plus reasonable expenses.

The Board of each Fund has fixed the close of business on , 2009 as the record date (the Record Date) for determining holders of such Fund s common shares and shares of MuniPreferred entitled to notice of and to vote at the Special Meeting. Each shareholder will be entitled to one vote for each common share or share of MuniPreferred held. At the close of business on the Record Date, (a) the Acquiring Fund had outstanding common shares and shares of MuniPreferred as follows: Series T- shares; Series W- shares, and (b) the Acquired Fund had outstanding common shares and shares of MuniPreferred Series W.

Voting; Proxies

Common shares and MuniPreferred shares of the Funds entitled to vote at the Special Meeting that are represented by properly executed proxies will, unless such proxies have been revoked, be voted in accordance with the shareholder s instructions indicated on such proxies.

A quorum of shareholders is required to take action at the Special Meeting. A majority of the shares entitled to vote at the Special Meeting, represented in person or by proxy, will constitute a quorum of shareholders at the Special Meeting. Votes cast by proxy or in person at the Special Meeting will be tabulated by the inspectors of election appointed for Special Meeting. The inspectors of election will determine whether or not a quorum is present at the Special Meeting. The inspectors of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum. For purposes of determining the approval of Proposal 1 and Proposal 2, abstentions and broker non-votes will have the same effect as shares voted against the proposal.

MuniPreferred shares held in street name as to which voting instructions have not been received from the beneficial owners or persons entitled to vote as of one business day before the Special Meeting, or, if adjourned, one business day before the day to which the Special Meeting is adjourned, and that would otherwise be treated as broker non-votes may, pursuant to Rule 452 of the New York Stock Exchange, be voted by the broker on the proposal in the same proportion as the votes cast by all holders of MuniPreferred shares as a class who have voted on the proposal or in the same proportion as the votes cast by all holders of MuniPreferred shares of the Fund who have voted on that item. Rule 452 permits proportionate voting of MuniPreferred shares with respect to a particular item if, among other things, (i) a minimum of 30% of the MuniPreferred shares or shares of a series of MuniPreferred shares outstanding has been voted by the holders of such shares with respect to such item and (ii) less than 10% of the MuniPreferred shares or shares of a series of MuniPreferred shares outstanding has been voted by the holders of such shares against such item. For the purpose of meeting the 30% test, abstentions will be treated as shares voted and, for the purpose of meeting the 10% test, abstentions will not be treated as shares voted against the item.

The details of each proposal to be voted on by the shareholders of each Fund and the vote required for approval of each proposal are set forth under the description of each proposal below. Shareholders of either Fund who execute proxies may revoke them at any time before they are voted by filing with their Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the meeting and voting in person.

PROPOSAL NO. 1 THE REORGANIZATION
(SHAREHOLDERS OF EACH FUND)

The terms and conditions of the Reorganization are set forth in the Agreement and Plan of Reorganization. Significant provisions of the Agreement are summarized below; however, this summary is qualified in its entirety by reference to the Agreement, a copy of which is attached as Appendix A to this Proxy Statement/Prospectus.

General

The Agreement sets forth the terms of the Reorganization, under which (i) the Acquiring Fund will acquire all the assets of the Acquired Fund in exchange for newly issued Acquiring Fund Common Shares and newly issued Acquiring Fund MuniPreferred Shares, and the Acquiring Fund s assumption of all the liabilities of the Acquired Fund, (ii) the distribution of the Acquiring Fund Common Shares and Acquiring Fund MuniPreferred Shares held by the Acquired Fund to its common and preferred shareholders, respectively and (iii) the liquidation, dissolution and termination of the Acquired Fund as a Trust in accordance with the Acquired Fund s Declaration of Trust. As a result of the Reorganization, the assets of the Acquiring Fund and the Acquired Fund would be combined and the shareholders of the Acquired Fund would become shareholders of the Acquiring Fund. The Board Members and officers of the Acquiring Fund are identical to those of the Acquired Fund. The investment objectives and policies of the Acquiring Fund are similar to the Acquired Fund except that the Acquired Fund invests in municipal bonds that are exempt from the Florida intangible personal property tax and concentrates its assets in Florida municipal bonds. Also, the Acquiring Fund is a diversified management investment company and the Acquired Fund is a non-diversified management investment company. If all proposals are approved, the [closing date] is expected to be the close of business on , 2009. Following the Reorganization, the Acquired Fund would terminate its registration as an investment company under the 1940 Act.

Terms of the Reorganization

Valuation of Assets and Liabilities. If the Reorganization is approved and the other conditions are satisfied or waived, the value of the net assets of the Acquired Fund shall be the value of its assets, less its liabilities, computed as of the close of regular trading on the New York Stock Exchange (NYSE) on the business day immediately prior to the Closing Date (such time and date being hereinafter called the Valuation Date). The value of the Acquired Fund s assets shall be determined by using the valuation procedures set forth in the Acquired Fund s Declaration of Trust and the Funds Proxy Statement/Prospectus to be used in connection with the Reorganization or such other valuation procedures as shall be mutually agreed upon by the parties. The value of the Acquired Fund s net assets shall be calculated net of the liquidation preference (including accumulated and unpaid dividends) of all outstanding Acquired Fund MuniPreferred shares.

Dividends will accumulate on shares of Acquired Fund MuniPreferred, Series W, up to and including the day on which the [closing] occurs and will be paid, together with the dividends then payable in respect of the shares of Acquiring Fund MuniPreferred Shares to the holders thereof on the Dividend Payment Date in respect of the Initial Rate Period of such shares. The Initial Rate Period of the shares of Acquiring Fund MuniPreferred Shares will be a period consisting of the number of days following the day on which the [closing] occurs that would have remained in the rate period of the shares of Acquired Fund MuniPreferred, Series W, in effect immediately prior to the [closing date]. The dividend rate for the Acquiring Fund MuniPreferred Shares for such Initial Rate Period thereof will be the dividend rate in effect immediately prior to the [closing date] for the shares of Acquired Fund MuniPreferred, Series W. The initial auction for the Acquiring Fund MuniPreferred Shares issued pursuant to the Reorganization will be held on the day on which the auction next succeeding the [closing date] would have been held for the shares of Acquired Fund MuniPreferred, Series W, but for the Reorganization.

