

NUVEEN INSURED DIVIDEND ADVANTAGE MUNICIPAL FUND  
Form N-2  
July 17, 2009

As filed with the Securities and Exchange Commission on July 17, 2009

1933 Act File No. 333-

1940 Act File No. 811-09475

## U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### Form N-2

(Check appropriate box or boxes)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.

Post-Effective Amendment No.

and

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. 7

## Nuveen Insured Dividend Advantage Municipal Fund

Exact Name of Registrant as Specified in Declaration of Trust

333 West Wacker Drive, Chicago, Illinois 60606

Address of Principal Executive Offices (Number, Street, City, State, Zip Code)

(800) 257-8787

**Registrant's Telephone Number, including Area Code**

**Kevin J. McCarthy**

**Vice President and Secretary**

**333 West Wacker Drive**

**Chicago, Illinois 60606**

**Name and Address (Number, Street, City, State, Zip Code) of Agent for Service**

***Copies of Communications to:***

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New York, NY 10017**

**Approximate Date of Proposed Public Offering:**

As soon as practicable after the effective date of this Registration Statement

If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective (check appropriate box)

" when declared effective pursuant to section 8(c)

**CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933**

<b>Title of Securities Being Registered</b>	<b>Amount Being Registered</b>	<b>Proposed Maximum Offering Price  Per Unit(2)</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration  Fee</b>
MuniFund Term Preferred Shares, Series 2012, 2013 and 2014	1,000 Shares <sup>(1)</sup>	\$ 10	\$ 10,000	\$ .56

(1) The Fund will offer, in the aggregate, up to 1,000 shares of MuniFund Term Preferred Shares, % Series 2012, 2013 and 2014, at an offering price of \$10 per share.

(2) Estimated solely for the purpose of calculating the registration fee.

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 that specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**PROSPECTUS (Subject to Completion)**

Issued 2009

\$

*Nuveen Insured Dividend Advantage Municipal Fund*

**MUNIFUND TERM PREFERRED SHARES**

Shares, % Series 2012

Shares, % Series 2013

Shares, % Series 2014

Liquidation Preference \$10 Per Share

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**The Fund.** Nuveen Insured Dividend Advantage Municipal Fund (the Fund) is a diversified, closed-end management investment company. The Fund's investment objectives are to provide current income exempt from regular federal income tax and to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Fund's investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued. Under normal market conditions, the Fund will invest at least 80% of its net assets in a portfolio of municipal bonds that are exempt from regular federal income taxes and that are covered by insurance guaranteeing the timely payment of principal and interest thereon. Under normal circumstances, the Fund will invest at least 80% of its managed assets in municipal securities (i) covered by insurance from insurers with a claims-paying ability rated Aa or AA or better by a nationally recognized statistical rating organization (NRSRO) at the time of purchase, (ii) rated Aa or AA or better by an NRSRO or that are unrated but judged to be of comparable quality by the Fund's investment adviser, at the time of purchase, or (iii) backed by an escrow or trust account containing sufficient U.S. Government or U.S. Government agency securities to ensure timely payment of principal and interest. Under

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normal circumstances, the Fund may invest up to 20% of its managed assets in municipal securities (i) covered by insurance from insurers with a claims-paying ability rated Baa or BBB or better by an NRSRO or (ii) rated at least Baa or BBB or better by an NRSRO, or that are unrated but judged to be of comparable quality by the Fund's investment adviser, at the time of purchase. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. There is no assurance that the Fund will achieve its investment objectives. See The Fund's Investments.

**The Offering.** The Fund is offering MuniFund Term Preferred Shares, ( Series 2013 MTP Shares ) % Series 2012 ( Series 2012 MTP Shares ), MuniFund Term Preferred Shares, % Series 2013 and MuniFund Term Preferred Shares, % Series 2014 ( Series 2014 MTP Shares ), each with a liquidation preference of \$10 per share (collectively, MTP Shares ). Each such series is referred to as a Series. The offering of each Series is independent of the offering of the other Series, and no offering is contingent upon the completion of the offering of the other Series. The Fund intends to use the net proceeds from the sale of MTP Shares to refinance and redeem all or a portion of the Fund's outstanding Municipal Auction Rate Cumulative Preferred Shares ( MuniPreferred Shares ), and to maintain the Fund's leveraged capital structure.

**Ratings.** MTP Shares will have upon issuance a long-term credit rating of from Moody's Investors Service, Inc. ( Moody's ) and a long-term issue credit rating of from Standard & Poor's Financial Services, LLC, a subsidiary of The McGraw-Hill Companies, Inc. ( S&P ). See Description of MTP Shares Rating Agencies.

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Fixed Dividend Rates:	Series 2012 MTP Shares	% per annum
	Series 2013 MTP Shares	% per annum
	Series 2014 MTP Shares	% per annum

(continued from previous page)

The Fixed Dividend Rate may be adjusted in the event of a change in the credit rating of the MTP Shares, as described herein. See Description of MTP Shares Dividends and Dividend Periods.

