

NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

Form N-30D

November 07, 2001

Logo: NUVEEN Investments

Annual Report August 31, 2001

Municipal Closed-End Exchange-Traded Funds

Dependable, tax-free income to help you keep more of what you earn.

CALIFORNIA

NPC

NCL

NCU

NAC

NVX

Invest well.

Look ahead.

LEAVE YOUR MARK. (SM)

2 PHOTOS.

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MORE FREEDOM  
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- 4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 5 Use this same process if you need to change your registration information or cancel internet viewing.

Photo of: Timothy R. Schwertfeger  
Chairman of the Board

Sidebar text: "A diversified portfolio can leave you well positioned to reduce overall investment risk."

Dear  
Shareholder

The events of September 11, 2001, have touched us all, and our hearts and thoughts go out to those affected directly by the terrible tragedies in New York, Washington and Pennsylvania.

In the aftermath of these horrible acts, the financial markets have reacted with volatility and uncertainty as investors attempt to better understand how the U.S. and world economies are likely to perform in the months ahead. It's too soon to tell what the long-term impact will be on the markets or your Fund, but one thing that is increasingly clear to us is that a diversified portfolio that includes high quality municipal bonds can leave you well positioned to reduce overall investment risk.

For example, during the period covered by this report, all of these Nuveen Funds continued to meet their primary objectives of providing attractive monthly income from a portfolio of high quality municipal bonds. Detailed information on your Fund's performance can be found in the Portfolio Managers' Comments and Performance Overview sections of this report. I urge you to take the time to read them.

In addition to providing you with steady tax-free income, your Nuveen Fund also features several characteristics that can help make it an essential part of your overall investment strategy. These include careful research, constant surveillance and judicious trading by Nuveen's seasoned portfolio management team, with every action designed to supplement income, improve Fund structure, better adapt to current market conditions or

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increase diversification. In turbulent times like these, prudent investors understand the importance of diversification, balance, and risk management, all attributes your Nuveen Fund can bring to your portfolio.

For more than 100 years, Nuveen has specialized in offering quality investments such as these Nuveen Funds to those seeking to accumulate and preserve wealth and establish a lasting legacy. Our mission continues to be to assist you and your financial advisor by offering the investment services and products that can help you invest well and leave your mark for future generations. We thank you for continuing to choose Nuveen Investments as your partner as you work toward that goal.

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

October 15, 2001

Sidebar text: "In turbulent times like these, prudent investors understand the importance of diversification, balance, and risk management."

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Nuveen California Municipal Closed-End Exchange-Traded Funds  
(NPC, NCL, NCU, NAC, NVX)

Portfolio Managers'

Comments

Portfolio managers Steve Krupa and Bill Fitzgerald examine national and state economic conditions, key investment strategies, and the performance of the Nuveen California Municipal Closed-End Exchange-Traded Funds. Steve, who has been with Nuveen since 1979, assumed portfolio management responsibility for NPC and NCL in March 2001. A 13-year veteran of Nuveen, Bill has managed NCU since 1998 and NAC since 1999. He added the Nuveen California Dividend Advantage Municipal Fund 2 (NVX) upon its inception in March 2001.

WHAT FACTORS HAD THE GREATEST INFLUENCE ON THE U.S. ECONOMY AND THE MUNICIPAL MARKET DURING THIS REPORTING PERIOD?

The two major factors affecting the economy and the municipal market over the twelve months ended August 31, 2001, were the Federal Reserve's shift in interest rate policy from tightening to easing short-term rates and the general slowdown in economic growth. In January 2001, the Fed embarked on a series of rate cuts designed to stimulate the sluggish U.S. economy. During the first eight months of the year, the Fed announced seven rate reductions totaling 300 basis points, lowering the target federal funds rate to 3.50% as of August 31, 2001. (Following the end of the period covered in this report, in moves intended to help bolster confidence and stabilize the economy in the aftermath of the September 11 terrorist attacks, the Fed reduced the target rate by an additional 50 points on both September 17 and October 2, bringing the rate to 2.50%, its lowest point since 1962.) The consensus among market observers is that the Fed could continue to ease rates as long as signs of a significant economic slowdown remain.

In the municipal market, the conditions of the past twelve months, including tight municipal supply during 2000, helped many bonds perform well. As 2001 got underway, the Fed's cuts created a more favorable rate environment for both new municipal issuance and refundings, which together totaled \$177.8 billion nationwide during the first eight months of the year, an increase of 39% over January-August 2000. On the demand side, municipal bonds continued to be highly sought after by individual investors looking for diversification, tax-free income, and an alternative to a volatile stock market. Institutional demand has also strengthened this year.

In general, improving supply and strong demand helped to keep municipal bond prices higher than they were twelve months ago. Nevertheless, we believe the municipal market continues to represent good value. As of August 31, 2001, long-term municipal yields were 97.2% of 30-year Treasury yields, compared with 100.9% in August 2000.

HOW WAS THE MARKET ENVIRONMENT IN CALIFORNIA?

Over the past twelve months, California faced one of the most serious crises in its recent history, as energy costs soared and the state's major utilities encountered financial problems, jeopardizing California's power supply. Ultimately, the state spent almost \$8 billion from its general fund to purchase

electricity at wholesale prices and assure adequate supply. Despite predictions for heavy outages this summer, the state has experienced no blackouts since May 2001. By August, power supplies had become relatively stable, and energy prices had declined significantly, due in part to conservation efforts. In addition, the state had begun measures to access the debt market for needed financial resources, including the proposed issuance of \$13 billion in power bonds intended to reimburse the general fund for electricity expenditures and bring solvency back to the troubled investor-owned utilities. Negotiations are currently underway to secure the required approval from the state legislature to proceed with this bond issue.

Overall, the California economy slowed over the past twelve months, as the technology downturn continued to affect most of the state, especially the Silicon Valley and San Francisco Bay area. As of August 2001, the unemployment rate in California reached a two-year high of 5.2%, compared with the national average of 4.9%. As signs of an economic slowdown continue, there could be a corresponding impact on sales tax, income tax and capital gains tax revenues.

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Based on revenue concerns, together with the significant costs incurred by the state during the power crisis, both Moody's and Standard & Poor's downgraded their ratings on state-issued debt in the spring of 2001 to Aa3 and A+ from Aa2 and AA, respectively. Fitch, the third major rating agency, affirmed the state's rating at AA, but revised its outlook to negative due to uncertainties surrounding the resolution of the state's power purchase program, the financial exposure of the general fund, and the potential long-term effects of the power crisis. Both Moody's and S&P also carry negative outlooks. Going forward, California's credit rating could depend largely on the state's ability to bring the proposed \$13 billion power issue to market in a timely manner.

Despite these events, California's municipal market performance was strong for the twelve months ended August 31, 2001. Among the state's top performing bond sectors were healthcare and education, while electric utilities staged a strong comeback in the past six months as legislative initiatives and falling electricity prices brought greater stability to the trading value of these bonds. During the first eight months of 2001, California remained the largest state issuer of municipal debt, with \$22 billion of new issuance. This represented an increase of 45% over January-August 2000 and exceeded the 39% average increase seen this year in the broad municipal market. As this report was being prepared, California successfully brought to market an additional \$5.7 billion in state notes, the largest one-day debt issuance in municipal market history, designed to recoup money paid from the general fund for emergency energy purchases during the power crisis and fund the state's operations over the next year. This issue sold rapidly to both retail and institutional investors, demonstrating the continued strong demand for California paper. In general, Californians, faced with one of the highest marginal income tax rates in the nation, remained avid buyers of in-state paper over the past twelve months.

#### HOW DID THESE NUVEEN CALIFORNIA FUNDS PERFORM OVER THE PAST TWELVE MONTHS?

For the year ended August 31, 2001, the four older Nuveen California Funds covered in this report - NPC, NCL, NCU, and NAC - produced total annual returns on net asset value (NAV) as shown in the accompanying table. The annual returns for the appropriate Lehman Brothers California Tax-Exempt Bond Index1 and Lipper California Peer Group2 are also presented.

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|     | MARKET YIELD |                                    | TOTAL RETURN<br>ON NAV     | CALIFORNIA<br>TOTAL RETURN <sup>1</sup> | CALIFORNIA<br>AVERAGE <sup>2</sup> |
|-----|--------------|------------------------------------|----------------------------|---|------------------------------------|
|     | 8/31/01      | TAXABLE<br>EQUIVALENT <sup>3</sup> | 1 YEAR<br>ENDED<br>8/31/01 | 1 YEAR<br>ENDED<br>8/31/01              | 1 YEAR<br>ENDED<br>8/31/01         |
| NPC | 5.32%        | 8.44%                              | 12.43%                     | 10.25%                                  | 11.59%                             |
| NCL | 5.34%        | 8.48%                              | 12.45%                     | 10.25%                                  | 11.59%                             |
| NCU | 5.50%        | 8.73%                              | 12.92%                     | 9.69%                                   | 11.79%                             |
| NAC | 5.56%        | 8.83%                              | 15.85%                     | 9.69%                                   | 11.79%                             |
| NVX | 5.68%        | 9.02%                              | NA                         |   |                                    |

Past performance is not predictive of future results.

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

Over the past twelve months, the combination of thin municipal supply in 2000, an end to the Fed's tightening agenda, and generally favorable market technicals created a positive total return environment for municipal bonds. The Funds' participation in the market's gains is reflected in the total returns on NAV listed in the previous table.

Between August 31, 2000, and August 31, 2001, the yield on the Bond Buyer 25 Revenue Bond Index fell from 5.72% to 5.22%. In this environment of falling yields (and rising bond values), funds with longer durations<sup>4</sup> would typically perform well. As of August 31, 2001, the durations of NPC and NCL were 8.99 and 8.54, respectively, compared with 8.58 for the unleveraged Lehman Brothers California Insured Tax-Exempt Bond Index. NCU's duration was 10.99, compared with 7.89 for the Lehman California Tax-Exempt Bond Index, while the two Nuveen California Dividend Advantage Funds - NAC (established in 1999) and NVX (established in 2001) - had durations of 11.85 and 11.25, respectively, which are typical of more recently established Funds. While NAC's longer duration was the main driver behind the Fund's total return for past twelve months, the relative performance of these Funds was also influenced by differences in structure as well as individual holdings. Over time, we plan to bring the durations of both NAC and NVX more closely in line with other Nuveen Funds. During the past six months, for example, NAC's duration was shortened from 16.86.

HOW DID THE MARKET ENVIRONMENT AFFECT THESE CALIFORNIA FUNDS' DIVIDENDS AND SHARE PRICES?

