NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC
Form N-CSR
April 21, 2011

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-7278

Nuveen Arizona Premium Income Municipal Fund, Inc.
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606
(Name and address of agent for service)

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

Date of fiscal year end: February 28

Date of reporting period: February 28, 2011

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

INVESTMENT ADVISER NAME CHANGE

Effective January 1, 2011, Nuveen Asset Management, the Funds' investment adviser, changed its name to Nuveen Fund Advisors, Inc. ("Nuveen Fund Advisors"). Concurrently, Nuveen Fund Advisors formed a wholly-owned subsidiary, Nuveen Asset Management, LLC, to house its portfolio management capabilities.

NUVEEN INVESTMENTS COMPLETES STRATEGIC COMBINATION WITH FAF ADVISORS

On December 31, 2010, Nuveen Investments completed the strategic combination between Nuveen Asset Management, LLC, the largest investment affiliate of Nuveen Investments, and FAF Advisors. As part of this transaction, U.S. Bancorp – the parent of FAF Advisors – received cash consideration and a 9.5% stake in Nuveen Investments in exchange for the long term investment business of FAF Advisors, including investment-management responsibilities for the non-money market mutual funds of the First American Funds family.

The approximately $27 billion of mutual fund and institutional assets managed by FAF Advisors, along with the investment professionals managing these assets and other key personnel, have become part of Nuveen Asset Management, LLC. With these additions to Nuveen Asset Management, LLC, this affiliate now manages more than $100 billion of assets across a broad range of strategies from municipal and taxable fixed income to traditional and specialized equity investments.

This combination does not affect the investment objectives or strategies of the Funds in this report. Over time, Nuveen Investments expects that the combination will provide even more ways to meet the needs of investors who work with financial advisors and consultants by enhancing the multi-boutique model of Nuveen Investments, which also includes highly respected investment teams at HydePark, NWQ Investment Management, Santa Barbara Asset Management, Symphony Asset Management, Tradewinds Global Investors and Winslow Capital. Nuveen Investments managed approximately $197 billion of assets as of December 31, 2010.

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Chairman's
Letter to Shareholders

Dear Shareholders,

In 2010, the global economy recorded another year of recovery from the financial and economic crises of 2008, but many of the factors that caused the downturn still weigh on the prospects for continued improvement. In the U.S., ongoing weakness in housing values has put pressure on homeowners and mortgage lenders. Similarly, the strong earnings recovery for corporations and banks is only slowly being translated into increased hiring or more active lending. Globally, deleveraging by private and public borrowers has inhibited economic growth and that process is far from complete.

Encouragingly, constructive actions are being taken by governments around the world to deal with economic issues. In the U.S., the recent passage of a stimulatory tax bill relieved some of the pressure on the Federal Reserve to promote economic expansion through quantitative easing and offers the promise of sustained economic growth. A number of European governments are undertaking programs that could significantly reduce their budget deficits. Governments across the emerging markets are implementing various steps to deal with global capital flows without undermining international trade and investment.

The success of these government actions could determine whether 2011 brings further economic recovery and financial market progress. One risk associated with the extraordinary efforts to strengthen U.S. economic growth is that the debt of the U.S. government will continue to grow to unprecedented levels. Another risk is that over time there could be inflationary pressures on asset values in the U.S. and abroad, because what happens in the U.S. impacts the rest of the world economy. Also, these various actions are being taken in a setting of heightened global economic uncertainty, primarily about the supplies of energy and other critical commodities. In this challenging environment, your Nuveen investment team continues to seek sustainable investment opportunities and to remain alert to potential risks in a recovery still facing many headwinds. On your behalf, we monitor their activities to assure they maintain their investment disciplines.

As you will note elsewhere in this report, on December 31, 2010, Nuveen Investments completed a strategic combination with FAF Advisors, Inc., the manager of the First American Funds. The combination adds highly respected and distinct investment teams to meet the needs of investors and their advisors and is designed to benefit all fund shareholders by creating a fund organization with the potential for further economies of scale and the ability to draw from even greater talent and expertise to meet those investor needs.

As of the end of January, 2011, Nuveen Investments had completed the refinancing of all of the Auction Rate Preferred Securities issued by its taxable closed-end funds and 77% of the Muni Preferred shares issued by its tax-exempt closed-end funds. Please consult the Nuveen Investments web site, www.Nuveen.com, for the current status of this important refi-nancing program.

As always, I encourage you to contact your financial consultant if you have any questions about your investment in a Nuveen Fund. On behalf of the other members of your Fund Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

Robert P. Bremner

Chairman of the Board
April 13, 2011

Portfolio Managers' Comments

Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ)
Nuveen Arizona Dividend Advantage Municipal Fund (NFZ)
Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR)
Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE)
Nuveen Texas Quality Income Municipal Fund (NTX)

Recently, these Funds changed their fiscal year ends to February 28. As a result, this annual report covers a period shorter than twelve months. Portfolio managers Michael Hamilton and Daniel Close review economic and municipal market conditions at the national and state levels, key investment strategies, and the seven-month performance of these five Nuveen Funds. Michael, who has 22 years of investment experience, assumed portfolio management responsibility for the Arizona Funds in January 2011 from Scott Romans, who managed these four Funds from 2003 until December 2010. An eleven-year veteran of Nuveen, Dan has managed NTX since 2007.

