HEARTLAND EXPRESS INC
Form 10-K
February 21, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2018

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-15087

HEARTLAND EXPRESS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**93-0926999**
(State or Other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
901 North Kansas Avenue, North Liberty, Iowa	**52317**
(Address of Principal Executive Offices)	(Zip Code)

319-626-3600
(Registrant’s telephone number, including area code)

Securities Registered Pursuant to section 12(b) of the Act: None

Securities Registered Pursuant to section 12(g) of the Act: Common stock, $0.01 par value
The NASDAQ Stock Market LLC

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes	No
[X]	[ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act.

Yes	No
[ ]	[X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	No
[X]	[ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes	No
[X]	[ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]
			Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes	No
[ ]	[X

]

The aggregate market value of voting common stock held by non-affiliates of the registrant as of June 30, 2018 was $0.9 billion. In making this calculation the registrant has assumed, without admitting for any purpose, that all of its executive officers and directors, and no other persons, are affiliates. As of February 15, 2019 there were 81,934,350 shares of the Company's common stock ($0.01 par value) outstanding, excluding 20,500 shares of unvested restricted stock.

Portions of the Proxy Statement for the annual shareholders' meeting to be held on May 16, 2019 are incorporated by reference in Part III of this report.

**HEARTLAND EXPRESS, INC.
AND SUBSIDIARIES**

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains certain statements that may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are subject to the safe harbor created by those sections and the Private Securities Litigation Reform Act of 1995, as amended. All statements, other than statements of historical or current fact, are statements that could be deemed forward-looking statements, including without limitation: any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; and any statements of belief and any statement of assumptions underlying any of the foregoing. In this Annual Report, statements relating to expected sources of working capital, liquidity and funds for meeting equipment purchase obligations, expected capital expenditures and incurrence of debt, future acquisitions and dispositions of and upgrades to revenue equipment, future market for used equipment, future trucking capacity, expected freight demand and volumes, future rates and prices, future depreciation and amortization, future asset utilization, expected tractor and trailer count, expected fleet age, future driver market, expected gains on sale of equipment, expected driver compensation, expected independent contractor usage, expected rent expense, expected changes to financial controls, planned allocation of capital, future equipment costs, future income taxes, future insurance and claims, future growth, expected regulatory action and the impact of regulatory changes, future compliance with law, future litigation, future goodwill impairment, future inflation, future share prices, dividends, and repurchases, if any, future fuel expense and the future effectiveness of fuel surcharge programs, among others, are forward-looking statements. Such statements may be identified by their use of terms or phrases such as "expects," "estimates," "projects," "believes," "anticipates," "intends," "may," "could," "plans," and similar terms and phrases. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, which could cause future events and actual results to differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Known factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Risk Factors," set forth below. Readers should review and consider the factors discussed in "Risk Factors" of this Annual Report, along with various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.

All such forward-looking statements speak only as of the date of this Annual Report. You are cautioned not to place undue reliance on such forward-looking statements. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in the events, conditions, or circumstances on which any such statement is based.

References in this Annual Report to "we," "us," "our," "Heartland," or the "Company" or similar terms refer to Heartland Express, Inc. and its subsidiaries.

ITEM 1. Business

General

Heartland Express, Inc. is a holding company incorporated in Nevada, which owns all of the stock of Heartland Express, Inc. of Iowa, Heartland Express Services, Inc., Heartland Express Maintenance Services, Inc., and A & M Express, Inc. For the period November 11, 2013 to July 1, 2016, the Company also operated Gordon Trucking, Inc. ("GTI"), which was merged into Heartland Express, Inc. of Iowa effective July 1, 2016. On July 6th, 2017, Heartland Express, Inc. of Iowa acquired Interstate Distributor Co. ("IDC"), which was merged into Heartland Express, Inc. of

Iowa effective October 1, 2017. Further, effective December 31, 2018, A & M Express, Inc. was merged into Heartland Express, Inc. of Iowa.

We, together with our subsidiaries, are a short-to-medium haul truckload carrier (predominately 500 miles or less per load). We primarily provide nationwide asset-based dry van truckload service for major shippers from Washington to Florida and New England to California. We focus on providing quality service to targeted customers with a high density of freight in our regional operating areas. We also offer temperature-controlled truckload services, which are not significant to our operations. We exited our non-asset-based freight brokerage business in the first quarter of 2017, however due to the acquisition of IDC we acquired and again operated a non-asset-based freight brokerage business from the date of acquisition until the termination of this business during the fourth quarter of 2017, the impacts of these activities were immaterial to our total operating revenue during 2017. We generally earn revenue based on the number of miles per load delivered and the revenue per mile paid. We believe the keys to success are maintaining high levels of customer service and safety, which are predicated on the availability of experienced drivers and late-model equipment. We believe that our service standards, safety record, and equipment accessibility have made us a core carrier to many of our major customers, as well as allowed us to build solid, long-term relationships with customers and brand ourselves as an industry leader for on-time service.

Our headquarters is located in North Liberty, Iowa, in a low-cost environment with ready access to a skilled, educated, and industrious workforce. Our other terminals are located near major shipping corridors nationwide, affording proximity to customer locations, driver domiciles, and distribution centers. We believe our geographic reach and terminal locations assist us with driver recruiting and retention, efficient fleet maintenance, and consistent customer engagement.

We were founded by Russell A. Gerdin in 1978 and became publicly traded in November 1986. Over the thirty-two years from 1986 to 2018, we have grown our revenues to $610.8 million from $21.6 million and our net income has increased to $72.7 million from $3.0 million. Much of our growth has been attributable to expanding service for existing customers, acquiring new customers, and continued expansion of our operating regions. More information regarding our total assets, revenues and profits for the past three and five years can be found in our “Consolidated Statements of Comprehensive Income” and “Selected Financial Data” that are included in this report.

In addition to organic growth through the development of our regional operating areas, we have completed seven acquisitions since 1987, with the most recent and second largest, IDC, occurring on July 6, 2017. These seven acquisitions have enabled us to solidify our position within existing regions, expand into new operating regions, and pursue new customer relationships in new markets. We are highly selective about acquisitions, with our main criteria being (i) safe operations, (ii) high quality professional truck drivers, (iii) fleet profile that is compatible with our philosophy or can be replaced economically, and (iv) freight profile that will allow a path to a low-80s operating ratio upon full integration, application of our cost structure, and freight optimization, including exiting certain loads that fail to meet our operating profile. We expect to continue to evaluate acquisition candidates presented to us. We believe future growth depends upon several factors including the level of economic growth and the related customer demand, the available capacity in the trucking industry, our ability to identify and consummate future acquisitions, our ability to integrate operations of acquired companies to realize efficiencies, and our ability to attract and retain experienced drivers that meet our hiring standards.

Operations

Our operations department focuses on the successful execution of customer expectations and providing consistent opportunities for our drivers, in conjunction with maximizing equipment utilization. These objectives require a combined effort of marketing, regional operations managers, and fleet management.

Our customer service department is responsible for maintaining the continuity between the customer’s needs and our ability to meet those needs by communicating the customer’s expectations to the fleet management group. Collectively, the operations group (customer service and fleet management) and marketing are charged with developing customer relationships, ensuring service standards, coordinating proper freight-to-capacity balancing, trailer asset management, and daily tactical decisions to match customer demand with revenue equipment availability across our entire network. Fleet management assigns orders to drivers based on well-defined criteria, such as United States Department of Transportation (the “DOT”) hours of service ("HOS") compliance, customer requirements, equipment utilization, driver “home time”, limiting non-revenue miles, and equipment maintenance needs.

Fleet management employees are responsible for driver management and development. Additionally, they maximize the capacity that is available to meet the service needs of our customers. Their responsibilities include meeting the needs of the drivers within the standards that have been set by the organization and communicating the requirements of the customers to the drivers on each order to ensure successful execution.

Serving the short-to-medium haul market permits us to use primarily single rather than team drivers and dispatch most loads directly from origin to destination without an intermediate equipment change other than for driver scheduling purposes. Substantially all of our revenue is, and for the last three fiscal years has been, generated from within the United States ("U.S.") with immaterial revenue derived from Canada. We do not have, nor have we during the last three fiscal years had, any long-lived assets permanently located outside the U.S.

We operate twenty terminal facilities throughout the contiguous U.S. in addition to our terminal and corporate headquarters in North Liberty, Iowa. These terminal locations are strategically located to concentrate on regional freight movements generally within a 500-mile radius of the terminals. This allows us to meet the needs of our customers in those regions while allowing our drivers to primarily stay within an operating region which provides them with more “home time.” This also allows us to service and maintain revenue equipment at our facilities on a frequent basis.

Personnel at the individual terminal locations manage these operations based on the overall corporate operating and maintenance goals and objectives. We use a centralized computer network and regular communication to achieve enterprise-wide load coordination.

We emphasize customer satisfaction through on-time performance, dependable late-model equipment, and consistent equipment availability to meet the volume requirements of our customers. We also maintain a trailer to tractor ratio that allows us to position trailers at customer locations for convenient loading and unloading. Most of the freight we transport is non-perishable and predominantly does not require driver handling. These factors help minimize waiting time, which increases tractor utilization and promotes driver retention.

Customers and Marketing

We seek to transport freight that will complement traffic in our existing service areas and remain consistent with our focus on short-to-medium haul and regional distribution markets. Management believes that building lane density in our primary traffic lanes will minimize empty miles and enhance driver “home time.”

We target customers with multiple, time-sensitive shipments, including those utilizing “just-in-time” manufacturing and inventory management. In seeking these customers, we have positioned our business as a provider of premium service at compensatory rates, rather than competing solely on the basis of price. We believe our reputation for quality service, reliable equipment, and equipment availability makes us a core carrier for many of our customers. This past year we once again were recognized for customer service by several of our customers as a testament to our service standards. These awards include:

•FedEx Express Core Carrier of the Year,
•FedEx Express Platinum Award (99.96% On-Time Delivery),
•FedEx Ground 100% Service Award for recognition of 100% on-time service,
•Lowe's - Carrier of the Year (West Outbound, One-Way),
•Quaker/Gatorade - Carrier of the Year (Central Region),
•United Sugars - National Dry Van Carrier of the Year,
•Transplace - 2018 Carrier of the Year - National Truckload.
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During 2018, we were also recognized with the following safety, operational, diversity, community service, and environmental awards:

•BP Driving Safety Standards Award 2017,
•Logistics Management Quest for Quality Award,
•2020 Women on Boards Winning Company,
•Wreaths Across America - 2017 Honor Fleet,
•US EPA SmartWay Excellence Award 2017.

Our primary customers include retailers and manufacturers. Our 25, 10, and 5 largest customers accounted for approximately 75%, 55%, and 37% of our operating revenues, respectively, in 2018. During 2017, our 25, 10, and 5 largest customers were approximately 72%, 55%, and 38%, of our operating revenues respectively. During 2016, our 25, 10, and 5 largest customers were approximately 76%, 56%, and 40%, of our operating revenues respectively. Our broad capacity network and customer base has allowed us to remain appropriately diversified as only one customer, Walmart Inc., accounted for more than 10% of our operating revenues in 2018 at 12.5%, and the same one customer accounted for more than 10% of our operating revenues in 2017 and 2016.

Seasonality

The nature of our primary traffic (appliances, automotive parts, consumer products, paper products, packaged foodstuffs, and retail goods) generally causes it to be distributed with relative uniformity throughout the year. However, seasonal variations associated with the winter holiday season have historically resulted in increased shipment volumes by retail customers during the fourth quarter, followed by reduced shipment volumes by customers in several industries after the holiday season. In addition, our operating expenses historically have been higher during the winter months due to decreased fuel efficiency, increased colder weather-related equipment maintenance and repairs, and increased claims and costs attributed to higher accident frequency from harsh weather.

Drivers, Independent Contractors, and Other Employees

We rely on our workforce in achieving our business objectives. Throughout the year ended December 31, 2018, we employed approximately 3,450 people compared to approximately 3,800 people throughout the year ended December 31, 2017. We also contracted with independent contractors to provide and operate tractors which provides us additional revenue equipment capacity. Independent contractors own their own tractors and are responsible for all associated expenses, including financing costs, fuel, maintenance, insurance, and highway use taxes. We historically have operated a combined fleet of company and independent contractor tractors. For the year ended December 31, 2018, independent contractors accounted for approximately 2.1% of our total miles compared to 3.3% in 2017.

Our strategy for both employee drivers and independent contractors is to (i) hire and engage safe and experienced drivers (the majority of drivers we hire and engage must have at least six months of qualifying over-the-road experience); (ii) promote retention with an industry-competitive compensation package, positive working conditions, and freight that requires little or no handling; and (iii) minimize safety problems through careful screening, mandatory drug testing, continuous training, the use of automatic onboard recording devices ("AOBRs"), and financial rewards for accident-free driving. We also seek to minimize turnover of our employee drivers by providing modern, comfortable equipment, and by regularly scheduling "home time." Our drivers are generally compensated on the basis of miles driven including empty miles. This provides an incentive for us to minimize empty miles and at the same time does not penalize drivers for inefficiencies of operations that are beyond their control.

We are not a party to a collective bargaining agreement. We believe that we have good relationships with our employees.

Driver Compensation

Our comprehensive driver compensation program rewards drivers for years of service and safe operating mileage benchmarks, which are critical to our operational and financial performance. Our driver pay package includes future pay increases based on years of continued service with us, increased rates for accident-free miles of operation, and detention pay to assist drivers with offsetting unproductive detention time. We believe that our driver compensation package is consistently among the best in the industry. We are committed to investing in our drivers and compensating them for safety as both are key to our operational and financial performance.

Revenue Equipment

Our tractor strategy is important to our goals and differs from the practices of many of our peers. We strive to operate a relatively new fleet to keep operating costs low, appeal to drivers, and enhance dependability. In addition, we seek the flexibility to buy and sell tractors (and trailers) opportunistically to capitalize on new and used equipment markets, size our fleet to the volume of attractive freight, and manage cash tax expense. One method we use to accomplish these goals is to depreciate our tractors for financial reporting purposes using the 125% declining balance method, in which depreciation is higher in early periods and tapers off in later periods. We believe this method more accurately reflects actual asset values and affords us the flexibility to sell tractors at most points during their life cycle without experiencing losses. In addition, the decline in depreciation during later periods is typically offset by increased repairs and maintenance expense as the tractors age, which keeps our total operating costs more uniform through fluctuations in average tractor fleet age. We believe our revenue equipment strategy is sound over the long term. However, it can contribute to volatility in gain on sale of equipment and quarterly earnings per share.

At December 31, 2018, nearly all of our over-the-road sleeper berth tractor fleet was equipped with idle management controls. All tractors are equipped with mobile communication systems. This technology allows for efficient communication with our drivers regarding freight and safety, and provides the ability to manage the needs of our customers based on real-time information on load status. Our mobile communication systems also allow us to obtain information regarding equipment for better planning and efficient maintenance time as well as information regarding driver performance.

As of December 31, 2018 the average age of our tractor fleet was 1.3 years compared to 1.8 years at December 31, 2017. We have historically operated the majority of our tractors while under warranty to minimize repair and maintenance cost and reduce service interruptions caused by breakdowns. The average age of our trailer fleet was 3.5 years at December 31, 2018 compared to 5.1 years at December 31, 2017.

We obtain additional tractor capacity through the use of independent contractors who own their own tractor equipment, although our use of independent contractors is not material to our overall operations. Independent contractors are responsible for the maintenance of their equipment. We utilized revenue equipment operating leases following our most recent acquisitions in 2013 and 2017 although not material to our operations at December 31, 2018.

The "Regulation" section in this Item 1 of Part I of this Annual Report discusses in detail several regulations that have impacted and could continue to affect our cost and use of revenue equipment.

Fuel

We purchase diesel fuel ("fuel") over-the-road through a network of fuel stops throughout the U.S. at which we have negotiated price discounts. In addition, bulk fuel sites are maintained at the majority of our twenty-one terminal locations. We strategically manage fuel purchase decisions based on pricing of over-the-road fuel prices, bulk fuel prices, and the routing of equipment. Both above ground and underground storage tanks are utilized at the bulk fuel sites. We believe exposure to environmental cleanup costs is minimized by periodic inspection and monitoring of the tanks. Increases in fuel prices can have an adverse effect on the results of operations. We have fuel surcharge agreements with most customers that enable us to pass through most long-term price increases. For the years ended December 31, 2018, 2017, and 2016, fuel expense was $110.5 million, $104.4 million, and $91.5 million, or 21.2%, 19.2%, and 17.3% respectively, of our total operating expenses. For the years ended December 31, 2018, 2017, and 2016, fuel surcharge revenues were $85.3 million, $72.5 million, and $58.4 million, respectively. Department of Energy (“DOE”) average price of fuel increased 19.8% in 2018 compared to 2017 and decreased 15.0% in 2017 compared to 2016, which had a corresponding negative and positive impact on our net fuel cost, before the impacts of improved fleet efficiency, for the years ended December 31, 2018 and 2017, respectively. Additionally, overall fuel efficiency has improved during 2018 and 2017 due to adding more fuel-efficient late-model tractors to the operating fleet, which include various idle management technologies. Fuel consumed by empty and out-of-route miles and by truck engine idling time is not recoverable and therefore any increases or decreases in fuel prices related to empty and out-of-route miles and idling time will directly impact our operating results. The DOE average price of fuel has decreased 6.3% to $2.98 through February 18, 2019 as compared to the 2018 average price.

Competition and Industry

The truckload industry is highly competitive and fragmented with thousands of carriers of varying sizes. We compete with other truckload carriers; primarily those serving the regional, short-to-medium haul market. Logistics providers, railroads, less-than-truckload carriers, and private fleets provide additional competition but to a lesser extent. The industry is highly competitive based primarily upon freight rates, qualified drivers, service, and equipment availability.

The demand for freight services generally slowed throughout 2016 as industry capacity outpaced freight demand for the majority of the year. In 2016, shippers implemented significant bid activity, which resulted in pricing pressure throughout the year. The 2016 trends continued in the first half of 2017. The second half of 2017 saw a favorable improvement, with strong demand and tightening capacity through the end of the year. This trend picked up additional momentum with strong freight demand throughout the full year of 2018. Pricing is expected to be more favorable during periods of more rapid economic expansion or lack of effective industry-wide trucking capacity. In December 2017, federal regulations were implemented to mandate the use Electronic Logging Devices (“ELDs”) across our industry. Carriers such as us that were using AOBRs prior to December 2017 are allowed to continue using such devices in place of ELDs until December 2019. AOBRs and ELDs are both pieces of hardware that connect to a tractor’s engine to record movement and the driver’s HOS. However, ELDs capture and display more data than AOBRs. Most large carriers adopted ELDs or AOBRs in their fleet well before the December 2017 mandate. We have used AOBRs in our entire fleet since 2011 and have adapted our network and customer base to the utilization constraints. Enforcement of the ELD mandate was phased in, as states did not begin putting tractors out of service for non-compliance until April 1, 2018. However, carriers were subject to citations, on a state-by-state basis, for non-compliance with the rule after the December 2017 compliance deadline. Leading up to the final enforcement date and following the initial implementation date and limited enforcement period in early 2018, freight demand has increased significantly as compared to 2016 and early months of 2017 as major shippers have moved to lock in trucking capacity and avoid the risk of fluctuating spot market freight rates.

Safety and Risk Management

We are committed to promoting and maintaining a safe operation. Our safety program is designed to minimize accidents and to conduct our business within governmental safety regulations. We communicate safety issues with drivers on a regular basis and emphasize safety through equipment specifications and regularly scheduled maintenance intervals. Our drivers are compensated and recognized for achieving and maintaining a safe driving record.

The primary risks associated with our business include cargo loss and physical damage, personal injury, property damage, and workers' compensation claims. We self-insure a portion of the exposure related to all of the aforementioned risks. Insurance coverage, including self-insurance retention levels, is evaluated on an annual basis. We actively participate in the settlement of each claim incurred.

We act as a self-insurer for auto liability involving property damage, personal injury, or cargo based on defined insurance retention of $0.5 million or $2.0 million for any individual claim based on the insured party, accident date, and circumstances of the loss event. Liabilities in excess of these amounts, for any individual claim, are covered by insurance up to $100.0 million. We retain any liability in excess of $100.0 million. We act as a self-insurer for workers' compensation liability of $0.5 million or $1.0 million for any individual claim based on the insured party, accident date, and circumstances of the loss event. Liabilities in excess of this amount are covered by insurance. In addition, we maintain primary and excess coverage for employee health insurance and catastrophic physical damage coverage is carried to protect against natural disasters. Finally, we act as a self-insurer for any physical damage to our tractors and trailers.

Regulation

We are a common and contract motor carrier regulated by the DOT and various state and local agencies. The DOT generally governs matters such as safety requirements, registration to engage in motor carrier operations, insurance requirements, and periodic financial reporting. Our Company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to drug and alcohol testing and HOS. Such matters as weight and equipment dimensions are also subject to U.S. regulations. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' HOS, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the Environmental Protection Agency ("EPA") and the Department of Homeland Security ("DHS") also regulate our equipment, operations, and drivers.

The DOT, through the Federal Motor Carrier Safety Administration ("FMCSA"), imposes safety and fitness regulations on us and our drivers, including rules that restrict driver HOS. Changes to such HOS rules can negatively impact our productivity and affect our operations and profitability by reducing the number of hours per day or week our drivers may operate and/or disrupting our network. While the FMCSA has proposed and implemented such changes in the past, no such changes are currently formally proposed. However, the FMCSA recently indicated it may soon be soliciting feedback from industry stakeholders regarding future HOS changes. Any future changes to HOS rules could materially and adversely affect our operations and profitability.

There are two methods of evaluating the safety and fitness of carriers. The first method is the application of a safety rating that is based on an onsite investigation and affects a carrier's ability to operate in interstate commerce. We currently have a satisfactory DOT safety rating under this method, which is the highest available rating under the current safety rating scale. If we received a conditional or unsatisfactory DOT safety rating, it could adversely affect our business, as some of our existing customer contracts require a satisfactory DOT safety rating. In January 2016, the FMCSA published a Notice of Proposed Rulemaking outlining a revised safety rating measurement system which would replace the current methodology. Under the proposed rule, the current three safety ratings of "satisfactory," "conditional," and "unsatisfactory" would be replaced with a single safety rating of "unfit." Thus, a carrier with no rating would be deemed fit. Moreover, data from roadside inspections and the results of all investigations would be used to determine a carrier's fitness on an ongoing basis. This would replace the current methodology of determining a carrier's fitness based solely on infrequent comprehensive onsite reviews. The proposed rule underwent a public comment period that ended in June 2016 and several industry groups and lawmakers expressed their disagreement with the proposed rule, arguing that it violates the requirements of the Fixing America's Surface Transportation Act ("FAST

Act") and that the FMCSA must first finalize its review of the CSA scoring system, described in further detail below. Based on this feedback and other concerns raised by industry stakeholders, in March 2017, the FMCSA withdrew the Notice of Proposed Rulemaking related to the new safety rating system. In its notice of withdrawal, the FMCSA noted that a new rulemaking related to a similar process may be initiated in the future. Therefore, it is uncertain if, when, or under what form any such rule could be implemented.