All of these Funds use leverage as a way to potentially enhance the dividends paid to common shareholders. This benefit is tied in part to the short-term rates the Funds pay their MuniPreferred(R) shareholders. For example, declining short-term rates can enable the

1 The performances of NPC and NCL are compared with that of the Lehman Brothers California Insured Tax-Exempt Bond Index, an unleveraged index comprising a broad range of insured California municipal bonds. The performances of NCU and NAC are compared with that of the Lehman California

Tax-Exempt Bond Index, an unleveraged index comprising a broad range of investment-grade California municipal bonds. Results for the Lehman indexes do not reflect any expenses.

- 2 The total returns of NPC and NCL are compared with the average annualized return of the 10 funds in the Lipper California Insured Municipal Debt Funds category, while NCU's and NAC's total returns are compared with the average annualized return of the 19 funds in the Lipper California Municipal Debt Funds category. Fund and Lipper returns assume reinvestment of dividends.
- 3 The taxable-equivalent yield represents the yield that must be earned on a taxable investment in order to equal the yield of the Nuveen Fund on an after-tax basis. The taxable-equivalent yield is based on the Fund's market yield on the indicated date and a combined federal and state income tax rate of 37%.
- 4 Duration is a measure of a Fund's NAV volatility in reaction to interest rate movements. Fund duration, also known as leverage-adjusted duration, takes into account the leveraging process for a Fund and therefore is generally longer than the duration of the actual portfolio of individual bonds that make up the Fund. References to duration in this commentary are intended to indicate Fund duration unless otherwise noted.

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Funds to adjust the amount of income they pay to preferred shareholders, which can produce benefits for common shareholders.

During the year ended August 31, 2001, steady or falling short-term interest rates, combined with good portfolio structure, helped to support the income streams of all four of the older California Funds. In addition, the lower short-term rates that resulted from the Fed easing of rates during the first eight months of 2001 enabled us to increase the dividends of NCL, NCU, and NAC in June 2001. As of August 31, 2001, these three Funds had each offered shareholders 15 consecutive months of steady or increasing dividends, while NPC had provided 15 consecutive months of stable income. NVX, which was introduced in March 2001, began paying dividends in May and we expect it will continue to provide very attractive levels of monthly tax-free income to shareholders.

In coming months, the lower rates offered by municipal securities with shorter maturities could potentially continue to benefit the Funds' dividends by reducing the amount these Funds pay their MuniPreferred shareholders. This, in turn, could leave more Fund earnings to support common share dividends. However, this trend could be offset by the effect of bond calls on the higher-yielding securities held by these portfolios, especially if refundings increase as interest rates decline. The level of short-term rates, the number of bond calls, and the interest rates at which we can reinvest the proceeds of any calls will all influence the dividends of these Nuveen Funds over the next twelve months.

During the past year, as the stock market remained volatile and the bond market continued to perform well, many investors turned to tax-free fixed-income investments as a way to add balance to their portfolios and reduce overall risk. As a result, the share prices of the four older Nuveen Funds improved (see the charts on the individual Performance Overview pages). On the whole, however, the NAVs of these Funds appreciated more rapidly than their share prices, and all four Funds continued to trade at slight discounts (share price below NAV). As of August 31, 2001, strong demand had benefited NVX's share price, which was trading at levels above its IPO (initial public offering) price earlier this year.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE NUVEEN CALIFORNIA FUNDS DURING THE YEAR ENDED AUGUST 31, 2001?

As evidenced by their twelve-month total returns on NAV, the four older Nuveen California Funds were generally well structured going into this period. Despite the tight supply of new municipal issuance during 2000, the Funds continued to meet their goal of keeping assets fully invested and working for shareholders. As issuance became more plentiful in 2001, this provided opportunities to enhance portfolio structure and strategically position the Funds for the next leg of the bond market cycle. We also took advantage of market conditions over the past year to improve the call protection of these Funds.

As insured funds, NPC and NCL are 100% invested in insured and/or U.S. guaranteed bonds, which means that credit quality is not an issue. The events of the past twelve months, including the California power crisis, offered an excellent example of the ways fully insured Funds such as these provide value and play an important role in the portfolios of investors who are risk-averse.

The non-insured Funds - NCU, NAC, and NVX - also offered excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging from 56% in NAC to 87% in NVX as of August 31, 2001. Each of these three Funds also had a portion of its assets invested in BBB and non-rated bonds, which benefited from narrowing credit spreads over the past few months. In 1999 and 2000, credit spreads, or the difference in yield between higher-rated and lower-rated bonds, widened overall. As this trend began to reverse itself in the first quarter of 2001, lower-rated bonds generally appreciated in price. This change is reflected in the performance of healthcare bonds during the first eight months of 2001, when they were the top sector in both the national and California municipal markets.

Among the Fund holdings benefiting from this trend were bonds issued by Central California Joint Powers Health Financing Authority for Community Hospitals of Central California, a healthcare provider in the Fresno metropolitan area. These bonds, which were held by NAC, were rated Baal/BBB+ and offered a 15.21% total return over the past twelve months. Another healthcare holding that performed well over the past year was Cedars-Sinai Medical Center, which was held in NAC.

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Overall, our focus in all of the Funds was finding attractive bonds with the potential to support the Funds' long-term dividend-payment capabilities and add value and diversification. For example, NPC and NCL recently added a total of \$11 million in certificates of participation issued for infrastructure development by the community of El Monte. These AMBAC-insured bonds, which were offered as a limited placement to institutional investors only, provided a yield of approximately 98% of 30-year Treasury yields at very attractive prices.

Earlier in 2001, we introduced the Nuveen California Dividend Advantage Municipal Fund 2 (NVX). As of August 31, 2001, NVX was fully invested and, in our opinion, performing well for shareholders. As mentioned earlier, the Fund met its dividend target, making its first monthly income payment in June 2001. In assembling NVX's broad-based portfolio, we focused on purchasing high-quality, long-term securities, as reflected in the Fund's 87% allocation of bonds rated AAA and AA. A Sacramento Municipal Utility District issue, one of NVX's largest holdings, is typical of the types of bonds we purchased for this Fund. These bonds also provide 11 years of call protection, which should help to protect NVX's income stream over this period. As of August 31, 2001, the Fund's three largest sector weightings were limited and general tax obligation issues and education bonds.



WHAT IS YOUR OUTLOOK FOR THE MUNICIPAL MARKET IN GENERAL AND THESE NUVEEN CALIFORNIA FUNDS IN PARTICULAR?

While it is still too soon to determine the long-range effects of the tragic events of September 11, 2001, on the markets and on your Funds, our general outlook for the fixed-income markets over the next twelve months remains positive. Because many new-issue offerings were postponed as a result of these events, a significant number of issues had to be priced in a short time as the markets stabilized, leading to higher yields in the municipal market relative to the taxable bond market. We expect to see substantial issuance continue during the fourth quarter of 2001, especially in the California market. If interest rates continue to fall and the pace of refundings accelerates, new municipal issuance nationwide in 2001 could exceed \$250 billion. At the same time, demand for tax-exempt municipal bonds is anticipated to stay strong, as investors look for ways to rebalance their portfolios and reduce potential risk. In general, we believe the Nuveen Funds are well positioned, and we will continue to closely monitor and respond to events as appropriate.

Looking specifically at these Nuveen California Funds, our strategic approach to bond calls over the past year generally improved the call protection levels of the older Nuveen Funds, with scheduled calls ranging from 2% in NAC to 19% in NCL and NCU between September 2001 and December 2003. Between now and the end of 2003, the newly established NVX has 5% of its portfolio subject to calls. NPC, however, will mark the ten-year anniversary of its inception in November 2002, reaching the point of the bond market cycle typically associated with an increase in call exposure. In 2002 and 2003, this Fund could see bond calls affecting as much as 30% of its portfolio, depending on market interest rates during this time. Given the current level of rates, our strategy will be to hold higher-yielding bonds as long as possible to help support NPC's dividend, while we look for attractive replacement opportunities that can extend the Fund's call protection. We believe all of these call positions are very manageable, especially given the timeframe, and we foresee no problems in working through them. While we cannot control the direction of interest rates, we continue to work to reduce the Funds' call exposure and to actively manage all of the Funds to mitigate the longer-term effects of the bond call process.

In our opinion, the Nuveen California Funds are well positioned for the market environment of the next twelve months. As value-oriented investors, we plan to remain focused on ways we can add value for our shareholders, provide support for the Funds' dividends, and watch new issuance for opportunities to purchase the research-intensive credits that fully utilize Nuveen's expertise in this area and help us adapt our strategies to changing market conditions. One of our priorities will be managing portfolio structure to strategically position the Funds for a potential economic recovery. This includes managing the Funds' durations conservatively and, in the non-insured Funds, taking advantage of narrowing credit spreads to further improve credit quality. Overall, we believe the Nuveen California Funds will continue to play an important role in investors' long-range financial programs, providing balance and diversification, dependable tax-free income, quality investments, and a measure of stability in uncertain times such as these.

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Nuveen Insured California Premium Income Municipal Fund, Inc.

Performance

Overview As of August 31, 2001

NPC

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Pie Chart:

|                 |     |
|-----------------|-----|
| CREDIT QUALITY  |     |
| Insured         | 82% |
| U.S. Guaranteed | 18% |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$15.69   |
| Net Asset Value  | \$16.04   |
| Market Yield   | 5.32%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 7.65%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 8.44%     |
| Fund Net Assets (\$000)  | \$148,068 |
| Average Effective Maturity (Years)   | 20.43     |
| Leverage-Adjusted Duration   | 8.99      |

ANNUALIZED TOTAL RETURN (Inception 11/92)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 14.12%         | 12.43% |
| 5-Year          | 8.44%          | 7.85%  |
| Since Inception | 6.38%          | 7.23%  |

TOP FIVE SECTORS (as a % of total investments)

|                        |     |
|------------------------|-----|
| Tax Obligation/Limited | 21% |
| U.S. Guaranteed        | 18% |
| Tax Obligation/General | 14% |
| Water and Sewer        | 14% |
| Healthcare             | 10% |

Bar Chart:

2000-2001 MONTHLY TAX-FREE DIVIDENDS PER SHARE<sup>2</sup>

|       |        |
|-------|--------|
| 9/00  | 0.0695 |
| 10/00 | 0.0695 |
| 11/00 | 0.0695 |
| 12/00 | 0.0695 |
| 1/01  | 0.0695 |
| 2/01  | 0.0695 |
| 3/01  | 0.0695 |

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|      |        |
|------|--------|
| 4/01 | 0.0695 |
| 5/01 | 0.0695 |
| 6/01 | 0.0695 |
| 7/10 | 0.0695 |
| 8/01 | 0.0695 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

|         |       |
|---------|-------|
| 9/01/00 | 14.63 |
|         | 14.94 |
|         | 14.75 |
|         | 14.69 |
|         | 14.56 |
|         | 14.56 |
|         | 14.38 |
|         | 14.06 |
|         | 14.19 |
|         | 14.56 |
|         | 14.25 |
|         | 14.44 |
|         | 14.44 |
|         | 14.31 |
|         | 14.44 |
|         | 14.5  |
|         | 14.75 |
|         | 14.75 |
|         | 15.19 |
|         | 15.38 |
|         | 15.25 |
|         | 15.3  |
|         | 15.02 |
|         | 15.2  |
|         | 15.2  |
|         | 15.25 |
|         | 15.19 |
|         | 15    |
|         | 14.78 |
|         | 14.78 |
|         | 14.92 |
|         | 14.85 |
|         | 14.65 |
|         | 14.64 |
|         | 15.1  |
|         | 14.85 |
|         | 14.81 |
|         | 14.9  |
|         | 15    |
|         | 15.2  |
|         | 14.95 |
|         | 14.8  |
|         | 14.9  |
|         | 14.98 |
|         | 15.01 |
|         | 15.08 |
|         | 15.05 |
|         | 15.25 |
|         | 15.45 |
|         | 15.65 |
|         | 15.7  |
| 8/31/01 | 15.69 |

Past performance is not predictive of future results.