What factors affected the U.S. economic and municipal market environments during the seven-month reporting period ended February 28, 2011?

During this period, the U.S. economy demonstrated some signs of improvement, supported by the efforts of both the Federal Reserve (Fed) and the federal government. For its part, the Fed continued to hold the benchmark fed funds rate in a target range of zero to 0.25% since cutting it to this record low level in December 2008. At its March 2011 meeting (shortly after the end of this reporting period), the central bank renewed its commitment to keeping the fed funds rate at "exceptionally low levels" for an "extended period." Overall, during this period, the Fed also left unchanged its second round of quantitative easing, which calls for purchasing $600 billion in U.S. Treasury bonds by June 30, 2011. The goal of this plan is to lower long-term interest rates and thereby stimulate economic activity and create jobs. The federal government continued to focus on implementing the economic stimulus package passed in early 2009 and aimed at providing job creation, tax relief, fiscal assistance to state and local governments and expansion of unemployment benefits and other federal social welfare programs.

In the fourth quarter of 2010, the U.S. economy, as measured by the gross domestic product (GDP), grew at an annualized rate of 3.1%, marking the first time the economy put together six consecutive quarters of positive growth since 2006-2007. In February 2011, national unemployment dropped below 9% for the first time in 21 months, standing at 8.9%, down from 9.7% a year earlier. At the same time, inflation posted its largest gain since April 2009, as the Consumer Price Index (CPI) rose 2.1% year-over-year as of February 2011, driven mainly by increased prices for energy, particularly fuel oil and

Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements, and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Funds disclaim any obligation to update publicly or revise any forward-looking statements or views expressed herein.

Any reference to credit ratings for portfolio holdings denotes the highest rating assigned by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Standard & Poor's (S&P), Moody's, or Fitch. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below investment grade. Holdings and ratings may change over time.

gasoline, and food. The core CPI (which excludes food and energy) increased 1.1% over this period. The housing market continued to be the weak spot in the economy. For the twelve months ended January 2011 (the most recent data available at the time this report was prepared), the average home price in the Standard & Poor's (S&P)/Case-Shiller National Home Price Index lost 3.1%, with 11 of the 20 metropolitan areas hitting their lowest levels since housing prices peaked in 2006.

Municipal bond prices generally rose during this reporting period, as the combination of strong demand and tight supply of new tax-exempt issuance created favorable market conditions. One reason for the decrease in new tax-exempt supply was the heavy issuance of taxable municipal debt under the Build America Bond (BAB) program, which was created as part of the American Recovery and Reinvestment Act of February 2009 and expired December 31, 2010. However, after rallying strongly over most of the period, the municipal market suffered a reversal in mid-November 2010, due largely to investor concerns about inflation, the federal deficit, and the impact on demand for U.S. Treasuries. Adding to this situation was the media's coverage of the strained finances of many state and local governments, which failed to differentiate between gaps in state operating budgets and those states' ability to pay their municipal debt. As a result, money began to flow out of high-yield funds, yields rose and valuations lowered. Toward the end of this period, we saw the environment in the municipal market improve, as crossover buyers—including hedge funds and life insurance companies—were attracted by municipal bond prices and tax-exempt yields, resulting in decreased outflows, declining yields, and rising valuations.

Over the seven months ended February 28, 2011, municipal bond issuance nationwide—both tax-exempt and taxable—totaled $228.5 billion. Demand for municipal bonds was exceptionally strong during the majority of this period, especially from individual investors. In recent months, crossover buyers have provided support for the market.

How were the economic and market environments in Arizona and Texas during this period?

Arizona's economy, one of the fastest growing in the nation just a few years ago, was especially hard hit by the recent recession, as the housing decline and a major slowdown in the state's construction industry had repercussions throughout housing-related sectors, including manufacturing and finance. By 2009 (the most recent data available at the time this report was prepared), Arizona had dropped from 3rd in terms of state GDP in 2006 to 47th, as the state economy contracted at a rate of 3.9%, compared with the national average of –2.1%. According to the Case-Shiller home price index of 20 major metropolitan areas, housing prices in Phoenix fell 9.1% over the twelve months ended January 2011. As of February 2011, the unemployment rate in Arizona had fallen to 9.6%, the lowest since May 2009, down from 10.2% in February 2010. This compares with 8.9% nationally in February 2011. For fiscal 2011, the $8.5 billion Arizona state budget closed an estimated $3 billion budget gap through spending cuts, federal stimulus funding, and a one-cent sales tax increase effective through May 2013. In November 2010, Arizona voters rejected two additional proposals that would have redirected money from voter-established funds to the state's general fund, resulting in an additional $764 million budget shortfall. Due to its continued reliance on one-time revenue sources, Arizona faces another budget gap of $1.2 billion in fiscal 2012. As of February 28, 2011, Moody's and S&P listed Arizona's issuer credit rating at Aa3 and AA-, respectively, with negative outlooks. For the seven months ended February 28, 2011, municipal issuance in Arizona totaled $2.9 billion.