The Fund intends to apply to list the MTP Shares on the NYSE Amex, subject to notice of issuance. The trading or ticker symbol is

Investing in MuniFund Term Preferred Shares involves certain risks, which are described in the Risks section beginning on page of this prospectus.

PRICE \$10 A SHARE

**Dividends.** Dividends on the MTP Shares will be payable monthly. The initial dividend period for the MTP Shares will commence on the date of the original issuance of such MTP Shares and end on the last day of the calendar month in which such issuance occurs and each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such MTP Shares). Dividends will be paid on the first business day of the month next following a dividend period and upon redemption of the MTP Shares, except that dividends paid with respect to any dividend period consisting of the month of December in any year will be paid on the last business day of December. Dividends with respect to any monthly dividend period will be declared and paid to holders of record of MTP Shares as their names shall appear on the registration books of the Fund at the close of business on the 15th day of such monthly dividend period (or if such day is not a business day, the next preceding business day).

**Redemption.** The Fund is required to redeem Series 2012 MTP Shares on September 1, 2012, Series 2013 MTP Shares on September 1, 2013, and Series 2014 MTP Shares on September 1, 2014 in each case unless earlier redeemed or repurchased by the Fund. In addition, MTP Shares are subject to optional and mandatory redemption in certain circumstances. See Description of MTP Shares Redemption.

**Tax Exemption.** The dividend rate for each Series assumes that each month's distribution is comprised solely of dividends exempt from regular federal income tax, although a portion of those dividends may be subject to the federal alternative minimum tax. From time to time, the Fund may be required to allocate capital gains and/or ordinary income to a given month's distribution on MTP Shares. To the extent that it does so, the Fund will contemporaneously make a separate, supplemental distribution of an amount that, when combined with the total amount of regular tax-exempt income, capital gains and ordinary income in the monthly distribution, is intended to make the two distributions equal on an after-tax basis (determined based upon the maximum marginal federal income tax rates in effect at the time of such payment) to the amount of the monthly distribution if it had been entirely comprised of dividends exempt from regular federal income tax. Alternatively (particularly in cases where the amount of capital gains or ordinary income to be allocated to the MTP Shares is small), the Fund will satisfy the requirement to allocate capital gains or ordinary income to MTP Shares by making a supplemental distribution of such gains or income to MTP shareholders, over and above the monthly dividend that is fully exempt from regular federal income tax. If, in connection with a redemption of MTP Shares, the Fund allocates capital gains or ordinary income to a distribution on MTP Shares without having made either a contemporaneous supplemental distribution of an additional amount or an alternative supplemental distribution of capital gains and/or ordinary income, it will cause an additional amount to be distributed to MTP shareholders whose interests are redeemed, which amount, when combined with the total amount of regular tax-exempt income, capital gains and ordinary income allocated in the distribution, is intended to make the distribution and

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*the additional amount equal on an after-tax basis (determined based upon the maximum marginal federal income tax rates in effect at the time of such payment) to the amount of the distribution if it had been entirely comprised of dividends exempt from regular federal income tax. Investors should consult with their own tax advisors before making an investment in the MTP Shares. See Tax Matters and Description of MTP Shares Dividends and Dividend Periods Distribution with respect to Taxable Allocations.*

**Priority of Payment.** *MTP Shares will be senior securities of stock of the Fund and are senior, with priority in all respects, to the Fund's common shares as to payments of dividends and as to*

(continued from previous page)

distribution of assets upon dissolution, liquidation or winding up of the affairs of the Fund. Each series of MTP Shares will have equal priority as to payments of dividends and as to distribution of assets upon dissolution, liquidation or winding up of the affairs of the Fund and will be in parity in all respects with other preferred shares currently outstanding. The Fund may issue additional preferred shares on parity with MTP Shares, subject to certain limitations. The Fund may not issue additional classes of shares that are senior in any respect to MTP Shares and other outstanding preferred shares of the Fund. See Description of MTP Shares. The Fund, as a fundamental policy, may not issue debt securities that rank senior to MTP Shares. In addition, as a fundamental policy, the Fund may not borrow money, except from banks for temporary or emergency purposes, or for repurchase of its shares, subject to certain restrictions. See Investment Restrictions in the Statement of Additional Information.

	<u>Price to Public</u>	<u>Sales Load<sup>1</sup></u>	<u>Proceeds to the Fund</u>
Per Share	\$10.00	\$	\$
Total	\$	\$	\$

<sup>1</sup> Total expenses of issuance and distribution, excluding sales load, are estimated to be \$ .

**Book-Entry Only.** It is expected that the MTP Shares will be delivered to the underwriters in book-entry form only, through the facilities of the Depository Trust Company, on or about , 2009.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

CUSIP No[s].