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30.5%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37%.
- 2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0222 per share.

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Nuveen Insured California Premium Income Municipal Fund 2, Inc.

Performance

Overview As of August 31, 2001

NCL

Pie Chart:

CREDIT QUALITY

|                             |     |
|-----------------------------|-----|
| Insured                     | 93% |
| Insured and U.S. Guaranteed | 4%  |
| U.S. Guaranteed             | 3%  |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$14.83   |
| Net Asset Value  | \$15.01   |
| Market Yield   | 5.34%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 7.68%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 8.48%     |
| Fund Net Assets (\$000)  | \$284,633 |
| Average Effective Maturity (Years)   | 18.53     |
| Leverage-Adjusted Duration   | 8.54      |

ANNUALIZED TOTAL RETURN (Inception 3/93)

|        | ON SHARE PRICE | ON NAV |
|--------|----------------|--------|
| 1-Year | 11.99%         | 12.45% |
| 5-Year | 9.44%          | 8.24%  |

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|                 |       |       |
|-----------------|-------|-------|
| Since Inception | 5.72% | 6.48% |
|-----------------|-------|-------|

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/Limited            | 41% |
| Tax Obligation/General            | 12% |
| Water and Sewer                   | 8%  |
| U.S.Guaranteed                    | 7%  |
| Education and Civic Organizations | 7%  |

Bar Chart:  
2000-2001 MONTHLY TAX-FREE DIVIDENDS PER SHARE<sup>2</sup>

|       |        |
|-------|--------|
| 9/00  | 0.0645 |
| 10/00 | 0.0645 |
| 11/00 | 0.0645 |
| 12/00 | 0.0645 |
| 1/01  | 0.0645 |
| 2/01  | 0.0645 |
| 3/01  | 0.0645 |
| 4/01  | 0.0645 |
| 5/01  | 0.0645 |
| 6/01  | 0.066  |
| 7/10  | 0.066  |
| 8/01  | 0.066  |

Line Chart:  
SHARE PRICE PERFORMANCE  
Weekly Closing Price  
9/01/00 13.94

14  
13.88  
13.75  
13.75  
13.38  
13.31  
13.38  
13.25  
13.25  
13.31  
13.13  
13.25  
13.19  
13.38  
13.69  
13.81  
14  
14.69  
14.88  
14.56  
14.67  
14.51  
14.45  
14.35  
14.39

|         |       |
|---------|-------|
|         | 14.2  |
|         | 13.88 |
|         | 13.63 |
|         | 14.02 |
|         | 13.91 |
|         | 13.61 |
|         | 13.72 |
|         | 13.66 |
|         | 13.79 |
|         | 13.91 |
|         | 13.96 |
|         | 13.8  |
|         | 13.9  |
|         | 13.96 |
|         | 13.82 |
|         | 13.96 |
|         | 14    |
|         | 14.05 |
|         | 14.1  |
|         | 14.26 |
|         | 14.47 |
|         | 14.53 |
|         | 14.85 |
|         | 14.88 |
|         | 14.91 |
| 8/31/01 | 14.83 |

Past performance is not predictive of future results.

- 1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30.5%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37%.
- 2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0012 per share.

8

Nuveen California Premium Income Municipal Fund

Performance

Overview As of August 31, 2001

NCU

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 60% |
| AA                  | 10% |
| A                   | 6%  |
| BBB                 | 7%  |
| NR                  | 14% |
| Other               | 3%  |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$14.17   |
| Net Asset Value  | \$14.22   |
| Market Yield   | 5.50%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate) <sup>1</sup>           | 7.91%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate) <sup>1</sup> | 8.73%     |
| Fund Net Assets (\$000)  | \$125,067 |
| Average Effective Maturity (Years)   | 17.56     |
| Leverage-Adjusted Duration   | 10.99     |

ANNUALIZED TOTAL RETURN (Inception 6/93)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 12.84%         | 12.92% |
| 5-Year          | 9.70%          | 8.24%  |
| Since Inception | 5.34%          | 6.05%  |

TOP FIVE SECTORS (as a % of total investments)

|                        |     |
|------------------------|-----|
| Tax Obligation/Limited | 32% |
| Tax Obligation/General | 14% |
| Healthcare             | 13% |
| Housing/Multifamily    | 12% |
| U.S.Guaranteed         | 10% |

Bar Chart:

2000-2001 MONTHLY TAX-FREE DIVIDENDS PER SHARE<sup>2</sup>

|       |       |
|-------|-------|
| 9/00  | 0.064 |
| 10/00 | 0.064 |
| 11/00 | 0.064 |
| 12/00 | 0.064 |
| 1/01  | 0.064 |
| 2/01  | 0.064 |
| 3/01  | 0.064 |
| 4/01  | 0.064 |
| 5/01  | 0.064 |
| 6/01  | 0.065 |
| 7/10  | 0.065 |

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8/01 0.065

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

|         |       |
|---------|-------|
| 9/01/00 | 13.31 |
|         | 13.38 |
|         | 13.31 |
|         | 13.13 |
|         | 13.19 |
|         | 13    |
|         | 12.88 |
|         | 12.5  |
|         | 12.5  |
|         | 12.81 |
|         | 12.94 |
|         | 12.81 |
|         | 12.94 |
|         | 13.06 |
|         | 13    |
|         | 13.06 |
|         | 13.19 |
|         | 13.69 |
|         | 13.88 |
|         | 13.94 |
|         | 14.06 |
|         | 14.08 |
|         | 13.97 |
|         | 14    |
|         | 14    |
|         | 14.02 |
|         | 14    |
|         | 13.56 |
|         | 13    |
|         | 13.3  |
|         | 13.49 |
|         | 13.18 |
|         | 13.05 |
|         | 13.09 |
|         | 13.01 |
|         | 13.18 |
|         | 13.35 |
|         | 13.28 |
|         | 13.25 |
|         | 13.48 |
|         | 13.41 |
|         | 13.36 |
|         | 13.53 |
|         | 13.45 |
|         | 13.46 |
|         | 13.5  |
|         | 13.54 |
|         | 13.9  |
|         | 14.03 |
|         | 14.21 |
|         | 14.2  |
| 8/31/01 | 14.17 |

Past performance is not predictive of future results.

1 Taxable-equivalent yield represents the yield on a taxable investment



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necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30.5%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37%.

- 2 The Fund also paid shareholders a net ordinary income distribution in December 2000 of \$0.0151 per share.

9

Nuveen California Dividend Advantage Municipal Fund

Performance

Overview As of August 31, 2001

NAC

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 46% |
| AA                  | 10% |
| A                   | 20% |
| BBB                 | 14% |
| NR                  | 10% |

PORTFOLIO STATISTICS

|  |           |
|--|-----------|
| Share Price  | \$14.89   |
| Net Asset Value  | \$15.13   |
| Market Yield   | 5.56%     |
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate)1           | 8.00%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate)1 | 8.83%     |
| Fund Net Assets (\$000)  | \$529,197 |
| Average Effective Maturity (Years)                               | 25.27     |
| Leverage-Adjusted Duration                                       | 11.85     |

ANNUALIZED TOTAL RETURN (Inception 5/99)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| 1-Year          | 15.06%         | 15.85% |
| Since Inception | 5.80%          | 8.64%  |

TOP FIVE SECTORS (as a % of total investments)

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|                        |       |
|------------------------|-------|
| Tax Obligation/Limited | 19%   |
| -----                  | ----- |
| Transportation         | 16%   |
| -----                  | ----- |
| Water and Sewer        | 16%   |
| -----                  | ----- |
| Healthcare             | 13%   |
| -----                  | ----- |
| Utilities              | 9%    |
| -----                  | ----- |

Bar Chart:

2000-2001 MONTHLY TAX-FREE DIVIDENDS PER SHARE

|       |       |
|-------|-------|
| 9/00  | 0.067 |
| 10/00 | 0.067 |
| 11/00 | 0.067 |
| 12/00 | 0.067 |
| 1/01  | 0.067 |
| 2/01  | 0.067 |
| 3/01  | 0.067 |
| 4/01  | 0.067 |
| 5/01  | 0.067 |
| 6/01  | 0.069 |
| 7/10  | 0.069 |
| 8/01  | 0.069 |

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

|         |       |
|---------|-------|
| 9/01/00 | 13.69 |
|         | 13.75 |
|         | 13.31 |
|         | 13.25 |
|         | 13    |
|         | 13    |
|         | 12.88 |
|         | 12.94 |
|         | 13.13 |
|         | 13.06 |
|         | 12.88 |
|         | 13.19 |
|         | 12.94 |
|         | 12.81 |
|         | 13.06 |
|         | 13.69 |
|         | 13.69 |
|         | 14.13 |
|         | 14.5  |
|         | 14.63 |
|         | 14.69 |
|         | 14.38 |
|         | 14.45 |
|         | 14.24 |
|         | 14.2  |
|         | 14.48 |
|         | 14.15 |
|         | 14.06 |
|         | 13.41 |
|         | 14.3  |
|         | 13.7  |

|         |       |
|---------|-------|
|         | 13.44 |
|         | 13.49 |
|         | 13.44 |
|         | 13.7  |
|         | 14    |
|         | 14    |
|         | 13.92 |
|         | 13.9  |
|         | 14    |
|         | 14    |
|         | 13.98 |
|         | 13.94 |
|         | 14.13 |
|         | 14.19 |
|         | 14.25 |
|         | 14.42 |
|         | 14.7  |
|         | 14.81 |
|         | 14.9  |
|         | 14.81 |
| 8/31/01 | 14.89 |

Past performance is not predictive of future results.