In addition to the safety rating system, the FMCSA has adopted the Compliance Safety Accountability program ("CSA") as an additional safety enforcement and compliance model that evaluates and ranks fleets on certain safety-related standards. The CSA program analyzes data from roadside inspections, moving violations, crash reports from the last two years, and investigation results. The data is organized into seven categories. Carriers are grouped by category with other carriers that have a similar number of safety events (e.g., crashes, inspections, or violations) and carriers are ranked and assigned a rating percentile to prioritize them for interventions if they are above a certain threshold. Currently, these scores do not have a direct impact on a carrier's safety rating. However, the occurrence of unfavorable scores in one or more categories may (i) affect driver recruiting and retention by causing high-quality drivers to seek employment with other carriers, (ii) cause our customers to direct their business away from us and to carriers with higher fleet rankings (iii), subject us to an increase in compliance reviews and roadside inspections, or (iv) cause us to incur greater than expected expenses in our attempts to improve unfavorable scores, any of which could adversely affect our results of operations and profitability.

Under CSA, these scores were initially made available to the public in five of the seven categories. However, pursuant to the FAST Act, which was signed into law in December 2015, the FMCSA was required to remove from public view the previously available CSA scores while it reviews the reliability of the scoring system. During this period of review by the FMCSA, we will continue to have access to our own scores and will still be subject to intervention by the FMCSA when such scores are above the intervention thresholds. We will continue to monitor our CSA scores and compliance through results from roadside inspections and other data available to detect positive or negative trends in compliance issues on an ongoing basis. A study was conducted and delivered to the FMCSA in June 2017 with several recommendations to make the CSA program more fair, accurate, and reliable. In late June 2018, the FMCSA provided a report to Congress outlining the changes it may make to the CSA program in response to the study. Such changes include the testing and possible adoption of a revised risk modeling theory, potential collection and dissemination of additional carrier data, and revised measures for intervention thresholds. The adoption of such changes is contingent on the results of the new modeling theory and additional public feedback. Therefore, it is unclear if, when, and to what extent such changes to the CSA program will occur. However, any changes that increase the likelihood of us receiving unfavorable scores could adversely affect our results of operations and profitability.

The FMCSA published a final rule in December 2015 that required the use of ELDs or AOBRs by nearly all carriers by December 2017 (the "2015 ELD Rule"). Enforcement of the 2015 ELD Rule was phased in, as states did not begin putting tractors out of service for non-compliance until April 1, 2018. However, carriers were subject to citations, on a state-by-state basis, for non-compliance with the rule after the December 2017 compliance deadline. The use of AOBRs is permitted until December 2019, at which time the use of ELDs is required. Since we had proactively installed AOBRs on 100% of our tractor fleet, implementation of the 2015 ELD Rule did not impact our operations or profitability or our use of AOBRs. We expect to have ELDs (not AOBRs) installed on 100% of our fleet by the December 2019 deadline. We believe that more effective HOS enforcement under the 2015 ELD Rule may improve our competitive position by causing all carriers to adhere more closely to HOS requirements and may further reduce industry capacity.

In the aftermath of the September 11, 2001 terrorist attacks, the DHS and other federal, state, and municipal authorities implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. The U.S. Transportation Security Administration ("TSA") adopted regulations that require determination by the TSA that each driver who applies for or renews his or her license for carrying hazardous materials is not a security threat. This could reduce the pool of qualified drivers who are permitted to transport hazardous waste, which could require us to increase driver compensation, limit our fleet growth, or allow trucks to sit idle. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we could fail to meet the needs of our customers or could incur increased expenses to do so. While transporting hazardous materials subjects us to a wide array of regulations, the number of hazardous material shipments we make is insignificant relative to our total number of shipments.

In December 2016, the FMCSA issued a final rule establishing a national clearinghouse for drug and alcohol testing results and requiring motor carriers and medical review officers to provide records of violations by commercial drivers of FMCSA drug and alcohol testing requirements. Motor carriers will be required to query the clearinghouse to ensure drivers and driver applicants do not have violations of federal drug and alcohol testing regulations that prohibit them from operating commercial motor vehicles. This rule is scheduled for implementation in early 2020 and may reduce the number of available drivers in an already constrained driver market.

In November 2015, the FMCSA published its final rule related to driver coercion, which took effect in January 2016. Under this rule, carriers, shippers, receivers, or transportation intermediaries that are found to have coerced drivers to violate certain FMCSA regulations (including HOS rules) may be fined up to $16,000 for each offense. In addition, other rules have been recently proposed or made final by the FMCSA, including (i) a rule requiring the use of speed limiting devices on heavy duty tractors to restrict maximum speeds, which was proposed in 2016, and (ii) a rule setting forth minimum driver training standards for new drivers applying for commercial driver’s licenses for the first time and to experienced drivers upgrading their licenses or seeking a hazardous materials endorsement, which was made final in December 2016, with a compliance date in February 2020. In July 2017, the DOT announced that it would no longer pursue a speed limiter rule, but left open the possibility that it could resume such a pursuit in the future. The effect of these rules, to the extent they become effective, could result in a decrease in fleet production and driver availability, either of which could adversely affect our business or operations.

In March 2014, the Ninth Circuit Court of Appeals held that California state wage and hour laws are not preempted by federal law. The case was appealed to the Supreme Court of the United States, which in May 2015 refused to review the case, and accordingly, the Ninth Circuit Court of Appeals decision stood. However, in December 2018, the FMCSA granted a petition filed by the America Trucking Associations and in doing so determined that federal law does preempt California’s wage and hour laws, and interstate truck drivers are not subject to such laws. The FMCSA’s decision has been appealed by labor groups and multiple lawsuits have been filed in federal courts seeking to overturn the decision, and thus it’s uncertain whether it will stand. Other current and future state and local laws, including laws related to employee meal breaks and rest periods, may also vary significantly from federal law. As a result, we, along with other companies in the industry, could become subject to an uneven patchwork of laws throughout the U.S. Federal legislation has been proposed in the past to preempt certain state and local laws; however, passage of such legislation is uncertain. If federal legislation is not passed, we will either need to comply with the most restrictive state and local laws across our entire network, or overhaul our management systems to comply with varying state and local laws. Either solution could result in increased compliance and labor costs, driver turnover, and decreased efficiency.

Tax and other regulatory authorities, as well as independent contractors themselves, have increasingly asserted that independent contractor drivers in the trucking industry are employees rather than independent contractors, for a variety of purposes, including income tax withholding, workers' compensation, wage and hour compensation, unemployment, and other issues. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractor drivers as employees, including legislation to increase the recordkeeping requirements for those that engage independent contractor drivers and to heighten the penalties of companies who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, extend the Fair Labor Standards Act to independent contractors, and impose notice requirements based upon employment or independent contractor status and fines for failure to comply. Some states have put initiatives in place to increase their revenues from items such as unemployment, workers' compensation, and income taxes, and a reclassification of independent contractor drivers as employees would help states with these initiatives. Recently, courts in certain states have issued decisions that could result in a greater likelihood that independent contractors would be judicially classified as employees in such states. Further, class actions and other lawsuits have been filed against certain members of our industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers' compensation and health care coverage. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. Our classification of independent contractors has been the subject of audits by such authorities from time to time. While we have been successful in continuing to classify our independent contractor drivers as independent contractors and not employees, we may be unsuccessful in defending that position in the future. If our independent contractor drivers are determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings. Our use of independent contractors is not significant to our total operations.

We are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. Our truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination could occur. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain facilities have waste oil or fuel storage tanks and fueling islands. We do not know of any environmental regulations that would have a material effect on our capital expenditures, earnings or competitive position. Additionally, increasing efforts to control emissions of greenhouse gases may have an adverse effect on us. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, if soil or groundwater contamination is found at our facilities or results from our operations, or if we are found to be in violation of applicable laws or regulations, we could be subject to cleanup costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on our business and operating results.

In August 2011, the National Highway Traffic Safety Administration ("NHTSA") and the EPA adopted final rules that established the first-ever fuel economy and greenhouse gas standards for medium-and heavy-duty vehicles, including the tractors we employ (the “Phase 1 Standards”). The Phase 1 Standards apply to tractor model years 2014 to 2018 and require the achievement of an approximate 20 percent reduction in fuel consumption by the 2018 model year, which equates to approximately four gallons of fuel for every 100 miles traveled. In addition, in February 2014, President Obama announced that his administration would begin developing the next phase of tighter fuel efficiency and greenhouse gas standards for medium-and heavy-duty tractors and trailers (the “Phase 2 Standards”). In October 2016, the EPA and NHTSA published the final rule mandating that the Phase 2 Standards will apply to trailers beginning with model year 2018 and tractors beginning with model year 2021. The Phase 2 Standards require nine percent and 25 percent reductions in emissions and fuel consumption for trailers and tractors, respectively, by 2027. We believe these requirements will result in additional increases in new tractor and trailer prices and additional parts and maintenance costs incurred to retrofit our tractors and trailers with technology to achieve compliance with such standards, which could adversely affect our operating results and profitability, particularly if such costs are not offset by potential fuel savings. We cannot predict, however, the extent to which our operations and productivity will be impacted. In October 2017, the EPA announced a proposal to repeal the Phase 2 Standards as they relate to gliders (which mix refurbished older components, including transmissions and pre-emission-rule engines, with a new frame, cab, steer axle, wheels, and other standard equipment). The outcome of such proposal is still undetermined as the EPA continues to consider Congressionally requested investigations into the legality of the proposal and the merits of an anti-glider study that was published shortly after the proposal became official. Additionally, implementation of the Phase 2 Standards as they relate to trailers has been delayed due to a provisional stay granted in October 2017 by the U.S. Court of Appeals for the District of Columbia, which is overseeing a case against the EPA by the Truck Trailer Manufacturers Association, Inc. regarding the Phase 2 Standards.

The California Air Resources Board ("CARB") also adopted emission control regulations that will be applicable to all heavy-duty tractors that pull 53-foot or longer box-type trailers within the State of California. The tractors and trailers subject to these CARB regulations must be either EPA SmartWay certified or equipped with low-rolling resistance tires and retrofitted with SmartWay-approved aerodynamic technologies. Enforcement of these CARB regulations for model year 2011 equipment began in January 2010 and have been phased in over several years for older equipment. In addition, in February 2017 CARB proposed California Phase 2 standards that would generally align with the federal Phase 2 Standards, with some minor additional requirements, and as proposed would stay in place even if the federal Phase 2 Standards are affected by action from President Trump's administration. In February 2019, the California Phase 2 standards became final. Thus, even if the trailer provisions of the Phase 2 Standards are permanently removed, we would still need to ensure the majority of our fleet is compliant with the California Phase 2 standards, which may result in increased equipment costs and could adversely affect our operating results and profitability. Federal and state lawmakers also are considering a variety of other climate-change proposals. Compliance with such regulations could increase the cost of new tractors and trailers, impair equipment productivity, and increase operating expenses. These effects, combined with the uncertainty as to the operating results that will be produced by the newly designed diesel engines and the residual values of these vehicles, could increase our costs or otherwise adversely affect our business or operations.

In order to reduce exhaust emissions, some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors may idle. These restrictions could force us to purchase on-board power units that do not require the engine to idle or to alter our drivers' behavior, which could result in a decrease in productivity or increase in driver turnover.

The regulatory environment has changed under the administration of President Trump. In January 2017, the President signed an executive order requiring federal agencies to repeal two regulations for each new one they propose and imposing a regulatory budget, which would limit the amount of new regulatory costs federal agencies can impose on individuals and businesses each year. We do not believe the order has had a significant impact on our industry. However, the order, and other anti-regulatory action by the President and/or Congress, may inhibit future new regulations and/or lead to the repeal or delayed effectiveness of existing regulations. Therefore, it is uncertain how we may be impacted in the future by existing, proposed, or repealed regulations.

For further discussion regarding laws and regulations, refer to the "Risk Factors" section under Item 1A of Part I of this Annual Report.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended, are available to the public, free of charge, through our Internet website, at http://www.heartlandexpress.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Information on our website is not incorporated by reference into this Annual Report. You may also access and read our filings with the SEC without charge through the SEC's website at www.sec.gov.

ITEM 1A. RISK FACTORS

Our future results may be affected by a number of factors over which we have little or no control. The following discussion of risk factors contains forward-looking statements as discussed in "Cautionary Note Regarding Forward-Looking Statements" above. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to us or that we currently believe are not material, actually occur, our business, financial condition, and results of operations could be materially adversely affected and you may lose all or a significant part of your investment.

Our business is subject to general economic, credit, business, and regulatory factors affecting the trucking industry that are largely out of our control, any of which could have a materially adverse effect on our operating results.

The truckload industry is highly cyclical, and our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. We believe that some of the most significant of these factors are economic changes that affect supply and demand in transportation markets, such as:

- recessionary economic cycles, such as the period from 2007 through 2009 and the 2016 freight environment, which were characterized by weak demand and downward pressure on freight rates;
- downturns in customers' business cycles, including as a result of declines in consumer spending;
- changes in customers' inventory levels and practices, including shrinking product/package size, and in the availability of funding for their working capital;
- excess tractor and trailer capacity in the trucking industry in

comparison with shipping demand;

- changes in the way our customers choose to source or utilize our services;
- the rate of unemployment and availability of and compensation for alternative jobs for truck drivers, which impact the pool of available drivers and our driver compensation costs;
- activity in key economic indicators such as manufacturing of automobiles and durable goods, and housing construction;
- supply chain disruptions due to factors such as weather and railroad or ports congestion;
- changes in interest rates;
- rising costs of healthcare;
- global currency markets and the relative strength of the U.S. Dollar and potential impacts to certain customers' financial strength

and overall freight demand; and

- industry compliance with ongoing regulatory requirements; and
- global supply and demand for crude oil and its impact on domestic fuel costs.

Economic conditions that decrease shipping demand and increase the supply of available tractors and trailers can exert downward pressure on rates and equipment utilization, thereby decreasing asset productivity. The risks associated with these factors are heightened when the US economy is weakened. Some of the principal risks during such times, which risks we have experienced during prior recessionary periods, are as follows:

- we may experience a reduction in overall freight levels, which may impair our asset utilization;
- certain of our customers may face credit issues and could experience cash flow problems that may lead to payment delays, increased credit risk, bankruptcies and other financial hardships that could result in even lower freight demand and may require us to increase our allowance for doubtful accounts;
- freight patterns may change as supply chains are redesigned, resulting in an imbalance between our capacity and our customers' freight demand;
-

customers may solicit bids for freight from multiple trucking companies or select competitors that offer lower rates from among existing choices in an attempt to lower their costs and we might be forced to lower our rates or lose freight;

- we may be forced to accept freight from freight brokers, where freight rates are typically lower, or may be forced to incur more non-revenue miles to obtain loads; and
- the resale value of our equipment may decline, which could negatively impact our earnings and cash flows.

We also are subject to potential increases in various costs and other events that are outside of our control that could materially reduce our profitability if we are unable to increase our rates sufficiently. Such cost increases include, but are not limited to, increases in fuel and energy prices, driver and office employee wages, purchased transportation costs, taxes and interest rates, tolls, license and registration fees, insurance premiums and claims, revenue equipment and related maintenance costs, tires and other components, and healthcare and other benefits for our employees. We could be affected by strikes or other work stoppages at our service centers or at customer, port, border, or other shipping locations. Further, we may be unable to appropriately adjust our costs and staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing levels to our business needs.

Changing impacts of regulatory measures could impair our operating efficiency and productivity, decrease our operating revenues and profitability, and result in higher operating costs. In addition, declines in the resale value of revenue equipment can also affect our profitability and cash flows. From time to time, various Unites States federal, state, or local taxes are also increased, including taxes on fuels. We cannot predict whether, or in what form, any such increase applicable to us will be enacted, but such an increase could adversely affect our results of operations and profitability.

In addition, we cannot predict future economic conditions, fuel price fluctuations, or how consumer confidence could be affected by actual or threatened armed conflicts or terrorist attacks, government efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures in connection with such events could impair our operating efficiency and productivity and result in higher operating costs.

Our growth may not continue at historical rates, if at all, and any decrease in revenues or profits may impair our ability to implement our business strategy, which could have a materially adverse effect on our results of operations.

Historically, we have experienced significant growth in revenue and profits, although there have been times, particularly after acquisitions, when our revenue and/or profitability decreased. There can be no assurance that our business will grow in a similar fashion in the future, or at all, or that we can effectively adapt our management, administrative, and operational systems to respond to any future growth. Further, there can be no assurance that our operating margins will not be adversely affected by future changes in and expansion of our business or by changes in economic conditions.

We have established terminals throughout the contiguous U.S. in order to serve markets in various regions. These regional operations require the commitment of additional personnel and revenue equipment, as well as management resources, for future development and establishing terminals and operations in new markets could require more time, resources or a more substantial financial commitment than anticipated. Should the growth in our regional operations stagnate or decline, the results of our operations could be adversely affected. If we seek to further expand, it may become more difficult to identify large cities that can support a terminal and we may expand into smaller cities where there is insufficient economic activity, fewer opportunities for growth and fewer drivers and non-driver personnel to support the terminal. We may encounter operating conditions in these new markets, as well as our current markets, that differ substantially from our current operations and customer relationships and appropriate freight rates in new markets could be challenging to attain. We may not be able to duplicate or sustain our operating strategy and establishing service centers or terminals and operations in new markets could require more time or resources, or a more substantial financial commitment than anticipated. These challenges may negatively impact our growth, which could have a materially adverse effect on our ability to execute our business strategy and our results of operations.

We operate in a highly competitive and fragmented industry, and numerous competitive factors could impair our ability to improve our profitability, limit growth opportunities, and could have a materially adverse effect on our results of operations.

Numerous competitive factors present in our industry could impair our ability to maintain or improve our current profitability, limit our prospects for growth, and could have a materially adverse effect on our results of operations. These factors include the following:

- we compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, intermodal companies, and other transportation and logistics companies, many of which have access to more equipment and greater capital resources than we do;
- many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or to maintain or expand our business or may require us to reduce our freight rates in order to maintain business and keep our equipment productive;

- we may increase the size of our fleet during periods of high freight demand during which our competitors also increase their capacity, and we may experience losses in greater amounts than such competitors during subsequent cycles of softened freight demand if we are required to dispose of assets at a loss to match reduced customer demand;
- a significant portion of our business is in the retail industry, which continues to undergo a shift away from the traditional brick and mortar model towards e-commerce, and this shift could impact the manner in which our customers source or utilize our services;
- many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers or by engaging dedicated providers, and we may not be selected;
- many customers periodically accept bids from multiple carriers for their shipping needs, and this process may

depress freight rates or result in the loss of some of our business to competitors;

- the trend toward consolidation in the trucking industry may create large carriers with greater financial resources and other competitive advantages relating to their size, and we may have difficulty competing with these larger carriers;
- the market for qualified drivers is increasingly competitive, and our inability to attract and retain drivers could reduce our equipment utilization or cause us to increase compensation to our drivers, both of which would adversely affect our profitability;
- competition from freight logistics and freight brokerage companies may adversely affect our customer relationships and freight rates;
- economies of scale that procurement aggregation providers may pass on to smaller carriers may improve such carriers' ability to compete with us;

- advances in technology may require us to increase investments in order to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments; and
- the Heartland brand name is a valuable asset that is subject to the risk of adverse publicity (whether or not justified),which could result in the loss of value attributable to our brand and reduced demand for our services; and
- higher fuel prices and, in turn, higher fuel surcharges to our customers may cause some of our customers to consider freight transportation alternatives, including rail transportation.

We are highly dependent on a few major customers, the loss of one or more of which could have a materially adverse effect on our business.

We generate a significant portion of our operating revenue from our major customers. For the years ended December 31, 2018, 2017, and 2016, our top 25 customers, based on operating revenue, accounted for approximately 75%, 72%, and 76%, respectively, of our operating revenue, and certain individual customers accounted for more than 5% of our operating revenue, and one was in excess of 10% of our operating revenue in 2018, 2017 and 2016. Generally, we do not have long-term contracts with our major customers. A substantial portion of our freight is from customers in the retail industry. As such, our volumes are largely dependent on consumer spending and retail sales, and our results may be more susceptible to trends in unemployment and retail sales than carriers that do not have this concentration. In addition, our major customers engage in bid processes and other activities periodically (including currently) in an attempt to lower their costs of transportation. We may not choose to participate in these bids or, if we participate, may not be awarded the freight, either of which could result in a reduction of our freight volumes with these customers. In this event, we could be required to replace the volumes elsewhere at uncertain rates and volumes, suffer reduced equipment utilization, or reduce the size of our fleet. In addition, the size and market concentration of some of our customers may allow them to exert increased pressure on the prices, margins and non-monetary terms of our contracts. Failure to retain our existing customers, or enter into relationships with new customers, each on acceptable terms, could materially impact our business, financial condition, results of operations, and ability to meet our current and long-term financial forecasts.

Economic conditions and capital markets may materially adversely affect our customers and their ability to remain solvent. Our customers' financial difficulties can negatively impact our results of operations and financial condition, especially if they were to delay or default on payments to us. If any of our major customers experience financial hardship, the demand for our services could decrease which could negatively affect our operating results. Further, if one or more of our major customers were to seek protection under bankruptcy laws, we might not receive payment for a significant amount of services rendered and, under certain circumstances, might have to return payments made by such customers during the 90 days prior to the bankruptcy filing, which may cause an adverse impact on our profitability and operations. Generally, we do not have contractual relationships that guarantee any minimum volumes with our customers, and we cannot assure you that our customer relationships will continue as presently in effect. Certain services we provide customers are subject to longer term written contracts. However, certain of these contracts contain cancellation clauses, including our "evergreen" contracts, which automatically renew for one year terms but that can be terminated more easily. There is no assurance any of our customers, including those with longer term contracts, will continue to utilize our services, renew our existing contracts, or continue at the same volume levels. Despite the existence of contractual arrangements with our customers, certain of our customers may nonetheless engage in competitive bidding processes that could negatively impact our contractual relationship. In addition, certain of our major customers may increasingly use their own truckload and delivery fleets, which would reduce our freight volumes. A reduction in or termination of our services by one or more of our major customers, including our customers with longer term contracts, could have a material adverse effect on our business, financial condition and results of operations.