Although Texas was slower to enter the recession than other states, the impact of the past few years on the state economy can be seen in its ranking in terms of GDP by state. In 2009 (the most recent data available at the time this report was prepared), Texas ranked 23rd in the nation in terms of GDP by state, as its economy contracted 1.5%. By comparison, the state ranked 10th in 2006. However, the recovery of the Texas economy appeared to be taking hold at a somewhat faster pace than the nation as a whole, due to the prominence of energy and high-tech industries in the state. Rising oil prices and the prospect of a significant increase in oil demand is expected to provide ongoing support for the Texas economy, and the state should continue to benefit from the global high-tech recovery. Employment in all private-sector industries except construction and retail was at higher levels than twelve months ago. Total unemployment in Texas stood at 8.2% as of February 2011, on par with the jobless rate in February 2010 and well below the national average. The performance of the Texas job market played a role in keeping mortgage delinquency and default rates for the state well below the national average. Texas also benefited from the fact that the state did not participate in sub-prime lending to the extent of many other states, and strong population growth has produced stronger demand for homes and better resale statistics. According to the Case-Shiller home price index, as of January 2011 housing prices in Dallas posted a year-over-year decline of 2.8%, below the national average of –3.1%. As Texas headed into fiscal 2011, the state faced a shortfall of approximately $18 billion in its $182 billion fiscal 2010-2011 biennium budget, which was closed with job cuts and service reductions. In January 2011, revenues were forecast at $72 billion for the 2012-2013 biennium, a decrease from the $87 billion appropriated in the 2010-2011 budget cycle. As of February 28, 2011, Moody's and S&P rated Texas general obligation (GO) debt at Aaa and AA+, respectively, with stable outlooks. For the seven months ended February 28, 2011, municipal issuance in Texas totaled $20.7 billion.

What key strategies were used to manage the Arizona and Texas Funds during this reporting period?

As previously mentioned, the availability of tax-exempt bonds declined nationally during this period, due largely to the issuance of taxable bonds under the Build America Bond program (which expired December 31, 2010). This program also significantly impacted the availability of tax-exempt bonds in Arizona and Texas. Since interest payments from Build America Bonds represent taxable income, we did not view these bonds as good investment opportunities for these Funds.

Despite the constrained issuance on tax-exempt municipal bond issuance, we continued to find attractive value opportunities, taking a bottom-up approach to discovering undervalued sectors and individual credits with the potential to perform well over the long term. During this period, the Arizona Funds found value in several areas of the market, including health care and special assessment bonds. In NTX, our purchases included a number of health care issues in a range of credit quality categories as well as public power, water and sewer, higher education and tollway bonds.

Some of our investment activity during this period was driven by opportunities created by the provisions of the Build America Bond program. For example, tax-exempt supply was more plentiful in the health care and higher education sectors because, as 501(c)(3) (nonprofit) organizations, hospitals and private universities generally did not qualify for the Build America Bond program and continued to issue bonds in the tax-exempt municipal market. Bonds with proceeds earmarked for refundings, working capital, and private activities also were not covered by the Build America Bond program, and this resulted in attractive opportunities in various other sectors of the market.

The impact of the Build America Bond program was also evident in the area of longer-term issuance, as municipal issuers sought to take full advantage of the attractive financing terms offered by these bonds. Approximately 70% of Build America Bonds were issued with maturities of at least 30 years. Although this had a significant impact on the availability of tax-exempt credits with longer maturities, the Funds continued to focus on purchasing bonds at the longer end of the yield curve when appropriate bonds became available.

Cash for new purchases during this period was generated primarily by the proceeds from bond calls and maturing bonds, which we worked to redeploy to keep the Funds fully invested. NTX, in particular, had a sizeable number of calls spread out over the period, which resulted in a higher level of activity than usual. The Arizona Funds also sold some pre-refunded bonds and issues with shorter maturities. On the whole, however, selling was minimal, as the bonds in our portfolios generally offered higher yields than those available in the current marketplace.

As of February 28, 2011, all five of these Funds continued to use inverse floating rate securities.[1] We employ inverse floaters as a form of leverage for a variety of reasons, including duration management, income enhancement and total return enhancement.

1 An inverse floating rate security, also known as an inverse floater, is a financial instrument designed to pay long-term interest at a rate that varies inversely with a short-term interest rate index. For the Nuveen Funds, the index typically used is the Securities Industry and Financial Markets (SIFM) Municipal Swap Index. Inverse floaters, including those inverse floating rate securities in which the Funds invested during this reporting period, are further defined within the Notes to Financial Statements and Glossary of Terms Used in this Report sections of this report.