MORGAN STANLEY

NUVEEN INVESTMENTS, LLC

, 2009

**Redemption and Paying Agent.** The redemption and paying agent for each Series of MTP Shares will be , [New York, New York].

**Adviser.** Nuveen Asset Management ( NAM ), the Fund s investment adviser, is responsible for determining the Fund s overall investment strategy and its implementation.



*You should read this prospectus, which contains important information about the Fund, before deciding whether to invest in MTP Shares and retain it for future reference. A Statement of Additional Information, dated \_\_\_\_\_, 2009, and as it may be supplemented, containing additional information about the Fund has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the Statement of Additional Information, the table of contents of which is on page \_\_\_\_\_ of this prospectus, annual and semi-annual reports to shareholders, when available, and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787 or by writing to the Fund, or from the Fund's website (<http://www.nuveen.com>). The information contained in, or that can be accessed through, the Fund's website is not part of this prospectus. You also may obtain a copy of the Statement of Additional Information (and other information regarding the Fund) from the Securities and Exchange Commission's website (<http://www.sec.gov>).*

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***MTP Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.***

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You should rely only on the information contained in or incorporated by reference to this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell MTP Shares and seeking offers to buy MTP Shares, only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of MTP Shares.

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**PROSPECTUS SUMMARY**

*This is only a summary. You should review the more detailed information contained elsewhere in this prospectus and in the Statement of Additional Information (the SAI), including the Fund's Statement Establishing and Fixing the Rights and Preferences of MuniFund Term Preferred Shares (the Statement), attached as Appendix A to the SAI, prior to making an investment in the Fund, especially the information set forth under the heading Risks. Capitalized terms used but not defined in this prospectus shall have the meanings given to such terms in the Statement.*

**The Fund**

Nuveen Insured Dividend Advantage Municipal Fund (the Fund) is a diversified, closed-end management investment company. The Fund's common shares, \$0.01 par value, are traded on the NYSE Amex (the Exchange) under the symbol NVG. See Description of Outstanding Shares Common Shares. The Fund commenced investment operations on March 25, 2002. As of April 30, 2009, the Fund had 29,802,900 common shares outstanding and 8,432 preferred shares outstanding. Preferred shares previously offered by the Fund are referred to as MuniPreferred shares. MTP Shares, as defined below, and any other preferred shares, including MuniPreferred shares, that may then be outstanding are collectively referred to as Preferred Stock.

**The Offering**

The Fund is offering MuniFund Term Preferred Shares, % Series 2012 ( Series 2012 MTP Shares ), MuniFund Term Preferred Shares, % Series 2013 ( Series 2013 MTP Shares ) and MuniFund Term Preferred Shares, % Series 2014 ( Series 2014 MTP Shares ), each at a purchase price of \$10 per share (collectively, MTP Shares ). Each such series is referred to as a Series. MTP Shares are being offered by the underwriters listed under Underwriters. The Fund intends to use the net proceeds from the sale of MTP Shares to refinance and redeem all or a portion of the outstanding MuniPreferred shares, and to maintain the Fund's leveraged capital structure.

The issuance date of the MTP Shares is referred to herein as the Date of Original Issue. MTP Shares will be senior securities that constitute stock of the Fund and are senior, with priority in all respects, to the Fund's common shares as to payments of dividends and as to distribution of assets upon dissolution, liquidation or winding up of the affairs of the Fund. Each Series of MTP Shares will have equal priority as to payments of dividends and as to distributions of assets upon dissolution, liquidation or winding up of the affairs of the Fund and will be in parity in all respects with MuniPreferred shares outstanding. The Fund may not issue additional classes of shares that are senior in any respect to Preferred Stock.

Certain underwriters, including currently own outstanding MuniPreferred shares. Upon the successful completion of this offering, these shares may be redeemed or purchased by the Fund with the net proceeds of the offering as set forth in Use of Proceeds.

Although such a redemption or purchase would be done in accordance with the Investment Company Act of 1940, as amended (the "1940 Act") in a manner that did not favor these underwriters, these underwriters may nonetheless be deemed to obtain a material benefit from the offering of the MTP Shares due to such redemption or purchase.

**Who May Want to Invest**

You should consider your investment goals, time horizons and risk tolerance before investing in MTP Shares. An investment in MTP Shares is not appropriate for all investors and is not intended to be a complete investment program. MTP Shares are designed as a short/intermediate-term investment to help achieve the after-tax income and capital preservation goals of investors, and not as a trading vehicle. MTP Shares may be an appropriate investment for you if you are seeking:

- Current income exempt from regular federal income taxes;
- Consistent monthly dividends;
- Return of your capital investment after a limited term of no longer than 3, 4 or 5 years;
- A highly rated security that benefits from significant over-collateralization and related protective provisions;
- Municipal market exposure through the Fund (rather than a single municipal issuer) that diversifies credit risk by investing in many securities and various essential-service sectors;
- Potential for daily liquidity and transparency afforded by NYSE Amex listing; and
- A short/intermediate-term fixed income investment with potentially less price volatility than longer-dated fixed income securities.