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30.5%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37%.

10

Nuveen California Dividend Advantage Municipal Fund 2

Performance

Overview As of August 31, 2001

NVX

Pie Chart:

CREDIT QUALITY

|                     |     |
|---------------------|-----|
| AAA/U.S. Guaranteed | 75% |
| AA                  | 12% |
| A                   | 3%  |
| BBB                 | 2%  |
| NR                  | 6%  |
| Other               | 2%  |

PORTFOLIO STATISTICS

|                 |         |
|-----------------|---------|
| Share Price     | \$15.21 |
| Net Asset Value | \$15.11 |
| Market Yield    | 5.68%   |

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|  |           |
|--|-----------|
| Taxable-Equivalent Yield<br>(Federal Income Tax Rate)1           | 8.17%     |
| Taxable-Equivalent Yield<br>(Federal and State Income Tax Rate)1 | 9.02%     |
| Fund Net Assets (\$000)  | \$333,440 |
| Average Effective Maturity (Years)                               | 26.09     |
| Leverage-Adjusted Duration                                       | 11.25     |

TOTAL RETURN (Inception 3/01)

|                 | ON SHARE PRICE | ON NAV |
|-----------------|----------------|--------|
| Since Inception | 3.40%          | 7.55%  |

TOP FIVE SECTORS (as a % of total investments)

|                                   |     |
|-----------------------------------|-----|
| Tax Obligation/Limited            | 31% |
| Tax Obligation/General            | 16% |
| Education and Civic Organizations | 13% |
| Water and Sewer                   | 11% |
| Utilities                         | 11% |

Bar Chart:

2001 Monthly Tax-Free Dividends Per Share

|      |       |
|------|-------|
| 5/01 | 0.072 |
| 6/01 | 0.072 |
| 7/10 | 0.072 |
| 8/01 | 0.072 |

Line Chart:

Share Price Performance

Weekly Closing Price

|         |       |
|---------|-------|
| 3/30/01 | 15    |
|         | 15.12 |
|         | 15.01 |
|         | 15.07 |
|         | 15.01 |
|         | 15.14 |
|         | 15.07 |
|         | 14.99 |
|         | 14.72 |
|         | 14.7  |
|         | 14.5  |
|         | 14.56 |
|         | 14.39 |
|         | 14.42 |
|         | 14.79 |
|         | 15    |
|         | 15.02 |

|         |       |
|---------|-------|
|         | 14.8  |
|         | 15.07 |
|         | 15.1  |
|         | 15.24 |
|         | 15.34 |
| 8/31/01 | 15.21 |

Past performance is not predictive of future results.

1 Taxable-equivalent yield represents the yield on a taxable investment necessary to equal the yield of the Nuveen Fund on an after-tax basis. It is calculated using the current market yield and a federal income tax rate of 30.5%. The rate shown for federal and state highlights the added value of owning shares that are also exempt from state income taxes. It is based on a combined federal and state income tax rate of 37%.

11

Report of  
Independent Auditors

THE BOARDS OF DIRECTORS, TRUSTEES AND SHAREHOLDERS  
NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND, INC.  
NUVEEN INSURED CALIFORNIA PREMIUM INCOME MUNICIPAL FUND 2, INC.  
NUVEEN CALIFORNIA PREMIUM INCOME MUNICIPAL FUND  
NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND  
NUVEEN CALIFORNIA DIVIDEND ADVANTAGE MUNICIPAL FUND 2

We have audited the accompanying statements of net assets, including the portfolios of investments, of Nuveen Insured California Premium Income Municipal Fund, Inc., Nuveen Insured California Premium Income Municipal Fund 2, Inc., Nuveen California Premium Income Municipal Fund, Nuveen California Dividend Advantage Municipal Fund and Nuveen California Dividend Advantage Municipal Fund 2 as of August 31, 2001, and the related statements of operations, changes in net assets and the financial highlights for the periods indicated therein. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of August 31, 2001, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Insured California Premium Income Municipal Fund, Inc., Nuveen Insured California Premium Income Municipal Fund 2, Inc., Nuveen California Premium Income Municipal Fund, Nuveen California Dividend Advantage Municipal Fund and

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Nuveen California Dividend Advantage Municipal Fund 2 at August 31, 2001, and the results of their operations, changes in their net assets and financial highlights for the periods indicated therein in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Chicago, Illinois  
October 12, 2001

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Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC)  
Portfolio of  
Investments August 31, 2001

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|--|-----------------------------|
| -----                     |  |                             |
|                           | EDUCATION AND CIVIC ORGANIZATIONS - 5.6%   |                             |
| \$ 2,000                  | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996, 5.750%, 9/01/26  | 9/06 at 102                 |
| 6,620                     | California Educational Facilities Authority, Refunding Revenue Bonds (Loyola Marymount University), Series 2001A, 0.000%, 10/01/35   | No Opt. Call                |
| 5,000                     | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)   | 3/08 at 102                 |
| -----                     |  |                             |
|                           | HEALTHCARE - 9.5%  |                             |
| 3,000                     | California Health Facilities Financing Authority, Insured Revenue Bonds (Sutter Health), Series 1998A, 5.375%, 8/15/30   | 8/08 at 101                 |
|                           | California Statewide Communities Development Authority, Sutter Health Obligated Group, Certificates of Participation:  |                             |
| 1,500                     | 5.500%, 8/15/19  | 8/09 at 101                 |
| 4,000                     | 6.125%, 8/15/22  | 8/02 at 102                 |
| 4,800                     | The Regents of the University of California, Hospital Revenue Bonds (UC Davis Medical Center), Series 1996, 5.750%, 7/01/24  | 7/06 at 101                 |
| -----                     |  |                             |
|                           | HOUSING/MULTIFAMILY - 6.0%   |                             |
| 1,000                     | ABAG Finance Authority for Nonprofit Corporations, California, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A, 5.800%, 9/01/20 (Alternative Minimum Tax) | 9/09 at 100                 |
| 3,650                     | California Housing Finance Agency, Multi-Unit Rental Housing Revenue Bonds, Series 1992A-II, 6.625%, 2/01/24 (Alternative Minimum Tax)   | 2/03 at 102                 |

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|  |  |              |
|--|--|--------------|
| 3,965  | The City of Los Angeles (California), Tax-Exempt Mortgage Revenue Refunding Bonds, Series 1993A (FHA-Insured Mortgage Loans - Section 8 Assisted Projects), 6.300%, 1/01/25        | 7/02 at 102  |
| -----  |  |              |
| HOUSING/SINGLE FAMILY - 3.3%                                   |  |              |
| 1,655  | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax)   | 2/07 at 102  |
| 3,000  | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998Q, 5.050%, 8/01/17  | 8/08 at 101  |
| -----  |  |              |
| TAX OBLIGATION/GENERAL - 14.3%                                 |  |              |
| State of California, Various Purpose General Obligation Bonds: |  |              |
| 7,995  | 5.750%, 3/01/22  | 3/10 at 101  |
| 2,000  | 5.750%, 3/01/27  | 3/10 at 101  |
| 1,225  | Fresno Unified School District (Fresno County, California), General Obligation Refunding Bonds, Series 1998A, 6.550%, 8/01/20  | 2/13 at 103  |
| 2,500  | Fresno Unified School District (Fresno County, California), General Obligation Bonds, Election of 2001, Series 2001A, 5.125%, 8/01/26  | 8/09 at 102  |
| 2,000  | City of Los Angeles, California, Unified School District, General Obligation Bonds, 1997 Series A, 5.000%, 7/01/21   | 7/08 at 102  |
| 500  | Los Angeles Unified School District, California, General Obligation Bonds, Election of 1997, 2000 Series D, 5.375%, 7/01/25  | 7/10 at 100  |
| 3,000  | Pomona Unified School District, California, General Obligation Refunding Bonds, Series 1997-A, 6.500%, 8/01/19   | 8/11 at 103  |
| -----  |  |              |
| TAX OBLIGATION/LIMITED - 20.7%                                 |  |              |
| 2,000  | State Public Works Board of the State of California, Lease Revenue Bonds (California Department of Health Services), 1999 Series A (Richmond Laboratory Project), 5.750%, 11/01/24 | 11/09 at 101 |
| 5,000  | City of El Monte, California, Department of Public Services Facility Phase II, Certificates of Participation, Senior Lien Series 2001, 5.250%, 1/01/34                             | 1/11 at 100  |
| 4,000  | Los Angeles County Metropolitan Transportation Authority, California, Sales Tax Revenue Refunding Bonds, Proposition A, Series 1993-A, 5.000%, 7/01/21                             | 7/03 at 100  |

13

Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC) (Portfolio of Investments August 31, 2001)

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|-------------|-----------------------------|
|---------------------------|-------------|-----------------------------|

TAX OBLIGATION/LIMITED (continued)

|    |       |  |              |
|----|-------|--|--------------|
| \$ | 4,000 | Norco Redevelopment Agency, California, Refunding Tax Allocation Bonds (Norco Redevelopment Project Area No. One), Series 1992, 6.250%, 3/01/19  | 3/02 at 102  |
|    | 2,135 | City of San Buenaventura, California, Refunding Certificates of Participation (Capital Improvements Project), Series 1993, 5.500%, 1/01/17       | 1/03 at 100  |
|    | 9,500 | Redevelopment Agency of the City of San Jose, California, Tax Allocation Bonds (Merged Area Redevelopment Project), Series 1993, 4.750%, 8/01/24 | 2/04 at 102  |
|    | 3,600 | Santa Clara County Financing Authority, California, Lease Revenue Bonds (VMC Facility Replacement Project), 1994 Series A, 5.000%, 11/15/22      | 11/07 at 102 |

U.S. GUARANTEED - 18.2%

|  |       |  |              |
|--|-------|--|--------------|
|  | 6,000 | Huntington Park Redevelopment Agency, California, Single Family Residential Mortgage Revenue Refunding Bonds, 1986 Series A, 8.000%, 12/01/19                                  | No Opt. Call |
|  | 5,135 | Community Redevelopment Agency of the City of Palmdale, California, Single Family Mortgage Revenue Bonds, Series 1986A Restructured, 8.000%, 3/01/16 (Alternative Minimum Tax) | No Opt. Call |
|  | 6,220 | County of Riverside, California, Single Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities Program), Issue A of 1987, 9.000%, 5/01/21 (Alternative Minimum Tax)    | No Opt. Call |
|  | 1,485 | City of San Jose, California, Single Family Mortgage Revenue Bonds, 1985 Series A, 9.500%, 10/01/13  | No Opt. Call |