How did the Funds perform?

Individual results for the Nuveen Arizona and Texas Funds, as well as relevant index and peer group information, are presented in the accompanying table.

Average Annual Total Returns on Common Share Net Asset Value*
For periods ended 2/28/11

	7-Month	1-Year	5-Year	10-Year
Arizona Funds				
NAZ	-2.23%	1.29%	3.18%	4.55%
NFZ	-3.10%	1.61%	2.57%	5.05%
NKR	-1.90%	1.76%	3.46%	N/A
NXE	-1.60%	2.51%	3.49%	N/A
Standard & Poor's (S&P) Arizona Municipal Bond Index2	-1.09%	1.86%	4.07%	4.81%
Standard & Poor's (S&P) National Municipal Bond Index3	-1.46%	1.63%	3.74%	4.75%
Lipper Other States Municipal Debt Funds Average4	-3.12%	0.54%	3.14%	5.11%
Texas Fund				
NTX	-2.61%	1.44%	3.77%	5.38%
Standard & Poor's (S&P) Texas Municipal Bond Index2	-1.19%	1.89%	4.15%	5.00%
Standard & Poor's (S&P) National Municipal Bond Index3	-1.46%	1.63%	3.74%	4.75%
Lipper Other States Municipal Debt Funds Average4	-3.12%	0.54%	3.14%	5.11%

For the seven months ended February 28, 2011, the total returns on common share net asset value (NAV) for all of these Funds underperformed the returns for their respective state's Standard & Poor's (S&P) Municipal Bond Index as well as that of the Standard & Poor's (S&P) National Municipal Bond Index. For the same period, all five Funds exceeded the average return for the Lipper Other States Municipal Debt Funds Average.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, credit exposure and sector allocation. The use of financial leverage also factored into the Funds' performance. Leverage is discussed in more detail on page ten.

During this period, municipal bonds with intermediate maturities, especially those in the long intermediate segment of the yield curve, generally outperformed other maturity groupings, with credits at both the shortest and longest ends of the curve posting the weakest returns. All five of these Funds benefited from their relatively large holdings of bonds in the outperforming intermediate-maturity sectors. However, NAZ's performance was hampered by a heavier weighting in the underperforming longest part of the yield curve, while NKR had greater exposure to the shortest end of the curve, which also underperformed. Duration and yield curve positioning also was a slight detractor from the performance of NTX, which had more exposure to longer bonds.

Credit exposure also played an important role in the performance of these Funds. For the period, bonds rated AAA and A generally outperformed those rated AA or BBB and below. NXE, in particular, was helped by its higher allocations to AAA and A rated bonds and its lower allocation of AA and BBB bonds. Although the other three Arizona Funds also had good weightings of bonds in the AAA and A categories, this was offset

* Seven-month returns are cumulative; all other returns are annualized.

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

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

2 The Standard & Poor's (S&P) Municipal Bond Indexes for Arizona and Texas are unleveraged, market value-weighted indexes designed to measure the performance of the tax-exempt, investment-grade municipal bond markets in Arizona and Texas, respectively. These indexes do not reflect any initial or ongoing expenses and are not available for direct investment.

3 The Standard & Poor's (S&P) National Municipal Bond Index is an unleveraged, market value-weighted index designed to measure the performance of the tax-exempt, investment-grade U.S. municipal bond market. This index does not reflect any initial or ongoing expenses and is not available for direct investment.

4 The Lipper Other States Municipal Debt Funds Average is calculated using the returns of all leveraged and unleveraged closed-end funds in this category for each period as follows: 7-month, 46 funds; 1-year, 46 funds; 5-year, 46 funds; and 10-year, 20 funds. Lipper returns account for the effects of management fees and assume reinvestment of dividends, but do not reflect any applicable sales charges. The Lipper average is not available for direct investment. Shareholders should note that the performance of the Lipper Other States category represents the overall average of returns for funds from ten different states with a wide variety of municipal market conditions, making direct comparisons less meaningful.

in NAZ and NFZ by high allocations of bonds rated AA and in NKR by the highest weighting in BBB bonds among the Arizona Funds. In NTX, credit exposure was slightly negative for this period, due to the Fund’s overweighting of bonds rated BBB.

Holdings that generally made positive contributions to the Funds’ returns during this period included industrial development revenue (IDR), housing, and general obligation (GO) and other tax-supported bonds. All of these Funds had relatively small exposures to housing bonds, which limited their participation in the outperformance of this sector. Overall, NTX’s sector allocation was positive, as the Fund benefited in particular from its overweighting of the IDR sector. This was offset to a small degree by its underweighting of tax-supported bonds.