Following the Reorganization, every common shareholder of the Acquired Fund would own common shares of the Acquiring Fund that will have an aggregate per share net asset value immediately after the [closing date] equal to the aggregate per share net asset value of that shareholder s Acquired Fund common shares immediately prior to the [closing date]. See Description of Common Shares Issued by the Acquiring Fund for a description of the rights of such shareholders. Since the Acquiring Fund Common Shares issued to the common shareholders of the Acquired Fund would be issued at net asset value in exchange for net assets of the Acquired Fund having a value equal to the aggregate per share net asset value of those Acquiring Fund Common Shares so issued, the net asset value of the Acquiring Fund common shares should remain virtually unchanged by the Reorganization, excluding Reorganization expenses. However, as a result of the Reorganization, common shareholders of both Funds would hold reduced percentages of ownership in the larger combined entity than they held in the Acquiring Fund or the Acquired Fund, as the case may be.

Following the Reorganization, every preferred shareholder of the Acquired Fund would own the same number of shares of Acquiring Fund MuniPreferred Shares as was held of Acquired Fund MuniPreferred, Series W, and the shares of Acquiring Fund MuniPreferred Shares would have rights and preferences substantially similar to those of the shares of Acquired

Fund MuniPreferred, Series W. See Description of MuniPreferred Issued by the Acquiring Fund and Comparison of Rights of Holders of MuniPreferred of the Acquiring Fund and the Acquired Fund.

Amendments and Conditions. Under the terms of the Agreement, See Rating Agency Considerations and Certain Federal Income Tax Consequences of the Reorganization.

Termination or Postponement.

Reasons for the Reorganization

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

In preparation for a meeting of the Boards held on January 13, 2009 (the Meeting) at which the Reorganization was proposed, NAM provided the Boards with information regarding the proposed Reorganization, including the rationale therefor and alternatives considered to the Reorganization. Prior to approving the Reorganization, the Independent Trustees reviewed the foregoing information with their independent legal counsel and with management, reviewed with independent counsel applicable law and their duties in considering such matters, and met with independent legal counsel in a private session without management present. The Boards considered a number of principal factors in reaching their respective determination, including the following:

- the secondary market trading history of the Funds (i.e., the price level at which the Funds shares have traded over time in relation to their underlying net asset value on an absolute basis and as compared to other closed-end funds) and prior efforts to enhance the secondary market for the common shares of the Acquired Fund;
- the elimination of the Florida intangibles tax;
- the compatibility of the investment objectives, policies and strategies of the Funds;
- the potential opportunities to refinance MuniPreferred;
- the relative fees and expense ratios of the Funds, including caps on the Funds expenses agreed to by NAM;
- the investment performance of the Funds;
- the anticipated tax-free nature of the Reorganization;
- the expected costs of the Reorganization and the extent to which the Funds would bear any such costs;
- the terms of the Reorganization and whether the Reorganization would dilute the interests of shareholders of the Funds; and
- any potential benefits of the Reorganization to NAM as a result of the Reorganization.

Elimination of Florida Intangibles Tax. Prior to January 1, 2007, the State of Florida imposed an intangibles tax on the value of stocks, bonds, other evidences of indebtedness and mutual fund shares. Florida municipal obligations were exempt from this tax. The repeal of the Florida state intangibles tax in 2007 reduced the attractiveness of Florida bonds to investors formerly subject to the intangibles tax. In light of the Acquired Fund s secondary market trading history over time as well as previous efforts to enhance the secondary market for its common shares, the Board of the Acquired Fund considered various responses to the repeal of the intangibles tax, including merging the Acquired Fund into an existing national municipal closed-end fund, reorganizing it into a newly created shell fund, and amending the Acquired Fund s investment mandates (e.g., converting from a Florida-specific mandate to a national or Florida-preference mandate). After considering the alternatives, given the similarities between the Acquiring Fund and the Acquired Fund and the expected benefits from combining the Funds, the Boards believe the proposed Reorganization would be in the best interests of the respective Funds.

Continuity of Objectives and Policies. The Boards considered the compatibility of the Funds investment objectives, policies and strategies except in relevant part, the Acquired Fund would invest primarily in municipal securities that pay interest exempt from the Florida intangible personal property tax and thus would concentrate its assets in Florida municipal bonds. As noted above, Florida repealed the intangible personal property tax eliminating a primary reason for the policy of the Acquired Fund to invest in Florida municipal bonds and making the continuation of this policy is no longer necessary. With the Reorganization, the Acquired Fund common shareholders would be invested in a more diversified portfolio and their exposure to Florida obligations would decrease. Each Fund has also issued MuniPreferred to create leverage. Through the use of leverage, the Funds seek to enhance potential common share earnings over time by borrowing at short-term municipal rates and investing at long-term municipal rates which generally are higher. Although there are no assurances that the use of leverage will result in a higher yield or return to common shareholders, the Boards believe that the Acquiring Fund s use of leverage would continue to provide common shareholders of the Acquired Fund the potential for higher monthly tax-exempt distributions and enhanced total returns on average over market cycles at a time when the municipal yield spreads are particularly wide or attractive. In addition, as discussed in more detail below, the larger asset base of the combined fund may increase its ability to refinance the MuniPreferred with TOBs.

Expanded MuniPreferred Refinancing Opportunities. As noted, both Funds have issued MuniPreferred to create leverage. The Boards recognize the systematic failure of the MuniPreferred market and the auction process used to set the MuniPreferreds dividend rate. This failure continues and the Funds MuniPreferred shares are currently set by reference to the Maximum Rate. The larger asset base of the combined fund may increase its ability to refinance the MuniPreferred with TOBs. In addition, the greater portfolio diversification of the Acquiring Fund compared to the Acquired Fund may also enhance the combined fund s ability to refinance the MuniPreferred compared to that of the Acquired Fund. The use of TOBs to replace MuniPreferred is expected to benefit the Funds common shareholders because it is expected to lower the relative cost of leverage over time for common shareholders. Further, through such refinancings, the Funds seek to provide liquidity at par for MuniPreferred shareholders.

Expected Lower Fund Fees and Expenses. The combined fund offers economies of scale that may lead to lower per share expenses for common shareholders of the Funds. The Boards considered the fees and expense ratios of their respective Funds, including the estimated expenses of the combined fund after the Reorganization. As a result of greater economies of scale from the larger asset size of the combined fund, it is expected that the management fees and net expenses of the combined fund (after any expense reimbursements) would be lower than that of both Funds. In this regard, the Funds are subject to the same management fee rate schedule pursuant to their respective investment management agreements with NAM. Accordingly, after the Reorganization, the greater asset size of the combined fund is expected to result in a lower management fee rate. Further, the fixed operating expenses of the combined fund may be spread over a larger asset base.