UTILITIES - 7.0%

|  |       |   |              |
|--|-------|---|--------------|
|  | 4,000 | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), 1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax) | 12/02 at 102 |
|  | 4,000 | City of Chula Vista, California, Industrial Development Revenue Bonds (San Diego Gas and Electric Company), 1992 Series A, 6.400%, 12/01/27 (Alternative Minimum Tax)             | 12/02 at 102 |
|  | 2,000 | Sacramento Municipal Utility District (California), Electric Revenue Refunding Bonds, 1992 Series A, 5.750%, 8/15/13  | 8/02 at 100  |

WATER AND SEWER - 14.1%

|  |       |   |              |
|--|-------|---|--------------|
|  | 7,000 | The City of Los Angeles, California, Wastewater System Revenue Bonds, Series 1993D, 4.700%, 11/01/19            | 11/03 at 102 |
|  | 3,400 | Public Facilities Financing Authority of the City of San Diego (California), Sewer Revenue Bonds, Series 1997A, | 5/07 at 101  |



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|            |   |              |  |
|------------|---|--------------|--|
|            | 5.250%, 5/15/22   |              |  |
| 1,390      | City of Santa Monica, California, Wastewater Enterprise Revenue Bonds (Hyperion Project), 1993 Refunding Series, 4.500%, 1/01/15      | 1/04 at 102  |  |
| 5,000      | Wheeler Ridge-Maricopa Water Storage District (Kern County, California), 1996 Water Refunding Bonds, 5.700%, 11/01/15                 | 11/06 at 102 |  |
| 3,425      | City of Woodland (Yolo County, California), Certificates of Participation (1992 Wastewater System Refunding Project), 5.500%, 3/01/18 | 3/03 at 100  |  |
| -----      |   |              |  |
| \$ 138,700 | Total Investments (cost \$129,845,249) - 98.7%  |              |  |
| =====      |   |              |  |
|            | Other Assets Less Liabilities - 1.3%  |              |  |
|            | Net Assets - 100%   |              |  |
| =====      |   |              |  |

All of the bonds in the portfolio are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

- \* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
- \*\* Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

See accompanying notes to financial statements.

14

Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
 Portfolio of  
 Investments August 31, 2001

| PRINCIPAL AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL PROVISIONS |
|------------------------|---|--------------------------|
| -----                  |   |                          |
|                        | EDUCATION AND CIVIC ORGANIZATIONS - 7.0%  |                          |
|                        | California Educational Facilities Authority, Revenue Bonds (Santa Clara University), Series 1996: |                          |
| \$ 2,400               | 5.750%, 9/01/21   | 9/06 at 102              |
| 3,000                  | 5.750%, 9/01/26   | 9/06 at 102              |

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|       |  |                 |
|-------|--|-----------------|
| 2,000 | California Educational Facilities Authority, Revenue Bonds (University of the Pacific), Series 2000, 5.875%, 11/01/20  | 11/10 at 100    |
|       | California Educational Facilities Authority, Revenue Bonds (Loyola Marymount University), Series 2001A Refunding:  |                 |
| 6,615 | 0.000%, 10/01/33   | No Opt. Call    |
| 6,615 | 0.000%, 10/01/34   | No Opt. Call    |
| 5,000 | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax)                                     | 3/08 at 102     |
|       | California Infrastructure and Economic Development Bank, Revenue Bonds (Asian Art Museum of San Francisco Project), Series 2000:   |                 |
| 1,295 | 5.500%, 6/01/19  | 6/10 at 101     |
| 1,000 | 5.500%, 6/01/20  | 6/10 at 101     |
| 1,900 | The Regents of the University of California, University of California Housing System Revenue Bonds, Series A, 5.500%, 11/01/18   | 11/03 at 102    |
| ----- |  |                 |
|       | HEALTHCARE - 3.4%  |                 |
| 1,450 | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Mark Twain St. Joseph's Healthcare), 1996 Series A, 6.000%, 7/01/19                         | 7/06 at 102     |
| 5,000 | California Health Facilities Financing Authority, Insured Health Facility Refunding Revenue Bonds (Catholic Healthcare West), 1996 Series A, 6.000%, 7/01/25                                   | 7/06 at 102     |
| 2,500 | City of Oakland, California, Insured Revenue Bonds (1800 Harrison Foundation - Kaiser Permanente), Series 1999A, 6.000%, 1/01/29   | 1/10 at 100     |
| ----- |  |                 |
|       | HOUSING/MULTIFAMILY - 6.3%   |                 |
|       | ABAG Finance Authority for Nonprofit Corporations, California, Multifamily Housing Revenue Bonds (Civic Center Drive Apartments Project), 1999 Series A:                                       |                 |
| 4,000 | 5.800%, 9/01/20 (Alternative Minimum Tax)  | 9/09 at 100     |
| 1,370 | 5.875%, 3/01/32 (Alternative Minimum Tax)  | 9/09 at 100     |
| 4,085 | The Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds, 1995 Series A (Angelus Plaza Project), 7.400%, 6/15/10                 | 6/05 at 105     |
| 7,400 | Housing Authority of the County of Santa Cruz, California, Tax-Exempt Multifamily Housing Revenue Refunding Bonds, Series 1993A (GNMA Collateralized - Meadowview Apartments), 6.125%, 5/20/28 | 5/03 at 102     |
| ----- |  |                 |
|       | HOUSING/SINGLE FAMILY - 3.2%   |                 |
| 4,805 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series C-2, 5.625%, 8/01/20 (Alternative Minimum Tax)   | 8/07 at 101 1/2 |

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|        |  |                |
|--------|--|----------------|
| 1,395  | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1996 Series E, 6.150%, 8/01/25 (Alternative Minimum Tax) | 2/06 at 102    |
| 14,200 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1999B, 0.000%, 2/01/30 (Alternative Minimum Tax)  | 2/09 at 32 1/8 |

-----  
TAX OBLIGATION/GENERAL - 11.9%

|       |   |              |
|-------|---|--------------|
| 1,460 | ABC Unified School District (Los Angeles County, California), General Obligation Bonds, Election of 1997, Series B, 5.750%, 8/01/16 | 8/10 at 101  |
| 485   | State of California, General Obligation Veterans Welfare Bonds, Series 1997BH, 5.500%, 12/01/24 (Alternative Minimum Tax)           | 12/03 at 102 |

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Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Portfolio of Investments August 31, 2001

|                           |             |                             |
|---------------------------|-------------|-----------------------------|
| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|-------------|-----------------------------|

-----

TAX OBLIGATION/GENERAL (continued)

|    |       |  |              |
|----|-------|--|--------------|
| \$ | 7,995 | State of California, Various Purpose General Obligation Bonds: 5.750%, 3/01/22   | 3/10 at 101  |
|    | 2,500 | 5.500%, 9/01/24  | 9/09 at 101  |
|    | 2,000 | 5.750%, 3/01/27  | 3/10 at 101  |
|    | 2,575 | Calipatria Unified School District (Imperial County, California), General Obligation Bonds, 1996 Series A, 5.625%, 8/01/13                           | 8/06 at 102  |
|    | 3,000 | Escondido Union High School District (San Diego County, California), General Obligation Bonds, Election of 1996, 5.700%, 11/01/10                    | 11/06 at 102 |
|    |       | Fresno Unified School District (Fresno County, California), General Obligation Bonds, Election of 1995, Series 2001F:                                |              |
|    | 1,065 | 5.125%, 8/01/21  | 8/09 at 102  |
|    | 1,160 | 5.125%, 8/01/22  | 8/09 at 102  |
|    | 1,220 | 5.125%, 8/01/23  | 8/09 at 102  |
|    | 1,000 | 5.125%, 8/01/25  | 8/09 at 102  |
|    | 1,500 | Hacienda La Puente Unified School District, County of Los Angeles, California, General Obligation Bonds, Election of 2000, Series A, 5.250%, 8/01/25 | 8/10 at 101  |
|    | 1,750 | Lake Tahoe Unified School District (El Dorado County, California), General Obligation Bonds, Election of 1999, Series A, 5.250%, 8/01/24             | 8/09 at 100  |
|    | 2,000 | Unified School District (City of Los Angeles, California), General Obligation Bonds, Series 1997A, 5.000%, 7/01/21                                   | 7/08 at 102  |
|    | 1,850 | Sacramento City Unified School District (Sacramento County,  | 7/09 at 102  |

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California), General Obligation Bonds, Series 2000A,  
5.750%, 7/01/18

---

| TAX OBLIGATION/LIMITED - 40.7% |  |              |
|--------------------------------|--|--------------|
| 3,620                          | Alameda County Public Facilities Corporation, California, Certificates of Participation (1991 Financing Project), 6.000%, 9/01/21  | 9/06 at 102  |
| 6,985                          | County of Alameda, California, 1993 Refunding Certificates of Participation (Santa Rita Jail Project), 5.700%, 12/01/14  | 12/03 at 102 |
|                                | Anaheim Public Financing Authority, California, Lease Revenue Bonds (Anaheim Public Improvements Project), Subordinate Lease Revenue Bonds, 1997 Series C:   |              |
| 5,130                          | 0.000%, 9/01/18  | No Opt. Call |
| 8,000                          | 0.000%, 9/01/21  | No Opt. Call |
| 1,800                          | California Public School District Financing Authority, Lease Revenue Bonds (Southern Kern Unified School District Projects), Series 1996B, 5.800%, 9/01/16   | 9/06 at 102  |
| 5,250                          | State Public Works Board of the State of California, Lease Revenue Bonds, Department of Corrections, 1996 Series A (California Substance Abuse Treatment Facility and State Prison at Corcoran and Corcoran II), 5.250%, 1/01/21 | 1/06 at 100  |
| 3,450                          | State Public Works Board of the State of California, Lease Revenue Bonds (California Department of Health Services), 1999 Series A (Richmond Laboratory Project), 5.750%, 11/01/24   | 11/09 at 101 |
| 5,000                          | Community Redevelopment Agency of the City of Compton, California, Refunding Tax Allocation Bonds (Compton Redevelopment Project), Series 1995A (Project Tax Revenues, Subventions, and Housing Tax Revenues), 6.500%, 8/01/13   | 8/05 at 102  |
| 4,000                          | County of Contra Costa, California, Certificates of Participation (Merrithew Memorial Hospital Replacement Project), Refunding Series of 1997, 5.500%, 11/01/22  | 11/07 at 102 |
| 6,000                          | City of El Monte, California, Department of Public Services Facility Phase II, Certificates of Participation, Senior Lien Series 2001, 5.000%, 1/01/21   | 1/11 at 100  |
| 3,000                          | Galt Schools Joint Powers Authority (Sacramento County, California), 1997 Refunding Revenue Bonds (High School and Elementary School Facilities), Series A, 5.875%, 11/01/24   | 11/07 at 102 |
| 5,000                          | Kern County Board of Education, California, Refunding Certificates of Participation, 1998 Series A, 5.200%, 5/01/28  | 5/08 at 102  |
| 5,000                          | La Quinta Redevelopment Agency, California, Tax Allocation Refunding Bonds (La Quinta Redevelopment Project Area No. 1), Series 1998, 5.200%, 9/01/28  | 9/07 at 102  |
| 3,865                          | Los Angeles County Metropolitan Transportation Authority, California, Proposition C Sales Tax Revenue Bonds, Second Senior Lien Series 2000A, 5.250%, 7/01/30  | 7/10 at 101  |