The incurrence of indebtedness under our Credit Agreement or lack of access to other financing sources could have adverse consequences on our future operations.

Historically, we have generally funded our growth, working capital, capital expenditures, dividends, stock repurchases, acquisitions, and other general corporate expenses through cash flows generated from operations. However, in 2013 we entered into an unsecured credit agreement with Wells Fargo Bank, National Association (as amended, the "Credit Agreement"), which was amended in August 2018 and currently provides for an unsecured revolving line of credit with the flexibility to borrow up to $100.0 million and provides for an additional $100.0 million of borrowing capacity based on defined provisions in the agreement. We had no outstanding borrowings as of December 31, 2018. If we need to incur indebtedness in the future, any borrowings we make under the Credit

Agreement, or from other sources could have adverse consequences on our future operations by reducing the availability of our future cash flows, limiting our flexibility regarding future expenditures, and making us more vulnerable to changes in the industry and economy. Further, if borrowings under the Credit Agreement become unavailable and we need to obtain financing from other sources, we may be unable to obtain terms as favorable as the current terms of the Credit Agreement, or to secure financing at all, which could have adverse consequences on our future operations.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations and obtain financing on favorable terms.

The truckload industry is capital intensive, and our historical policy of operating newer equipment requires us to expend significant amounts annually to maintain a newer average age for our fleet of revenue equipment. We expect to pay for projected capital expenditures with cash flows from operations, proceeds from sales of equipment being replaced, and with proceeds of borrowings if necessary. If we are unable to generate sufficient cash from operations, or proceeds from sales of equipment being replaced, or utilize borrowing capacity on our Credit Agreement, we would need to seek alternative sources of capital, including additional financing, to meet our capital requirements. In the event that we are unable to generate sufficient cash from operations or obtain additional financing on favorable terms in the future, we may have to limit our fleet size, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

Our profitability may be materially adversely impacted if our capital investments do not match customer demand for invested resources or if there is a decline in the availability of funding sources for these investments.

Our operations require significant capital investments. The amount and timing of such investments depend on various factors, including anticipated freight demand and the price and availability of assets. If anticipated demand differs materially from actual usage, we may have too many or too few assets. Moreover, resource requirements vary based on customer demand, which may be subject to seasonal or general economic conditions. During periods of decreased customer demand, our asset utilization may suffer, and we may be forced to sell equipment on the open market or turn in equipment under certain equipment leases, if any, in order to right size our fleet. This could cause us to incur losses on such sales or require payments in connection with the return of such equipment, particularly during times of a softer used equipment market, either of which could have a materially adverse effect on our profitability. Our ability to select profitable freight and adapt to changes in customer transportation requirements is important to efficiently deploy resources and make capital investments in tractors and trailers.

Credit markets may weaken at some point in the future, which would make it difficult for us to access our current sources of credit and difficult for our lenders to find the capital to fund us. We may need to incur debt, or issue debt or equity securities in the future, to refinance existing debt, fund working capital requirements, make investments, or support other business activities. Declines in consumer confidence, decreases in domestic spending, economic contractions, rating agency actions, and other trends in the credit market may impair our future ability to secure financing on satisfactory terms, or at all.

Increased prices for new revenue equipment, design changes of new engines, decreased availability of new revenue equipment, and decreased demand for and value of used equipment could have a materially adverse effect on our business, financial condition, results of operations, and profitability.

We are subject to risk with respect to higher prices for new tractors and trailers. We have experienced an increase in prices for new tractors over the past few years, and the resale value of the tractors has not increased to the same extent. Prices have increased and may continue to increase, due to, among other reasons, (i) increases in commodity prices, (ii) government regulations applicable to newly manufactured tractors, trailers, and diesel engines, and (iii) the pricing discretion of equipment manufacturers. In addition, we have recently equipped our tractors with safety, aerodynamic, and other options that increase the price of new equipment. More restrictive regulations related to emissions and fuel efficiency standards have required vendors to introduce new engines and will require more fuel-efficient trailers. Compliance with such regulations has increased the cost of our new tractors, may increase the cost of new trailers, could impair equipment productivity, in some cases, result in lower fuel mileage, and increase our operating expenses. As a result, we expect to continue to pay increased prices for equipment and incur additional expenses for the foreseeable future.

Tractor and trailer vendors may reduce their manufacturing output in response to lower demand for their products in economic downturns or shortages of component parts. A decrease in vendor output may have a materially adverse effect on our ability to purchase a quantity of new revenue equipment that is sufficient to sustain our desired growth rate and to maintain a late-model fleet. Moreover, an inability to obtain an adequate supply of new tractors or trailers could have a materially adverse effect on our business, financial condition, and results of operation.

The market for used equipment is cyclical and can be volatile, and any downturn in the market could negatively impact our earnings and cash flows. During periods of higher used equipment values, we have recognized significant gains on the sale of our used tractors and trailers, in part because of a strong used equipment market and our historical practice of capitalizing on changes in the used equipment market. Conversely, during periods of lower used equipment values, we may generate lower gains on sale, or even losses, or we may have to record impairments of the carrying value of our equipment, any of which would reduce our earnings and cash flows, and could adversely impact our liquidity and financial condition. Alternatively, we could decide, or be forced, to operate our equipment longer, which could negatively impact maintenance and repairs expense, customer service, and driver satisfaction.

If fuel prices increase significantly, our results of operations could be adversely affected.

Our operations are dependent upon fuel. Prices and availability of petroleum products are subject to political, economic, weather-related, geographic and market factors that are outside our control and each of which may lead to fluctuations in the cost of fuel. Fuel prices also are affected by the rising demand for fuel in developing countries, and could be materially adversely affected by the use of crude oil and oil reserves for purposes other than fuel production and by diminished drilling activity. Such events may lead not only to increases in fuel prices, but also to fuel shortages and disruptions in the fuel supply chain. Fuel also is subject to regional pricing differences and is often more expensive in certain areas where we operate.

Because our operations are dependent upon fuel, significant increases in fuel costs, fuel shortages, rationings, or supply disruptions could materially and adversely affect our results of operations and financial condition, particularly if we are unable to pass increased costs on to customers through rate increases or fuel surcharges. Even if we are able to pass some increased costs on to customers, fuel surcharge programs generally do not protect us against all of the increases in fuel prices. Moreover, in times of rising fuel prices, the lag between purchasing the fuel, and the billing for the surcharge (which typically is based on the prior week's average price), can negatively impact our earnings and cash flows and lead to fluctuations in our levels of reimbursement, which have occurred in the past. In addition, the terms of each customer's fuel surcharge agreement vary, and certain customers have sought to modify the terms of their fuel surcharge agreements to minimize recoverability for fuel price increases. During periods of low freight volumes, customers may use their negotiating leverage to impose fuel surcharge policies that provide a lower reimbursement of our fuel costs. There is no assurance that our fuel surcharge programs can be maintained indefinitely or will be sufficiently effective. Our results of operations would be negatively affected to the extent we cannot recover higher fuel costs or fail to improve our fuel price protection through our fuel surcharge programs.

Increases in driver compensation or difficulties in attracting and retaining qualified drivers, including independent contractors, may have a materially adverse effect on our profitability and the ability to maintain or grow our fleet.

Like many truckload carriers, we experience substantial difficulty in attracting and retaining sufficient numbers of qualified drivers which includes to a lesser extent, our engagement of independent contractors. Independent contractors currently represent a small portion of our fleet. The truckload industry is subject to a shortage of qualified drivers. Such shortage is exacerbated during periods of economic expansion, in which alternative employment opportunities, such as those in the construction and manufacturing industries, are more plentiful and freight demand increases. Regulatory requirements, including those related to safety ratings, ELDs and HOS changes, an improved economy, and aging of the driver workforce, could further reduce the pool of eligible drivers or force us to increase driver compensation to attract and retain drivers. We have seen evidence that CSA and stricter HOS regulations adopted by the DOT in the past have tightened, and, to the extent new regulations are enacted, may continue to tighten, the market for eligible drivers. The lack of adequate tractor parking along some U.S. highways and congestion caused by inadequate highway funding may make it more difficult for drivers to comply with HOS regulations and cause added stress for drivers, further reducing the pool of eligible drivers. We believe the implementation of the 2015 ELD Rule in December 2017 has and may further tighten such market. We believe the shortage of qualified drivers and intense competition for drivers from other trucking companies will create difficulties in maintaining or increasing the number of drivers and may restrain our ability to engage a sufficient number of drivers, and our inability to do so may negatively impact our operations. Further, the compensation we offer our drivers is subject to market conditions, and we may find it necessary to increase driver compensation in future periods.

In addition, we and many other truckload carriers suffer from a high turnover rate of drivers. This high turnover rate requires us to continually recruit a substantial number of drivers in order to operate existing revenue equipment. We also employ driver hiring standards which we believe are more rigorous than the hiring standards employed in general in our industry and could further reduce the pool of available drivers from which we would hire. If we are unable to continue to attract and retain a sufficient number of drivers, we could be forced to, among other things, adjust our compensation packages, increase the number of our tractors without drivers, or operate with fewer tractors and face difficulty meeting shipper demands, any of which could adversely affect our profitability and results of operations.

If our independent contractors are deemed by regulators or judicial process to be employees, our business, financial condition and results of operations could be adversely affected.

While the size of our independent contractor fleet has been significantly reduced, independent contractors have historically comprised a portion of our fleet. Tax and other regulatory authorities, as well as independent contractors themselves, have increasingly asserted that independent contractors in the trucking industry are employees rather than independent contractors, for a variety of purposes, including income tax withholding, workers' compensation, wage and hour compensation, unemployment, and other issues. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractor drivers as employees, including legislation to increase the recordkeeping requirements for those that engage independent contractor drivers and to heighten the penalties of companies who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice, extend the Fair Labor Standards Act to independent contractors, and impose notice requirements based upon employment or independent contractor status and fines for failure to comply. Some states have put initiatives in place to increase their revenues from items such as unemployment, workers' compensation, and income taxes, and a reclassification of independent contractors as employees would help states with these initiatives. Additionally, courts in certain states have issued recent decisions that could result in a greater likelihood that independent contractors would be judicially classified as employees in such states. Further, class actions and other lawsuits have been filed against certain members of our industry seeking to reclassify independent contractors as employees for a variety of purposes, including workers' compensation and health care coverage. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. Our classification of independent contractors has been the subject of audits by such authorities from time to time. While we have been successful in continuing to classify our independent contractor drivers as independent contractors and not employees, we may be unsuccessful in defending that position in the future. If our independent contractors are determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

We operate in a highly regulated industry, and changes in existing regulations or violations of existing or future regulations could have a materially adverse effect on our operations and profitability.

We operate in the U.S. pursuant to operating authority granted by the DOT. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the DOT, including those relating to CSA safety performance and measurements, drug and alcohol testing, driver safety performance, and HOS. Matters such as weight, equipment dimensions, exhaust emissions, and fuel efficiency are also subject to government regulations. We also may become subject to new or more restrictive regulations relating to fuel efficiency, exhaust emissions, HOS, ergonomics, on-board reporting of operations, collective bargaining, security at ports, speed limiters, driver training, and other matters affecting safety or operating methods. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs on to us through higher prices could adversely affect our results of operations. In addition, the Trump administration has indicated a desire to reduce regulatory burdens that constrain growth and productivity, and also to introduce legislation such as infrastructure spending, that could improve growth and productivity. Changes in regulations, such as those related to trailer size and gross vehicle weight limits, HOS, drug and alcohol testing and mandating ELDs, could increase capacity in the industry or improve the position of certain competitors, either of which could negatively impact pricing and volumes, or require additional investments by us. The short and long term impacts of changes in legislation or regulations are difficult to predict and could materially adversely affect our operations. The Regulation section in Item 1 of this Annual Report discusses several proposed, pending, and final regulations that could significantly impact our business and operations.

The CSA program adopted by the FMCSA could adversely affect our profitability and operations, our ability to maintain or grow our fleet, and our customer relationships.

Under CSA, fleets are evaluated and ranked against their peers based on certain safety-related standards. As a result, our fleet could be ranked poorly as compared to peer carriers. The occurrence of future deficiencies could affect driver recruitment by causing high-quality drivers to seek employment with other carriers, limit the pool of available drivers, or could cause our customers to direct their business away from us and to carriers with higher fleet safety rankings, either of which would adversely affect our results of operations. Additionally, competition for drivers with favorable safety backgrounds may increase and thus could necessitate increases in driver-related compensation costs. Further, we may incur greater than expected expenses in our attempts to improve unfavorable scores.

We have in the past, and may again in the future, exceed the FMCSA's established intervention thresholds in any of the seven CSA safety-related categories. Based on these unfavorable ratings, we may be prioritized for an intervention action or roadside inspection, either of which could adversely affect our results of operations. In addition, customers may be less likely to assign loads to us. We have put procedures in place in an attempt to address areas where we have exceeded the thresholds. However, we cannot assure you these measures will be effective.

In December 2015, Congress passed the FAST Act, which directs the FMCSA to conduct studies of the scoring system used to generate CSA rankings to determine if it is effective in identifying high-risk carriers and predicting future crash risk. This study was conducted and delivered to the FMCSA in June 2017 with several recommendations to make the CSA program more fair, accurate and reliable. In June 2018, the FMCSA provided a report to Congress outlining the changes it may make to the CSA program in response to the study. Such changes include the testing and possible adoption of a revised risk modeling theory, potential collection and dissemination of additional carrier data, and revised measures for intervention thresholds. The adoption of such changes is contingent on the results of the new modeling theory and additional public feedback. Therefore, it is unclear if, when and to what extent such changes to the CSA program will occur. However, any changes that increase the likelihood of us receiving unfavorable scores could adversely affect our results of operations and profitability.

Receipt of an unfavorable DOT safety rating could have a materially adverse effect on our operations and profitability.

We currently have a satisfactory DOT rating, which is the highest available rating under the current safety rating scale. If we were to receive a conditional or unsatisfactory DOT safety rating, it could materially adversely affect our business, financial condition, and results of operations as customer contracts may require a satisfactory DOT safety rating, and a conditional or unsatisfactory rating could materially adversely affect or restrict our operations.

The FMCSA has proposed regulations that would modify the existing rating system and the safety labels assigned to motor carriers evaluated by the DOT. Under the regulations that were proposed in 2016, the methodology for determining a carrier's DOT safety rating would be expanded to include the on-road safety performance of the carrier's drivers and equipment, as well as results obtained from investigations. Exceeding certain thresholds based on such performance or results would cause a carrier to receive an unfit safety rating. The proposed regulations were withdrawn in March 2017, but the FMCSA noted that a similar process may be initiated in the future. If similar regulations were enacted and we were to receive an unfit or other negative safety rating, our business would be materially adversely affected in the same manner as if we received a conditional or unsatisfactory safety rating under the current regulations. In addition, poor safety performance could lead to increased risk of liability, increased insurance, maintenance and equipment costs and potential loss of customers, which could materially adversely affect our business, financial condition and results of operations.

Compliance with various environmental laws and regulations may increase our costs of operations and non-compliance with such laws and regulations could result in substantial fines or penalties.

In addition to direct regulation under the DOT and related agencies, we are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, waste oil, fuel storage tanks, air emissions from our vehicles and facilities, engine idling, and discharge and retention of storm water. Our truck terminals often are located in industrial areas where groundwater or other forms of environmental contamination may have occurred or could occur. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain of our facilities have waste oil or fuel storage tanks and fueling islands. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to a wide array of regulations. Although we have instituted programs to monitor and control environmental risks and promote compliance with applicable environmental laws and regulations, if we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, if soil or groundwater contamination is found at our facilities or results from our operations, or if we are found to be in violation of applicable laws or regulations, we could be subject to cleanup costs and liabilities, including substantial fines or penalties or civil and criminal liability, any of which could have a materially adverse effect on our business and operating results.

EPA regulations limiting exhaust emissions became more restrictive in 2010 when an executive memorandum was signed directing the NHTSA and the EPA to develop new, stricter fuel efficiency standards for heavy trucks. In 2011, the NHTSA and the EPA adopted final rules that established the Phase 1 Standards. The Phase 1 Standards apply to tractor model years 2014 to 2018, which are required to achieve an approximate 20 percent reduction in fuel consumption by model year 2018, and equates to approximately four gallons of fuel for every 100 miles traveled. In addition, in October 2016, the EPA and NHTSA published the final rule establishing the Phase 2 Standards that will apply to trailers beginning with model year 2018 and tractors beginning with model year 2021. The Phase 2 Standards require nine percent and 25 percent reductions in emissions and fuel consumption for trailers and tractors, respectively, by 2027. We believe these requirements could result in additional increases in new tractor and trailer prices and additional parts and maintenance costs incurred to retrofit our tractors and trailers with technology to achieve compliance with such standards, which could adversely affect our operating results and profitability, particularly if such costs are not offset by potential fuel savings. We cannot predict, however, the extent to which our operations and productivity will be impacted. In October 2017, the EPA announced a proposal to repeal the Phase 2 Standards as they relate to gliders (which mix refurbished older components, including transmissions and pre-emission-rule engines, with a new frame, cab, steer axle, wheels, and other standard equipment). The outcome of such proposal is still undetermined as the EPA continues to consider Congressionally requested investigations into the legality of the proposal and the merits of an anti-glider study that was published shortly after the proposal became official. Additionally, implementation of the Phase 2 Standards as they relate to trailers has been delayed due to a provisional stay granted in October 2017 by the U.S. Court of Appeals for the District of Columbia, which is overseeing a case against the EPA by the Truck Trailer Manufacturers Association, Inc. regarding the Phase 2 Standards. In addition, future additional emission regulations are possible. In February 2017, CARB proposed California Phase 2 standards that would generally align with the federal Phase 2 Standards, with some minor additional requirements. In February 2019, the California Phase 2 standards became final. Thus, even if the trailer provisions of the Phase 2 Standards are permanently removed, we would still need to ensure the majority of our fleet is compliant with the California Phase 2 standards, which may result in increased equipment costs and could adversely affect our operating results and profitability. Any federal, state, or local regulations that impose restrictions, caps, taxes, or other controls on emissions of greenhouse gases could adversely affect our operations and financial results. Until the timing, scope, and extent of any future regulation becomes known, we cannot predict its effect on our cost structure or our operating results; however, any future regulation could impair our operating efficiency and productivity and result in higher operating costs.

We may not make acquisitions in the future, or if we do, we may not be successful in integrating the acquired company, either of which could have a materially adverse effect on our business.

Historically, acquisitions have been a part of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our historical growth rate could be materially and adversely affected. If we succeed in consummating future acquisitions, our business, financial condition and results of operations, may be materially adversely affected because:

- some of the acquired businesses may not achieve anticipated revenue, earnings, or cash flows;
- we may assume liabilities that were not disclosed to us or otherwise exceed our estimates;
- we may be unable to integrate acquired businesses successfully, or at all, and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other

operational, technical, or financial problems;

- acquisitions could disrupt our ongoing business, distract our management, and divert our resources;
- we may experience difficulties operating in markets in which we have had no or only limited direct experience;
- we could lose customers, employees, and drivers of any acquired company;
- we may experience potential future impairment charges, write-offs, write-downs, or restructuring charges; and
- we may issue dilutive equity securities, incur indebtedness, and/or incur large one-time expenses.

If we are unable to retain our key employees or find, develop and retain a core group of managers, our business, financial condition, and results of operations could be materially adversely affected.

We are highly dependent upon the services of several executive officers and key management employees. The loss of any of their services could have a negative impact on our operations and profitability. We currently do not have employment agreements with any of our key employees or executive officers. Turnover, planned or otherwise, in these or other key leadership positions may materially adversely affect our ability to manage our business efficiently and effectively, and such turnover can be disruptive and distracting to management, may lead to additional departures of existing personnel, and could have a material adverse effect on our operations and future profitability. We must continue to develop and retain a core group of managers if we are to realize our goal of expanding our operations and continuing our growth. Failing to develop and retain a core group of managers could have a materially adverse effect on our business.

Seasonality and the impact of weather and other catastrophic events affect our operations and profitability.

Weather and other seasonal events could adversely affect our operating results. Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase and fuel efficiency declines because of engine idling, while harsh weather creates higher accident frequency, increased claims, and more equipment repairs. In addition, many of our customers, particularly those in the retail industry where we have a large presence, demand additional capacity during the fourth quarter, which limits our ability to take advantage of more attractive spot market rates that generally exist during such periods. Further, despite our efforts to meet such demands, we may fail to do so, which may result in lost future business opportunities with such customers, which could have a materially adverse effect on our operations. Recently, the duration of this increased period of demand in the fourth quarter has shortened, with certain customers requiring the same volume of shipments over a more condensed timeframe, resulting in increased stress and demand on our network, people, and systems. If this trend continues, it could make satisfying our customers and maintaining the quality of our service during the fourth quarter increasingly difficult. We may also suffer from weather-related or other unforeseen events such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes, and explosions. These events may disrupt fuel supplies, increase fuel costs, disrupt freight shipments or routes, affect regional economies, destroy our assets, or adversely affect the business or financial condition of our customers, any of which could have a materially adverse effect on our results of operations or make our results of operations more volatile.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings.

Our future insurance and claims expense might exceed historical levels, which could reduce our earnings. Our business results in a substantial number of claims and litigation related to workers' compensation, auto liability, general liability, cargo and property damage claims, personal injuries, and employment issues as well as employees' health insurance. We self-insure for a portion of our claims, which could increase the volatility of, and decrease the amount of, our earnings, and could have a materially adverse effect on our results of operations. See Note 7 of the consolidated financial statements for more information regarding our self-insured retention amounts. We are also responsible for our legal expenses relating to such claims. We reserve currently for anticipated losses and related expenses. We periodically evaluate and adjust our claims reserves to reflect trends in our own experience as well as industry trends. However, ultimate results may differ from our estimates due to a number of uncertainties, including evaluation of severity, legal costs, and claims that have been incurred but not reported, which could result in losses over our reserved amounts. If we are required to reserve or pay additional amounts because our estimates are revised or the claims ultimately prove to be more severe than originally assessed or if our self-insured retention levels change, our financial condition and results of operations may be materially adversely affected.