Improved Secondary Market Trading. While it is not possible to predict trading levels at the time the Reorganization closes, a reduction in a Fund s trading discount would be in the best interests of the Fund s common shareholders. The Board of the Acquired Fund considered that over the past year, the Acquired Fund shares generally have traded at a wider discount to net asset value (NAV) than has been the case for national funds. The potential broader investor base of a national fund instead of a Florida-specific fund may promote higher common share prices relative to net asset value and the combined fund s greater market liquidity may lead to narrower bid-ask spreads and smaller trade to trade price movements. Similarly, with respect to the Acquiring Fund, the Board of the Acquiring Fund considered that the potential for higher common net earnings and enhanced total returns over time may also lead to higher common share market prices relative to net asset value and the combined funds greater market liquidity may lead to narrower bid-ask spreads and smaller trade to trade price movements. There can, however, be no assurance that after the Reorganization, the common shares of the combined fund will trade at a premium to NAV, or at a smaller discount to NAV, than is currently the case for the common shares of the Acquiring Fund and Acquired Fund.

Investment Performance. The Boards considered the estimated increase in common net earnings of the combined Fund after the Reorganization compared to that of the Acquiring Fund and Acquired Fund based on information provided by NAM and expected expanded opportunities for enhanced total returns due to the larger asset base (and in relation to the Acquired Fund, a nationally-diversified portfolio). This information supplemented the historic investment performance information of the Funds the Boards receive at their meetings during the year.

No Dilution. The terms of the Reorganization are intended to avoid dilution of the interests of the shareholders of the Funds. In this regard, each shareholder of common shares of the Acquired Fund will receive common shares of the Acquiring Fund equal to the aggregate per share net asset value of that shareholder s Acquired Fund common shares immediately prior to the closing of the Reorganization. With respect to preferred shareholders, every preferred shareholder of the Acquired Fund will receive the same number of shares of Acquiring Fund MuniPreferred Shares as was held of the Acquired Fund MuniPreferred shares, Series W, and the Acquiring Fund MuniPreferred Shares would have rights and preferences substantially similar to those of the shares of Acquired Fund MuniPreferred shares, Series W. The aggregate liquidation preference of Acquiring Fund MuniPreferred Shares received in the Reorganization will equal the aggregate liquidation preference of the Acquired Fund s preferred shares held immediately prior to the Reorganization.

Tax-Free Reorganization. The Reorganization will be structured with the intention that it qualify as a tax-free reorganization for federal income tax purposes. The Funds will obtain an opinion of counsel (based on certain factual representations and certain customary assumptions) substantially to the effect that the Reorganization will be tax-free for federal income tax purposes.

Costs of the Reorganization. The Boards considered the terms and conditions of the Agreement, including the estimated costs associated with the Reorganization and the allocation of such costs between the Acquiring Fund and the Acquired Fund.

Potential Benefits to NAM. The Boards recognized that the Reorganization may result in benefits and economies for NAM. These may include, for example, a reduction in the level of operational expenses incurred for administrative, compliance and portfolio management services as a result of the elimination of the Acquired Fund as a separate Nuveen Fund.

Conclusion. The Boards, including the Independent Trustees, approved the Reorganization, concluding that the Reorganization is in the best interests of both Funds and that the interests of existing shareholders of the Funds will not be diluted as a result of the Reorganization.

Votes Required

The Reorganization is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of the Acquired Fund s common shares and the MuniPreferred, voting together as a single class, and by the affirmative vote of a majority of the Fund s outstanding MuniPreferred, voting as a separate class. In addition, the Reorganization is required to be approved by the affirmative vote of the holders of a majority of the outstanding shares of the Acquiring Fund s common shares and the MuniPreferred, voting together as a single class, and by the affirmative vote of a majority of the Fund s outstanding MuniPreferred, voting as a separate class.

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

Rating Agency Considerations

Under the terms of the Agreement, the Reorganization is conditioned upon (a) approval by the shareholders of the Acquiring Fund, as described under Votes Required above, (b) the Funds receipt of written advice from Moody s and S&P (i) confirming that consummation of the Reorganization will not impair the AAA and Aaa ratings assigned to the outstanding shares of Acquiring Fund MuniPreferred shares, Series T or Series W and (ii) assigning AAA or Aaa ratings to the shares of Acquiring Fund MuniPreferred, Series W2, (c) the Funds receipt of an opinion to the effect that the Reorganization will qualify as a tax-free reorganization under the

Code, (d) the absence of legal proceedings challenging the Reorganization and (e) the Funds receipt of certain routine certificates and legal opinions. See Certain Federal Income Tax Consequences of the Reorganization.

Description of Common Shares Issued by the Acquiring Fund

General

The Declaration of Trust of the Acquiring Fund (the Acquiring Fund Declaration of Trust) authorizes an unlimited amount of common shares, par value $.01 per share. As of , 2009, there were issued and outstanding common shares of the Acquiring Fund. If the Reorganization is approved, at the [closing date] the Acquiring Fund will issue additional common shares. The number of such additional Acquiring Fund Common Shares will be based on the relative aggregate per share net asset values of the Acquiring Fund and the Acquired Fund, in each case as of the [closing date]. Based on the relative per share net asset values as of , 2009, the Acquiring Fund would have issued approximately additional common shares if the Reorganization had occurred as of that date.

The terms of the Acquiring Fund Common Shares to be issued pursuant to the Reorganization will be identical to the terms of the Acquiring Fund common shares that are then outstanding. All of the Acquiring Fund common shares have equal rights with respect to the payment of dividends and the distribution of assets upon liquidation. The Acquiring Fund common shares are, when issued, fully paid and non-assessable and have no preemptive, conversion or exchange rights or right to cumulative voting. The Acquiring Fund will not be permitted to declare, pay or set apart for payment any cash dividend or distribution on the Acquiring Fund Common Shares, unless (a) cumulative dividends on all outstanding shares of Acquiring Fund MuniPreferred shares have been paid in full and (b) the Acquiring Fund meets the asset coverage test described in the Reorganization SAI under Description of MuniPreferred Issued by the Acquiring Fund Dividends Restrictions on Dividends and Other Payments. This latter limitation on the Acquiring Fund s ability to make distributions on common shares could under certain circumstances impair the ability of the Acquiring Fund to maintain its qualification for taxation as a regulated investment company under the Code. See Tax Matters Associated with Investment in the Funds under Additional Information About the Funds below and in the Reorganization SAI.

Distributions

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

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

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

The Acquiring Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time.

See Tax Matters Associated with Investment in the Funds under Additional Information About the Funds below and in the Reorganization SAI.

Fund management does not expect the level of monthly distributions to the common shareholders of the Acquiring Fund and the Acquired Fund to be affected by the Reorganization. There can be no assurance, however, that a stable level of distributions may be maintained over the life of either Fund.