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| PRINCIPAL<br>AMOUNT (000)          | DESCRIPTION   | OPTIONAL CALL<br>PROVISIONS |
|------------------------------------|---|-----------------------------|
| -----                              |   |                             |
| TAX OBLIGATION/LIMITED (continued) |   |                             |
| \$ 2,020                           | Menifee Union School District (Riverside County, California),<br>Certificates of Participation (1996 School Project),<br>6.125%, 9/01/24  | 9/06 at 102                 |
| 2,690                              | Norwalk Community Facilities Financing Authority (Los Angeles<br>County, California), Tax Allocation Refunding Revenue Bonds,<br>1995 Series A, 6.000%, 9/01/15   | 9/05 at 102                 |
| 2,000                              | Poway Redevelopment Agency, California, Tax Allocation<br>Refunding Bonds, Paguay Redevelopment Project, Series 2000,<br>5.750%, 6/15/33  | 12/10 at 102                |
| 3,000                              | Puerto Rico Highway and Transportation Authority, Highway<br>Revenue Bonds, Series X, 5.000%, 7/01/22   | 7/03 at 101 1/2             |
| 9,000                              | City of Redlands, California, Certificates of Participation (1993<br>Refunding of 1986 and 1987 Projects), 5.800%, 9/01/17  | 9/03 at 102                 |
| 5,000                              | San Bernardino Joint Powers Financing Authority, California,<br>Refunding Certificates of Participation (Police Station - South<br>Valle Refundings and 201 Building Projects), 5.500%, 9/01/20         | 9/09 at 102                 |
| 3,500                              | San Francisco Bay Area Rapid Transit District, California, Sales<br>Tax Revenue Bonds, Series 1999, 5.500%, 7/01/34   | 7/09 at 101                 |
| 1,930                              | Santa Margarita/Dana Point Authority, Orange County, California,<br>Revenue Bonds (1994 Improvement Districts Nos. 1, 2, 2A<br>and 8 General Obligation Bond Refinancing), Series A,<br>7.250%, 8/01/05 | No Opt. Call                |
| 3,000                              | South Orange County Public Financing Authority (California),<br>Special Tax Revenue Bonds, 1994 Series C (Foothill Area):<br>8.000%, 8/15/08  | No Opt. Call                |
| 6,830                              | 8.000%, 8/15/09   | No Opt. Call                |
| 3,855                              | Redevelopment Agency of Suisun City (County of Solano,<br>California), 1993 Tax Allocation Refunding Bonds (Suisun City<br>Redevelopment Project), 5.900%, 10/01/23                                     | 10/03 at 102                |
| 5,450                              | Visalia Public Finance Authority, California, Refunding Certificates<br>of Participation (Motor Vehicle License Fee Enhancement),<br>Series 1996A, 5.375%, 12/01/26                                     | 12/06 at 102                |
| -----                              |   |                             |
| TRANSPORTATION - 4.1%              |   |                             |
| 6,500                              | Foothill/Eastern Transportation Corridor Agency, California,<br>Toll Road Refunding Revenue Bonds, Series 1999, 0.000%, 1/15/18   | 1/10 at 65 5/16             |
| 5,000                              | Airports Commission of the City and County of San Francisco,<br>California, San Francisco International Airport, Second Series  | 5/11 at 100                 |

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Revenue Refunding Bonds, Issue 27A, 5.250%, 5/01/31  
(Alternative Minimum Tax)

3,750 City of San Jose, California, Airport Revenue Bonds, Series of 1993, 3/03 at 102  
5.700%, 3/01/18 (Alternative Minimum Tax)

-----  
U.S. GUARANTEED - 7.4%

3,000 Central Unified School District (Fresno County, California), 3/03 at 102  
General Obligation Bonds, Election of 1992, 5.625%, 3/01/18  
(Pre-refunded to 3/01/03)

4,320 County of Riverside, California, Single Family Mortgage Revenue No Opt. Call  
Bonds (GNMA Mortgage-Backed Securities Program), Issue B  
of 1987, 8.625%, 5/01/16 (Alternative Minimum Tax)

9,000 Airports Commission of the City and County of San Francisco, 5/04 at 101  
California, San Francisco International Airport, Second Series  
Revenue Bonds, Issue 8B, 6.100%, 5/01/20 (Pre-refunded to 5/01/04)

1,570 City of Torrance, California, Floating Rate Demand Hospital Revenue 12/05 at 100  
Bonds (Little Company of Mary Hospital), 1985 Series A,  
7.100%, 12/01/15 (Pre-refunded to 12/01/05)

-----  
UTILITIES - 7.0%

3,740 California Pollution Control Financing Authority, Pollution Control 9/09 at 101  
Revenue Refunding Bonds (Southern California Edison Company),  
1999 Series B, 5.450%, 9/01/29

3,215 Modesto Irrigation District Financing Authority (California), 10/06 at 102  
Refunding Revenue Bonds, Series A, 6.000%, 10/01/15

1,790 Sacramento City Financing Authority (California), 1999 Capital 12/09 at 102  
Improvement Revenue Bonds (Solid Waste and Redevelopment  
Projects), 5.800%, 12/01/19

3,500 Sacramento Municipal Utility District (California), Electric Revenue 8/06 at 102  
Bonds, 1996 Series J, 5.600%, 8/15/24

6,650 Turlock Irrigation District (California), Revenue Refunding Bonds, 7/02 at 100  
Series 1992-A, 5.750%, 1/01/18

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Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL)  
Portfolio of Investments August 31, 2001

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|-------------|-----------------------------|
|---------------------------|-------------|-----------------------------|

-----  
WATER AND SEWER - 7.8%

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|       |         |   |              |
|-------|---------|---|--------------|
| \$    | 3,530   | Castaic Lake Water Agency (California), Refunding Revenue Certificates of Participation (Water System Improvement Projects), Series 1994A, 8.000%, 8/01/04                    | No Opt. Call |
|       | 2,975   | Chino Basin Regional Financing Authority (California), Revenue Bonds, Series 1994 (Chino Basin Municipal Water District Sewer System Project), 6.000%, 8/01/16                | 8/04 at 102  |
|       | 2,775   | Pomona Public Financing Authority (California), 1999 Revenue Bonds, Series AC (Water Facilities Project), 5.500%, 5/01/29   | 5/09 at 101  |
|       | 1,000   | Sacramento County Sanitation Districts Financing Authority (California), Revenue Bonds, Series 2000A (Sacramento Regional County Sanitation District), 5.500%, 12/01/20       | 6/10 at 101  |
|       | 2,900   | City and County of San Francisco (California), Sewer Revenue Refunding Bonds, Series 1992, 5.500%, 10/01/15   | 10/02 at 102 |
|       | 2,000   | South San Joaquin Irrigation District (San Joaquin County, California), 1993 Refunding Revenue Certificates of Participation (1987 Project and 1992 Project), 5.500%, 1/01/15 | 1/03 at 102  |
|       | 5,410   | City of Tulare, California, 1996 Sewer Revenue Bonds, 5.750%, 11/15/21  | 11/06 at 102 |
| ----- |         |   |              |
| \$    | 294,590 | Total Investments (cost \$258,720,286) - 98.8%  |              |
| ===== |         |   |              |
|       |         | Other Assets Less Liabilities - 1.2%  |              |
| ----- |         |   |              |
|       |         | Net Assets - 100%   |              |
| ===== |         |   |              |

All of the bonds in the portfolio are either covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance, or are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, any of which ensure the timely payment of principal and interest.

\* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

\*\* Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

See accompanying notes to financial statements.

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|---|-----------------------------|
| -----                     |   |                             |
|                           | HEALTHCARE - 12.4%  |                             |
| \$ 5,150                  | California Health Facilities Financing Authority, Hospital Revenue Bonds (Downey Community Hospital), Series 1993, 5.750%, 5/15/15  | 5/03 at 102                 |
| 8,100                     | California Statewide Community Development Authority, Revenue Refunding Bonds (Sherman Oaks Project), Series 1998A, 5.000%, 8/01/22   | No Opt. Call                |
| 2,000                     | City of Loma Linda, California, Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993A, 6.000%, 12/01/06   | 12/03 at 102                |
| -----                     |   |                             |
|                           | HOUSING/MULTIFAMILY - 11.5%   |                             |
| 2,000                     | California Statewide Communities Development Authority, Apartment Development Revenue Refunding Bonds (Irvine Apartment Communities, L.P.), Series 1998A, 5.250%, 5/15/25 (Mandatory put 5/15/13) | 7/08 at 101                 |
| 7,325                     | The Community Redevelopment Agency of the City of Los Angeles, California, Multifamily Housing Revenue Refunding Bonds, 1995 Series A (Angelus Plaza Project), 7.400%, 6/15/10                    | 6/05 at 105                 |
| 3,910                     | City of Stanton, California, Multifamily Housing Revenue Bonds (Continental Gardens Apartments), Series 1997, 5.625%, 8/01/29 (Alternative Minimum Tax) (Mandatory put 8/01/09)                   | 8/07 at 102                 |
| -----                     |   |                             |
|                           | HOUSING/SINGLE FAMILY - 7.3%  |                             |
| 3,090                     | California Housing Finance Agency, Single Family Mortgage Bonds II, 1997 Series A-1, 6.000%, 8/01/20 (Alternative Minimum Tax)  | 2/07 at 102                 |
| 1,000                     | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series A, 6.550%, 8/01/26  | 8/04 at 102                 |
| 1,000                     | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1994 Series F-3, 6.100%, 8/01/15 (Alternative Minimum Tax)  | 8/05 at 102                 |
| 2,000                     | California Housing Finance Agency, Home Mortgage Revenue Bonds, 1997 Series B, 6.000%, 8/01/16 (Alternative Minimum Tax)  | 2/07 at 102                 |
| 1,400                     | California Rural Home Mortgage Finance Authority, Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 1996 Series C, 7.500%, 8/01/27 (Alternative Minimum Tax)             | No Opt. Call                |
| -----                     |   |                             |
|                           | TAX OBLIGATION/GENERAL - 14.2%  |                             |