We maintain insurance for most risks above the amounts for which we self-insure with licensed insurance carriers. We do not currently maintain directors' and officers' insurance coverage, although we are obligated to indemnify them against certain liabilities they may incur while serving in such capacities. If any claim is not covered by an insurance policy, exceeds our coverage, or falls outside the aggregate coverage limit, we would bear the excess or uncovered amount, in addition to our other self-insured amounts. Although we believe our aggregate insurance limits are sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Insurance carriers that provide excess insurance coverage to us currently and for past claim years have encountered financial issues. Recently there have been several insurance carriers that have exited the excess reinsurance market. Insurance carriers have recently raised premiums and collateral requirements for many businesses, including trucking companies. As a result, our insurance and claims expense could increase if we have a similar experience at renewal, or we could find it necessary to raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced. Should these expenses increase, we become unable to find excess coverage in amounts we deem sufficient, we experience a claim in excess of our coverage limits, we experience a claim for which we do not have coverage, or we have to increase our reserves or collateral, there could be a materially adverse effect on our results of operations and financial condition.

Healthcare legislation and inflationary cost increases also could negatively impact financial results by increasing annual employee healthcare costs going forward. We cannot presently determine the extent of the impact healthcare costs will have on our financial performance. In addition, rising healthcare costs could force us to make changes to existing benefits program, which could negatively impact our ability to attract and retain employees.

We depend on the proper functioning and availability of our management information and communication systems and other technology assets (and the data contained therein) and a system failure or unavailability, including those caused by cybersecurity breaches, or an inability to effectively upgrade such systems and assets

could cause a significant disruption to our business and have a materially adverse effect on our results of operations.

Our business depends on the efficient and uninterrupted operation of our information and communications systems and other technology assets, including the data contained therein and our communication system with our fleet of revenue equipment. We currently use a centralized computer network and regular communication to achieve system-wide load coordination. Our operating system is critical to understanding customer demands, accepting and planning loads, dispatching equipment and drivers, and billing and collecting for our services. Our financial reporting system is critical to producing accurate and timely financial statements and analyzing business information to help us manage effectively.

Our operations and those of our technology and communications service providers are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, cyberattacks, internet failures, computer viruses, deliberate attacks of unauthorized access to systems, denial-of-service attacks on websites, and other events beyond our control. More sophisticated and frequent cyberattacks in recent years have also increased security risks associated with information technology systems. We also maintain information security policies to protect our systems, networks, and other information technology assets (and the data contained therein) from cybersecurity breaches and threats, such as hackers, malware, and viruses; however, such policies cannot ensure the protection of our systems, networks, and other information technology assets (and the data contained therein). Although we attempt to reduce the risk of disruption to our business operations should a disaster occur through redundant computer systems and networks and backup systems, there can be no assurance that such measures will be effective. If any of our critical information systems fail or become otherwise unavailable, whether as a result of a system upgrade project or otherwise, we would have to perform the functions manually, which could temporarily impact our ability to manage our fleet efficiently, to respond to customers' requests effectively, to maintain billing and other records reliably, and to bill for services and prepare financial statements accurately or in a timely manner. Our business interruption insurance may be inadequate to protect us in the event of an unforeseeable and extreme catastrophe. Any significant system failure, upgrade complication, security breach (including cyberattacks), or other system disruption could interrupt or delay our operations, damage our reputation, cause us to lose customers, or impact our ability to manage our operations and report our financial performance, any of which could have a materially adverse effect on our business.

We receive and transmit confidential data with and among our customers, drivers, vendors, employees, and service providers in the normal course of business. Despite our implementation of secure transmission techniques, internal data security measures, and monitoring tools, our information and communication systems are vulnerable to disruption of communications with our customers, drivers, vendors, employees, and service providers and access, viewing, misappropriation, altering, or deleting information in our systems, including customer, driver, vendor, employee, and service provider information and our proprietary business information. A security breach (including cyberattacks) could damage our business operations and reputation and could cause us to incur costs associated with repairing our systems, increased security, customer notifications, lost operating revenue, litigation, regulatory action, and reputational damage.

Concentrated ownership of our stock can influence stockholder decisions, may discourage a change in control, and may have an adverse effect on share price of our stock.

Investors who purchase our common stock may be subject to certain risks due to the concentrated ownership of our common stock. The Gerdin family, our directors, and our executive officers, as a group, own or control approximately 45% of our common stock, and their interests may conflict with the interests of our other stockholders. This ownership concentration may have the effect of discouraging, delaying, or preventing a change in control, and may also have an adverse effect on the market price of our shares. As a result of their ownership, the Gerdin family, the executive officers and directors, as a group, may have the ability to influence the outcome of any matter submitted to our stockholders for approval, including the election of directors. This concentration of ownership could limit the price that some investors might be willing to pay for our common stock, and could allow the Gerdin family to prevent or could discourage or delay a change of control, which other stockholders may favor. Further, our bylaws have been amended to "opt out" of the Nevada control share statute. Accordingly, an acquisition of more than a majority of our common stock by the Gerdin family will not result in certain shares in excess of a majority losing their voting rights and may enhance the Gerdin family's ability to exercise control over decisions affecting us. The interests of the Gerdin family may conflict with the interests of other holders of our common stock, and they may take actions affecting us with which other stockholders disagree.

The market price of our common stock may be volatile.

The price of our common stock may fluctuate widely, depending upon a number of factors, many of which are beyond our control. These factors include, among other items: the perceived prospects of our business and our industry as a whole; differences between our actual financial and operating results and those expected by investors and analysts; changes in analysts' recommendations or projections, including such analysts' outlook on our industry as a whole; actions or announcements by our competitors; changes in the regulatory environment in which we operate; significant sales or hedging of shares by a principal stockholder; actions taken by stockholders that may be contrary to the Board of Director’s recommendations; and changes in general economic or market conditions. In addition, stock markets generally experience significant price and volume volatility from time to time which may adversely affect the market price of our common stock for reasons unrelated to our performance.

We previously identified material weaknesses in our internal control over financial reporting, which we believe have now been remediated. Any future failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements and could cause investors to lose confidence in our financial statements, which could have a material adverse effect on our stock price.

We previously identified material weaknesses as of December 31, 2017, in our internal control over financial reporting due to ineffective a) communication of objectives related to internal control, and b) development and documentation of internal controls impacting financial statement accounts and general controls over technology pertaining to user access and segregation of duties; and ineffective assessment of changes that impact internal control, which contributed to ineffective controls over the allocation of the purchase price for IDC to the assets acquired and liabilities assumed (collectively, the “2017 Material

Weaknesses”). Although we believe we have remediated the 2017 Material Weaknesses, we cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. In addition, any failure to improve our disclosure controls and procedures or internal control over financial reporting to address any identified weaknesses in the future, if they were to occur, could prevent us from maintaining accurate accounting records and discovering material accounting errors. If (i) we subsequently determine that we failed to adequately remediate the 2017 Material Weaknesses, (ii) we identify any other material weaknesses in our internal control over financial reporting, or (iii) we fail to improve our disclosure controls and procedures or internal control over financial reporting, investors may lose confidence in our financial statements and/or our stock price may decline.

Developments in labor and employment law and any unionizing efforts by employees could have a materially adverse effect on our results of operations.

We face the risk that Congress, federal agencies, or one or more states could approve legislation or regulations significantly affecting our businesses and our relationship with our employees, such as the previously proposed federal legislation referred to as the Employee Free Choice Act, which would have substantially liberalized the procedures for union organizations. None of our domestic employees are currently covered by a collective bargaining agreement, but any attempt by our employees to organize a labor union could result in increased legal and other associated costs. Additionally, given the National Labor Relations Board’s “speedy election” rule, our ability to timely and effectively address any unionizing efforts would be difficult. If we entered into a collective bargaining agreement with our domestic employees, the terms could materially adversely affect our costs, efficiency, and ability to generate acceptable returns on the affected operations.

Additionally, the Department of Labor issued a final rule in 2016 raising the minimum salary basis for executive, administrative and professional exemptions from overtime payment. The rule increases the minimum salary from the current amount of $23,660 to $47,476 and non-discretionary bonus, commission and other incentive payments can be counted towards the minimum salary requirement. The rule was scheduled to go into effect on December 1, 2016. However, the rule was temporarily enjoined from going into effect in November 2016, and later invalidated in August 2017, after several states and business groups filed separate lawsuits against the Department of Labor challenging the rule. However, any future rule similar to this rule that impacts the way we classify certain positions, increases our payment of overtime wages or increases the salaries we pay to currently exempt employees to maintain their exempt status, may have a materially adverse impact on our financial and operational results.

Litigation may adversely affect our business, financial condition, and results of operations.

Our business is subject to the risk of litigation by employees, independent contractors, customers, vendors, government agencies, stockholders, and other parties through private actions, class actions, administrative proceedings, regulatory actions, and other processes. Recently, trucking companies, including us, have been subject to lawsuits, including class action lawsuits, alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal breaks, rest periods, overtime eligibility, and failure to pay for all hours worked. A number of these lawsuits have resulted in the payment of substantial settlements or damages by the defendants.

These types of cases have increased since March 2014 when the Ninth Circuit Court of Appeals held that the application of California state wage and hour laws to interstate truck drivers is not preempted by federal law. The case was appealed to the Supreme Court of the United States, which denied certiorari in May 2015, and accordingly, the Ninth Circuit Court of Appeals decision stood. However, in December 2018, the FMCSA granted a petition filed by the American Trucking Associations and in doing so determined that federal law does preempt California’s wage and hour laws, and interstate truck drivers are not subject to such laws. The FMCSA’s decision has been appealed by labor groups and multiple lawsuits have been filed in federal courts seeking to overturn the decision, and thus it’s uncertain whether it will stand. Other current and future state and local wage and hour laws, including laws related to employee meal breaks and rest periods, may also vary significantly from federal law. As a result, we, along with other companies in the industry, are subject to an uneven patchwork of state and local laws throughout the U.S. In the past, federal legislation has been proposed to solidify the preemption of certain state and local laws applied to interstate truck drivers; however, passage of such legislation is uncertain. If such federal legislation is not passed, we may either need to comply with the most restrictive state and local laws across our entire fleet, or overhaul our management systems to comply with varying state and local laws. Either solution could result in increased compliance and labor costs, driver turnover, and decreased efficiency.

The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend litigation may also be significant. Not all claims are covered by our insurance, and there can be no assurance that our coverage limits will be adequate to cover all amounts in dispute. To the extent we experience claims that are uninsured, exceed our coverage limits, involve significant aggregate use of our self-insured retention amounts, or cause increases in future premiums, the resulting expenses could have a materially adverse effect on our business, results of operations, financial condition, or cash flows.

In addition, we may be subject, and have been subject in the past, to litigation resulting from trucking accidents. The number and severity of litigation claims may be worsened by distracted driving by both truck drivers and other motorists. These lawsuits have resulted, and may result in the future, in the payment of substantial settlements or damages and increases of our insurance costs.

We could determine that our goodwill and other intangible assets are impaired, thus recognizing a related loss.

As of December 31, 2018, we had goodwill of $132.4 million and other intangible assets of $14.5 million. We evaluate our goodwill and other intangible assets for impairment. We could recognize impairments in the future, and we may never realize the full value of our intangible assets. If these events occur, our profitability and financial condition will suffer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located in North Liberty, Iowa which is located on Interstate 380 near the intersection of Interstates 380 and 80. The headquarters is located on 40 acres of land along the Cedar Rapids/Iowa City business corridor and includes a 65,000 square foot office building and a 32,600 square foot shop and maintenance building.

The following table provides information regarding our terminal facilities:

Company Location	Office	Shop	Fuel	Owned or Leased
Atlanta, Georgia	Yes	Yes	Yes	Owned
Boise, Idaho	Yes	Yes	No	Owned
Carlisle, Pennsylvania	Yes	Yes	Yes	Owned
Chester, Virginia	Yes	Yes	Yes	Owned
Columbus, Ohio	Yes	Yes	Yes	Owned
Fontana, California (1)	Yes	Yes	Yes	Leased
Frederick, Colorado	Yes	Yes	Yes	Owned
Green Bay, Wisconsin	Yes	No	No	Leased
Jacksonville, Florida	Yes	Yes	Yes	Owned
	Yes	Yes	Yes	Owned

Kingsport, Tennessee				
Lathrop, California	Yes	Yes	Yes	Owned
Medford, Oregon	Yes	Yes	Yes	Owned
Mt. Juliet, Tennessee	Yes	Yes	Yes	Owned
North Liberty, Iowa (2)	Yes	Yes	Yes	Owned
Olive Branch, Mississippi	Yes	Yes	Yes	Owned
Tacoma, Washington	Yes	Yes	Yes	Leased
Phoenix, Arizona	Yes	Yes	Yes	Owned
Pontoon Beach, Illinois	Yes	Yes	No	Owned
Rancho Cucamonga, California	Yes	Yes	Yes	Owned
Seagoville, Texas	Yes	Yes	Yes	Owned
Wilsonville, Oregon	Yes	Yes	Yes	Leased

(1) Location and related lease terminates on February 28, 2019.
(2) Corporation headquarters.

ITEM 3. LEGAL PROCEEDINGS

We are a party to ordinary, routine litigation and administrative proceedings incidental to our business. These proceedings primarily involve claims for personal injury, property damage, cargo, and workers' compensation incurred in connection with the transportation of freight. We maintain insurance to cover liabilities arising from the transportation of freight for amounts in excess of certain self-insured retentions.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Trading Symbol

Our common stock trades on The NASDAQ Global Select Market under the symbol HTLD.

As of February 15, 2019, we had 195 stockholders of record of our common stock. However, we estimate that we have a significantly greater number of stockholders because a substantial number of our shares of record are held by brokers or dealers for their customers in street names.

Dividend Policy

We currently intend to continue the quarterly cash dividend program. However, future payments of cash dividends will depend upon our financial condition, results of operations and capital requirements, as well as other factors deemed relevant by the Board of Directors.

Stock Repurchase

We have a stock repurchase program with 6.9 million shares remaining authorized for repurchase as of December 31, 2018 following the additional authorization of 5.0 million shares by our Board of Directors on May 10, 2018. There were 1.4 million shares repurchased in the open market during the year ended December 31, 2018, zero shares in 2017, and 0.9 million shares repurchased during 2016. Shares repurchased during 2018 and 2016 were accounted for as treasury stock. We have omitted tabular disclosure of share repurchases given that, during the fourth quarter of 2018, no significant repurchases were made and the number of shares authorized for repurchase was 6.9 million.

The specific timing and amount of future repurchases will be determined by market conditions, cash flow requirements, securities law limitations, and other factors. Repurchases are expected to continue from time to time, as conditions permit, until the number of shares authorized to be repurchased have been bought, or until the authorization to repurchase is terminated, whichever occurs first. The share repurchase authorization is discretionary and has no expiration date. The repurchase program may be suspended, modified, or discontinued at any time without prior notice.

Stock-Based Compensation

In July 2011, a Special Meeting of Stockholders of Heartland Express, Inc. was held, at which meeting the approval of the Heartland Express, Inc. 2011 Restricted Stock Award Plan (the "Plan") was ratified. The Plan authorized the issuance of up to 0.9 million shares and is administered by the Compensation Committee of our Board of Directors (the "Committee"). In accordance with and subject to the provisions of the Plan, the Committee has the authority to determine all provisions of awards of restricted stock, including, without limitation, the employees who will receive awards, the number of shares awarded to individual employees, the time or times when awards will be granted, restrictions and other conditions (including, for example, the lapse of time) to which the vesting of awards may be subject, and other terms and conditions and form of agreement to be entered into by us and employees subject to awards of restricted stock. Per the terms of the awards, employees receiving awards will have all of the rights of a stockholder with respect to the unvested restricted shares including, but not limited to, the right to receive such cash dividends, if any, as may be declared on such shares from time to time and the right to vote such shares at any meeting of our stockholders.

The following table summarizes, as of December 31, 2018, information about the Plan:

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Stock Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plan approved by stockholders	26,500	—	351,736
Total	26,500	—	351,736

Column (a) represents unvested restricted stock awards outstanding under the Plan as of December 31, 2018. The weighted average stock price on the date of grant for outstanding restricted stock awards was $21.31, which is not reflected in column (b), because restricted stock awards do not have an exercise price. Column (c) represents the maximum aggregate number of shares of restricted stock that can be issued under the Plan as of December 31, 2018. We do not have any equity compensation plans that were not approved by stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from our consolidated financial statements. The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto within this Annual Report.

	Year Ended December 31,				
	(in thousands, except per share amounts)				
	2018	2017 (1)	2016	2015	2014
Statements of Income Data:					
Operating revenue	$ 610,803	$ 607,336	$ 612,937	$ 736,345	$ 871,355
Operating expenses:					
Salaries, wages, and benefits	227,872	236,872	231,980	277,318	278,126
Rent and purchased transportation	18,700	30,002	23,485	34,489	51,950
Fuel	110,536	104,381	91,494	123,714	219,261
Operations and maintenance	27,143	29,609	26,159	34,025	39,052
Operating taxes and licenses	16,390	16,615	15,559	18,095	20,370
Insurance and claims	17,227	18,850	24,449	21,618	17,946
Communications and utilities	6,086	5,781	4,485	6,001	6,494
Depreciation and amortization	100,519	103,690	105,578	110,973	108,566
Other operating expenses	21,506	24,666	13,385	28,572	31,266
Gain on disposal of property and equipment	(24,963)	(26,674)	(9,205)	(35,040)	(33,544)
	521,016	543,792	527,369	619,765	739,487
Operating income	89,787	63,544	85,568	116,580	131,868
Interest income	2,130	1,129	481	210	195
Interest expense	—	(175)	—	(19)	(446)
Income before income taxes	91,917	64,498	86,049	116,771	131,617
Federal and state income taxes	19,240	(10,675)	29,663	43,715	46,783
Net income	$ 72,677	$ 75,173	$ 56,386	$ 73,056	$ 84,834
Weighted average shares outstanding (2)					
Basic	82,378	83,298	83,297	86,974	87,748
Diluted	82,410	83,336	83,365	87,109	87,923
Earnings per share					
Basic	$ 0.88	$ 0.90	$ 0.68	$ 0.84	$ 0.97
Diluted	$ 0.88	$ enhanced ability of the Affected Municipal Funds			

to generate attractive levels of tax-exempt income, while retaining the Affected Municipal Funds orientation on investment grade quality municipal securities;

increased flexibility in diversifying portfolio risks and managing duration (the sensitivity of bond prices to interest rate changes) to pursue the preservation and possible growth of capital, which, if successful, will help to sustain and build common shareholder net asset value and asset coverage levels for preferred shares; and

improved secondary market competitiveness which may benefit common shareholders through higher relative market price and/or stronger premium/discount performance.

In order to implement the New Investment Policies, each Affected Municipal Fund must make certain changes to its existing policies, including certain fundamental policies that require your vote of approval. In some cases, this may require your separate votes to approve the elimination of a Current Fundamental Policy as well as the implementation of a new, replacement fundamental policy (together, the New Fundamental Policies and each, a New Fundamental Policy). Because each Affected Municipal Fund tends to be situated somewhat differently, the specific changes required to implement the New Investment Policies often vary from fund to fund.

The primary purposes of these changes are to provide the Affected Municipal Funds with increased investment flexibility and to create consistent investment policies for all Nuveen municipal bond funds to promote operational efficiencies. Implementation of the New Fundamental Policies is contingent on shareholder approval of the elimination of the Current Fundamental Policies.

The Board has unanimously approved, and unanimously recommends the approval by shareholders of each Affected Municipal Fund, the elimination of the Current Fundamental Policies of the Affected Municipal Funds. In connection with eliminating the Current Fundamental Policies, the Board unanimously approved, and unanimously recommends the approval by shareholders of each Affected Municipal Fund of, the New Fundamental Policies, described below. In addition, the Board has approved certain new non-fundamental policies, described below (the New Non-Fundamental Policies).

(a) Elimination of Fundamental Policies Relating to Investments in Municipal Securities and Below Investment Grade Securities (All Affected Municipal Funds except Michigan Premium Income)

The Current Fundamental Policies with respect to each Affected Municipal Fund s investments in municipal securities and the ability to invest in below investment grade securities that are proposed to be eliminated are as follows:

Arizona Dividend Advantage, Arizona Dividend Advantage 2, Connecticut Dividend Advantage, Maryland Dividend Advantage, Maryland Dividend Advantage 2, Massachusetts Dividend Advantage, Michigan Dividend Advantage, New Jersey Dividend Advantage, North Carolina Dividend Advantage, North Carolina Dividend Advantage 2, Ohio Dividend Advantage, Ohio Dividend Advantage 2 and Pennsylvania Dividend Advantage

(i) Under normal [circumstances/market conditions], the Fund will invest its net assets in a portfolio of municipal bonds that are exempt from regular federal and [State] income taxes. Under normal market conditions, the Fund expects to be fully invested (at least 95% of its assets) in such tax-exempt municipal bonds.

Arizona Dividend Advantage 3, Connecticut Dividend Advantage 2, Connecticut Dividend Advantage 3, Georgia Dividend Advantage 2, Maryland Dividend Advantage 3, New Jersey Dividend Advantage 2, Ohio Dividend Advantage 3 and Pennsylvania Dividend Advantage 2

(i) The Fund [as a fundamental policy] may not, under normal circumstances, invest less than 80% of the Fund s net assets (plus any borrowings for investment purposes) in investments the income from which is exempt from both regular federal and [State] income tax.

Arizona Premium Income, California Premium Income, Connecticut Premium Income, Georgia Premium Income, Massachusetts Premium Income, Missouri Premium Income, New Jersey Premium Income, Ohio Quality Income, Pennsylvania Premium Income, Texas Quality Income and Virginia Premium Income

(i) [Except to the extent the Fund invests in temporary investments as described below and more fully in the Statement of Additional Information], the Fund [will, as a fundamental policy,] invest substantially all (in excess of 80%) of its assets in tax-exempt [State] Municipal Obligations rated at the time of purchase within the four highest grades (Baa or BBB or better) by Moody s Investors Services, Inc. (Moody s) or Standard & Poor s Corporation (S&P), or in unrated [State] Municipal Obligations which, in the opinion of the Adviser, have credit characteristics equivalent to, and will be of comparable quality to, [State] Municipal Obligations rated within the four highest grades by Moody s or S&P, provided that the Fund may not invest more than 20% of its assets in such unrated [State] Municipal Obligations.

(ii) The Fund will not invest in any rated [State] Municipal Obligations that are rated lower than Baa by Moody s or BBB by S&P at the time of purchase.

California Dividend Advantage

(i) The Fund will invest its net assets in a diversified portfolio of municipal bonds that are exempt from regular Federal and California income tax. Under normal market conditions, the Fund expects to be fully invested (at least 95% of its assets) in such tax-exempt municipal bonds.

(ii) The Fund will invest at least 80% of its net assets in investment grade quality municipal bonds.

(iii) The Fund may invest up to 20% of its net assets in municipal bonds that are rated, at the time of investment, Ba/BB or B by Moody s, S&P or Fitch or that are unrated but judged to be of comparable quality by Nuveen Advisory.