In contrast, the education and transportation sectors turned in relatively weak performance and tobacco bonds were among the poorest performers. The insured segment also failed to keep pace with the general municipal market return for the twelve-months. The performance of NTX was helped by its underweighting of higher education credits. In addition, NAZ, NXE, and NTX were underexposed to tobacco bonds, which lessened the negative impact of this sector. (NFZ and NKR did not hold any tobacco bonds.)

One sector that generally performed in line with the market but that outperformed for the Arizona Funds was the “other revenue” sector. In Arizona, this sector is focused largely on community facilities district (CFD) or land development bonds, also known as “dirt deals.” This area of the market had been hard hit in the states most affected by the housing crisis, including California, Florida and Arizona. Although Arizona’s dirt deal market is smaller and less developed than in other states, Arizona-issued bonds of this type generally have strong fundamental credit quality and security features. During this period, as investors sought higher yields, Arizona dirt bonds became very attractive to buyers and performed exceptionally well. The performance of NFZ, NKR and NXE were boosted by their significant exposure to Arizona dirt deals, especially to non-rated CFD bonds that were judged to be sub-investment grade credit quality (those rated BB and lower or those non-rated but judged to be in this credit quality category by Nuveen Asset Management, LLC). In NKR, as mentioned previously, this contribution was offset to some degree by the Fund’s exposure to the shortest end of the yield curve as well as to bonds rated BBB, while NFZ’s performance was restrained by its weighting in AA rated bonds. NAZ’s participation in the Arizona dirt deal rally was limited by the fact that it previously had been unable to invest in sub-investment grade bonds. That investment policy was revised during this reporting period.

IMPACT OF THE FUNDS’ LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of most of these Funds relative to the comparative indexes was the Funds’ use of financial leverage. The Funds use leverage because their managers believe that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a Fund generally are rising. Leverage made a positive contribution to the performance of these Funds over this reporting period.

RECENT DEVELOPMENTS REGARDING THE FUNDS' REDEMPTION OF AUCTION RATE PREFERRED SHARES

Shortly after their respective inception, each of the Funds issued auction rate preferred shares (ARPS) to create financial leverage. As noted in past shareholder reports, the ARPS issued by many closed-end funds, including these Funds, have been hampered by a lack of liquidity since February 2008. Since that time, more ARPS have been submitted for sale in each of their regularly scheduled auctions than there have been offers to buy. In fact, offers to buy have been almost completely non-existent since late February 2008. This means that these auctions have "failed to clear," and that many, or all, of the ARPS shareholders who wanted to sell their shares in these auctions were unable to do so. This lack of liquidity in ARPS did not lower the credit quality of these shares, and ARPS shareholders unable to sell their shares continued to receive distributions at the "maximum rate" applicable to failed auctions, as calculated in accordance with the pre-established terms of the ARPS. In the recent market, with short-term rates at multigenerational lows, those maximum rates also have been low.

One continuing implication for common shareholders from the auction failures is that each Fund's cost of leverage likely has been incrementally higher at times than it otherwise might have been had the auctions continued to be successful. As a result, each Fund's common share earnings likely have been incrementally lower at times than they otherwise might have been.

As noted in past shareholder reports, the Nuveen funds' Board of Directors/Trustees authorized several methods that can be used separately or in combination to refinance a portion of the Nuveen funds' outstanding ARPS. Some funds have utilized tender option bonds (TOBs), also known as inverse floating rate securities, for leverage purposes. The amount of TOBs that a fund may use varies according to the composition of each fund's portfolio. Some funds have a greater ability to use TOBs than others. Some funds have issued Variable Rate Demand Preferred (VRDP) Shares, a floating rate form of preferred stock. Some funds have issued MuniFund Term Preferred (MTP) Shares, a fixed rate form of preferred stock with a mandatory redemption period of three to five years.

While all these efforts have reduced the total amount of outstanding ARPS issued by the Nuveen funds, the funds cannot provide any assurance on when the remaining outstanding ARPS might be redeemed.

During 2010, certain Nuveen leveraged closed-end funds (including NXE) received a demand letter from a law firm on behalf of purported holders of common shares of each such fund, alleging that Nuveen and the funds' officers and Board of Directors/Trustees breached their fiduciary duties related to the redemption at par of the funds' ARPS. In response, the Board established an ad hoc Demand Committee consisting of certain of its disinterested and independent Board members to investigate the claims. The Demand Committee retained independent counsel to assist it in conducting an extensive investigation. Based upon its investigation, the Demand Committee found that it was not in the best interests of each fund or its shareholders to take the actions suggested in the demand letters, and recommended that the full Board reject the demands made in the demand letters. After reviewing the findings and recommendation of the Demand Committee, the full Board of each fund unanimously adopted the Demand Committee's recommendation.