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

**Fixed Dividend Rate**

MTP Shares pay a dividend at a fixed rate of \_\_\_\_\_ % per annum of the \$10 liquidation preference per share (the "Fixed Dividend Rate"). The Fixed Dividend Rate is subject to adjustment in certain circumstances (but not in any event lower than the \_\_\_\_\_ % Fixed Dividend Rate). See Description of MTP Shares Dividends and Dividend Periods Dividend Rate and Description of MTP Shares Dividends and Dividend Periods Default Period.

**Dividend Payments**

The holders of shares of each Series of MTP Shares will be entitled to receive cumulative cash dividends and distributions on each share of such Series, when, as and if declared by, or under authority granted

by, the Board of Trustees, out of funds legally available for payment. Dividends on the MTP Shares will be payable monthly. The initial dividend period for the MTP Shares will commence on the date of the original issuance of such MTP Shares and end on \_\_\_\_\_, 2009 and each subsequent dividend period will be a calendar month (or the portion thereof occurring prior to the redemption of such MTP Shares) (each dividend period a Dividend Period). Dividends will be paid on the first Business Day of the month next following a Dividend Period and upon redemption of the MTP Shares, except that dividends paid with respect to any Dividend Period consisting of the month of December in any year will be paid on the last Business Day of December (each payment date a Dividend Payment Date). Dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of MTP Shares as their names shall appear on the registration books of the Fund at the close of business on the 15th day of such monthly Dividend Period (or if such day is not a Business Day, the next preceding Business Day). See Description of MTP Shares Dividends and Dividend Periods.

Business Day means any calendar day on which the Exchange is open for trading.

### **Term Redemption**

The Fund is required to provide for the mandatory redemption of all (i) outstanding Series 2012 MTP Shares on September 1, 2012, (ii) outstanding Series 2013 MTP Shares on September 1, 2013 and (iii) outstanding Series 2014 MTP Shares on September 1, 2014, each at a redemption price equal to \$10 per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the redemption date (the Term Redemption Price). No amendment, alteration or repeal of the obligations of the Fund to redeem all of the Series 2012 MTP Shares, Series 2013 MTP Shares and Series 2014 MTP Shares on September 1, 2012, September 1, 2013 and September 1, 2014, respectively, can be effected without the prior unanimous vote or consent of the holders of Series 2012 MTP Shares, Series 2013 MTP Shares and Series 2014 MTP Shares, respectively. See Description of MTP Shares Redemption.

### **Mandatory Redemption for**

#### **Asset Coverage and Effective**

#### **Leverage Ratio**

*Asset Coverage.* If the Fund fails to have Asset Coverage (as defined below) of at least 225% as of the close of business on any Business Day on which such Asset Coverage is required to be calculated and such failure is not cured as of the close of business on the date that is 30 calendar days following such Business Day (the Asset Coverage Cure Date), the Fund will redeem within 45 calendar days of the Asset Coverage Cure Date shares of Preferred Stock equal to the lesser of (i) the minimum number of shares of

Preferred Stock that will result in the Fund having Asset Coverage of at least 230% and (ii) the maximum number of shares of Preferred Stock that can be redeemed out of monies expected to be legally available; and, at the Fund's sole option, the Fund may redeem a number of shares of Preferred Stock (including shares of Preferred Stock required to be redeemed) that will result in the Fund having Asset Coverage of up to and including 275%. The Preferred Stock to be redeemed may include at the Fund's sole option any number or proportion of MTP Shares of any Series. If MTP Shares are to be redeemed in such an event, they will be redeemed at a redemption price equal to their \$10 liquidation preference per share plus accumulated but unpaid dividends thereon (whether or not declared, but excluding interest thereon) to (but excluding) the date fixed for such redemption by the Board of Trustees (the Mandatory Redemption Price).

*Effective Leverage Ratio.* If the Effective Leverage Ratio (as defined below) of the Fund exceeds [50%] as of the close of business on any Business Day on which such ratio is required to be calculated and such failure is not cured as of the close of business on the date that is 30 calendar days following such Business Day (the Effective Leverage Ratio Cure Date), the Fund will within 45 calendar days following the Effective Leverage Ratio Cure Date cause the Fund to have an Effective Leverage Ratio not to exceed 50% by (A) engaging in transactions involving or relating to the floating rate trust certificates not owned by the Fund and/or the residual floating rate trust certificates owned by the Fund, including the purchase, sale or retirement thereof, (B) redeeming a sufficient number of shares of Preferred Stock, which at the Fund's sole option may include any number or proportion of MTP Shares of any Series in accordance with the terms of such Preferred Stock, or (C) engaging in any combination of the actions contemplated by clauses (A) and (B). Any MTP Shares so redeemed will be redeemed at a price per share equal to the Mandatory Redemption Price. See Portfolio Composition Municipal Securities Inverse Floating Rate Securities.