California Dividend Advantage 2 and California Dividend Advantage 3

(i) The Fund will invest its net assets in a diversified portfolio of municipal bonds that are exempt from regular Federal and California income tax. Under normal market conditions, the Fund expects to be fully invested (at least 95% of its assets) in such tax-exempt municipal bonds.

California Investment Quality, California Market Opportunity, California Performance Plus, New Jersey Investment Quality and Pennsylvania Investment Quality

(i) Except to the extent that the Fund buys temporary investments as described in [the Fund s Statement of Additional Information], the Fund will, as a fundamental policy, invest substantially all of its assets (more than 80%) in tax-exempt [State] municipal bonds that are rated at the time of purchase within the four highest grades (Baa or BBB or better) by Moody s or Standard and Poor s, except that the Fund may invest up to 20% of its assets in unrated [State] municipal bonds which, in Nuveen Advisory s opinion, have credit characteristics equivalent to, and are of comparable quality to, municipal bonds so rated.

California Quality Income and California Select Quality

(i) Except to the extent that the Fund buys temporary investments as described in [the Fund s Statement of Additional Information], the Fund will, as a fundamental policy, invest substantially all of its assets (more than 80%) in tax-exempt California municipal bonds that are rated at the time of purchase within the four highest grades (Baa or BBB or better) by Moody s or Standard and Poor s, except that the Fund may invest up to 20% of its assets in unrated California municipal bonds which, in Nuveen Advisory s opinion, have credit characteristics equivalent to, and are of comparable quality to, California municipal bonds so rated.

(b) Approval of New Fundamental Policy Relating to Investments in Municipal Securities (All Affected Municipal Funds except Michigan Premium Income)

The following New Fundamental Policy will replace each Affected Municipal Fund s Current Fundamental Policy or Policies referenced in 2(a) above. Implementation of the following New Fundamental Policy by each Affected Municipal Fund is contingent on shareholder approval of the elimination of each Affected Municipal Fund s Current Fundamental Policy or Policies. The proposed New Fundamental Policy with respect to each Fund s investments in municipal securities is as follows:

(i) Under normal circumstances, the Fund will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or any preferred shares outstanding (Managed Assets) in municipal securities and other related investments, the income from which is exempt from regular federal [and state] income taxes.

In addition, the Board has adopted New Non-Fundamental Policies with respect to investing in investment grade securities for each Affected Municipal Fund, which will be implemented upon the elimination of the Current Fundamental Policies described in 2(a) above. The New Non-Fundamental Policies relating to investing in investment grade securities are as follows:

(i) Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in investment grade securities that, at the time of investment, are rated within the four highest grades (Baa or BBB or better) by at least one nationally recognized statistical rating organization or are unrated but judged to be of comparable quality by the Fund s investment adviser (NAM).

(ii) The Fund may invest up to 20% of its Managed Assets in municipal securities that at the time of investment are rated below investment grade or are unrated but judged to be of comparable quality by NAM.

(iii) No more than 10% of the Fund s Managed Assets may be invested in municipal securities rated below B3/B- or that are unrated but judged to be of comparable quality by NAM.

Related to these changes, the Board of each Affected Municipal Fund has also amended and standardized the description of municipal securities or municipal obligations in which an Affected Municipal Fund may invest to include various types of municipal securities. The new description, tailored as appropriate to each Affected Municipal Fund, generally provides:

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

(c) Elimination of Fundamental Policies Relating to Commodities (All Premium/Quality Funds)

The Current Fundamental Policies relating to commodities that are proposed to be eliminated are as follow:

Arizona Premium Income, California Investment Quality, California Market Opportunity, California Performance Plus, California Quality Income, California Select Quality, Michigan Premium Income, New Jersey Investment Quality, New Jersey Premium Income, Pennsylvania Investment Quality and Texas Quality Income

(i) The Fund, as a fundamental policy, may not purchase or sell commodities or commodities contracts, except for transactions involving futures contracts within the limits described under Certain Trading Strategies of the Fund Financial Futures and Options Transactions. *

California Premium Income, Connecticut Premium Income, Georgia Premium Income, Massachusetts Premium Income, Missouri Premium Income, Ohio Quality Income, Pennsylvania Premium Income 2 and Virginia Premium Income

(i) The Fund, as a fundamental policy, may not purchase or sell commodities or commodities contracts, except for transactions involving futures contracts that represent no more than 10% of the Fund s total assets and are otherwise within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

(d) Approval of New Fundamental Policy Relating to Commodities (All Premium/Quality Funds)

It is proposed that each Premium/Quality Fund adopt a New Fundamental Policy with respect to commodities. The adoption of the following New Fundamental Policy for each Premium/Quality Fund is contingent on shareholder approval of the elimination of that Premium/Quality Fund s Current Fundamental Policy with respect to commodities, as reflected in 2(c) above. The proposed New Fundamental Policy is as follows:

(i) The Fund may not purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Fund from purchasing or selling options, futures contracts or derivative instruments

* References are to a Fund s registration statement.

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or from investing in securities or other instruments backed by physical commodities).

(e) Elimination of Fundamental Policies Relating to Derivatives and Short Sales (All Premium/Quality Funds)

The Current Fundamental Policies relating to derivatives and short sales that are proposed to be eliminated are as follows:

Arizona Premium Income, California Investment Quality, California Market Opportunity, California Performance Plus, California Quality Income, California Select Quality, Michigan Premium Income, New Jersey Investment Quality, New Jersey Premium Income, Pennsylvania Investment Quality and Texas Quality Income

(i) The Fund may not make short sales of securities or purchase any securities on margin (except for such short-term credits as are necessary for the clearance of transactions), or write or purchase put or call options, except to the extent that the purchase of a stand-by commitment may be considered the purchase of a put, and except for transactions involving options within the limits described [in/under] Certain Trading Strategies of The Fund Financial Futures and Options Transactions.

(ii) The Fund may not purchase financial futures and options except within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

California Premium Income, Connecticut Premium Income, Georgia Premium Income, Massachusetts Premium Income, Missouri Premium Income, Ohio Quality Income, Pennsylvania Premium Income 2 and Virginia Premium Income

(i) The Fund may not make short sales of securities or purchase any securities on margin (except for such short-term credits as are necessary for the clearance of transactions), or write or purchase put or call options, except to the extent that the purchase of a stand-by commitment may be considered the purchase of a put, and except for transactions involving options that represent no more than 10% of the Fund s total assets and are otherwise within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

(ii) The Fund may not purchase financial futures and options except for futures and options that represent no more than 10% of the Fund s total assets and are otherwise within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions.

In connection with the elimination of the Current Fundamental Policies relating to derivatives and short sales, as reflected in 2(e) above, the Board has adopted the following New Non-Fundamental Policies for each of the above Premium/Quality Funds. The New Non-Fundamental Policies are contingent on shareholder approval of the

* References are to a Fund s registration statement.

elimination of that Premium/Quality Fund s Current Fundamental Policies with respect to derivatives and short sales. The New Non-Fundamental Polices are as follows:

(i) The Fund may invest in derivative instruments in pursuit of its investment objectives. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. NAM uses derivatives to seek to enhance return, to hedge some of the risks of its investments in fixed income securities or as a substitute for a position in the underlying asset.

(ii) The Fund may not sell securities short, unless the Fund owns or has the right to obtain securities equivalent in kind and amount to the securities sold at no added cost, and provided that transactions in options, futures contracts, options on futures contracts, or other derivative instruments are not deemed to constitute selling securities short.

(iii) The Fund may not enter into futures contracts or related options or forward contracts, if more than 30% of the Fund s net assets would be represented by futures contracts or more than 5% of the Fund s net assets would be committed to initial margin deposits and premiums on futures contracts and related options.

(f) Elimination of the Fundamental Policy Prohibiting Investment in Other Investment Companies (All Premium/Quality Funds)

The Premium/Quality Funds do not have specific restrictions as to investments in other investment companies. However, each such Premium/Quality Fund has an investment policy which only permits investment in municipal obligations and temporary investments and thereby prohibits investment in other investment companies. The general restriction that only permits investment in municipal obligations and temporary investments is as follows:

(i) The Fund may not invest in securities other than [state] Municipal Obligations and temporary investments[,] as described [in/under] Investment Objective and Policies [of the Funds] Portfolio Investments. *

In addition, with respect to each Fund s ability to invest in other investment companies, the Board has adopted a New Non-Fundamental Policy to be implemented upon the elimination of that Premium/Quality Fund s Current Fundamental Policy prohibiting investments in other investment companies. The proposed New Non-Fundamental Policy relating to investments in other investment companies is as follows:

(i) The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds (often referred to as ETFs)) that invest primarily in municipal securities of the types in which the Fund may invest directly.

Board Recommendation

The Board believes that eliminating the Current Fundamental Policies and adopting the New Investment Policies gives the Adviser flexibility to rapidly respond to continuing developments in the municipal market and would enhance the portfolio managers ability to meet each Affected Municipal Fund s investment objective. In addition, the Board

* References are to a Fund s registration statement.

believes that the proposed changes will create consistent investment policies for all Nuveen municipal bond funds and will help to promote operational efficiencies.

The Board recommends that shareholders of each Affected Municipal Fund vote to approve the elimination of each Current Fundamental Policy and vote to approve each New Fundamental Policy.

3. Approval of the Elimination of Fundamental Investment Policies and Approval of New Fundamental Policy for Each Insured Fund

The Insured Funds have adopted certain fundamental investment policies, as described below (together, Insured Fundamental Policies, each an Insured Fundamental Policy), that can only be changed by shareholder vote. The Insured Fundamental Policies adopted by the Insured Funds reflected industry conditions present in the municipal bond market at the time of the inception of these Funds.

Since that time, however, deterioration in the credit quality of securities backed by sub-prime residential mortgages has disrupted many markets and companies, including bond insurers, who in addition to insuring municipal bonds, have also provided guarantees on these mortgage-related securities. As a result, the financial strength ratings of certain municipal bond insurers have come under greater scrutiny. The ratings assigned to some municipal bond insurers either have been downgraded or are being reviewed for possible downgrades by certain of the primary ratings agencies.

As a result of these conditions facing the bond insurance market, the Board unanimously approved, and unanimously recommends the approval by each Insured Fund s shareholders of the elimination of certain Insured Fundamental Policies of the Insured Funds that are restricting, or may be expected in the future to restrict, each Insured Fund s ability to effectively make investments. In connection with eliminating the Insured Fundamental Policies, the Board unanimously approved, and unanimously recommends the approval by shareholders of a new fundamental policy, described below (each a New Insured Fundamental Policy). The elimination of each Fundamental Policy described below is contingent on shareholder approval of the New Fundamental Policy. In addition, the Board has approved new non-fundamental policies, described below (the New Insured Non-Fundamental Policies and together with the New Insured Fundamental Policy, the New Insured Policies). The New Insured Policies are designed to provide portfolio managers with important flexibility to respond to ongoing developments in the bond insurance market, while ensuring the Insured Funds continue to invest substantially all (at least 80%) of their municipal investments in insured bonds backed by insurers with solid credit ratings.

(a) Elimination of Insured Fundamental Policies Relating to Investments in Insured Municipal Securities (All Insured Funds)

The Insured Fundamental Policies of each Insured Fund that are proposed to be eliminated are as follows:

Insured California Dividend Advantage

(i) Under normal circumstances, the Fund will invest at least 80% of its net assets in a portfolio of municipal bonds that are exempt from regular federal and California income taxes and that are covered by insurance guaranteeing the timely payment of principal and interest thereon.

Insured California Premium Income and Insured California Premium Income 2

(i) Except to the extent the Fund invests in temporary investments, the Fund will invest all of its assets in tax-exempt [State] Municipal Obligations which are either covered by insurance guaranteeing the timely payment of principal and interest thereon or 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.

(ii) Each insured [State] Municipal Obligation held by the Fund will either be (1) covered by an insurance policy applicable to a specific security, whether obtained by the issuer of the security or a third party at the time of original issuance (Original Issue Insurance) by the Fund or a third party subsequent to the time of original issuance (Secondary Market Insurance), or (2) covered by a master municipal insurance policy purchased by the Fund (Portfolio Insurance).

(iii) The Fund will only obtain policies of portfolio insurance issued by insurers whose claims-paying ability is rated Aaa by Moody s Investors Services, Inc. (Moody s) or AAA by Standard & Poor s Corporation (Standard & Poor

(iv) Municipal obligations backed by an escrow account or trust account will not constitute more than 20% of the Fund s assets.

Insured California Tax-Free Advantage and Insured Massachusetts Tax-Free Advantage

(i) Under normal circumstances, the Fund will invest at least 80% of its average daily net assets, including assets attributable to MuniPreferred shares outstanding (Managed Assets) in a portfolio of municipal bonds that pay interest that is exempt from regular federal and [State] income tax and from the federal alternative minimum tax applicable to individuals.

(ii) Under normal circumstances, the Fund will invest at least 80% of its average daily net assets, including assets attributable to MuniPreferred shares outstanding (Managed Assets) in a portfolio of municipal bonds that are covered by insurance guaranteeing the timely payment of principal and interest thereon.

(b) Approval of the New Insured Fundamental Policy Relating to Investments in Insured Municipal Securities (All Insured Funds)

In connection with eliminating the Insured Fundamental Policies, the Board of each Insured Fund has unanimously approved, and recommends that shareholders of each Insured Fund approve, a New Insured Fundamental Policy relating to each Insured Fund s policy of investing 80% (or greater) of its assets in a portfolio of municipal securities or related investments that pay tax-exempt interest. The New Insured Fundamental Policy will replace each Insured Fund s Insured Fundamental Policy or Insured Fundamental Policies, as described above. Implementation of the New Insured Fundamental Policy is contingent on shareholder approval

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of the elimination of the Insured Fundamental Policy or Insured Fundamental Policies for each Insured Fund, as applicable. The New Insured Fundamental Policy is as follows:

(i) Under normal circumstances, the Fund will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or preferred shares outstanding (Managed Assets), in municipal securities and other related investments that pay interest exempt from federal and [State] income taxes (municipal securities) and are covered by insurance guaranteeing the timely payment of principal and interest thereon.

New Insured Non-Fundamental Policies

In connection with eliminating the Insured Fundamental Policies, the Board of each Insured Fund has also adopted New Insured Non-Fundamental Policies, as described below. To the extent that the New Insured Non-Fundamental Policies conflict with the existing Insured Fundamental Policies, implementation of the New Insured Non-Fundamental Policies is contingent on shareholder approval of the elimination of the Insured Fundamental Policies. To the extent such Insured Non-Fundamental Policies do not conflict with the existing Insured Fundamental Policies, the New Insured Non-Fundamental Policies have already been implemented. By eliminating the Insured Fundamental Policies and adopting the New Insured Non-Fundamental Policies, each Insured Fund would be able to change these policies in the future with the approval of the Board, without the need to obtain prior shareholder approval. However, each Insured Fund s New Insured Non-Fundamental Policy that it will invest at least 80% of its Managed Assets in a portfolio of securities that are covered by insurance may only be changed by such Fund s Board following the provision of 60 days prior written notice to shareholders.

The New Insured Non-Fundamental Policies that the Board of each Insured Fund has adopted are as follows:

(i) Under normal circumstances, the Fund will invest at least 80% of its net assets, including assets attributable to any principal amount of any borrowings (including the issuance of commercial paper or notes) or preferred shares outstanding (Managed Assets), in a portfolio of securities that are covered by insurance guaranteeing the timely payment of principal and interest thereon. Inverse floaters whose underlying bonds are covered by insurance guaranteeing the timely payment of principal and interest thereon are included in the above-referenced 80% test. In addition, for the 80% test above, insurers must have a claims-paying ability rated at least A by a nationally recognized statistical rating organization (NRSRO) at the time of purchase or at the time the bond is insured while in the portfolio.

(ii) Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in municipal securities covered by insurance from insurers with a claims-paying ability rated AA or better by an NRSRO at the time of purchase; municipal securities rated 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 municipal bonds 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.

The above referenced 80% test refers to the New Insured Fundamental Policy proposed in item 3(b).

(iii) Under normal circumstances, the Fund may invest up to 20% of its Managed Assets in municipal securities covered by insurance from insurers with a claims-paying ability rated BBB or better by an NRSRO; or municipal securities rated at least 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.

(c) Elimination of Fundamental Policies Relating to Commodities (Insured California Premium Income and Insured California Premium Income 2)

The Current Insured Fundamental Policies relating to commodities that are proposed to be eliminated are as follows:

Insured California Premium Income

(i) The Fund, as a fundamental policy, may not purchase or sell commodities or commodities contracts, except for transactions involving futures contracts within the limits described in Certain Trading Strategies of the Fund Financial Futures and Options Transactions. *

Insured California Premium Income 2

(i) The Fund, as a fundamental policy, may not purchase or sell commodities or commodities contracts, except for transactions involving futures contracts that represent no more than 10% of the Fund s total assets and are otherwise within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

(d) Approval of New Fundamental Policy Relating to Commodities (Insured California Premium Income and Insured California Premium Income 2)

It is proposed that Insured California Premium Income and Insured California Premium Income 2 adopt a New Insured Fundamental Policy with respect to commodities, the adoption of which is contingent on shareholder approval of the elimination of that Insured Fund s Current Insured Fundamental Policy with respect to commodities, as reflected in 3(c) above. The proposed New Insured Fundamental Policy is as follows:

Insured California Premium Income and Insured California Premium Income 2

(i) The Fund may not purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments (but this shall not prevent the Fund from purchasing or selling options, futures contracts or derivative instruments or from investing in securities or other instruments backed by physical commodities).

* References are to a Fund s registration statement.

(e) Elimination of Fundamental Policies Relating to Derivatives and Short Sales (Insured California Premium Income and Insured California Premium Income 2)

The Current Insured Fundamental Policies relating to derivatives and short sales that are proposed to be eliminated are as follows:

Insured California Premium Income

(i) The Fund, as a fundamental policy, may not make short sales of securities or purchase any securities on margin (except for such short-term credits as are necessary for the clearance of transactions), or write or purchase put or call options, except to the extent that the purchase of a stand-by commitment may be considered the purchase of a put, and except for transactions involving options within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

(ii) The Fund may not purchase financial futures and options except within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

Insured California Premium Income 2

(i) The Fund may not make short sales of securities or purchase any securities on margin (except for such short-term credits as are necessary for the clearance of transactions), or write or purchase put or call options, except to the extent that the purchase of a stand-by commitment may be considered the purchase of a put, and except for transactions involving options within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions.*

(ii) The Fund may not purchase financial futures and options that represent no more than 10% of the Fund s total assets and are otherwise within the limits described in Certain Trading Strategies of The Fund Financial Futures and Options Transactions. *

In connection with the elimination of the Current Insured Fundamental Policies relating to derivatives and short sales, as reflected in 3(e) above, the Board has adopted the following New Insured Non-Fundamental Policies for each of Insured California Premium Income and Insured California Premium Income 2. The New Insured Non-Fundamental Policies are contingent on shareholder approval of the elimination of that Insured Fund s Current Fundamental Policies with respect to derivatives and short sales. The New Insured Non-Fundamental Polices are as follows:

(i) The Fund may invest in derivative instruments in pursuit of its investment objectives. Such instruments include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or other derivative instruments. NAM uses derivatives to seek to enhance return, to hedge some of the risks of its investments in fixed income securities or as a substitute for a position in the underlying asset.

* References are to a Fund s registration statement.

(ii) The Fund may not sell securities short, unless the Fund owns or has the right to obtain securities equivalent in kind and amount to the securities sold at no added cost, and provided that transactions in options, futures contracts, options on futures contracts, or other derivative instruments are not deemed to constitute selling securities short.

(iii) The Fund may not enter into futures contracts or related options or forward contracts, if more than 30% of the Fund s net assets would be represented by futures contracts or more than 5% of the Fund s net assets would be committed to initial margin deposits and premiums on futures contracts and related options.

(f) Elimination of the Fundamental Policy Prohibiting Investment in Other Investment Companies (Insured California Premium Income and Insured California Premium Income 2)

Insured California Premium Income and Insured California Premium Income 2 do not have specific restrictions as to investments in other investment companies. However, each such Fund has an investment policy which only permits investment in municipal obligations and temporary investments and thereby prohibits investment in other investment companies. The general restriction that only permits investment in municipal obligations and temporary investments is as follows:

(i) The Fund may not invest in securities other than [state] Municipal Obligations and temporary investments, as described in Investment Objective and Policies Portfolio Investments. *

In addition, with respect to each Fund s ability to invest in other investment companies, the Board has adopted a New Insured Non-Fundamental Policy to be implemented upon the elimination of Insured California Premium Income s and Insured California Premium Income 2 s Current Insured Fundamental Policy prohibiting investments in other investment companies. The proposed New Insured Non-Fundamental Policy relating to investments in other investment companies is as follows:

(i) The Fund may invest up to 10% of its Managed Assets in securities of other open- or closed-end investment companies (including exchange-traded funds (often referred to as ETFs)) that invest primarily in municipal securities of the types in which the Fund may invest directly.

Board Recommendation

The Board believes that eliminating the Insured Fundamental Policies and adopting the New Insured Policies gives the Adviser flexibility to rapidly respond to continuing developments in the bond insurance market and would enhance the portfolio managers ability to meet each Insured Fund s investment objective and keep each Fund fully invested. While the Board believes that the New Insured Policies give the Adviser adequate flexibility under current market conditions, if the market changes in the future, the Insured Funds may desire to refine these parameters further and the Board may change the New Insured Non-Fundamental Policies without shareholder approval.

* References are to a Fund s registration statement.

The Board of Trustees recommends that shareholders of each Insured Fund vote to approve the elimination of each Insured Fundamental Policy and vote to approve each New Insured Fundamental Policy.

Audit Committee Report

The audit committee of each Board is responsible for the oversight and monitoring of (1) the accounting and reporting policies, processes and practices, and the audit of the financial statements, of each Fund, (2) the quality and integrity of the Funds financial statements and (3) the independent registered public accounting firm s qualifications, performance and independence. In its oversight capacity, the committee reviews each Fund s annual financial statements with both management and the independent registered public accounting firm and the committee meets periodically with the independent registered public accounting firm and internal auditors to consider their evaluation of each Fund s financial and internal controls. The committee also selects, retains, evaluates and may replace each Fund s independent registered public accounting firm. The committee is currently composed of five Independent Board Members and operates under a written charter adopted and approved by each Board. Each committee member meets the independence and experience requirements, as applicable, of the New York Stock Exchange, NYSE Amex, Section 10A of the 1934 Act and the rules and regulations of the SEC.