Subsequently, the funds that received demand letters (including NXE) were named in a consolidated complaint as nominal defendants in a putative shareholder derivative action captioned Martin Safier, et al. v. Nuveen Asset Management, et al. that was filed in the Circuit Court of Cook County, Illinois, Chancery Division (the "Cook County Chancery Court") on February 18, 2011 (the "Complaint"). The Complaint, filed on behalf of purported holders of each fund's common shares, also name Nuveen Asset Management as a defendant, together with current and former Officers and interested Director/Trustees of each of the funds (together with the nominal defendants, collectively, the "Defendants"). The Complaint contains the same basic allegations contained in the demand letters. The suits seek a declaration that the Defendants have breached their fiduciary duties, an order directing the Defendants not to redeem any ARPS at their liquidation value using fund assets, indeterminate monetary damages in favor of the funds and an award of plaintiffs' costs and disbursements in pursuing the action. Nuveen Asset Management believes that the Complaint is without merit, and is defending vigorously against these charges.

As of February 28, 2011, the amount of ARPS redeemed by the Funds is shown in the accompanying table.

Fund	Auction Rate Preferred Shares Redeemed	% of Original Auction Rate Preferred Share
NAZ	$ 2,125,000	7.1%
NFZ	$ 12,000,000	100.0%
NKR	$ 18,500,000	100.0%
NXE	$ 22,000,000*	100.0%
NTX	$ 69,000,000	100.0%

* Includes ARPS noticed for redemption at the end of the reporting period.

During the seven-month reporting period, NFZ, NKR, NXE and NTX successfully completed the issuance of MTP, which trade on the NYSE under the ticker symbols as noted in the following table. The net proceeds from these offerings were used to refinance a portion of each Fund's remaining outstanding ARPS at par.

Fund	MTP Issued	Series	Rate	NYSE Ticker
NFZ	$ 11,100,000	2015	2.05%	NFZ PrC
NKR	$ 18,725,000	2015	2.05%	NKR PrC
NXE	$ 19,046,000	2016	2.90%	NXE PrC
NTX	$ 70,920,000	2015	2.30%	NTX PrC

Subsequent to the reporting period, NXE issued an additional $1.8 million of its 2.90%, Series 2016 MTP.

(Refer to Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies and Footnote 4 – Fund Shares for further details on MTP Shares.)

As of February 28, 2011, all 84 of the Nuveen closed-end municipal funds that had issued ARPS have redeemed at par all or a portion of these shares. These redemptions bring the total amount of Nuveen's municipal closed-end funds' ARPS redemptions to approximately $8.6 billion of the approximately $11.0 billion originally outstanding.

For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at: http://www.nuveen.com/arps.

Common Share Dividend and Share Price Information

During the seven-month reporting period ended February 28, 2011, each of the five Funds in this report had one monthly dividend increase.

Due to normal portfolio activity, common shareholders of NTX received a long-term capital gains distribution of $0.0067 per share in December 2010.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of February 28, 2011, all of the Funds in this report had positive UNII balances, for both tax and financial reporting purposes.

COMMON SHARE REPURCHASES AND SHARE PRICE INFORMATION

As of February 28, 2011, and since the inception of the Funds' repurchase program, NFZ, NKR and NXE have cumulatively repurchased and retired their outstanding common shares as shown in the accompanying table. Since the inception of the Funds' repurchase program, NAZ and NTX have not repurchased any of their outstanding common shares.

Fund	Common Shares Repurchased and Retired	% of Outstanding Common Shares
NFZ	2,500	0.2%
NKR	800	0.0%
NXE	1,600	0.1%

During the seven-month reporting period, NFZ, NKR and NXE did not repurchase any of their outstanding common shares.

As of February 28, 2011, the Funds' common share prices were trading at (+) premiums or (-) discounts to their common share NAVs as shown in the accompanying table.

	2/28/11 (+) Premium/(-) Discount	Seven-Month Average (+)Premium/(-) Discount
NAZ	(-)7.02%	(-)3.13%
NFZ	(-)8.86%	(-)4.24%
NKR	(-)8.79%	(-)6.04%
NXE	(-)9.06%	(-)6.68%
NTX	(+)7.58%	(+)8.38%

NAZ Performance OVERVIEW as of February 28, 2011

Nuveen Arizona Premium Income Municipal Fund, Inc.

Fund Snapshot

Common Share Price	$	12.32
Common Share Net Asset Value (NAV)	$	13.25
Premium/(Discount) to NAV		-7.02%
Market Yield		6.09%
Taxable-Equivalent Yield1		8.86%
Net Assets Applicable to Common Shares ($000)	$	59,256

Average Annual Total Return
(Inception 11/19/92)

	On Share Price	On NAV
7-Month (Cumulative)	-4.55%	-2.23%
1-Year	-2.50%	1.29%
5-Year	2.04%	3.18%
10-Year	2.86%	4.55%

Portfolio Composition3
(as a % of total investments)