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|       |   |             |
|-------|---|-------------|
| 4,000 | State of California, General Obligation Veterans Welfare Bonds, Series BR, 5.300%, 12/01/29 (Alternative Minimum Tax)     | 6/04 at 101 |
| 3,000 | Pomona Unified School District, California, General Obligation Refunding Bonds, Series 1997A, 6.150%, 8/01/15             | 8/11 at 103 |
| 6,500 | Commonwealth of Puerto Rico, General Obligation Public Improvement Bonds of 2000, 5.750%, 7/01/21                         | 7/10 at 100 |
| 3,000 | San Diego Unified School District, California, 2000 General Obligation Bonds, Election of 1998, Series B, 5.125%, 7/01/22 | 7/10 at 100 |

-----  
TAX OBLIGATION/LIMITED - 31.6%

|       |  |              |
|-------|--|--------------|
| 4,500 | Bonita Canyon Public Facilities Financing Authority (California), Community Facilities District No. 98-1 Special Tax Bonds, Series 1998, 5.375%, 9/01/28   | 9/01 at 103  |
| 5,920 | State Public Works Board of the State of California, Lease Revenue Bonds (Department of Veterans Affairs of the State of California - Southern California Veterans Home - Chula Vista Facility), 1999 Series A, 5.600%, 11/01/19 | 11/09 at 101 |
| 2,480 | City of Carlsbad (California), Assessment District No. 96-1 Limited Obligation Improvement Bonds (Rancho Carillo), 5.500%, 9/02/28   | 9/01 at 102  |
| 1,000 | Carson Redevelopment Agency (California), Refunding Tax Allocation Bonds (Redevelopment Project Area No. 2), Series 1993, 5.875%, 10/01/09   | 10/03 at 102 |
| 3,500 | City of Livermore Redevelopment Agency (California), Tax Allocation Revenue Bonds (Livermore Redevelopment Project Area), Series 2001A, 5.000%, 8/01/26  | 8/11 at 100  |

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Nuveen California Premium Income Municipal Fund (NCU) (continued)  
Portfolio of Investments August 31, 2001

|                           |             |                             |
|---------------------------|-------------|-----------------------------|
| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|-------------|-----------------------------|

-----

TAX OBLIGATION/LIMITED (continued)

|          |   |             |
|----------|---|-------------|
| \$ 2,160 | Community Redevelopment Financing Authority of the Community Redevelopment Agency of the City of Los Angeles, California, Grand Central Square Multifamily Housing Bonds, 1993 Series A, 5.750%, 12/01/13 (Alternative Minimum Tax) | 6/03 at 102 |
| 1,000    | Community Facilities District No. 88-1 of the City of Poway, California (Parkway Business Center), Special Tax Refunding Bonds, Series 1998, 6.500%, 8/15/09  | 8/08 at 102 |

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|       |   |              |
|-------|---|--------------|
| 1,200 | City of Richmond Reassessment District No. 855, California, Limited Obligation Refunding Improvement Bonds (Atlas Road West and Interchange), 6.600%, 9/02/19 | 9/01 at 103  |
| 5,000 | Redevelopment Agency for the County of Riverside, California, 2001 Tax Allocation Bonds (Jurupa Valley Project Area), 5.150%, 10/01/21                        | 10/11 at 102 |
| 6,200 | Sacramento City Finance Authority (California), Lease Revenue Refunding Bonds, Series 1993B, 5.400%, 11/01/20   | No Opt. Call |
|       | San Marcos Public Facilities Authority (California), Refunding Revenue Bonds, Series 1998:  |              |
| 1,500 | 5.800%, 9/01/18   | 9/08 at 101  |
| 2,000 | 5.800%, 9/01/27   | 9/08 at 101  |
| 2,000 | City of Vista, California, Mobile Home Park Subordinate Revenue Bonds (Vista Manor Mobile Home Park Project), Series 1999B, 5.750%, 3/15/29                   | 3/09 at 102  |

-----  
TRANSPORTATION - 4.1%

|       |   |             |
|-------|---|-------------|
| 2,750 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 5, 6.500%, 5/01/24 (Alternative Minimum Tax)   | 5/04 at 102 |
| 2,000 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 10A, 5.700%, 5/01/26 (Alternative Minimum Tax) | 5/06 at 102 |

-----  
U.S. GUARANTEED - 9.8%

|       |   |              |
|-------|---|--------------|
| 1,500 | ABAG Finance Authority for Nonprofit Corporations, California, Certificates of Participation (Stanford University Hospital), Series 1993, 5.250%, 11/01/20  | No Opt. Call |
| 3,200 | State Public Works Board of the State of California, Lease Revenue Bonds (The Trustees of the California State University), 1994 Series A (Various California State University Projects), 6.375%, 10/01/14 (Pre-refunded to 10/01/04) | 10/04 at 102 |
| 4,000 | California Statewide Communities Development Authority, Hospital Revenue Certificates of Participation (Cedars-Sinai Medical Center), Series 1992, 6.500%, 8/01/15 (Pre-refunded to 8/01/02)  | 8/02 at 102  |
| 2,565 | City of Torrance, California, Floating Rate Demand Hospital Revenue Bonds (Little Company of Mary Hospital), 1985 Series A, 7.100%, 12/01/15 (Pre-refunded to 12/01/05)   | 12/05 at 100 |

-----  
UTILITIES - 3.2%

|       |   |              |
|-------|---|--------------|
| 1,000 | California Pollution Control Financing Authority, Pollution Control Revenue Bonds (Southern California Edison Company), | 12/02 at 102 |
|-------|---|--------------|

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1992 Series B, 6.400%, 12/01/24 (Alternative Minimum Tax)

|            |   |             |
|------------|---|-------------|
| 3,000      | Merced Irrigation District, California, 2001 Electric System Refunding Revenue Bonds (Electric System Project), 6.500%, 9/01/22 | 9/05 at 102 |
| -----      |   |             |
|            | WATER AND SEWER - 4.4%  |             |
| 5,000      | Culver City, California, Wastewater Facilities Refunding Revenue Bonds, 1999 Series A, 5.700%, 9/01/29                          | 9/09 at 102 |
| -----      |   |             |
| \$ 116,950 | Total Investments (cost \$116,746,883) - 98.5%  |             |
| =====      |   |             |
|            | Other Assets Less Liabilities - 1.5%  |             |
| -----      |   |             |
|            | Net Assets - 100%   |             |
| =====      |   |             |

\* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

\*\* Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

\*\*\* Securities are backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensures the timely payment of principal and interest. Securities are normally considered to be equivalent to AAA rated securities.

N/R Investment is not rated.

See accompanying notes to financial statements.

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Nuveen California Dividend Advantage Municipal Fund (NAC)  
Portfolio of  
Investments August 31, 2001

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|---|-----------------------------|
| -----                     |   |                             |
| \$ 5,000                  | CONSUMER STAPLES - 2.3%<br>California Statewide Communities Development Authority, Certificates of Participation (Pride Industries and Pride One, Inc.), 7.250%, 11/01/29 | 11/09 at 102                |

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|        |  |  |              |
|--------|--|--|--------------|
|        | Tobacco Securitization Authority of Northern California, Tobacco Settlement Asset-Backed Bonds, Series 2001A:  |  |              |
| 2,500  | 5.250%, 6/01/31  |  | 6/11 at 100  |
| 4,500  | 5.375%, 6/01/41  |  | 6/11 at 100  |
| -----  |  |  |              |
|        | EDUCATION AND CIVIC ORGANIZATIONS - 1.8%   |  |              |
| 3,000  | Long Beach Bond Finance Authority, California, Lease Revenue Refunding Bonds (The Aquarium of the South Pacific), 5.500%, 11/01/17   |  | 11/11 at 100 |
| 6,000  | The Regents of the University of California, Multiple Purpose Project Revenue Bonds, Series K, 5.000%, 9/01/12   |  | 9/08 at 101  |
| -----  |  |  |              |
|        | HEALTHCARE - 12.6%   |  |              |
| 8,400  | California Health Facilities Financing Authority, Kaiser Permanente Revenue Bonds, Series 1998B, 5.250%, 10/01/14 (Optional put 10/01/08)  |  | 10/08 at 101 |
| 15,000 | California Health Facilities Financing Authority, Revenue Bonds (Cedars-Sinai Medical Center), Series 1999A, 6.125%, 12/01/30  |  | 12/09 at 101 |
| 18,755 | California Health Facilities Financing Authority, Revenue Bonds (USCF - Stanford Health Care), 1998 Series A, 5.000%, 11/15/28   |  | 11/08 at 101 |
| 8,000  | Central California Joint Powers Health Financing Authority, Certificates of Participation (Community Hospitals of Central California Obligated Group Project), Series 2000, 6.000%, 2/01/30                                |  | 2/10 at 101  |
| 10,500 | City of Duarte, California, Certificates of Participation (City of Hope National Medical Center), Series 1999A, 5.250%, 4/01/31  |  | 4/09 at 101  |
| 4,000  | City of Upland, California, Certificates of Participation, 1993 Series (San Antonio Community Hospital), 5.250%, 1/01/08   |  | 1/04 at 102  |
| -----  |  |  |              |
|        | HOUSING/MULTIFAMILY - 8.7%   |  |              |
| 15,000 | California Statewide Communities Development Authority, Apartment Development Revenue Refunding Bonds (Irvine Apartment Communities, L.P.), Series 1998A, 4.900%, 5/15/25 (Mandatory put 5/15/08)                          |  | 7/08 at 101  |
| 10,000 | California Statewide Communities Development Authority, Multifamily Housing Refunding Bonds (Archstone Pelican Point Apartments), Issue 1999H Archstone Communities Trust, 5.300%, 6/01/29 (Mandatory put 6/01/08)         |  | No Opt. Call |
| 5,000  | County of Contra Costa (California), Multifamily Housing Revenue Bonds (Delta View Apartments), Series 1999C, 6.750%, 12/01/30 (Alternative Minimum Tax)   |  | 6/09 at 102  |
| 15,000 | Housing Authority of the County of San Bernardino (California), Multifamily Housing Revenue Refunding Bonds (Equity Residential/Redlands Lawn and Tennis Apartments), Issue 1999A, 5.200%, 6/15/29 (Mandatory put 6/15/09) |  | No Opt. Call |
| -----  |  |  |              |
|        | HOUSING/SINGLE FAMILY - 3.8%   |  |              |