The committee, in discharging its duties, has met with and held discussions with management and each Fund s independent registered public accounting firm. The committee has also reviewed and discussed the audited financial statements with management. Management has represented to the independent registered public accounting firm that each Fund s financial statements were prepared in accordance with generally accepted accounting principles. The committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 (Communication with Audit Committees), as amended by SAS No. 90 (Audit Committee Communications). Each Fund s independent registered public accounting firm provided to the committee the written disclosure required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the committee discussed with representatives of the independent registered public accounting firm their firm s independence. As provided in the Audit Committee Charter, it is not the committee s responsibility to determine, and the considerations and discussions referenced above do not ensure, that each Fund s financial statements are complete and accurate and presented in accordance with generally accepted accounting principles.

Based on the committee s review and discussions with management and the independent registered public accounting firm, the representations of management and the report of the independent registered public accounting firm to the committee, the committee has recommended that the Boards include the audited financial statements in each Fund s Annual Report.

The current members of the committee are:

Robert P. Bremner
Jack B. Evans
David J. Kundert
William J. Schneider
Terence J. Toth

Audit and Related Fees. The following tables provide the aggregate fees billed during each Fund s last two fiscal years by each Fund s independent registered accounting firm for engagements directly related to the operations and financial reporting of each Fund, including those relating (i) to each Fund for services provided to the Fund and (ii) to the Adviser and certain entities controlling, controlled by, or under common control with the Adviser that provide ongoing services to each Fund (Adviser Entities).

	Audit Fees		**Audit Related Fees**				**Tax Fees**				**All Other Fees**			
	Fund[1]		**Fund[2]**		**Adviser and Adviser Entities**		**Fund[3]**		**Adviser and Adviser Entities**		**Fund[4]**		**Advis and Advis Entiti**	
	Fiscal Year Ended 2008	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fiscal Year Ended 2009**	**Fiscal Year Ended 2008**	**Fi Y En 2**
ting Rate ome	$ 66,809	$ 68,028	$ 0	$ 0	$ 0	$ 0	$ 1,000	$ 0	$ 0	$ 0	$ 1,800	$ 10,000	$ 0	$
ting Rate ome ortunity	48,236	49,347	0	0	0	0	1,000	0	0	0	1,800	10,000	0	
or Income	37,955	35,625	0	0	0	0	1,000	0	0	0	7,400	16,000	0	
-Advantaged ting Rate	24,000	24,000	0	0	0	0	1,000	0	0	0	1,800	2,000	0	
ona dend antage	8,242	8,264	0	0	0	0	500	0	0	0	800	850	0	
ona dend antage 2	8,847	8,906	0	0	0	0	500	0	0	0	800	850	0	
ona dend antage 3	9,182	9,229	0	0	0	0	500	0	0	0	800	850	0	
ona mium Income	10,005	10,109	0	0	0	0	500	0	0	0	3,300	3,400	0	
fornia dend antage	23,226	21,843	0	0	0	0	0	0	0	0	800	850	0	
fornia dend antage 2	17,257	17,675	0	0	0	0	0	0	0	0	800	850	0	
fornia dend antage 3	23,388	22,326	0	0	0	0	0	0	0	0	800	850	0	
	16,795	16,482	0	0	0	0	0	0	0	0	3,300	1,700	0	

fornia estment lity fornia ket ortunity	12,998	12,970	0	0	0	0	0	0	0	0	3,300	1,700	0
fornia Value	14,840	14,994	0	0	0	0	0	0	0	0	0	0	0
fornia formance Plus	16,280	16,334	0	0	0	0	0	0	0	0	3,300	1,700	0
fornia mium Income	11,006	11,182	0	0	0	0	0	0	0	0	800	850	0
fornia lity Income	23,024	23,119	0	0	0	0	0	0	0	0	3,300	1,700	0
fornia Select lity	23,540	23,133	0	0	0	0	0	0	0	0	3,300	1,700	0
red fornia dend antage	17,818	18,156	0	0	0	0	0	0	0	0	800	850	0
red fornia mium Income	11,604	11,946	0	0	0	0	0	0	0	0	3,300	1,700	0
red fornia mium Income	15,795	15,647	0	0	0	0	0	0	0	0	3,300	1,700	0

	Audit Fees		Audit Related Fees				Tax Fees				All Other Fees			
	Fund(1)		Fund(2)		Adviser and Adviser Entities		Fund(3)		Adviser and Adviser Entities		Fund(4)		Adviser and Adviser Entities	
	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fisca Yea Ende 200
nsured California Tax-Free Advantage	$ 11,215	$ 11,059	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 800	$ 850	$ 0	$ 0
onnecticut Dividend Advantage	8,952	9,100	0	0	0	0	500	0	0	0	800	850	0	0
onnecticut Dividend Advantage 2	8,780	8,916	0	0	0	0	500	0	0	0	800	850	0	0
onnecticut Dividend Advantage 3	10,064	10,292	0	0	0	0	500	0	0	0	800	850	0	0
onnecticut remium ncome	10,711	10,967	0	0	0	0	500	0	0	0	800	850	0	0
eorgia Dividend Advantage	8,537	8,643	0	0	0	0	500	0	0	0	800	850	0	0
eorgia Dividend Advantage 2	10,173	10,345	0	0	0	0	500	0	0	0	800	850	0	0
eorgia remium ncome	9,723	9,902	0	0	0	0	500	0	0	0	800	850	0	0
aryland Dividend Advantage	9,996	10,090	0	0	0	0	500	0	0	0	800	850	0	0
aryland Dividend Advantage 2	10,025	10,120	0	0	0	0	500	0	0	0	800	850	0	0
aryland Dividend Advantage 3	10,711	10,899	0	0	0	0	500	0	0	0	800	850	0	0
	14,295	14,742	0	0	0	0	500	0	0	0	800	850	0	0

Maryland Premium Income														
Massachusetts Dividend Advantage	8,530	8,597	0	0	0	0	500	0	0	0	800	850	0	0
Massachusetts Premium Income	10,330	10,495	0	0	0	0	500	0	0	0	800	850	0	0
Insured Massachusetts Tax-Free Advantage	9,032	9,197	0	0	0	0	500	0	0	0	800	850	0	0
Michigan Dividend Advantage	8,603	8,641	0	0	0	0	500	0	0	0	800	850	0	0
Michigan Premium Income	12,343	12,753	0	0	0	0	500	0	0	0	3,300	1,700	0	0
Michigan Quality Income	15,368	15,986	0	0	0	0	500	0	0	0	3,300	1,700	0	0
Missouri Premium Income	8,656	8,718	0	0	0	0	500	0	0	0	800	850	0	0
New Jersey Dividend Advantage	11,592	11,738	0	0	0	0	500	0	0	0	800	850	0	0
New Jersey Dividend Advantage 2	10,274	10,310	0	0	0	0	500	0	0	0	800	850	0	0
New Jersey Investment Quality	21,228	21,756	0	0	0	0	500	0	0	0	3,250	3,400	0	0
New Jersey Premium Income	15,464	16,100	0	0	0	0	500	0	0	0	3,250	3,400	0	0
North Carolina Dividend Advantage	8,727	8,908	0	0	0	0	500	0	0	0	800	850	0	0
North Carolina Dividend Advantage 2	9,723	9,992	0	0	0	0	500	0	0	0	800	850	0	0

	Audit Fees		Audit Related Fees				Tax Fees				All Other Fees			
	Fund[1]		Fund[2]		Adviser and Adviser Entities		Fund[3]		Adviser and Adviser Entities		Fund[4]		Adviser and Adviser Entities	
	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009
North Carolina Dividend Advantage 3	$ 9,767	$ 10,041	$ 0	$ 0	$ 0	$ 0	$ 500	$ 0	$ 0	$ 0	$ 800	$ 850	$ 0	$ 0
North Carolina Premium Income	11,371	11,772	0	0	0	0	500	0	0	0	800	850	0	0
Ohio Dividend Advantage	10,057	10,325	0	0	0	0	500	0	0	0	800	850	0	0
Ohio Dividend Advantage 2	9,309	9,452	0	0	0	0	500	0	0	0	800	850	0	0
Ohio Dividend Advantage 3	8,685	8,832	0	0	0	0	500	0	0	0	800	850	0	0
Ohio Quality Income	14,208	14,823	0	0	0	0	500	0	0	0	3,300	1,700	0	0
Pennsylvania Dividend Advantage	9,462	9,532	0	0	0	0	500	0	0	0	800	850	0	0
Pennsylvania Dividend Advantage 2	9,754	9,886	0	0	0	0	500	0	0	0	800	850	0	0
Pennsylvania Investment Quality	18,476	18,743	0	0	0	0	500	0	0	0	800	850	0	0
Pennsylvania Premium Income 2	17,550	17,824	0	0	0	0	500	0	0	0	800	850	0	0
Texas Quality Income	13,557	14,008	0	0	0	0	500	0	0	0	800	850	0	0
Virginia Dividend	9,306	9,292	0	0	0	0	500	0	0	0	800	850	0	0

Advantage														
Virginia Dividend Advantage 2	11,022	11,197	0	0	0	0	500	0	0	0	800	850	0	0
Virginia Premium Income	13,122	13,515	0	0	0	0	500	0	0	0	800	850	0	0

(1) Audit Fees are the aggregate fees billed for professional services for the audit of the Fund s annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

(2) Audit Related Fees are the aggregate fees billed for assurance and related services reasonably related to the performance of audit or review of financial statements and are not reported under Audit Fees.

(3) Tax Fees are the aggregate fees billed for professional services for tax advice, tax compliance and tax planning.

(4) All Other Fees are the aggregate fees billed for products and services for agreed-upon procedures engagements for the leveraged Funds.

Non-Audit Fees. The following tables provide the aggregate non-audit fees billed by each Fund s independent registered accounting firm for services rendered to each Fund, the Adviser and the Adviser Entities during each Fund s last two fiscal years.

Fund	Total Non-Audit Fees Billed to Fund		Total Non-Audit Fees Billed to Adviser and Adviser Entities (Engagements Related Directly to the Operations and Financial Reporting of Fund)		Total Non-Audit Fees Billed to Adviser and Adviser Entities (All Other Engagements)		Total	
	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009
Floating Rate Income	$ 2,800	$ 10,000	$ 0	$ 0	$ 0	$ 0	$ 2,800	$ 10,000
Floating Rate Income Opportunity	2,800	10,000	0	0	0	0	2,800	10,000
Senior Income	8,400	16,000	0	0	0	0	8,400	16,000
Tax-Advantaged Floating Rate	2,800	2,000	0	0	0	0	2,800	2,000
Arizona Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Arizona Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Arizona Dividend Advantage 3	1,300	850	0	0	0	0	1,300	850
Arizona Premium Income	3,800	3,400	0	0	0	0	3,800	3,400
California Dividend Advantage	800	850	0	0	0	0	800	850
California Dividend Advantage 2	800	850	0	0	0	0	800	850
California Dividend Advantage 3	800	850	0	0	0	0	800	850
California Investment Quality	3,300	1,700	0	0	0	0	3,300	1,700
California Market Opportunity	3,300	1,700	0	0	0	0	3,300	1,700

California Value	0	0	0	0	0	0	0	0
California Performance Plus	3,300	1,700	0	0	0	0	3,300	1,700
California Premium Income	800	850	0	0	0	0	800	850
California Quality Income	3,300	1,700	0	0	0	0	3,300	1,700
California Select Quality	3,300	1,700	0	0	0	0	3,300	1,700
Insured California Dividend Advantage	800	850	0	0	0	0	800	850
Insured California Premium Income	3,300	1,700	0	0	0	0	3,300	1,700
Insured California Premium Income 2	3,300	1,700	0	0	0	0	3,300	1,700
Insured California Tax-Free Advantage	800	850	0	0	0	0	800	850

Fund	Total Non-Audit Fees Billed to Fund		Total Non-Audit Fees Billed to Adviser and Adviser Entities (Engagements Related Directly to the Operations and Financial Reporting of Fund)		Total Non-Audit Fees Billed to Adviser and Adviser Entities (All Other Engagements)		Total	
	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009
Connecticut Dividend Advantage	$ 1,300	$ 850	$ 0	$ 0	$ 0	$ 0	$ 1,300	$ 850
Connecticut Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Connecticut Dividend Advantage 3	1,300	850	0	0	0	0	1,300	850
Connecticut Premium Income	1,300	850	0	0	0	0	1,300	850
Georgia Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Georgia Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Georgia Premium Income	1,300	850	0	0	0	0	1,300	850
Maryland Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Maryland Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Maryland Dividend Advantage 3	1,300	850	0	0	0	0	1,300	850
Maryland Premium Income	1,300	850	0	0	0	0	1,300	850
Massachusetts Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Massachusetts Premium Income	1,300	850	0	0	0	0	1,300	850
Insured Massachusetts Tax-Free Advantage	1,300	850	0	0	0	0	1,300	850

Michigan Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Michigan Premium Income	3,800	1,700	0	0	0	0	3,800	1,700
Michigan Quality Income	3,800	1,700	0	0	0	0	3,800	1,700
Missouri Premium Income	1,300	850	0	0	0	0	1,300	850
New Jersey Dividend Advantage	1,300	850	0	0	0	0	1,300	850
New Jersey Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
New Jersey Investment Quality	3,750	3,400	0	0	0	0	3,750	3,400
New Jersey Premium Income	3,750	3,400	0	0	0	0	3,750	3,400
North Carolina Dividend Advantage	1,300	850	0	0	0	0	1,300	850
North Carolina Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
North Carolina Dividend Advantage 3	1,300	850	0	0	0	0	1,300	850
North Carolina Premium Income	1,300	850	0	0	0	0	1,300	850

Fund	Total Non-Audit Fees Billed to Fund		Total Non-Audit Fees Billed to Adviser and Adviser Entities (Engagements Related Directly to the Operations and Financial Reporting of Fund)		Total Non-Audit Fees Billed to Adviser and Adviser Entities (All Other Engagements)		Total	
	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009	Fiscal Year Ended 2008	Fiscal Year Ended 2009
Ohio Dividend Advantage	$ 1,300	$ 850	$ 0	$ 0	$ 0	$ 0	$ 1,300	$ 850
Ohio Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Ohio Dividend Advantage 3	1,300	850	0	0	0	0	1,300	850
Ohio Quality Income	3,800	1,700	0	0	0	0	3,800	1,700
Pennsylvania Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Pennsylvania Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Pennsylvania Investment Quality	1,300	850	0	0	0	0	1,300	850
Pennsylvania Premium Income 2	1,300	850	0	0	0	0	1,300	850
Texas Quality Income	1,300	850	0	0	0	0	1,300	850
Virginia Dividend Advantage	1,300	850	0	0	0	0	1,300	850
Virginia Dividend Advantage 2	1,300	850	0	0	0	0	1,300	850
Virginia Premium Income	1,300	850	0	0	0	0	1,300	850

Audit Committee Pre-Approval Policies and Procedures. Generally, the audit committee must approve each Fund s independent registered public accounting firm s engagements (i) with the Fund for audit or non-audit services and (ii) with the Adviser and Adviser Entities for non-audit services if the engagement relates directly to the operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent registered public accounting firm for each Fund and the Adviser and Adviser Entities (with respect to the operations and financial reporting of each Fund), such engagements will be (i) pre-approved by the audit committee if they are expected to be for amounts greater than $10,000; (ii) reported to the audit committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under $10,000 but greater than $5,000; and (iii) reported to the audit committee at the next audit committee meeting if they are expected to be for an amount under $5,000.

The audit committee has approved in advance all audit services and non-audit services that the independent registered public accounting firm provided to each Fund and to the Adviser and Adviser Entities (with respect to the operations and financial reporting of each Fund). None of the services rendered by the independent registered public accounting firm to each Fund or the Adviser or Adviser Entities were pre-approved by the audit committee pursuant to the pre-approval exception under Rule 2.01(c)(7)(i)(C) or Rule 2.01(c)(7)(ii) of Regulation S-X.

Additional Information

Appointment of the Independent Registered Public Accounting Firm

Each Board has appointed Ernst & Young LLP as independent registered public accounting firm to audit the books and records of each Fund for its current fiscal year. A representative of Ernst & Young LLP will be present at the Annual Meetings to make a statement, if such representative so desires, and to respond to shareholders questions. Ernst & Young LLP has informed each Fund that it has no direct or indirect material financial interest in the Funds, Nuveen, the Adviser or any other investment company sponsored by Nuveen.

Section 16(a) Beneficial Interest Reporting Compliance

Section 30(h) of the 1940 Act and Section 16(a) of the 1934 Act require Board Members and officers, the Adviser, affiliated persons of the Adviser and persons who own more than 10% of a registered class of a Fund s equity securities to file forms reporting their affiliation with that Fund and reports of ownership and changes in ownership of that Fund s shares with the SEC and the New York Stock Exchange or NYSE Amex, as applicable. These persons and entities are required by SEC regulation to furnish the Funds with copies of all Section 16(a) forms they file. Based on a review of these forms furnished to each Fund, each Fund believes that its Board Members and officers, Adviser and affiliated persons of the Adviser have complied with all applicable Section 16(a) filing requirements during its last fiscal year, except as follows: James F. Ruane, an officer of NAM and the Funds, made an amended filing on Form 3 with respect to Arizona Dividend Advantage, Arizona Dividend Advantage 2, Arizona Dividend Advantage 3, Arizona Premium Income, California Dividend Advantage, California Dividend Advantage 2, California Dividend Advantage 3, California Investment Quality, California Market Opportunity, California Value, California Performance Plus, California Premium Income, California Quality Income, California Select Quality, Insured California Dividend Advantage, Insured California Premium Income, Insured California Premium Income 2, Insured California Tax-Free Advantage

Connecticut Dividend Advantage, Connecticut Dividend Advantage 2, Connecticut Dividend Advantage 3, Connecticut Premium Income, Floating Rate Income, Floating Rate Income Opportunity, Georgia Dividend Advantage, Georgia Dividend Advantage 2, Georgia Premium Income Maryland Dividend Advantage 2 and Insured Massachusetts Tax-Free Advantage. To the knowledge of management of the Funds, no shareholder of a Fund owns more than 10% of a registered class of a Fund s equity securities, except as provided in Appendix B.

Information About the Adviser

The Adviser, located at 333 West Wacker Drive, Chicago, Illinois 60606, serves as investment adviser and manager for each Fund. The Adviser is a wholly-owned subsidiary of Nuveen. Nuveen is a wholly-owned subsidiary of Windy City, a corporation formed by investors led by Madison Dearborn Partners, LLC (MDP), a private equity investment firm based in Chicago, Illinois. Windy City is controlled by MDP on behalf of the Madison Dearborn Capital Partner V funds.

Shareholder Proposals

To be considered for presentation at the annual meeting of shareholders of the Funds to be held in 2010, a shareholder proposal submitted pursuant to Rule 14a-8 of the 1934 Act must be received at the offices of that Fund, 333 West Wacker Drive, Chicago, Illinois 60606, not later than June 21, 2010. A shareholder wishing to provide notice in the manner prescribed by Rule 14a-4(c)(1) of a proposal submitted outside of the process of Rule 14a-8 must, pursuant to each Fund s By-Laws, submit such written notice to the Fund not later than September 2, 2010 or prior to August 18, 2010. Timely submission of a proposal does not mean that such proposal will be included in a proxy statement.

Shareholder Communications

Fund shareholders who want to communicate with the Board or any individual Board Member should write to the attention of Lorna Ferguson, Manager of Fund Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606. The letter should indicate that you are a Fund shareholder and note the fund or funds that you own. If the communication is intended for a specific Board Member and so indicates it will be sent only to that Board Member. If a communication does not indicate a specific Board Member, it will be sent to the Independent Chairman and the outside counsel to the Independent Board Members for further distribution as deemed appropriate by such persons.

Expenses of Proxy Solicitation

With respect to routine items, the cost of preparing, printing and mailing the enclosed proxy, accompanying notice and proxy statement and all other costs in connection with the solicitation of proxies will be paid by the Funds pro rata based on the number of shareholder accounts. For non-routine items, the costs in connection with the solicitation of proxies will be paid by the Funds subject to such non-routine items based on the number of shareholder accounts. Additional solicitation may be made by letter or telephone by officers or employees of Nuveen or the Adviser, or by dealers and their representatives. Any additional costs of solicitation will be paid by the Fund that requires additional solicitation.

Fiscal Year

February 28, 2009 for California Dividend Advantage, California Dividend Advantage 2, California Dividend Advantage 3, California Investment Quality, California Market Opportunity, California Value, California Performance Plus, California Premium Income, California Quality Income, California Select Quality, Insured California Dividend Advantage, Insured California Premium Income, Insured California Premium Income 2, Insured California Tax-Free Advantage, Michigan Dividend Advantage, Michigan Premium Income, Michigan Quality Income, Ohio Dividend Advantage, Ohio Dividend Advantage 2, Ohio Dividend Advantage 3, Ohio Quality Income; April 30, 2009 for New Jersey Dividend Advantage, New Jersey Dividend Advantage 2, New Jersey Investment Quality, New Jersey Premium Income, Pennsylvania Dividend Advantage, Pennsylvania Dividend Advantage 2, Pennsylvania Investment Quality and Pennsylvania Premium Income 2; May 31, 2009 for Connecticut Dividend Advantage, Connecticut Dividend Advantage 2, Connecticut Dividend Advantage 3, Connecticut Premium Income, Georgia Dividend Advantage, Georgia Dividend Advantage 2, Georgia Premium Income, Maryland Dividend Advantage, Maryland Dividend Advantage 2, Maryland Dividend Advantage 3, Massachusetts Dividend Advantage, Massachusetts Premium Income, Insured Massachusetts Tax-Free Advantage, Missouri Premium Income, North Carolina Dividend Advantage, North Carolina Dividend Advantage 2, North Carolina Dividend Advantage 3, North Carolina Premium Income, Virginia Dividend Advantage, Virginia Dividend Advantage 2 and Virginia Premium Income; June 30, 2009 for Tax-Advantaged Floating Rate; and July 31, 2009 for Floating Rate Income, Floating Rate Income Opportunity, Senior Income, Arizona Dividend Advantage, Arizona Dividend Advantage 2, Arizona Dividend Advantage 3, Arizona Premium Income, and Texas Quality Income.

Annual Report Delivery

Annual reports will be sent to shareholders of record of each Fund following each Fund s fiscal year end. Each Fund will furnish, without charge, a copy of its annual report and/or semi-annual report as available upon request. Such written or oral requests should be directed to such Fund at 333 West Wacker Drive, Chicago, Illinois 60606 or by calling 1-800-257-8787.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on November 30, 2009:

Each Fund s Proxy Statement is available at www.nuveen.com/CEF/Info/Shareholder/ProxyStatements.aspx. For more information, shareholders may also contact the applicable Fund at the address and phone number set forth above.