Tax Obligation/Limited	27.9%
Utilities	15.7%
Water and Sewer	14.5%
Health Care	14.2%
Education and Civic Organizations	11.1%
Tax Obligation/General	7.6%
U.S. Guaranteed	5.7%
Other	3.3%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 Ratings shown are the highest of Standard & Poor's Group, Moody's Investor Service, Inc. or Fitch, Inc. AAA includes bonds with an implied AAA rating since they are backed by U.S. Government or agency securities. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below-investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

3 Holdings are subject to change.

NFZ Performance OVERVIEW

Nuveen Arizona Dividend Advantage Municipal Fund

as of February 28, 2011

Fund Snapshot

Common Share Price	$	12.14
Common Share Net Asset Value (NAV)	$	13.32
Premium/(Discount) to NAV		-8.86%
Market Yield		6.38%
Taxable-Equivalent Yield1		9.29%
Net Assets Applicable to Common Shares ($000)	$	20,630

Average Annual Total Return
(Inception 1/30/01)

	On Share Price	On NAV
7-Month (Cumulative)	-11.47%	-3.10%
1-Year	3.85%	1.61%
5-Year	-0.78%	2.57%
10-Year	3.48%	5.05%

Portfolio Composition3
(as a % of total investments)

Tax Obligation/Limited	31.9%
Utilities	18.4%
Tax Obligation/General	12.5%
Health Care	12.0%
Water and Sewer	9.4%
Education and Civic Organizations	8.2%
Other	7.6%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 Ratings shown are the highest of Standard & Poor's Group, Moody's Investor Service, Inc. or Fitch, Inc. AAA includes bonds with an implied AAA rating since they are backed by U.S. Government or agency securities. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below-investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

3 Holdings are subject to change.

NKR	Nuveen Arizona
Performance	Dividend Advantage
OVERVIEW	Municipal Fund 2
as of February 28, 2011	

Fund Snapshot

Common Share Price	$	12.66
Common Share Net Asset Value (NAV)	$	13.88
Premium/(Discount) to NAV		-8.79%
Market Yield		6.35%
Taxable-Equivalent Yield1		9.24%
Net Assets Applicable to Common Shares ($000)	$	33,852

Average Annual Total Return
(Inception 3/25/02)

	On Share Price	On NAV
7-Month (Cumulative)	-5.84%	-1.90%
1-Year	-1.49%	1.76%
5-Year	1.10%	3.46%
Since Inception	3.91%	5.41%

Portfolio Composition3
(as a % of total investments)

Tax Obligation/Limited	34.5%
Health Care	17.7%
Tax Obligation/General	14.6%
U.S. Guaranteed	10.2%
Water and Sewer	8.2%
Education and Civic Organizations	6.8%
Other	8.0%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 Ratings shown are the highest of Standard & Poor's Group, Moody's Investor Service, Inc. or Fitch, Inc. AAA includes bonds with an implied AAA rating since they are backed by U.S. Government or agency securities. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below-investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

3 Holdings are subject to change.

NXE	Nuveen Arizona
Performance	Dividend Advantage
OVERVIEW	Municipal Fund 3
as of February 28, 2011	

Fund Snapshot

Common Share Price	$	12.24
Common Share Net Asset Value (NAV)	$	13.46
Premium/(Discount) to NAV		-9.06%
Market Yield		6.18%
Taxable-Equivalent Yield1		9.00%
Net Assets Applicable to Common Shares ($000)	$	41,257

Average Annual Total Return
(Inception 9/25/02)

	On Share Price	On NAV
7-Month (Cumulative)	-3.63%	-1.60%
1-Year	1.89%	2.51%
5-Year	1.83%	3.49%
Since Inception	3.06%	4.54%

Portfolio Composition3
(as a % of total investments)

Tax Obligation/Limited	25.7%
Health Care	20.4%
Education and Civic Organizations	13.1%
Water and Sewer	9.8%
Transportation	9.1%
Utilities	8.8%
U.S. Guaranteed	5.5%
Other	7.6%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 Ratings shown are the highest of Standard & Poor's Group, Moody's Investor Service, Inc. or Fitch, Inc. AAA includes bonds with an implied AAA rating since they are backed by U.S. Government or agency securities. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below-investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

3 Holdings are subject to change.

NTX Performance OVERVIEW

Nuveen Texas Quality Income Municipal Fund

as of February 28, 2011

Fund Snapshot

Common Share Price	$	15.19
Common Share Net Asset Value (NAV)	$	14.12
Premium/(Discount) to NAV		7.58%
Market Yield		5.65%
Taxable-Equivalent Yield1		7.85%
Net Assets Applicable to Common Shares ($000)	$	134,850

Average Annual Total Return
(Inception 10/17/91)

	On Share Price	On NAV
7-Month (Cumulative)	-7.15%	-2.61%
1-Year	1.08%	1.44%
5-Year	5.67%	3.77%
10-Year	6.53%	5.38%

Portfolio Composition4
(as a % of total investments)

Tax Obligation/General	28.5%
U.S. Guaranteed	11.5%
Utilities	11.3%
Water and Sewer	9.9%
Health Care	9.8%
Transportation	8.6%
Education and Civic Organizations	6.7%
Tax Obligation/Limited	6.4%
Other	7.3%

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this Fund's Performance Overview page.