Dividend Reinvestment Plan

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

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

(1) If common shares are trading at or above net asset value at the time of valuation, the Acquiring Fund will issue new shares at the then current market price; or

(2) If common shares are trading below net asset value at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase common shares in the open market, on the NYSE Alternext or elsewhere, for the participants accounts. It is possible that the market price for the common shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in common shares issued by the Acquiring Fund. The Plan Agent will use all dividends and distributions received in cash to purchase common shares in

the open market within 30 days of the valuation date. Interest will not be paid on any uninvested cash payments.

If the Plan Agent begins purchasing Acquiring Fund shares on the open market while shares are trading below net asset value, but the Fund s shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares net asset value or 95% of the shares market value.

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

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

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

Automatically reinvesting dividends and distributions does not mean that you do not have to pay income taxes due upon receiving dividends and distributions. The Acquiring Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of the Acquiring Fund the change is warranted. There is no direct service charge to participants in the Plan; however, the Acquiring Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from ,
Attn: , , , (800) - .

Comparison of Rights of Holders of Common Shares of the Acquiring Fund and the Acquired Fund

The common shares of each Fund have equal voting rights with respect to that Fund and equal rights with respect to the payment of dividends and distribution of assets upon liquidation of that Fund and have no preemptive, conversion or exchange rights or rights to cumulative voting. The provisions of the Acquiring Fund Declaration of Trust are substantially similar to the provisions of the Acquired Fund s Declaration of Trust, and both contain, among other things, identical super-majority voting provisions, as described under Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws below. The full text of each Fund s Declaration of Trust, is on file with the SEC and may be obtained as described on page iii. The terms of the Acquiring Fund s Dividend Reinvestment Plan and distribution policy are identical to the terms of the Acquired Fund s Dividend Reinvestment Plan and distribution policy.

Description of MuniPreferred Issued by the Acquiring Fund

The following is a brief description of the terms of the shares of the Acquiring Fund MuniPreferred, including the Acquiring Fund MuniPreferred Shares to be issued pursuant to the

Agreement. This description assumes that the Reorganization will be consummated and that the Acquiring Fund will issue shares of its MuniPreferred pursuant to the Agreement. This description does not purport to be complete and is subject to and qualified in its entirety by reference to the more detailed description of the shares of Acquiring Fund MuniPreferred Shares in the Reorganization SAI and in the Acquiring Fund Statement attached as Appendix to the Reorganization SAI. Capitalized terms used but not defined herein have the meanings given them above or in the Acquiring Fund Statement.

Since February 2008 existing markets for APS have become generally illiquid and investors have not been able to sell their securities through the regular auction process. There currently is no established secondary market for MuniPreferred and, in the event a secondary market develops, a MuniPreferred holder may receive less than the price paid for MuniPreferred.

General

The Acquiring Fund Declaration of Trust authorizes the issuance of an unlimited number of preferred shares, par value $.01 per share, in one or more classes or series, with rights as determined by the Board without the approval of holders of common shares. The Acquiring Fund Statement currently authorizes the issuance of 2,880 and 2,880 shares of MuniPreferred, Series T and W, respectively. At the [closing], the Acquiring Fund will issue to the Acquired Fund shares of MuniPreferred, Series W2, which the Acquired Fund would then distribute to the holders of Acquired Fund MuniPreferred, Series W. All MuniPreferred shares have a liquidation preference of $25,000 per share plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared).

The MuniPreferred shares of each series rank on parity with shares of any other series of MuniPreferred and with shares of any other series of preferred shares of the Acquiring Fund as to the payment of dividends and the distribution of assets upon liquidation. All MuniPreferred shares carry one vote per share on all matters on which such shares are entitled to be voted. Shares of MuniPreferred are, when issued, fully paid and, subject to matters discussed in Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws, non-assessable and have no preemptive, conversion or cumulative voting rights.

Dividends and Dividend Periods

General. The dividend rate for shares of Acquired Fund MuniPreferred Shares issued in connection with the Reorganization for the Initial Rate Period will be equal to the dividend rate for shares of the Acquired Fund s MuniPreferred shares, Series W. The Initial Rate Period of the shares of Acquiring Fund MuniPreferred Shares issued pursuant to the Agreement will be a period consisting of the number of days following the day on which the [closing] occurs that would have remained in the rate period of the shares of the Acquired Fund MuniPreferred, Series W, in effect immediately prior to the [closing]. Due to the systematic failure of the ARPS market, the Acquired Fund MuniPreferred Shares dividend rate is set at the Maximum Rate.

Dividends on shares of Acquiring Fund MuniPreferred Shares issued pursuant to the Reorganization will be payable, when, as and if declared by the Acquiring Fund s Board out of funds legally available therefor in accordance with the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement, and applicable law. Providing that the [closing date] is , 2009, dividends will be payable on Thursday, , 2009, and thereafter on each Thursday. However, (i) if the Wednesday on which dividends would otherwise be payable as set forth above is not a Business Day, then such dividends shall be payable on such shares on the first Business Day that falls prior to such Wednesday; and (ii) the Acquiring Fund may specify different Dividend Payment Dates in respect of any Special Rate Period of more than 28 Rate Period Days.

The amount of dividends per share payable on the Acquiring Fund of MuniPreferred Shares on any date on which dividends shall be payable on shares of such series shall be computed by multiplying the Applicable Rate for shares of such series in effect for such Dividend Period or Dividend Periods or part thereof for which dividends have not been paid by a fraction, the numerator of which shall be the number of days in such Dividend Period or Dividend Periods or part thereof and the denominator of which shall be 365 if such Dividend Period consists of 7 Rate Period Days and 360 for all other Dividend Periods, and applying the rate obtained against $25,000.

Dividends will be paid through the Securities Depository on each Dividend Payment Date in accordance with its normal procedures, which currently provide for it to distribute dividends in next-day funds to Agent Members, who in turn are expected to distribute such dividend payments to the persons for whom they are acting as agents. Each of the current Broker-Dealers, however, has indicated to the Fund that such Broker-Dealer or the Agent Member designated by such Broker-Dealer will make such dividend payments available in same-day funds on each Dividend Payment Date to customers that use such Broker-Dealer or its designee as Agent Member.