#### **Optional Redemption**

As of September 1, 2010, September 1, 2011 and September 1, 2012, respectively, Series 2012 MTP Shares, Series 2013 MTP Shares and Series 2014 MTP Shares will be subject to optional redemption (in whole or from time to time, in part) at the sole option of the Fund out of monies legally available therefore, at the redemption price per share equal to the sum of the \$10 liquidation preference per share plus (i) an initial premium of 1.00% of the liquidation preference (with such premium declining by 0.5% every six months so that by September 1, 2011 (with respect to Series 2012 MTP Shares), September 1, 2012 (with respect to Series 2013 MTP Shares) and September 1, 2013 (with respect to Series 2014 MTP Shares) there will cease to be a premium) and (ii) an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for such

redemption. The period from the Date of Original Issue to the date that the MTP Shares are subject to such optional redemption is referred to herein as the Non-Call Period. In addition to the optional redemption described above, the MTP Shares will also be subject to optional redemption on any Business Day during a Rating Downgrade Period with respect to such MTP Shares at the redemption price per share equal to the sum of the \$10 liquidation preference per share (without any additional premium) plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared, but excluding interest thereon) to (but excluding) the date fixed for redemption. A Rating Downgrade Period means, with respect to any Series, any period during which such Series is rated A+ or lower by S&P and A1 or lower by Moody's (or an equivalent rating of another Rating Agency as permitted or contemplated by the definition of Rating Agency). See Description of MTP Shares Redemption.

#### **Federal Income Taxes**

Because under normal circumstances the Fund will invest substantially all of its assets in municipal securities that pay interest exempt from regular federal income tax, the dividends designated by the Fund as exempt-interest dividends received by a holder of MTP Shares will be similarly exempt. The dividends received by a holder of MTP Shares may be subject to state and local taxes. All or a portion of the income from the Fund's portfolio securities, and in turn the exempt-interest dividends paid to holders of MTP Shares, may be subject to the federal alternative minimum tax, so MTP Shares may not be a suitable investment if you are subject to this tax. Taxable income or gain earned by the Fund will be allocated proportionately to holders of Preferred Stock and common shares, based on the percentage of total Preferred Stock dividends relative to common share dividends.

The Fund has elected to be treated, and intends to continue to qualify each year, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code), and generally does not expect to be subject to federal income tax.

#### **Ratings**

It is a condition of the underwriters' obligation to purchase each Series of MTP Shares that each Series of MTP Shares will be rated \_\_\_\_\_ and \_\_\_\_\_ by Moody's and S&P, respectively, as of the Date of Original Issue. There can be no assurance that such ratings will be maintained at the level originally assigned through the applicable term of each Series of MTP Shares. The ratings are based on current information furnished to Moody's and S&P by the Fund and its investment adviser. The ratings may be changed, suspended or withdrawn in the rating agencies' discretion. The Fund, however, will use commercially reasonable efforts to cause at least one Rating Agency (Moody's, S&P or Fitch Ratings, Inc. (Fitch)) to publish a credit rating with respect to each Series of MTP Shares for so long as

such Series is outstanding. The Fixed Dividend Rate will be subject to an increase in the event that the ratings of the MTP Shares by both Moody's and S&P are downgraded from \_\_\_\_\_ and \_\_\_\_\_, respectively or if no Rating Agency is then rating the shares. See Description of MTP Shares Dividends and Dividend Periods Possible Adjustments to Fixed Dividend Rate.

**Asset Coverage**

If the Fund fails to maintain at least 225% asset coverage as of the close of business on each Business Day, the MTP Shares may become subject to mandatory redemption as provided above. Asset coverage for Preferred Stock is calculated pursuant to Section 18(h) of the 1940 Act, as in effect on the date of the Statement, and is determined on the basis of values calculated as of a time within 48 hours (only including Business Days) preceding each daily determination (Asset Coverage). See Description of MTP Shares Asset Coverage.

The Fund estimates that on the [Date of Original Issue], the Asset Coverage, based on the composition of its portfolio as of \_\_\_\_\_, 2009, and after giving effect to the issuance of each Series of MTP Shares offered hereby (\$ \_\_\_\_\_), the [deduction of sales loads and estimated offering expenses for such MTP Shares (\$ \_\_\_\_\_)] and the redemption of all or a portion of the MuniPreferred shares will be \_\_\_\_\_%.

**Effective Leverage Ratio**

If the Fund's Effective Leverage Ratio exceeds [50%] as of the close of business on any Business Day, the MTP Shares may become subject to mandatory redemption as provided above.