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 Ratings shown are the highest of Standard & Poor's Group, Moody's Investor Service, Inc. or Fitch, Inc. AAA includes bonds with an implied AAA rating since they are backed by U.S. Government or agency securities. AAA, AA, A and BBB ratings are investment grade; BB, B, CCC, CC, C and D ratings are below-investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

3 The Fund paid shareholders capital gains and net ordinary income distributions in December 2010 of $0.0067 per share.

4 Holdings are subject to change.

NAZ
NFZ
NKR

Shareholder Meeting Report (Unaudited)

The annual meeting of shareholders was held in the offices of Nuveen Investments on November 16, 2010; at this meeting the shareholders were asked to vote on the election of Board Members, the elimination of Fundamental Investment Policies and the approval of new Fundamental Investment Policies.3 The meeting for NKR and NTX was subsequently adjourned to January 6, 2011; the meeting for NKR was additionally adjourned to March 14, 2011.

	NAZ		NFZ		NKR	
	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class
To approve the elimination of the Fund's fundamental policy relating to investments in municipal securities and below investment grade securities.						
For	—	—	—	—	1,204,481	378
Against	—	—	—	—	141,020	92
Abstain	—	—	—	—	14,249	—
Broker Non-Votes	—	—	—	—	360,283	37
Total	—	—	—	—	1,720,033	507
To approve the new fundamental policy relating to investments in municipal securities for the Fund.						
For	—	—	—	—	1,222,364	378
Against	—	—	—	—	121,653	92
Abstain	—	—	—	—	15,733	—
Broker Non-Votes	—	—	—	—	360,283	37
Total	—	—	—	—	1,720,033	507
Approval of the Board Members was reached as follows:						
John P. Amboian						

For	4,094,890	—	—	—	—	—
Withhold	54,362	—	—	—	—	—
Total	4,149,252	—	—	—	—	—
Robert P. Bremner						
For	4,099,458	—	—	—	—	—
Withhold	49,794	—	—	—	—	—
Total	4,149,252	—	—	—	—	—
Jack B. Evans						
For	4,093,342	—	—	—	—	—
Withhold	55,910	—	—	—	—	—
Total	4,149,252	—	—	—	—	—
William C. Hunter						
For	—	501	—	330	—	439
Withhold	—	37	—	1	—	64
Total	—	538	—	331	—	503
David J. Kundert						
For	4,101,242	—	—	—	—	—
Withhold	48,010	—	—	—	—	—
Total	4,149,252	—	—	—	—	—
William J. Schneider						
For	—	501	—	330	—	439
Withhold	—	37	—	1	—	64
Total	—	538	—	331	—	503
Judith M. Stockdale						
For	4,074,828	—	1,448,096	—	1,636,725	—
Withhold	74,424	—	33,267	—	83,304	—
Total	4,149,252	—	1,481,363	—	1,720,029	—
Carole E. Stone						
For	4,076,612	—	1,467,371	—	1,636,725	—
Withhold	72,640	—	13,992	—	83,304	—
Total	4,149,252	—	1,481,363	—	1,720,029	—
Terence J. Toth						
For	4,102,242	—	—	—	—	—
Withhold	47,010	—	—	—	—	—
Total	4,149,252	—	—	—	—	—

NXE
NTX

Shareholder Meeting Report (Unaudited) (continued)

	NXE		NTX	
	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class
To approve the elimination of the Fund's fundamental policy relating to investments in municipal securities and below investment grade securities.				
For	—	—	—	—
Against	—	—	—	—
Abstain	—	—	—	—
Broker Non-Votes	—	—	—	—
Total	—	—	—	—
To approve the new fundamental policy relating to investments in municipal securities for the Fund.				
For	—	—	—	—
Against	—	—	—	—
Abstain	—	—	—	—
Broker Non-Votes	—	—	—	—
Total	—	—	—	—
Approval of the Board Members was reached as follows:				
John P. Amboian				
For	—	—	—	—
Withhold	—	—	—	—
Total	—	—	—	—
Robert P. Bremner				
For	—	—	—	—
Withhold	—	—	—	—
Total	—	—	—	—
Jack B. Evans				
For	—	—	—	—
Withhold	—	—	—	—
Total	—	—	—	—
William C. Hunter				
For	—	571	—	1,926
Withhold	—	—	—	17
Total	—	571	—	1,943
David J. Kundert				
For	—	—	—	—

Withhold	—	—	—	—
Total	—	—	—	—
William J. Schneider				
For	—	571	—	1,926
Withhold	—	—	—	17
Total	—	571	—	1,943
Judith M. Stockdale				
For	2,833,031	—	8,421,913	—
Withhold	77,359	—	326,828	—