Dividends on shares of the Acquiring Fund MuniPreferred Shares will accumulate from the Date of Original Issue thereof. The dividend rate for the Acquiring Fund MuniPreferred Shares for the initial Rate Period for such shares shall be . % per annum, the Maximum Rate. For each Subsequent Rate Period of the Acquiring Fund MuniPreferred Shares, the dividend rate for such shares will be the Applicable Rate for such shares that the Auction Agent advises the Acquiring Fund results from an Auction, except as provided below. The Applicable Rate that results from an Auction for the Acquiring Fund MuniPreferred Shares will not be greater than the Maximum Rate for shares of such series, which is:

(a) in the case of any Auction Date which is not the Auction Date immediately prior to the first day of any proposed Special Rate Period, the product of (i) the Reference Rate on such Auction Date for the next Rate Period of shares of such series and (ii) the Rate Multiple on such Auction Date, unless shares of such series have or had a Special Rate Period (other than a Special Rate Period of 28 Rate Period Days or fewer) and an Auction at which Sufficient Clearing Bids existed has not yet occurred for a Minimum Rate Period of shares of such series after such Special Rate Period, in which case the higher of:

(A) the dividend rate on shares of such series for the then-ending Rate Period; and

(B) the product of (x) the higher of (I) the Reference Rate on such Auction Date for a Rate Period equal in length to the then-ending Rate Period of shares of such series, if such then-ending Rate Period was 364 Rate Period Days or fewer, or the Treasury Note Rate on such Auction Date for a Rate Period equal in length to the then-ending Rate Period of shares of such series, if such then-ending Rate Period was more than 364 Rate Period Days, and (II) the Reference Rate on such Auction Date for a Rate Period equal in length to such Special Rate Period of shares of such series, if such Special Rate Period was 364 Rate Period Days or fewer, or the Treasury Note Rate on such Auction Date for a Rate

Period equal in length to such Special Rate Period, if such Special Rate Period was more than 364 Rate Period Days and (y) the Rate Multiple on such Auction Date; or

(b) in the case of any Auction Date which is the Auction Date immediately prior to the first day of any proposed Special Rate Period, the product of (i) the highest of (x) the Reference Rate on such Auction Date for a Rate Period equal in length to the then-ending Rate Period of shares of such series, if such then-ending Rate Period was 364 Rate Period Days or fewer, or the Treasury Note Rate on such Auction Date for a Rate Period equal in length to the then-ending Rate Period of shares of such series, if such then-ending Rate Period was more than 364 Rate Period Days, (y) the Reference Rate on such Auction Date for the Special Rate Period for which the Auction is being held if such Special Rate Period is 364 Rate Period Days or fewer or the Treasury Note Rate on such Auction Date for the Special Rate Period for which the Auction is being held if such Special Rate Period is more than 364 Rate Period Days, and (z) the Reference Rate on such Auction Date for Minimum Rate Periods and (ii) the Rate Multiple on such Auction Date.

If an Auction for any Subsequent Rate Period of Acquiring Fund MuniPreferred Shares is not held for any reason other than as described below, the dividend rate on shares of such series for such Subsequent Rate Period will be the Maximum Rate for shares of such series on the Auction Date for such Subsequent Rate Period.

If the Acquiring Fund fails to pay in a timely manner to the Auction Agent the full amount of any dividend on, or the redemption price of, any shares of any series of MuniPreferred during any Rate Period thereof (other than any Special Rate Period of more than 364 Rate Period Days or any Rate Period succeeding any Special Rate Period of more than 364 Rate Period Days during which such a failure occurred that has not been cured), but, prior to 12:00 noon, New York City time, on the third Business Day next succeeding the date such failure occurred, such failure shall have been cured and the Acquiring Fund shall have paid a late charge, as described more fully in the Acquiring Fund Statement, no Auction will be held in respect of shares of such series for the Subsequent Rate Period thereafter and the dividend rate for shares of such series for such Subsequent Rate Period will be the Maximum Rate for shares of such series on the Auction Date for such Subsequent Rate Period.

If the Acquiring Fund fails to pay in a timely manner to the Auction Agent the full amount of any dividend on, or the redemption price of, any shares of any series of MuniPreferred during any Rate Period thereof (other than any Special Rate Period of more than 364 Rate Period Days or any Rate Period succeeding any Special Rate Period of more than 364 Rate Period Days during which such a failure occurred that has not been cured), and, prior to 12:00 noon, New York City time, on the third Business Day next succeeding the date on which such failure occurred, such failure shall not have been cured or the Acquiring Fund shall not have paid a late charge, as described more fully in the Acquiring Fund Statement, no Auction will be held in respect of shares of such series for the first Subsequent Rate Period thereof thereafter (or for any Rate Period thereof thereafter to and including the Rate Period during which such failure is so cured and such late charge so paid) (such late charge to be paid only in the event Moody s is rating such shares at the time the Acquiring Fund cures such failure), and the dividend rate for shares of such series for each such Subsequent Rate Period shall be a rate per annum equal to the Maximum Rate for shares of such series on the Auction Date for such Subsequent Rate Period (but with the prevailing rating for shares of such series, for purposes of determining such Maximum Rate, being deemed to be Below ba3 /BB2).

If the Acquiring Fund fails to pay in a timely manner to the Auction Agent the full amount of any dividend on, or the redemption price of, any shares of any series of MuniPreferred during a Special Rate Period thereof of more than 364 Rate Period Days, or during any Rate Period thereof succeeding any Special Rate Period of more than 364 Rate Period Days during which such a failure occurred that has not been cured, and such failure shall not have been cured or the Acquiring Fund shall not have paid a late charge, as described more fully in the Acquiring Fund Statement, no Auction will be held in respect of shares of such series for such Subsequent Rate Period thereof (or for any Rate Period thereof thereafter to and including the Rate Period during which such failure is so cured and such late charge so paid) (such late charge to be paid only in the event Moody s is rating such shares at the time the Acquiring Fund cures such failure), and the dividend rate for shares of such series for each such Subsequent Rate Period shall be a rate per annum equal to the Maximum Rate for shares of such series on the Auction Date for each such Subsequent Rate Period (but with the prevailing rating for shares of such series, for purposes of determining such Maximum Rate, being deemed to be Below ba3 /BB2).

A failure to pay dividends on, or the redemption price of, Acquiring Fund MuniPreferred Shares shall have been cured (if such failure to deposit is not solely due to the willful failure of the Acquiring Fund to make the required payment to the Auction Agent) with respect to any Rate Period thereof if, within the respective time periods described in the Acquiring Fund Statement, the Acquiring Fund shall have paid to the Auction Agent (a) all accumulated and unpaid dividends on the shares of such series and (b) without duplication, the redemption price for shares, if any, of such series for which notice of redemption has been mailed by the Acquiring Fund; provided, however, that the foregoing clause (b) shall not apply to the Acquiring Fund s failure to pay the redemption price in respect of Acquiring Fund MuniPreferred Shares when the related notice of redemption provides that redemption of such shares is subject to one or more conditions precedent and any such condition precedent shall not have been satisfied at the time or times and in the manner specified in such notice of redemption.