The Effective Leverage Ratio on any date means the quotient of the sum of (A) the aggregate liquidation preference of the Fund's senior securities (as that term is defined in the 1940 Act) that are stock, excluding, without duplication, (1) any such senior securities for which the Fund has issued a notice of redemption and either has delivered Deposit Securities to the paying agent for such Preferred Stock or otherwise has adequate Deposit Securities on hand for the purpose of such redemption and (2) the Fund's outstanding Preferred Stock that is to be redeemed with net proceeds from the sale of the MTP Shares, for which the Fund has delivered Deposit Securities to the paying agent for such Preferred Stock or otherwise has adequate Deposit Securities on hand for the purpose of such redemption; (B) the aggregate principal amount of the Fund's senior securities representing indebtedness (as that term is defined in the 1940 Act); and (C) the aggregate principal amount of floating rate trust certificates not owned by the Fund that correspond to the associated residual floating rate trust certificates owned by the Fund; divided by the sum of (A) the market value (determined in accordance with the Fund's valuation procedures) of the Fund's total assets (including amounts attributable to senior securities), less the amount of the Fund's accrued liabilities (other than liabilities for the aggregate



principal amount of senior securities representing indebtedness, including floating rate trust certificates); and (B) the aggregate principal amount of floating rate trust certificates not owned by the Fund that correspond to the associated residual floating rate trust certificates owned by the Fund.

**Voting Rights**

Except as otherwise provided in the Fund's Declaration of Trust or as otherwise required by law, (i) each holder of MTP Shares shall be entitled to one vote for each MTP Share held by such holder on each matter submitted to a vote of shareholders of the Fund and (ii) the holders of outstanding Preferred Stock and of common shares shall vote together as a single class; provided that holders of Preferred Stock, voting separately as a class, shall elect at least two of the Fund's trustees and will elect a majority of the Fund's trustees to the extent the Fund fails to pay dividends on any Preferred Stock in an amount equal to two full years of dividends on that stock. See Description of MTP Shares Voting Rights.

**Liquidation Preference**

The liquidation preference of MTP Shares will be \$10 per share (the Liquidation Preference). In the event of any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the holders of MTP Shares will be entitled to receive a liquidation distribution per share equal to the Liquidation Preference plus an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the date fixed for distribution or payment (whether or not earned or declared by the Fund, but excluding interest thereon). See Description of MTP Shares Liquidation Rights.

**Investment Objectives and Policies**

The Fund's investment objectives are to provide current income exempt from regular federal income tax and to enhance portfolio value relative to the municipal bond market by investing in tax-exempt municipal bonds that the Fund's investment adviser believes are underrated or undervalued or that represent municipal market sectors that are undervalued. Under normal market conditions, the Fund will invest at least 80% its net assets in a portfolio of municipal bonds that are exempt from regular federal income taxes and that are covered by insurance guaranteeing the timely payment of principal and interest thereon. This 80% test includes inverse floating rate securities whose underlying bonds are covered by insurance guaranteeing the timely payment of principal and interest thereon. In addition, for purposes of this 80% test, insurers must have a claims-paying ability rate at least A by an NRSRO at the time of purchase or at the time the municipal security is insured while in the Fund's portfolio. Under normal circumstances, the Fund will invest at least 80% of its Managed Assets (as defined below) in municipal securities (i) covered by insurance from insurers with a claims-paying ability rated Aa or AA or better by an NRSRO at the time of purchase, (ii) municipal securities rated Aa or AA or better by an NRSRO or that

are unrated but judged to be of comparable quality by NAM, at the time of purchase, or (iii) backed by an escrow or trust account containing sufficient U.S. Government or U.S. Government agency securities to ensure timely payment of principal and interest. Under normal circumstances, the Fund may invest up to 20% of its Managed Assets in municipal securities (i) covered by insurance from insurers with a claims-paying ability rated Baa or BBB or better by an NRSRO or (ii) rated at least Baa or BBB or better by an NRSRO or that are unrated but judged to be of comparable quality by NAM, at the time of purchase. Managed Assets means the Fund's net assets, plus assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or Preferred Stock outstanding. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. During temporary defensive periods and in order to keep the Fund's cash fully invested, the Fund may invest up to 100% of its net assets in short-term investments including high quality, short-term securities that may be either tax-exempt or taxable. A portion of the dividends from MTP Shares may be subject to the federal alternative minimum tax. There is no assurance that the Fund will achieve its objectives. See The Fund's Investments.

**Investment Adviser**

Nuveen Asset Management ( NAM ) is the Fund's investment adviser, responsible for determining the Fund's overall investment strategy and its implementation. See Management of the Fund Investment Adviser and Portfolio Managers.

**Listing**

The Fund intends to list the MTP Shares on the NYSE Amex, subject to notice of issuance. The trading or ticker symbol is .