Please note that only one annual report, semi-annual report or proxy statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report, semi-annual report or proxy statement, or for instructions as to how to request a separate copy of such documents or as to how to request a single copy if multiple copies of such documents are received, shareholders should contact the applicable Fund at the address and phone number set forth above.

General

Management does not intend to present and does not have reason to believe that any other items of business will be presented at the Annual Meetings. However, if other matters are properly presented to the Annual Meetings for a vote, the proxies will be voted by the persons acting under the proxies upon such matters in accordance with their judgment of the best interests of the Fund.

A list of shareholders entitled to be present and to vote at each Annual Meeting will be available at the offices of the Funds, 333 West Wacker Drive, Chicago, Illinois, for inspection by any shareholder during regular business hours beginning ten days prior to the date of the Annual Meeting.

Failure of a quorum to be present at any Annual Meeting will necessitate adjournment and will subject that Fund to additional expense. The persons named in the enclosed proxy may also move for an adjournment of any Annual Meeting to permit further solicitation of proxies with respect to the proposal if they determine that adjournment and further solicitation is reasonable and in the best interests of the shareholders. Under each Fund s By-Laws, an adjournment of a meeting with respect to a matter requires the affirmative vote of a majority of the shares entitled to vote on the matter present in person or represented by proxy at the meeting.

IF YOU CANNOT BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

Kevin J. McCarthy
Vice President and Secretary

October 26, 2009

APPENDIX A

Beneficial Ownership

The following table lists the dollar range of equity securities beneficially owned by each Board Member nominee in each Fund and in all Nuveen funds overseen by the Board Member nominee as of December 31, 2008.

Board Member Nominees	Floating Rate Income	Floating Rate Income Opportunity	Senior Income	Tax-Advantaged Floating Rate	Arizona Dividend Advantage	Arizona Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$1-$10,000	$0	$10,001-$50,000	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$10,001-$50,000	$0	$0

Board Member Nominees	Arizona Dividend Advantage 3	Arizona Premium Income	California Premium Advantage	California Dividend Advantage 2	California Dividend Advantage 3	California Investment Quality
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$0	$0	$0	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$0	$0	$0

Board Member Nominees	Dollar Range of Equity Securities California Market Opportunity	California Value	California Performance Plus	California Premium Income	California Quality Income	California Select Quality
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$0	$0	$0	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$0	$0	$0

Board Member Nominees	Insured California Dividend Advantage	Insured California Premium Income	Insured California Premium Income 2	Insured California Tax-Free Advantage	Connecticut Dividend Advantage	Connecticut Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$0	$0	$0	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$0	$0	$0

Board Member Nominees	Dollar Range of Equity Securities Connecticut Dividend Advantage 3	Connecticut Premium Income	Georgia Dividend Advantage	Georgia Dividend Advantage 2	Georgia Premium Income	Maryland Dividend Advantage
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$0	$0	$0	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$0	$0	$0

Board Member Nominees	Maryland Dividend Advantage 2	Maryland Dividend Advantage 3	Maryland Premium Income	Massachusetts Dividend Advantage	Massachusetts Premium Income	Insured Massachusetts Tax-Free Advantage
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$0	$0	$0	$0	$0	$0
Jack B. Evans	$0	$0	$0	$0	$0	$0
William C. Hunter	$0	$0	$0	$0	$0	$0
David J. Kundert	$0	$0	$0	$0	$0	$0
William J. Schneider	$0	$0	$0	$0	$0	$0
Judith M. Stockdale	$0	$0	$0	$0	$0	$0
Carole E. Stone	$0	$0	$0	$0	$0	$0
Terence J. Toth	$0	$0	$0	$0	$0	$0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$0	$0	$0	$0	$0	$0

	Dollar Range of Equity Securities					
	Michigan Dividend Advantage	Michigan Premium Income	Michigan Quality Income	Missouri Premium Income	New Jersey Dividend Advantage	New Jersey Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Jack B. Evans	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William C. Hunter	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
David J. Kundert	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William J. Schneider	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Judith M. Stockdale	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Carole E. Stone	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Terence J. Toth	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Board Member Nominees	New Jersey Investment Quality	New Jersey Premium Income	North Carolina Dividend Advantage	North Carolina Dividend Advantage 2	North Carolina Dividend Advantage 3	North Carolina Premium Income
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Jack B. Evans	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William C. Hunter	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
David J. Kundert	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William J. Schneider	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Judith M. Stockdale	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Carole E. Stone	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Terence J. Toth	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Board Member Nominees	Dollar Range of Equity Securities Ohio Dividend Advantage	Ohio Dividend Advantage 2	Ohio Dividend Advantage 3	Ohio Quality Income	Pennsylvania Dividend Advantage	Pennsylvania Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Jack B. Evans	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William C. Hunter	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
David J. Kundert	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
William J. Schneider	$ 0	$ 0	$ 0	$ 1-$10,000	$ 0	$ 0
Judith M. Stockdale	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Carole E. Stone	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Terence J. Toth	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Board Member Nominees	Dollar Range of Equity Securities Pennsylvania Investment Quality	Pennsylvania Premium Income 2	Texas Quality Income	Virginia Dividend Advantage	Virginia Dividend Advantage 2	Virginia Premium Income	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Board Member Nominees in Family of Investment Companies(1)
Board Members/Nominees who are not interested persons of the Funds							
Robert P. Bremner	$0	$0	$0	$0	$0	$0	Over $100,000
Jack B. Evans	$0	$0	$0	$0	$0	$0	Over $100,000
William C. Hunter	$0	$0	$0	$0	$0	$0	Over $100,000
David J. Kundert	$0	$0	$0	$0	$0	$0	Over $100,000
William J. Schneider	$0	$0	$0	$0	$0	$0	Over $100,000
Judith M. Stockdale	$0	$0	$0	$0	$0	$0	Over $100,000
Carole E. Stone	$0	$0	$0	$0	$0	$0	$50,001-$100,000
Terence J. Toth	$0	$0	$0	$0	$0	$0	Over $100,000
Board Member/Nominee who is an interested persons of the Funds							
John P. Amboian	$0	$0	$0	$0	$0	$0	Over $100,000

(1) The amounts reflect the aggregate dollar range of equity securities and the number of shares beneficially owned by the Board Member in the Funds and in all Nuveen funds overseen by the Board Member.

The following table sets forth, for each Board Member and Board Member Nominee and for the Board Members and Board Member Nominees and officers as a group, the amount of shares beneficially owned in each Fund as of December 31, 2008. The information as to beneficial ownership is based on statements furnished by each Board Member and officer.

Fund Shares Owned By Board Members And Officers[(1)]

Board Member Nominees	Floating Rate Income	Floating Rate Income Opportunity	Senior Income	Tax-Advantaged Floating Rate	Arizona Dividend Advantage	Arizona Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	1,600	0	10,000	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	15,000	0	0
All Board Members and Officers as a Group	1,600	0	10,000	15,000	0	0

Fund Shares Owned By Board Members And Officers[(1)]

Board Member Nominees	Arizona Dividend Advantage 3	Arizona Premium Income	California Dividend Advantage	California Dividend Advantage 2	California Dividend Advantage 3	California Investment Quality
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0

All Board Members and Officers as a Group	0	0	0	0	0	0

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan.

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Fund Shares Owned By Board Members And Officers[1]

Board Member Nominees	California Market Opportunity	California Value	California Performance Plus	California Premium Income	California Quality Income	California Select Quality
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

Fund Shares Owned By Board Members And Officers[1]

Board Member Nominees	Insured California Dividend Advantage	Insured California Premium Income	Insured California Premium Income 2	Insured California Tax-Free Advantage	Connecticut Dividend Advantage	Connecticut Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan.

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Fund Shares Owned By Board Members And Officers[1]

Board Member Nominees	Connecticut Dividend Advantage 3	Connecticut Premium Income	Georgia Dividend Advantage	Georgia Dividend Advantage 2	Georgia Premium Income	Maryland Dividend Advantage
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

Board Member Nominees	Maryland Dividend Advantage 2	Maryland Dividend Advantage 3	Maryland Premium Income	Massachusetts Dividend Advantage	Massachusetts Premium Income	Insured Massachusetts Tax-Free Advantage
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan.

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Fund Shares Owned By Board Members And Officers[(1)]

Board Member Nominees	Michigan Dividend Advantage	Michigan Premium Income	Michigan Quality Income	Missouri Premium Income	New Jersey Dividend Advantage	New Jersey Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

Board Member Nominees	New Jersey Investment Quality	New Jersey Premium Income	North Carolina Dividend Advantage	North Carolina Dividend Advantage 2	North Carolina Dividend Advantage 3	North Carolina Premium Income
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan.

Fund Shares Owned By Board Members And Officers[1]

Board Member Nominees	Ohio Dividend Advantage	Ohio Dividend Advantage 2	Ohio Dividend Advantage 3	Ohio Quality Income	Pennsylvania Dividend Advantage	Pennsylvania Dividend Advantage 2
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	57	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	57	0	0

Fund Shares Owned By Board Members And Officers[1]

Board Member Nominees	Pennsylvania Investment Quality	Pennsylvania Premium Income 2	Texas Quality Income	Virginia Dividend Advantage	Virginia Dividend Advantage 2	Virginia Premium Income
Board Members/Nominees who are not interested persons of the Funds						
Robert P. Bremner	0	0	0	0	0	0
Jack B. Evans	0	0	0	0	0	0
William C. Hunter	0	0	0	0	0	0
David J. Kundert	0	0	0	0	0	0
William J. Schneider	0	0	0	0	0	0
Judith M. Stockdale	0	0	0	0	0	0
Carole E. Stone	0	0	0	0	0	0
Terence J. Toth	0	0	0	0	0	0
Board Member/Nominee who is an interested person of the Funds						
John P. Amboian	0	0	0	0	0	0
All Board Members and Officers as a Group	0	0	0	0	0	0

(1) The numbers include share equivalents of certain Nuveen funds in which the Board Member is deemed to be invested pursuant to the Deferred Compensation Plan.

APPENDIX B

List of Beneficial Owners Who Own More Than 5% of Any Class of Shares in Any Fund

The following chart lists each shareholder or group of shareholders who beneficially own more than 5% of any class of shares of any Fund*:

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
Floating Rate Income Opportunity (JRO) Common Shares	First Trust Portfolios L.P.[a] 1001 Warrenville Road Lisle, IL 60532	2,197,549	7.7%
	First Trust Advisors L.P.[a] 1001 Warrenville Road Lisle, IL 60532		
	The Charger Corporation[a] 1001 Warrenville Road Lisle, IL 60532		
Tax-Advantaged Floating Rate (JFP) Common Shares	Claymore Securities, Inc. 2455 Corporate West Drive Lisle, IL 60532	706,824	5.09%
Arizona Dividend Advantage (NFZ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	136	28.3%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		

Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	44	9.17%
Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	58	12.1%
Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	27	5.6%
Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	31	6.5%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
Arizona Dividend Advantage 2 (NKR) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	115	15.5%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	68	9.46%
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	130	17.6%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	117	15.8%
Arizona Dividend Advantage 3 (NXE) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street	354	40.2%

	New York, NY 10013		
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	90	10.23%
Arizona Premium Income (NAZ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	151	12.6%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Merrill Lynch & Co.[(c)] 4 World Financial Center 250 Vesey Street New York, NY 10080	275	22.9%
	Merrill Lynch, Pierce, Fenner & Smith, Inc.[(c)] 4 World Financial Center 250 Vesey Street New York, NY 10080		
	JP Morgan Chase & Co. 270 Park Ave. New York, NY 10017	83	6.9%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	98	8.17%
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	420	35.0%
		413	34.4%

	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080		
California Dividend Advantage (NAC) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	364	6.7%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation[(d)] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	803	14.8%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Blue Ridge Investments, L.L.C.[d] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255		
California Dividend Advantage 2 (NVX) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	344	7.8%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	584	13.3%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	254	5.8%
	Bank of America, N.A. 100 North Tryon Street, Floor 25	330	7.5%

	Bank of America Corporate Center Charlotte, NC 28255		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	259	5.89%
California Dividend Advantage 3 (NZH) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	512	8.0%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	839	13.6%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	630	10.2%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	402	6.4%
California Investment Quality (NQC) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	771	20.3%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	371	9.8%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	400	10.5%
California Market Opportunity (NCO) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	207	7.8%

Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	274	10.1%
Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	140	5.1%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	77	5.13%
California Performance Plus (NCP) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	410	10.3%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	302	7.6%
California Premium Income (NCU) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	552	32.1%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	421	24.5%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	131	7.6%
	Morgan Stanley[e] 1585 Broadway New York, NY 10036	105	6.1%

	Morgan Stanley & Co. Inc.[e] 1585 Broadway New York, NY 10036		
California Quality Income (NUC) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	374	5.7%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	770	11.7%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	462	7.0%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	451	6.83%
California Select Quality (NVC) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	726	10.7%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	396	5.8%
	JP Morgan Chase & Co. 270 Park Ave. New York, NY 10017	465	6.9%
	Bank of America Corporation[(d)] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	376	5.6%
	Blue Ridge Investments, L.L.C.[(d)] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255		
		505	11.7%

Insured California Dividend Advantage (NKL) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	517	11.9%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	269	6.2%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	248	5.7%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	249	5.75%
Insured California Premium Income (NPC) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	421	23.4%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	275	15.3%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	146	8.1%
	Morgan Stanley[e] 1585 Broadway New York, NY 10036	98	5.4%

	Morgan Stanley & Co. Inc.[e] 1585 Broadway New York, NY 10036		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	114	6.33%
Insured California Premium Income 2 (NCL) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	530	16.6%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	313	9.8%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	217	6.8%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	366	11.46%
Connecticut Dividend Advantage (NFC) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	202	25.9%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	201	25.8%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	177	22.7%
	Morgan Stanley[(e)] 1585 Broadway	57	7.3%

	New York, NY 10036		
	Morgan Stanley & Co. Inc.[e] 1585 Broadway New York, NY 10036		
Connecticut Dividend Advantage 2 (NGK) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	209	29.9%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation[f] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	124	17.7%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Merrill Lynch, Pierce, Fenner & Smith, Inc.[f] 4 World Financial Center 250 Vesey Street New York, NY 10080		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	73	10.43%
Connecticut Dividend Advantage 3 (NGO) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	331	25.9%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	217	17.0%
	Merrill Lynch, Pierce, Fenner & Smith, Inc.	193	15.1%

	4 World Financial Center 250 Vesey Street New York, NY 10080		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	82	6.41%
Connecticut Premium Income (NTC) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	536	35.0%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		

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Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	246	16.1%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	227	14.8%
	Morgan Stanley[e] 1585 Broadway New York, NY 10036	208	13.6%
	Morgan Stanley & Co. Inc.[e] 1585 Broadway New York, NY 10036		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	80	5.22%
Georgia Dividend Advantage (NZX) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	93	23.5%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	59	14.9%

	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	34	8.6%
Georgia Dividend Advantage 2 (NKG) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	191	14.5%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation[(d)] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	83	6.3%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Blue Ridge Investments, L.L.C.[d] 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255		
Georgia Premium Income (NPG) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	300	27.0%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	242	21.8%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	58	5.2%
Maryland Dividend Advantage (NFM) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	526	41.1%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		

	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
	Morgan Stanley(e) 1585 Broadway New York, NY 10036	65	5.1%
	Morgan Stanley & Co. Inc.(e) 1585 Broadway New York, NY 10036		
Maryland Dividend Advantage 2 (NZR) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	486	38.0%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
Maryland Dividend Advantage 3 (NWI) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	606	38.8%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
Maryland Premium Income (NMY) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	1,084	34.3%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		

Massachusetts Dividend Advantage (NMB) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	72	12.0%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	66	11.0%
	Morgan Stanley[(e)] 1585 Broadway New York, NY 10036	46	7.7%
	Morgan Stanley & Co. Inc.[(e)] 1585 Broadway New York, NY 10036		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	102	17.0%
Massachusetts Premium Income (NMT) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	111	8.2%

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Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	383	28.2%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	381	28.0%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	209	15.37%
Insured Massachusetts Tax-Free Advantage (NGX) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	115	14.0%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street		

	New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
	Morgan Stanley(e) 1585 Broadway New York, NY 10036	45	5.5%
	Morgan Stanley & Co. Inc.(e) 1585 Broadway New York, NY 10036		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	61	7.44%
Michigan Dividend Advantage (NZW) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	145	22.7%

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Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
Michigan Premium Income (NMP) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	285	12.7%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	154	6.9%

	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	293	13.08%
Michigan Quality Income (NUM) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	375	10.0%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	491	13.1%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	487	13.0%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	479	13.17%
Missouri Premium Income (NOM) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	230	35.9%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	71	11.1%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	159	24.8%
New Jersey Dividend Advantage (NXJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	181	9.4%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		

Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
Morgan Stanley[e] 1585 Broadway New York, NY 10036	100	5.2%
Morgan Stanley & Co. Inc.[e] 1585 Broadway New York, NY 10036		
Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	304	15.8%
Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	252	13.1%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
New Jersey Dividend Advantage 2 (NUJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	206	14.9%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
New Jersey Investment Quality (NQJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	585	9.0%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		

	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	1,170	18.1%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	895	13.8%
New Jersey Premium Income (NNJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	203	5.5%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	815	22.2%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	617	16.8%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	198	5.4%
North Carolina Dividend Advantage (NRB) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	47	6.9%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Royal Bank of Canada[g] 200 Bay Street	59	8.7%

	Toronto, Ontario M5J2J5 Canada		
	RBC Capital Markets[g] One Liberty Plaza 165 Broadway New York, NY 10006		
North Carolina Dividend Advantage 2 (NNO) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	113	10.1%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	35	5.44%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
North Carolina Dividend Advantage 3 (NII) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	136	12.1%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
North Carolina Premium Income (NNC) Auction Rate Preferred Shares	Merrill Lynch & Co., Inc.(c) 4 World Financial Center 250 Vesey Street New York, NY 10080	617	16.8%
	Merrill Lynch, Pierce, Fenner & Smith, Inc.(c) 4 World Financial Center 250 Vesey Street New York, NY 10080	617	16.8%
Ohio Dividend Advantage (NXI) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	167	13.5%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		

Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street New York, NY 10013		
Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	126	10.6%
Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	126	10.6%
UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	223	17.98%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
Ohio Dividend Advantage 2 (NBJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	90	9.4%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	82	12.9%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	118	12.77%
Ohio Dividend Advantage 3 (NVJ) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	49	7.4%
	Citigroup Financial Products Inc.[(b)] 388 Greenwich Street New York, NY 10013		

	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	121	18.33%
Ohio Quality Income (NUO) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	194	6.3%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	545	17.7%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	541	17.6%
	JP Morgan Chase & Co. 270 Park Ave. New York, NY 10017	231	7.5%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	360	11.69%
Pennsylvania Dividend Advantage (NXM) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	263	26.3%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.[b] 388 Greenwich Street		

	New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
Pennsylvania Dividend Advantage 2 (NVY) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	267	23.4%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
Pennsylvania Investment Quality (NQP) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	564	10.7%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	548	10.4%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	505	9.6%
Pennsylvania Premium Income 2 (NPY) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	522	11.0%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	496	10.5%

Texas Quality Income (NTX) Auction Rate Preferred Shares	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	1,146	41.5%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	1,077	39.0%
	Morgan Stanley[(e)] 1585 Broadway New York, NY 10036	168	6.1%
	Morgan Stanley & Co. Inc.[(e)] 1585 Broadway New York, NY 10036		
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	181	6.56%
Virginia Dividend Advantage (NGB) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[(b)] 388 Greenwich Street New York, NY 10013	158	16.5%

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.(b) 399 Park Avenue New York, NY 10043		
	Morgan Stanley(e) 1585 Broadway New York, NY 10036	102	10.6%
	Morgan Stanley & Co. Inc.(e) 1585 Broadway New York, NY 10036		
Virginia Dividend Advantage 2 (NNB) Auction Rate Preferred Shares	Citigroup Global Markets Inc.(b) 388 Greenwich Street New York, NY 10013	300	17.9%
	Citigroup Financial Products Inc.(b) 388 Greenwich Street New York, NY 10013		
	Citigroup Global Markets Holdings Inc.(b) 388 Greenwich Street New York, NY 10013		

	Citigroup Inc.[b] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	171	10.2%
	Bank of America, N.A. 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	97	5.8%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	108	6.43%
Virginia Premium Income (NPV) Auction Rate Preferred Shares	Citigroup Global Markets Inc.[b] 388 Greenwich Street New York, NY 10013	200	7.8%
	Citigroup Financial Products Inc.[b] 388 Greenwich Street New York, NY 10013		

Fund and Class	Shareholder Name and Address	Amount of Shares Owned	Percentage Owned
	Citigroup Global Markets Holdings Inc.[(b)] 388 Greenwich Street New York, NY 10013		
	Citigroup Inc.[(b)] 399 Park Avenue New York, NY 10043		
	Bank of America Corporation 100 North Tryon Street, Floor 25 Bank of America Corporate Center Charlotte, NC 28255	386	15.1%
	Merrill Lynch, Pierce, Fenner & Smith, Inc. 4 World Financial Center 250 Vesey Street New York, NY 10080	265	10.4%
	UBS AG Bahnhoftstrasse 45 PO Box CH-8021 Zurich, Switzerland	137	5.37%

* The information contained in this table is based on Schedule 13G filings made on or after December 1, 2008.

(a) First Trust Portfolios L.P., First Trust Advisors L.P. and The Charger Corporation filed their schedule 13G jointly and did not differentiate holdings as to each entity.

(b) Citigroup Global Markets Inc., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc. and Citigroup Inc. filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

(c) Merrill Lynch & Co. and Merrill Lynch, Pierce, Fenner & Smith, Inc. filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

(d)

Bank of America Corporation and Blue Ridge Investments, L.L.C. filed their schedule 13G jointly and did not differentiate holdings as to each entity.

(e) Morgan Stanley and Morgan Stanley & Co., Inc. filed their schedule 13G jointly and did not differentiate holdings as to each entity.

(f) Bank of America Corporation and Merrill Lynch, Pierce, Fenner & Smith, Inc. filed their schedule 13G jointly and did not differentiate holdings as to each entity.