Gross-up Payments. Holders of Acquiring Fund MuniPreferred Shares are entitled to receive, when, as and if declared by the Acquiring Fund s Board, out of funds legally available therefor in accordance with the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement and applicable law, dividends in an amount equal to the aggregate Gross-up Payments in accordance with the following: If, in the case of any Minimum Rate Period or any Special Rate Period of 28 Rate Period Days or fewer, the Acquiring Fund allocates any net capital gains or other income taxable for federal income tax purposes to a dividend paid on Acquiring Fund MuniPreferred Shares without having given advance notice thereof to the Auction Agent as described under The Auction Auction Procedures (a Taxable Allocation) below solely by reason of the fact that such allocation is made retroactively as a result of the redemption of all or a portion of the outstanding shares of Acquiring Fund MuniPreferred Shares or the liquidation of the Acquiring Fund, the Acquiring Fund will, prior to the end of the calendar year in which such dividend was paid, provide notice thereof to the Auction Agent and direct the Acquiring Fund s dividend disbursing agent to send such notice with a Gross-up Payment to each holder of shares (, as nominee of the Securities Depository) that was entitled to such dividend payment during such calendar year at such holder s address as the same appears or last appeared on the record books of the Acquiring Fund.

If, in the case of any Special Rate Period of more than 28 Rate Period Days without having given notice thereof to the Auction Agent, the Acquiring Fund makes a Taxable Allocation to a dividend paid on shares of Acquiring Fund MuniPreferred, the Acquiring Fund shall, prior to the end of the calendar year in which such dividend was paid, provide notice thereof to the Auction Agent and direct the Acquiring Fund s dividend disbursing agent to send such notice with a Gross-up Payment to each holder of shares that was entitled to such dividend payment during such calendar year at such holder s address as the same appears or last appeared on the record books of the Acquiring Fund.

A Gross-up Payment means payment to a holder of Acquiring Fund MuniPreferred Shares of an amount which, when taken together with the aggregate amount of Taxable Allocations made to such holder to which such Gross-up Payment relates, would cause such holder s dividends in dollars (after Federal income tax consequences) from the aggregate of such Taxable Allocations and the related Gross-up Payment to be equal to the dollar amount of the dividends which would have been received by such holder if the amount of the aggregate Taxable Allocations had been excludable from the gross income of such holder. Such Gross-up Payment shall be calculated: (a) without consideration being given to the time value of money; (b) assuming that no holder of Acquiring Fund MuniPreferred Shares is subject to the Federal alternative minimum tax with respect to dividends received from the Acquiring Fund; and (c) assuming that each Taxable Allocation and each Gross-up Payment (except to the extent such Gross-up Payment is designated as an exempt-interest dividend under Section 852(b)(5) of the Code or successor provisions) would be taxable in the hands of each holder of Acquiring Fund MuniPreferred Shares at the maximum marginal regular Federal income tax rate, if any, applicable to ordinary income (taking into account the Federal income tax deductibility of state taxes paid or incurred) or net capital gains, as applicable, or the maximum marginal regular federal corporate income tax rate applicable to ordinary income or net capital gains, as applicable, whichever is greater, in effect at the time such Gross-up Payment is made.

Restrictions on Dividends and Other Distributions. Except as otherwise described herein, for so long as any Acquiring Fund MuniPreferred Shares are outstanding, the Acquiring Fund may not declare, pay or set apart for payment of any dividend or other distribution (other than a dividend or distribution paid in shares of, or in options, warrants or rights to subscribe for or purchase, its common shares or other shares, if any, ranking junior to the Acquiring Fund MuniPreferred Shares as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up) in respect of its common shares or any other shares of the Acquiring Fund ranking junior to, or on parity with, Acquiring Fund MuniPreferred Shares as to the payments of dividends or the distribution of assets upon dissolution, liquidation or winding up, or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares or any other such junior shares or other such parity shares (except by conversion into or exchange for shares of the Acquiring Fund ranking junior to the Acquiring Fund MuniPreferred Shares as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Acquiring Fund), unless (a) full cumulative dividends on Acquiring Fund MuniPreferred Shares through its most recently ended Dividend Period shall have been paid or shall have been declared and sufficient funds for the payment thereof deposited with the Auction Agent and (b) the Acquiring Fund shall have redeemed the full number of Acquiring Fund MuniPreferred Shares required to be redeemed by any provision for mandatory redemption pertaining thereto. Except as otherwise described herein, for so long as any Acquiring Fund MuniPreferred Shares are outstanding, the Acquiring Fund may not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or in options, warrants or rights to subscribe for or purchase, common shares or other shares, if any, ranking junior to Acquiring

Fund MuniPreferred Shares as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up) in respect of common shares or any other shares of the Acquiring Fund ranking junior to Acquiring Fund MuniPreferred Shares as to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up, or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares or any other such junior shares (except by conversion into or exchange for shares of the Acquiring Fund ranking junior to Acquiring Fund MuniPreferred Shares as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up), unless immediately after such transaction the Discounted Value of the Acquiring Fund s portfolio would at least equal the MuniPreferred Basic Maintenance Amount in accordance with guidelines of the rating agency or agencies then rating the Acquiring Fund MuniPreferred Shares.

Except as set forth in the next sentence, no dividends shall be declared or paid or set apart for payment on the shares of any class or series of Acquiring Fund shares ranking, as to the payment of dividends, on a parity with Acquiring Fund MuniPreferred Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid on the shares of Acquiring Fund MuniPreferred Shares through its most recent Dividend Payment Date. When dividends are not paid in full upon the shares of Acquiring Fund MuniPreferred Shares through its most recent Dividend Payment Date or upon the shares of any other class or series of shares ranking on a parity as to the payment of dividends with Acquiring Fund MuniPreferred Shares through their most recent respective dividend payment dates, all dividends declared upon Acquiring Fund MuniPreferred Shares and any other such class or series of shares ranking on a parity as to the payment of dividends with Acquiring Fund MuniPreferred Shares shall be declared pro rata so that the amount of dividends declared per share on Acquiring Fund MuniPreferred Shares and such other class or series of shares shall in all cases bear to each other the same ratio that accumulated dividends per share on the Acquiring Fund MuniPreferred Shares and such other class or series of shares bear to each other.

Designation of Special Rate Periods

The Acquiring Fund, at its option, may designate any succeeding Subsequent Rate Period of Acquiring Fund MuniPreferred Shares as a Special Rate Period consisting of a specified number of Rate Period Days evenly divisible by seven and not more than 1,820 (approximately 5 years), subject to certain adjustments. A designation of a Special Rate Period shall be effective only if, among other things, (a) the Acquiring Fund shall have given certain notices to the Auction Agent, (b) an Auction for shares of such series shall have been held on the Auction Date immediately preceding the first day of such proposed Special Rate Period and Sufficient Clearing Bids for shares of such series shall have existed in such Auction and (c) if the Acquiring Fund shall have mailed a notice of redemption with respect to any shares of such series, the redemption price with respect to such shares shall have been deposited with the Auction Agent. The Acquiring Fund will give MuniPreferred shareholders notice of a special rate period as provided in the Acquiring Fund Statement.