**Redemption and Paying Agent**

The Fund will enter into a Redemption and Paying Agent Agreement with , [New York, New York] (the Redemption and Paying Agent ). The Redemption and Paying Agent will serve as the Fund's transfer agent and registrar, dividend disbursing agent, and paying agent and redemption price disbursing agent with respect to MTP Shares.

**Risks**

Risk is inherent in all investing. Therefore, before investing in MTP Shares you should consider certain risks carefully. The primary risks of investing in the Fund, and in MTP Shares in particular, are:

**Risks of Investing in MTP Shares**

- *Interest Rate Risk MTP Shares.* MTP Shares pay dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on

short and intermediate term securities comparable to MTP Shares may increase, which would likely result in a decline in the secondary market price of MTP Shares prior to its term redemption. See also [Secondary Market Risk](#).

- *Secondary Market Risk.* Because the Fund has no prior trading history for exchange-listed, closed-end fund preferred shares, it is difficult to predict the trading patterns of MTP Shares, including the effective costs of trading MTP Shares. There is a risk that the market for MTP Shares may be thinly traded and relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms, credit ratings and tax-advantaged income features.
- *Ratings Risk.* The Fund expects that, at issuance, each Series of MTP Shares will be rated [\\_\\_\\_\\_\\_](#) and [\\_\\_\\_\\_\\_](#) by Moody's and S&P, respectively and that such ratings will be a requirement of issuance of such Series by the underwriters pursuant to an underwriting agreement. There can be no assurance that such ratings will be maintained at the level originally assigned through the term of MTP Shares. Ratings do not eliminate or mitigate the risks of investing in MTP Shares. A rating issued by a rating agency (including Moody's and S&P) (each a Rating Agency as further defined below) is only the opinion of the entity issuing the rating at that time, and is not a guarantee as to quality, or an assurance of the future performance, of the rated security (in this case, MTP Shares). In addition, the manner in which the Rating Agency obtains and processes information about a particular security may affect the Rating Agency's ability to timely react to changes in an issuer's circumstances (in this case, the Fund) that could influence a particular rating. A Rating Agency could downgrade a Series of MTP Shares, which may make MTP Shares less liquid in the secondary market and reduce market prices, though with higher resulting dividend rates than the Fixed Dividend Rate. If the Rating Agencies downgrade a Series of MTP Shares, the Fund is required to pay a higher dividend rate on such Series.
- *Early Redemption Risk.* The Fund may voluntarily redeem MTP Shares or may be forced to redeem MTP Shares to meet regulatory requirements and the asset coverage requirements of the MTP Shares. Such redemptions may be at a time that is unfavorable to MTP shareholders. For further information, see [Description of MTP Shares Redemption](#) and [Description of MTP Shares Asset Coverage](#).
- *Tax Risk.* To qualify for the favorable U.S. federal income tax treatment generally accorded to regulated investment companies, among other things, the Fund must derive in each taxable year at least 90% of its gross income from certain prescribed sources. If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net

capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to stockholders, 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 MTP Shares may be adversely affected by changes in tax rates and policies. Because dividends from MTP Shares are generally not expected to be subject to regular federal income taxation, the attractiveness of such shares in relation to other investment alternatives is affected by changes in federal income tax rates or changes in the tax-exempt treatment of dividends on MTP Shares. A portion of the dividends from MTP Shares may be subject to the federal alternative minimum tax. See Tax Matters. See also, the opinion of counsel included as Appendix C to the SAI.

- *Credit Crisis and Liquidity Risk.* General market uncertainty and extraordinary conditions in the credit markets, including the municipal market, may impact the liquidity of the Fund's investment portfolio, which in turn, during extraordinary circumstances, could impact the Fund's distributions and/or the liquidity of the Term Redemption Liquidity Account (as described under Description of MTP Shares). Further, there may be market imbalances of sellers and buyers of MTP Shares during periods of extreme illiquidity and volatility. Such market conditions may lead to periods of thin trading in any secondary market for MTP Shares and may make valuation of MTP Shares uncertain. As a result, the spread between bid and asked prices is likely to increase significantly such that an MTP Shares investor may have greater difficulty selling his or her MTP Shares. Less liquid and more volatile trading environments could result in sudden and significant valuation increases or declines in MTP Shares.
- *Inflation Risk.* Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted (or real) value of an investment in MTP Shares or the income from that investment will be worth less in the future. As inflation occurs, the real value of MTP Shares and dividends on MTP Shares declines.

#### **General Risks of Investing in the Fund**

- *Credit Risk.* Credit risk is the risk that an issuer of a municipal security held in the Fund's portfolio will become unable to meet its obligation to make interest and principal payments. In general, lower rated municipal securities carry a greater degree of credit risk. If Rating Agencies lower their ratings of municipal securities in the Fund's portfolio, the value of those securities could decline, which could jeopardize the Rating Agencies' ratings of a Series of MTP Shares. Because the primary source of income for the Fund is the interest and principal payments on the municipal securities in which the Fund invests, defaults by issuers of municipal securities could have a negative impact on the Fund's ability to

pay dividends on the MTP Shares and could result in the redemption of some or all of the MTP Shares.