(g) Royal Bank of Canada and RBC Capital Markets filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

APPENDIX C

NUMBER OF BOARD AND COMMITTEE MEETINGS HELD DURING EACH FUND S LAST FISCAL YEAR

Fund	Regular Board Meeting	Special Board Meeting	Executive Committee Meeting	Dividend Committee Meeting	Compliance, Risk Management and Regulatory Oversight Committee Meeting	Audit Committee Meeting	Nominating and Governance Committee Meeting
Floating Rate Income	4	3	0	6	4	4	4
Floating Rate Income Opportunity	4	3	0	6	4	4	4
Senior Income	4	3	0	6	4	4	4
Tax Advantage Floating Rate	4	5	0	6	4	4	4
Arizona Dividend Advantage	4	5	0	6	4	4	4
Arizona Dividend Advantage 2	4	5	0	6	4	4	4
Arizona Dividend Advantage 3	4	5	0	6	4	4	4
Arizona Premium Income	4	3	0	6	4	4	4
California Dividend Advantage	2	2	0	5	2	2	2
California Dividend Advantage 2	2	2	0	5	2	2	2
California Dividend Advantage 3	2	2	0	5	2	2	2
California Investment Quality	2	2	0	5	2	2	2
California Market Opportunity	2	2	0	5	2	2	2
California Value	2	2	0	5	2	2	2
California Performance Plus	2	2	0	5	2	2	2
California Premium Income	2	2	0	5	2	2	2
California Quality Income	2	2	0	5	2	2	2
California Select Quality	2	2	0	5	2	2	2
Insured California Dividend Advantage	2	2	0	5	2	2	2
Insured California Premium Income	2	2	0	5	2	2	2
Insured California Premium Income 2	2	2	0	5	2	2	2

Fund	Regular Board Meeting	Special Board Meeting	Executive Committee Meeting	Dividend Committee Meeting	Compliance, Risk Management and Regulatory Oversight Committee Meeting	Audit Committee Meeting	Nominating and Governance Committee Meeting
Insured California Tax-Free Advantage	2	2	1	5	2	2	2
Connecticut Dividend Advantage	4	5	0	6	4	4	4
Connecticut Dividend Advantage 2	4	5	0	6	4	4	4
Connecticut Dividend Advantage 3	4	5	0	6	4	4	4
Connecticut Premium Income	4	5	0	6	4	4	4
Georgia Dividend Advantage	4	5	0	6	4	4	4
Georgia Dividend Advantage 2	4	5	0	6	4	4	4
Georgia Premium Income	4	5	0	6	4	4	4
Maryland Dividend Advantage	4	5	0	6	4	4	4
Maryland Dividend Advantage 2	4	5	0	6	4	4	4
Maryland Dividend Advantage 3	4	5	0	6	4	4	4
Maryland Premium Income	4	5	0	6	4	4	4
Massachusetts Dividend Advantage	4	5	0	6	4	4	4
Massachusetts Premium Income	4	5	0	6	4	4	4
Insured Massachusetts Tax-Free Advantage	4	5	0	6	4	4	4
Michigan Dividend Advantage	2	2	0	5	2	2	2
Michigan Premium Income	2	2	0	5	2	2	2
Michigan Quality Income	2	2	0	5	2	2	2
Missouri Premium Income	4	5	0	6	4	4	4
New Jersey Dividend Advantage	4	5	0	7	4	4	4
New Jersey Dividend Advantage 2	4	5	0	7	4	4	4
New Jersey Investment Quality	4	5	0	7	4	4	4
New Jersey Premium Income	4	5	0	7	4	4	4
North Carolina Dividend Advantage	4	5	0	6	4	4	4
North Carolina Dividend Advantage 2	4	5	0	6	4	4	4
North Carolina Dividend Advantage 3	4	5	0	6	4	4	4

Fund	Regular Board Meeting	Special Board Meeting	Executive Committee Meeting	Dividend Committee Meeting	Compliance, Risk Management and Regulatory Oversight Committee Meeting	Audit Committee Meeting	Nominating and Governance Committee Meeting
North Carolina Premium Income	4	5	0	6	4	4	4
Ohio Dividend Advantage	2	2	0	5	2	2	2
Ohio Dividend Advantage 2	2	2	0	5	2	2	2
Ohio Dividend Advantage 3	2	2	0	5	2	2	2
Ohio Quality Income	2	2	0	5	2	2	2
Pennsylvania Dividend Advantage	4	5	0	7	4	4	4
Pennsylvania Dividend Advantage 2	4	5	0	7	4	4	4
Pennsylvania Investment Quality	4	5	0	7	4	4	4
Pennsylvania Premium Income 2	4	5	0	7	4	4	4
Texas Quality Income	4	5	0	6	4	4	4
Virginia Dividend Advantage	4	5	0	6	4	4	4
Virginia Dividend Advantage 2	4	5	0	6	4	4	4
Virginia Premium Income	4	5	0	6	4	4	4

Appendix D

NUVEEN FUND BOARD
AUDIT COMMITTEE CHARTER

I. Organization and Membership

There shall be a committee of each Board of Directors/Trustees (the Board) of the Nuveen Management Investment Companies (the Funds or, individually, a Fund) to be known as the Audit Committee. The Audit Committee shall be comprised of at least three Directors/Trustees. Audit Committee members shall be independent of the Funds and free of any relationship that, in the opinion of the Directors/Trustees, would interfere with their exercise of independent judgment as an Audit Committee member. In particular, each member must meet the independence and experience requirements applicable to the Funds of the exchanges on which shares of the Funds are listed, Section 10a of the Securities Exchange Act of 1934 (the Exchange Act), and the rules and regulations of the Securities and Exchange Commission (the Commission). Each such member of the Audit Committee shall have a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and be financially literate, and at least one such member shall have accounting or related financial management expertise, in each case as determined by the Directors/Trustees, exercising their business judgment (this person may also serve as the Audit Committee s financial expert as defined by the Commission). The Board shall appoint the members and the Chairman of the Audit Committee, on the recommendation of the Nominating and Governance Committee. The Audit Committee shall meet periodically but in any event no less frequently than on a semi-annual basis. Except for the Funds, Audit Committee members shall not serve simultaneously on the audit committees of more than two other public companies.

II. Statement of Policy, Purpose and Processes

The Audit Committee shall assist the Board in oversight and monitoring of (1) the accounting and reporting policies, processes and practices, and the audits of the financial statements, of the Funds; (2) the quality and integrity of the financial statements of the Funds; (3) the Funds compliance with legal and regulatory requirements, (4) the independent auditors qualifications, performance and independence; and (5) oversight of the Pricing Procedures of the Funds and the Valuation Group. In exercising this oversight, the Audit Committee can request other committees of the Board to assume responsibility for some of the monitoring as long as the other committees are composed exclusively of independent directors.

In doing so, the Audit Committee shall seek to maintain free and open means of communication among the Directors/Trustees, the independent auditors, the internal auditors and the management of the Funds. The Audit Committee shall meet periodically with Fund management, the Funds internal auditor, and the Funds independent auditors, in separate executive sessions. The Audit Committee shall prepare reports of the Audit Committee as required by the Commission to be included in the Fund s annual proxy statements or otherwise.

The Audit Committee shall have the authority and resources in its discretion to retain special legal, accounting or other consultants to advise the Audit Committee and to otherwise discharge its responsibilities, including appropriate funding as determined by the Audit Committee for compensation to independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for a Fund, compensation to advisers employed by the Audit Committee, and ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties, as determined in its discretion. The Audit Committee may request any officer or employee of Nuveen Investments, Inc. (or its affiliates) (collectively, Nuveen) or the Funds independent auditors or outside counsel to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Funds independent auditors and internal auditors shall have unrestricted accessibility at any time to Committee members.

Responsibilities

Fund management has the primary responsibility to establish and maintain systems for accounting, reporting, disclosure and internal control.

The independent auditors have the primary responsibility to plan and implement an audit, with proper consideration given to the accounting, reporting and internal controls. Each independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Funds shall report directly to the Audit Committee. The independent auditors are ultimately accountable to the Board and the Audit Committee. It is the ultimate responsibility of the Audit Committee to select, appoint, retain, evaluate, oversee and replace any independent auditors and to determine their compensation, subject to ratification of the Board, if required. These Audit Committee responsibilities may not be delegated to any other Committee or the Board.

The Audit Committee is responsible for the following:

With respect to Fund financial statements:

A. Reviewing and discussing the annual audited financial statements and semiannual financial statements with Fund management and the independent auditors including major issues regarding accounting and auditing principles and practices, and the Funds disclosures in its periodic reports under Management s Discussion and Analysis.

B. Requiring the independent auditors to deliver to the Chairman of the Audit Committee a timely report on any issues relating to the significant accounting policies, management judgments and accounting estimates or other matters that would need to be communicated under Statement on Auditing Standards (sas) No. 90, Audit Committee Communications (which amended sas No. 61, Communication with Audit Committees), that arise during the auditors review of the Funds financial statements, which information the Chairman shall further communicate to the other members of the Audit Committee, as deemed necessary or appropriate in the Chairman s judgment.

C. Discussing with management the Funds press releases regarding financial results and dividends, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally, consisting of discussing the types of information to be disclosed and the types of presentations to be made. The Chairman of the Audit Committee shall be authorized to have these discussions with management on behalf of the Audit Committee.

D. Discussing with management and the independent auditors (a) significant financial reporting issues and judgments made in connection with the preparation and presentation of the Funds financial statements, including any significant changes in the Funds selection or application of accounting principles and any major issues as to the adequacy of the Funds internal controls and any special audit steps adopted in light of material control deficiencies; and (b) analyses prepared by Fund management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative gaap methods on the financial statements.

E. Discussing with management and the independent auditors the effect of regulatory and accounting initiatives on the Funds financial statements.

F. Reviewing and discussing reports, both written and oral, from the independent auditors and/or Fund management regarding (a) all critical accounting policies and practices to be used; (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative treatments and disclosures, and the treatment preferred by the independent auditors; and (c) other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

G. Discussing with Fund management the Funds major financial risk exposures and the steps management has taken to monitor and control these exposures, including the Funds risk assessment and risk management policies and guidelines. In fulfilling its obligations under this paragraph, the Audit Committee may review in a general manner the processes other Board committees have in place with respect to risk assessment and risk management.

H. Reviewing disclosures made to the Audit Committee by the Funds principal executive officer and principal financial officer during their certification process for the Funds periodic reports about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Funds internal controls. In fulfilling its obligations under this paragraph, the Audit Committee may review in a general manner the processes other Board committees have in place with respect to deficiencies in internal controls, material weaknesses, or any fraud associated with internal controls.

With respect to the independent auditors:

A. Selecting, appointing, retaining or replacing the independent auditors, subject, if applicable, only to Board and shareholder ratification; and compensating, evaluating and overseeing the work of the independent auditor (including the resolution of disagreements between Fund management and the independent auditor regarding financial reporting).

B. Meeting with the independent auditors and Fund management to review the scope, fees, audit plans and staffing for the audit, for the current year. At the conclusion of the audit, reviewing such audit results, including the independent auditors evaluation of the Funds financial and internal controls, any comments or recommendations of the independent auditors, any audit problems or difficulties and management s response, including any restrictions on the scope of the independent auditor s activities or on access to requested information, any significant disagreements with management, any accounting adjustments noted or proposed by the auditor but not made by the Fund, any communications between the audit team and the audit firm s national office regarding auditing or accounting issues presented by the engagement, any significant changes required from the originally planned audit programs and any adjustments to the financial statements recommended by the auditors.

C. Pre-approving all audit services and permitted non-audit services, and the terms thereof, to be performed for the Funds by their independent auditors, subject to the de minimis exceptions for non-audit services described in Section 10a of the Exchange Act that the Audit Committee approves prior to the completion of the audit, in accordance with any policies or procedures relating thereto as adopted by the Board or the Audit Committee. The Chairman of the Audit Committee shall be authorized to give pre-approvals of such non-audit services on behalf of the Audit Committee.

D. Obtaining and reviewing a report or reports from the independent auditors at least annually (including a formal written statement delineating all relationships between the auditors and the Funds consistent with Independent Standards Board Standard 1, as may be amended, restated, modified or replaced) regarding (a) the independent auditor s internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, respecting one or more independent audits carried out by the firm; (c) any steps taken to deal with any such issues; and (d) all relationships between the independent auditor and the Funds and their affiliates, in order to assist the Audit committee in assessing the auditor s independence. After reviewing the foregoing report[s] and the independent auditor s work throughout the year, the Audit Committee shall be responsible for evaluating the qualifications, performance and independence of the independent auditor and their compliance with all applicable requirements for independence and peer review, and a review and evaluation of the lead partner, taking into account the opinions of Fund management and the internal auditors, and discussing such reports with the independent auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.

E. Reviewing any reports from the independent auditors mandated by Section 10a(b) of the Exchange Act regarding any illegal act detected by the independent auditor (whether or not perceived to have a material effect on the Funds financial statements) and obtaining from the independent auditors any information about illegal acts in accordance with Section 10a(b).

F. Ensuring the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, and further considering the rotation of the independent auditor firm itself.

G. Establishing and recommending to the Board for ratification policies for the Funds , Fund management or the Fund adviser s hiring of employees or former employees of the independent auditor who participated in the audits of the Funds.

H. Taking, or recommending that the Board take, appropriate action to oversee the independence of the outside auditor.

With respect to any internal auditor:

A. Reviewing the proposed programs of the internal auditor for the coming year. It is not the obligation or responsibility of the Audit Committee to confirm the independence of any Nuveen internal auditors performing services relating to the Funds or to approve any termination or replacement of the Nuveen Manager of Internal Audit.

B. Receiving a summary of findings from any completed internal audits pertaining to the Funds and a progress report on the proposed internal audit plan for the Funds, with explanations for significant deviations from the original plan.

With respect to pricing and valuation oversight:

A. The Board has responsibilities regarding the pricing of a Fund s securities under the 1940 Act. The Board has delegated this responsibility to the Committee to address valuation issues that arise between Board meetings, subject to the Board s general supervision of such actions. The Committee is primarily responsible for the oversight of the Pricing Procedures and actions taken by the internal Valuation Group (Valuation Matters). The Valuation Group will report on Valuation Matters to the Committee and/or the Board of Directors/Trustees, as appropriate.

B. Performing all duties assigned to it under the Funds Pricing Procedures, as such may be amended from time to time.

C. Periodically reviewing and making recommendations regarding modifications to the Pricing Procedures as well as consider recommendations by the Valuation Group regarding the Pricing Procedures.

D. Reviewing any issues relating to the valuation of a Fund s securities brought to the Committee s attention, including suspensions in pricing, pricing irregularities, price overrides, self-pricing, nav errors and corrections thereto, and other pricing matters. In this regard, the Committee should consider the risks to the Funds in assessing the possible resolutions of these Valuation Matters.

E. Evaluating, as it deems necessary or appropriate, the performance of any pricing agent and recommend changes thereto to the full Board.

F. Reviewing any reports or comments from examinations by regulatory authorities relating to Valuation Matters of the Funds and consider management s responses to any such comments and, to the extent the Committee deems necessary or appropriate, propose to management and/or the full Board the modification of the Fund s policies and procedures relating to such matters. The Committee, if deemed necessary or desirable, may also meet with regulators.

G. Meeting with members of management of the Funds, outside counsel, or others in fulfilling its duties hereunder, including assessing the continued appropriateness and adequacy of the Pricing Procedures, eliciting any recommendations for improvements of such procedures or other Valuation Matters, and assessing the possible resolutions of issues regarding Valuation Matters brought to its attention.

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H. Performing any special review, investigations or oversight responsibilities relating to Valuation as requested by the Board of Directors/Trustees.

I. Investigating or initiating an investigation of reports of improprieties or suspected improprieties in connection with the Fund s policies and procedures relating to Valuation Matters not otherwise assigned to another Board committee.

Other responsibilities:

A. Reviewing with counsel to the Funds, counsel to Nuveen, the Fund adviser s counsel and independent counsel to the Board legal matters that may have a material impact on the Fund s financial statements or compliance policies.

B. Receiving and reviewing periodic or special reports issued on exposure/controls, irregularities and control failures related to the Funds.

C. Reviewing with the independent auditors, with any internal auditor and with Fund management, the adequacy and effectiveness of the accounting and financial controls of the Funds, and eliciting any recommendations for the improvement of internal control procedures or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of such internal controls to expose payments, transactions or procedures that might be deemed illegal or otherwise improper.

D. Reviewing the reports of examinations by regulatory authorities as they relate to financial statement matters.

E. Discussing with management and the independent auditor any correspondence with regulators or governmental agencies that raises material issues regarding the Funds financial statements or accounting policies.

F. Obtaining reports from management with respect to the Funds policies and procedures regarding compliance with applicable laws and regulations.

G. Reporting regularly to the Board on the results of the activities of the Audit Committee, including any issues that arise with respect to the quality or integrity of the Funds financial statements, the Funds compliance with legal or regulatory requirements, the performance and independence of the Funds independent auditors, or the performance of the internal audit function.

H. Performing any special reviews, investigations or oversight responsibilities requested by the Board.

I. Reviewing and reassessing annually the adequacy of this charter and recommending to the Board approval of any proposed changes deemed necessary or advisable by the Audit Committee.

J. Undertaking an annual review of the performance of the Audit Committee.

K. Establishing procedures for the receipt, retention and treatment of complaints received by the Funds regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of Fund management, the

investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the Funds, as well as employees of the Funds.

Although the Audit Committee shall have the authority and responsibilities set forth in this Charter, it is not the responsibility of the Audit Committee to plan or conduct audits or to determine that the Funds financial statements are complete and accurate and are in accordance with generally accepted accounting principles. That is the responsibility of management and the independent auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to ensure compliance with laws and regulations.

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FUND NAME PRINTS HERE
COMMON STOCK

THIS PROXY IS SOLICITED BY THE BOARD OF THE FUND FOR AN ANNUAL MEETING OF SHAREHOLDERS, NOVEMBER 30, 2009

The Annual Meeting of shareholders will be held Monday, November 30, 2009 at 9:30 a.m. Central time, in the offices of Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois, 60606. At this meeting, you will be asked to vote on the proposals described in the proxy statement attached. The undersigned hereby appoints Kevin J. McCarthy and Gifford R. Zimmerman, and each of them, with full power of substitution, proxies for the undersigned, to represent and vote the shares of the undersigned at the Annual Meeting of shareholders to be held on November 30, 2009, or any adjournment or adjournments thereof.

WHETHER OR NOT YOU PLAN TO JOIN US AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN YOUR PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE SO THAT YOUR VOTE WILL BE COUNTED. AS AN ALTERNATIVE, PLEASE CONSIDER VOTING BY TELEPHONE AT (888) 221-0697 OR OVER THE INTERNET (www.proxyweb.com).

Date:____________________

SIGN HERE EXACTLY AS NAME(S)APPEAR(S) ON LEFT.
(Please sign in Box)

NOTE: PLEASE SIGN YOUR NAME EXACTLY AS IT APPEARS ON THIS PROXY. IF SHARES ARE HELD JOINTLY, EACH HOLDER MUST SIGN THE PROXY. IF YOU ARE SIGNING ON BEHALF OF AN ESTATE, TRUST OR CORPORATION, PLEASE STATE YOUR TITLE OR CAPACITY.

NAZ-NQC-NCO-NCP-NUC-NVC-NQJ-NNJ-NUO

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting.

Properly executed proxies will be voted as specified. If no specification is made, such shares will be voted FOR each proposal.

Please fill in box(es) as shown using black or blue ink or number 2 pencil. x
PLEASE DO NOT USE FINE POINT PENS.

1a.	Election of Board Members:		**FOR NOMINEES**	**WITHHOLD AUTHORITY**	
	(01) John P. Amboian	(05) Judith M. Stockdale	listed at left	to vote for all	
	(02) Robert P. Bremner	(06) Carole E. Stone	(except as	nominees	
	(03) Jack B. Evans	(07) Terence J. Toth	marked to the	listed at left	
	(04) David J. Kundert		contrary)		
			¨	¨	

		FOR	**AGAINST**	**ABSTAIN**
	(INSTRUCTION: To withhold authority to vote for any individual nominee(s), write the number(s) of the nominee(s) on the line provided above.)			
2a.	To approve the elimination of the Fund s fundamental policies relating to investments in municipal securities and below investment grade securities.	¨	¨	¨
2b.	To approve the new fundamental policy relating to investments in municipal securities.	¨	¨	¨
2c.	To approve the elimination of the Fund s fundamental policy relating to commodities.	¨	¨	¨
2d.	To approve the new fundamental policy relating to commodities.	¨	¨	¨
2e.	To approve the elimination of the Fund s fundamental policies relating to derivatives and short sales.	¨	¨	¨
2f.	To approve the elimination of the Fund s fundamental policy prohibiting investment in other investment companies.	¨	¨	¨
4.	To transact such other business as may properly come before the Annual Meeting.			

PLEASE SIGN ON REVERSE SIDE

Nuveen Investments 333 West Wacker Dr. Chicago IL 60606
www.nuveen.com

999 999 999 999 99

3 EASY WAYS TO VOTE YOUR PROXY

1. Automated Touch Tone Voting: Call toll-free 1-888-221-0697 and follow the recorded instructions.

2. On the Internet at www.proxyweb.com, and follow the simple instructions.

3. Sign, Date and Return this proxy card using the enclosed postage-paid envelope.

FUND NAME PRINTS HERE
PREFERRED STOCK

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NAZ-NQC-NCO-NCP-NUC-
NVC-NQJ-NNJ-NUO

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Properly executed proxies will be voted as specified. If no specification is made, such shares will be voted FOR each proposal.

Please fill in box(es) as shown using black or blue ink or number 2 pencil. x
PLEASE DO NOT USE FINE POINT PENS.

1a.	Election of Board Members: (01) John P. Amboian (02) Robert P. Bremner (03) Jack B. Evans (04) David J. Kundert	(05) Judith M. Stockdale (06) Carole E. Stone (07) Terence J. Toth	Preferred Shares Only: (08) William C. Hunter (09) William J. Schneider	**FOR NOMINEES** listed at left (except as marked to the contrary)	**WITHHOLD AUTHORITY** to vote for all nominees listed at left	
				o	o	
	(INSTRUCTION: To withhold authority to vote for any individual nominee(s), write the number(s) of the nominee(s) on the line provided above.)			**FOR**	**AGAINST**	**ABSTAIN**
2a.	To approve the elimination of the Fund s fundamental policies relating to investments in municipal securities and below investment grade securities.			o	o	o
2b.	To approve the new fundamental policy relating to investments in municipal securities.			o	o	o
2c.	To approve the elimination of the Fund s fundamental policy relating to commodities.			o	o	o
2d.	To approve the new fundamental policy relating to commodities.			o	o	o
2e.	To approve the elimination of the Fund s fundamental policies relating to derivatives and short sales.			o	o	o
2f.	To approve the elimination of the Fund s fundamental policy prohibiting investment in other investment companies.			o	o	o
4.	To transact such other business as may properly come before the Annual Meeting.					

PLEASE SIGN ON REVERSE SIDE

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