Voting Rights

In addition to voting rights described under Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws and in the Reorganization SAI under Investment Objectives and Policies Investment Restrictions, holders of Acquiring Fund MuniPreferred Shares will have equal voting rights with holders of common shares and any preferred shares (one vote per share) and will vote together with holders of common shares and any preferred shares as a single class.

In connection with the election of the Acquiring Fund s trustees, holders of outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, voting as a separate class, are entitled to elect two of the Acquiring Fund s trustees, and the remaining trustees are elected by holders of common shares and preferred shares, including Acquiring Fund MuniPreferred Shares, voting together as a single class. In addition, if at any time dividends (whether or not earned or declared) on any outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, shall be due and unpaid in an amount equal to at least two full years dividends thereon, and sufficient cash or specified securities shall not have been deposited with the Auction Agent for the payment of such dividends, then, as the sole remedy of holders of outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, the number of trustees constituting the Board shall be automatically increased by the smallest number that, when added to the two trustees elected exclusively by the holders of preferred shares, including Acquiring Fund MuniPreferred Shares, as described above, would constitute a majority of the Board as so increased by such smallest number, and at a special meeting of shareholders which will be called and held as soon as practicable, and at all subsequent meetings at which trustees are to be elected, the holders of preferred shares, including Acquiring Fund MuniPreferred Shares, voting as a separate class, will be entitled to elect the smallest number of additional trustees that, together with the two trustees which such holders will be in any event entitled to elect, constitutes a majority of the total number of trustees of the Acquiring Fund as so increased. The terms of office of the persons who are trustees at the time of that election will continue. If the Acquiring Fund thereafter shall pay, or declare and set apart for payment, in full, all dividends payable on all outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, the voting rights stated in the second preceding sentence shall cease, and the terms of office of all of the additional trustees elected by the holders of preferred shares, including Acquiring Fund MuniPreferred Shares (but not of the trustees with respect to whose election the holders of common shares were entitled to vote or the two trustees the holders of preferred shares have the right to elect in any event), will terminate automatically.

So long as any Acquiring Fund MuniPreferred Shares are outstanding, the Acquiring Fund will not, without the affirmative vote or consent of the holders of at least a majority of the Acquiring Fund MuniPreferred Shares outstanding at the time (voting as a separate class): (a) authorize, create or issue any class or series of shares ranking prior to or on a parity with shares of MuniPreferred with respect to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Acquiring Fund or authorize, create or issue additional shares of any series of MuniPreferred (except that, notwithstanding the foregoing, but subject to certain rating agency approvals, the Board, without the vote or consent of the holders of MuniPreferred, may from time to time authorize and create, and the Acquiring Fund may from time to time issue additional shares of, any series of MuniPreferred or classes or series of preferred shares ranking on a parity with shares of MuniPreferred with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Acquiring Fund; provided, however, that if Moody s or S&P is not then rating the shares of MuniPreferred, the aggregate liquidation preference of all preferred shares of the Acquiring Fund outstanding after any such issuance, exclusive of accumulated and unpaid dividends, may not exceed $144,000,000) or (b) amend, alter or repeal the provisions of the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement, whether by merger, consolidation or otherwise, so as to affect any preference, right or power of Acquiring Fund MuniPreferred Shares or the holders thereof; provided, however, that (i) none of the actions permitted by the exception to (a) above will be deemed to affect such preferences, rights or powers, (ii) a division of a share of Acquiring Fund MuniPreferred Shares will be deemed to affect such preferences, rights or powers only if the terms of such division adversely affect the holders of Acquiring Fund MuniPreferred Shares and (iii) the authorization, creation and issuance of classes or series of shares ranking junior to Acquiring Fund MuniPreferred Shares with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the affairs of the Acquiring Fund will be deemed to affect such preferences, rights or powers only if Moody s or S&P is then rating the Acquiring Fund MuniPreferred Shares and such issuance would, at the time thereof, cause the Acquiring Fund not to satisfy the 1940 Act MuniPreferred Asset Coverage or the MuniPreferred Basic Maintenance Amount. So long as any Acquiring Fund MuniPreferred Shares are outstanding, the Acquiring Fund shall not, without the affirmative vote or consent of the holders of at least 662/3% of the MuniPreferred shares outstanding at the time, voting as a separate class, file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as the Acquiring Fund is solvent and does not foresee becoming insolvent. If any action set forth above would adversely affect the rights of one or more series (the Affected Series) of MuniPreferred shares in a manner different from any other series of MuniPreferred shares, the Acquiring Fund will not approve any such action without the affirmative vote or consent of the holders of at least a majority of the shares of each such Affected Series outstanding at the time, in person or by proxy, either in writing or at a meeting (each such Affected Series voting as a separate class).

The Board may, without shareholder approval, from time to time, amend, alter or repeal any or all of the definitions and related provisions which have been adopted by the Acquiring Fund pursuant to the rating agency guidelines in the event the Acquiring Fund receives written confirmation from Moody s or S&P, or both, as appropriate, that any such amendment, alteration or repeal would not impair the ratings then assigned by Moody s and S&P to Acquiring Fund MuniPreferred Shares. Unless a higher percentage is provided for in the Acquiring Fund Declaration of Trust (see Certain Provisions in the Acquiring Fund Declaration of Trust and By-Laws), (A) the affirmative vote of the holders of at least a majority of the preferred shares, including Acquiring Fund MuniPreferred Shares, outstanding at the time, voting as a separate class, shall be required to approve any conversion of the Acquiring Fund from a closed-end to an open-end investment company and (B) the affirmative vote of the holders of a majority of the outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, voting as a separate class, shall be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares. The affirmative vote of the holders of a majority of the outstanding preferred shares, including Acquiring Fund MuniPreferred Shares, voting as a separate class, shall be required to approve any action not described in the preceding sentence requiring a vote of security holders of the Acquiring Fund under Section 13(a) of the 1940 Act.