- *Municipal Securities Market Risk.* Investing in the municipal securities market involves certain risks. The municipal securities 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 became severely constrained. As a result, some firms were unwilling to commit their capital to purchase and to serve as a dealer for municipal securities. The amount of public information available about the municipal securities in the Fund's portfolio is generally less than that for corporate equities or bonds, and the Fund's investment performance may therefore be more dependent on NAM's analytical abilities than if the Fund were to invest in stocks or taxable bonds. As noted above, the secondary market for municipal securities also tends to be less well-developed or liquid than many other securities markets, which may adversely affect the Fund's ability to sell its municipal securities at attractive prices or at prices approximating those at which the Fund currently values them.
- *Insurance Risk.* The Fund purchases municipal securities that are secured by insurance, bank credit agreements or escrow accounts. The credit quality of the companies that provide such credit enhancements will affect the value of those securities. Many significant providers of insurance for municipal securities have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower credit quality investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such losses have reduced the insurers' capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. As of 12/31/2009, there are no longer any bond insurers rated AAA by all of Moody's, S&P and Fitch and at least one rating agency has placed each insurer on negative credit watch, credit watch evolving, credit outlook developing, or rating withdrawn, which may presage one or more rating reductions for any insurer in the future. 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. As concern has increased about the balance sheets of insurers, prices on insured bonds—especially those bonds issued by weaker underlying credits—declined. [Most insured bonds are currently being valued according to their fundamentals as if they were uninsured.] The insurance feature of a municipal security does not guarantee the full payment of principal and interest through the life of an insured obligation or the market value of the insured obligation.

- *Interest Rate Risk The Fund.* Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the municipal securities in the 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.
- *Inverse Floating Rate Securities Risk.* The Fund may invest up to 15% of its net assets 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 securities. See Portfolio Composition Municipal Securities Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal. In addition, inverse floating rate securities may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Fund's investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities. The economic effect of leverage through the Fund's purchase of inverse floating rate securities creates an opportunity for increased net income and returns, but also creates the possibility that the Fund's long-term returns will be diminished if the cost of leverage exceeds the return on the inverse floating rate securities purchased by the Fund.

Inverse floating rate securities have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a 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 the 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.

- *Reinvestment Risk.* Reinvestment risk is the risk that income from the Fund's portfolio will decline if and when the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the Fund's portfolio's current earnings rate.
- *Anti-Takeover Provisions.* The Fund's Declaration of Trust and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. See Certain Provisions in the Declaration of Trust and By-Laws.

For additional risks of investing in MTP Shares and general risks of the Fund, see Risks.

#### **Governing Law**

The Declaration of Trust and the Statement are governed by the laws of the Commonwealth of Massachusetts.

**FINANCIAL HIGHLIGHTS**

The following Financial Highlights table is intended to help a prospective investor understand the Fund's financial performance for the periods shown. Certain information reflects financial results for a single common share or share of MuniPreferred of the Fund. The total returns in the table represent the rate an investor would have earned or lost on an investment in shares of common stock of the Fund (assuming reinvestment of all dividends). The information with respect to the fiscal year ended October 31, 2008 has been audited by \_\_\_\_\_ whose report for the fiscal year ended October 31, 2008, along with the financial statements of the Fund including the Financial Highlights for each of the five years in the period then ended, are included in the Fund's 2008 Annual Report, which is incorporated herein by reference. The information with respect to the six months ended April 30, 2009 is unaudited and is included in the Fund's 2009 Semi-Annual Report, which is incorporated by reference herein. Results for the interim period are not necessarily indicative of results of the full year. A copy of the Annual Report and the Semi-Annual Report may be obtained from [www.sec.gov](http://www.sec.gov) or by visiting [www.nuveen.com](http://www.nuveen.com). Past results are not indicative of future performance.

The following per share data and ratios have been derived from information provided in the financial statements.

**FINANCIAL HIGHLIGHTS (Unaudited)**

Information contained in the table below under the headings **Per Share Operating Performance** and **Ratios/Supplemental Data** shows the operating performance of the Fund since the commencement of operations.

Selected data for a common share outstanding throughout each period:

	Year Ended October 31,		
	2009(b)	2008	2007
<b>PER SHARE OPERATING PERFORMANCE</b>			
Beginning Common Share Net Asset Value	\$ 12.85	\$ 15.09	\$ 15.50
Investment Operations:			
Net Investment Income	0.49	1.00	1.00
Net Realized/Unrealized Gain (Loss)	1.14	(2.25)	(0.38)
Distributions			