The foregoing voting provisions will not apply with respect to Acquiring Fund MuniPreferred Shares if, at or prior to the time when a vote is required, such shares shall have been (i) redeemed or (ii) called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

Redemption

Mandatory Redemption. In the event the Acquiring Fund does not timely cure a failure to maintain (a) a Discounted Value of its eligible portfolio securities equal to the MuniPreferred Basic Maintenance Amount or (b) the 1940 Act MuniPreferred Asset Coverage, in accordance with the requirements of the rating agency or agencies then rating the Acquiring Fund MuniPreferred Shares, Acquiring Fund MuniPreferred Shares will be subject to mandatory redemption on a date fixed by the Acquiring Fund s Board, out of funds legally available therefor in accordance with the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement and applicable law, at the redemption price of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to (but not including) the date fixed for redemption. Any such redemption will be limited to the lesser of the (i) minimum number of Acquiring Fund MuniPreferred Shares, together with all other preferred shares subject to redemption or retirement, necessary to restore the required Discounted Value or the 1940 Act MuniPreferred Asset Coverage, as the case may be, and (ii) the maximum number of Acquiring Fund MuniPreferred Shares, together with all other preferred shares subject to redemption or retirement, that can be redeemed with the funds legally available under the Acquiring Fund Declaration of Trust and applicable law.

Optional Redemption. Acquiring Fund MuniPreferred Shares are redeemable, at the option of the Acquiring Fund:

(a) as a whole or from time to time in part, on the second Business Day preceding any Dividend Payment Date for Acquiring Fund MuniPreferred Shares, out of funds legally available therefor in accordance with the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement, and applicable law, at the redemption price of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to (but not including) the date fixed for redemption; provided, however, that (i) shares of such series may not be redeemed in part if after such partial redemption fewer than 250 shares of such series would remain outstanding; (ii) Acquiring Fund MuniPreferred Shares are redeemable by the Acquiring Fund during the Initial Rate Period thereof only on the second Business Day next preceding the last Dividend Payment Date for such Initial Rate Period; and (iii) the notice establishing a Special Rate Period of Acquiring Fund MuniPreferred Shares, as delivered to the Auction Agent and filed with the Secretary of the Acquiring Fund, may provide that shares of such series shall not be redeemable during the whole or any part of such Special Rate Period (except as provided in clause (b) below) or shall be redeemable during the whole or any part of such Special Rate Period only upon payment of such redemption premium or premiums as shall be specified therein; and

(b) as a whole but not in part, out of funds legally available therefor in accordance with the Acquiring Fund Declaration of Trust, including the Acquiring Fund Statement, and applicable law, on the first day following any Dividend Period thereof included in a Rate Period of more than 364 Rate Period Days if, on the date of determination of the Applicable Rate for shares of such series for such Rate Period, such Applicable Rate equaled or exceeded on such date of determination the Treasury Note Rate for such Rate Period, at a redemption price of $25,000 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to (but not including) the date fixed for redemption.

Notwithstanding the foregoing, if any dividends on Acquiring Fund MuniPreferred Shares (whether or not earned or declared) are in arrears, no shares of such series shall be redeemed unless all outstanding shares of such series are simultaneously redeemed, and the Acquiring Fund shall not purchase or otherwise acquire any shares of such series; provided, however, that the foregoing shall not prevent the purchase or acquisition of all outstanding shares of such series pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, holders of all outstanding shares of such series.

Liquidation

Subject to the rights of holders of any series or class or classes of shares ranking on a parity with Acquiring Fund MuniPreferred Shares with respect to the distribution of assets upon the dissolution, liquidation or winding up of the Acquiring Fund, upon a liquidation of the Acquiring Fund, whether voluntary or involuntary, the holders of Acquiring Fund MuniPreferred Shares then outstanding will be entitled to receive and to be paid out of the assets of the Acquiring Fund available for distribution to its shareholders, before any payment or distribution shall be made on the common shares or any other class of shares of the Acquiring Fund ranking junior to the Acquiring Fund MuniPreferred Shares, an amount equal to the liquidation preference with respect to such shares ($25,000 per share), plus an amount equal to all dividends thereon (whether or not earned or declared) accumulated but unpaid to (but not including) the date of final distribution in same-day funds, together with any applicable Gross-up Payments in connection with the liquidation of the Acquiring Fund. After the payment to the holders of Acquiring Fund MuniPreferred Shares of the full preferential amounts provided for as described in this paragraph, the holders of Acquiring Fund MuniPreferred Shares as such shall have no right or claim to any of the remaining assets of the Acquiring Fund.

Neither the sale of all or substantially all the property or business of the Acquiring Fund, nor the merger or consolidation of the Acquiring Fund into or with any Massachusetts business trust or corporation nor the merger or consolidation of any Massachusetts business trust or corporation into or with the Acquiring Fund, shall be a dissolution, liquidation or winding up, whether voluntary or involuntary, for the purposes of the foregoing paragraph.

Rating Agency Guidelines

The Acquired Fund is required under Moody s and S&P guidelines to maintain assets having in the aggregate a Discounted Value at least equal to the MuniPreferred Basic Maintenance Amount. Moody s and S&P have each established separate guidelines for determining Discounted Value. To the extent any particular portfolio holding does not satisfy the applicable rating agency s guidelines, all or a portion of such holding s value will not be included in the calculation of Discounted Value (as defined by such rating agency). The Moody s and S&P guidelines do not impose any limitations on the percentage of the Acquiring Fund s assets that may be invested in holdings not eligible for inclusion in the calculation of the Discounted Value of the Acquiring Fund s portfolio. The amount of such assets included in the portfolio at any time may vary depending upon the rating, diversification and other characteristics of the eligible assets included in the portfolio, although it is not anticipated that in the normal course of business the value of such assets would exceed 20% of the Acquiring Fund s total assets. The MuniPreferred Basis Maintenance Amount includes the sum of (a) the aggregate liquidation preference of shares of MuniPreferred then outstanding and (b) certain accrued and projected payment obligations of the Acquiring Fund.

The Acquiring Fund is also required under the 1940 Act and rating agency guidelines to maintain, with respect to shares of MuniPreferred, as of the last Business Day of each month in which any such shares are outstanding, asset coverage of at least 200% with respect to all outstanding senior securities which are shares of beneficial interest, including MuniPreferred (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are shares of a closed-end management investment company as a condition of declaring dividends on its common shares) (1940 Act MuniPreferred Asset Coverage). Based on the composition of the portfolio of the Acquiring Fund and market conditions as of October 31, 2008, 1940 Act MuniPreferred Asset Coverage with respect to shares of MuniPreferred, assuming the issuance of Acquiring Fund Common Shares in connection with the Reorganization and the issuance of Acquiring Fund MuniPreferred Shares in connection with the Reorganization, would have been computed as follows:

Value of Fund assets less liabilities not constituting senior securities		$
	=	
Senior securities representing indebtedness plus liquidation value of the shares of MuniPreferred		