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|        |   |                 |
|--------|---|-----------------|
| 42,155 | California Housing Finance Agency, Single Family Mortgage Bonds II, 1999 Series D2, 0.000%, 2/01/29 (Alternative Minimum Tax) | 2/09 at 31 1/8  |
| 11,500 | California Housing Finance Agency, Home Mortgage Revenue Bonds, Series 1998E, 5.250%, 2/01/33 (Alternative Minimum Tax)       | 2/09 at 101 1/2 |

-----  
LONG-TERM CARE - 1.6%

|       |   |             |
|-------|---|-------------|
| 8,500 | Riverside County Public Financing Authority (California), Certificates of Participation (Air Force Village West, Inc.), 5.800%, 5/15/29 | 5/09 at 101 |
|-------|---|-------------|

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Nuveen California Dividend Advantage Municipal Fund (NAC) (continued)  
Portfolio of Investments August 31, 2001

| PRINCIPAL AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL PROVISIONS |
|------------------------|---|--------------------------|
|                        | TAX OBLIGATION/GENERAL - 7.5%   |                          |
| \$ 9,000               | State of California, Various Purpose General Obligation Bonds, 4.750%, 4/01/29  | 4/09 at 101              |
| 18,500                 | Los Angeles Unified School District, California, General Obligation Bonds, Election of 1997, Series 1999C, 5.250%, 7/01/24  | 7/09 at 101              |
| 3,600                  | Los Angeles Unified School District, California, General Obligation Bonds, Election of 1997, Series 2000D, 5.625%, 7/01/14  | 7/10 at 100              |
| 1,750                  | Oakland Unified School District, Alameda County, California, General Obligation Bonds, Series 2001, 5.125%, 8/01/21   | 8/08 at 101              |
| 5,000                  | Commonwealth of Puerto Rico, General Obligation Public Improvement Bonds of 2000, 5.750%, 7/01/16   | 7/10 at 100              |
|                        | TAX OBLIGATION/LIMITED - 19.2%  |                          |
| 8,665                  | Bonita Canyon Public Facilities Financing Authority (California), Community Facilities District No. 98-1 Special Tax Bonds, Series 1998, 5.375%, 9/01/28                    | 9/01 at 103              |
| 13,290                 | Community Facilities District No. 1, Mira Loma Area of Jurupa (California), 1998 Special Tax Bonds, 4.750%, 9/01/24 (Optional put 9/01/10)                                  | 9/08 at 102              |
| 5,500                  | County of Los Angeles (California), Certificates of Participation (1998 Disney Parking Refunding Project), 4.750%, 3/01/23  | 9/08 at 101              |
| 5,000                  | Los Angeles County Metropolitan Transportation Authority (California), Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A, 5.000%, 7/01/23 | 7/08 at 101              |

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|        |   |              |
|--------|---|--------------|
| 3,465  | Los Angeles County Metropolitan Transportation Authority (California), Proposition A First Tier Senior Sales Tax Revenue Bonds, Series 2001A, 5.000%, 7/01/27                                 | 7/11 at 101  |
| 14,160 | Oakland State Building Authority (California), Lease Revenue Bonds (Elihu M. Harris State Office Building), 1998 Series A, 5.000%, 4/01/23  | 4/08 at 101  |
| 4,000  | Orange County Local Transportation Authority (California), Measure M Sales Tax Revenue Refunding Bonds, Limited Tax Bonds, Second Senior Bonds, Series 1997A, 5.700%, 2/15/08                 | No Opt. Call |
| 8,100  | Poway Redevelopment Agency (California), Tax Allocation Refunding Bonds (Paguay Redevelopment Project), Series 2000, 5.750%, 6/15/33  | 12/10 at 102 |
| 11,925 | Riverside County Public Financing Authority (California), Reassessment Revenue Bonds (Rancho Village Project/Assessment District No. 159), 1999 Series B (Junior Lien Bonds), 6.000%, 9/02/07 | No Opt. Call |
| 25,060 | Redevelopment Agency of the City of San Jose (California), Tax Allocation Bonds (Merged Area Redevelopment Project), Series 1998, 5.250%, 8/01/29   | 8/08 at 102  |

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TRANSPORTATION - 16.3%

|        |   |             |
|--------|---|-------------|
| 21,150 | Foothill/Eastern Transportation Corridor Agency, California, Toll Road Refunding Revenue Bonds, Series 1999, 5.750%, 1/15/40  | 1/10 at 101 |
| 8,515  | Harbor Department of the City of Los Angeles, California, Revenue Refunding Bonds, Series 2001B, 5.500%, 8/01/18 (Alternative Minimum Tax)  | 8/11 at 100 |
| 23,000 | Port of Oakland, California, Revenue Bonds, 2000 Series K, 5.750%, 11/01/29 (Alternative Minimum Tax)   | 5/10 at 100 |
| 5,000  | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 13B, 5.625%, 5/01/21 (Alternative Minimum Tax) | 5/06 at 101 |
| 23,275 | Airports Commission of the City and County of San Francisco, California, San Francisco International Airport, Second Series Revenue Bonds, Issue 25, 5.750%, 5/01/30 (Alternative Minimum Tax)  | 5/10 at 101 |

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UTILITIES - 8.8%

|        |   |                 |
|--------|---|-----------------|
| 10,000 | Merced Irrigation District, California, 2001 Electric System Refunding Revenue Bonds (Electric System Project), 6.750%, 9/01/31 | 9/05 at 102     |
| 10,500 | Northern California Power Agency, Hydroelectric Project Number One Revenue Bonds, 1998 Refunding Series A, 5.200%, 7/01/32      | 7/08 at 101     |
| 10,500 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series DD, 5.000%, 7/01/28   | 7/08 at 101 1/2 |
| 15,000 | Sacramento Municipal Utility District (California), Electric Revenue  | 7/04 at 101     |

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Refunding Bonds, 1999 Series M, 5.250%, 7/01/28

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION  | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|--|-----------------------------|
| -----                     |  |                             |
|                           | WATER AND SEWER - 16.1%  |                             |
| \$ 12,000                 | Carmichael Water District (Sacramento County, California),<br>1999 Water Revenue Certificates of Participation, 5.125%, 9/01/29  | 9/09 at 102                 |
| 7,200                     | Castaic Lake Water Agency, California, Revenue Certificates of<br>Participation (Water System Improvement Project), Series 1999A,<br>5.125%, 8/01/30                                       | 8/09 at 101                 |
| 4,985                     | East Bay Municipal Utility District (Alameda and Contra Costa<br>Counties, California), Wastewater System Subordinated Revenue<br>Bonds, Series 1998, 4.750%, 6/01/28                      | 6/08 at 101                 |
| 4,000                     | East Bay Municipal Utility District (Alameda and Contra Costa<br>Counties, California), Water System Subordinated Revenue Bonds,<br>Series 1998, 4.750%, 6/01/34                           | 6/08 at 101                 |
| 20,000                    | Department of Water and Power of the City of Los Angeles,<br>California, Waterworks Revenue Bonds, Series 2001A Refunding,<br>5.125%, 7/01/41  | 7/11 at 100                 |
| 13,425                    | The Metropolitan Water District of Southern California, Water<br>Revenue Bonds, 1997 Authorization, Series A, 5.000%, 7/01/37  | 1/08 at 101                 |
| 14,000                    | Orange County Water District (California), Revenue Certificates<br>of Participation, Series 1999A, 5.375%, 8/15/29   | 8/09 at 101                 |
| 8,250                     | Pico Rivera Water Authority (California), Revenue Bonds,<br>2001 Series A, 6.250%, 12/01/32  | 12/11 at 102                |
| -----                     |  |                             |
| \$ 540,625                | Total Investments (cost \$493,487,460) - 98.7%   |                             |
| =====                     |  |                             |
|                           | SHORT-TERM INVESTMENTS - 0.0%  |                             |
| \$ 100                    | California Statewide Communities Development Authority,<br>Certificates of Participation (Northern California Retired Officers<br>Community), Variable Rate Demand Bonds, 2.300%, 6/01/26+ |                             |
| =====                     |  |                             |
|                           | Other Assets Less Liabilities - 1.3%   |                             |
|                           | -----  |                             |
|                           | Net Assets - 100%  |                             |
|                           | =====  |                             |

\* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

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\*\* Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

N/R Investment is not rated.

+ Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

See accompanying notes to financial statements.

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Nuveen California Dividend Advantage Municipal Fund 2 (NVX)  
Portfolio of  
Investments August 31, 2001

| PRINCIPAL<br>AMOUNT (000)                 | DESCRIPTION  | OPTIONAL CALL<br>PROVISIONS |
|---|--|-----------------------------|
| \$ 3,000                                  | CONSUMER STAPLES - 0.9%<br>Tobacco Securitization Authority of Northern California, Tobacco Settlement Asset-Backed Bonds, Series 2001A, 5.375%, 6/01/41   | 6/11 at 100                 |
| -----                                     |  |                             |
| EDUCATION AND CIVIC ORGANIZATIONS - 13.3% |  |                             |
| 5,000                                     | California Educational Facilities Authority, Revenue Bonds, Stanford University, Series Q, 5.250%, 12/01/32  | 6/11 at 101                 |
| 7,620                                     | California Educational Facilities Authority, Revenue Bonds, Loyola Marymount University, Series 2001A Refunding:<br>0.000%, 10/01/26                       | No Opt. Call                |
| 7,365                                     | 0.000%, 10/01/27   | No Opt. Call                |
| 4,120                                     | 0.000%, 10/01/28   | No Opt. Call                |
| 15,000                                    | California Educational Facilities Authority, Student Loan Revenue Bonds (California Loan Program), Series 2001A, 5.400%, 3/01/21 (Alternative Minimum Tax) | 3/08 at 102                 |
| 9,000                                     | Long Beach Bond Finance Authority, California, Lease Revenue Refunding Bonds (The Aquarium of the South Pacific), 5.250%, 11/01/30                         | 11/11 at 101                |
| 9,000                                     | The Regents of the University of California, Multiple Purpose Project Revenue Bonds, Series K, 5.300%, 9/01/30   | 9/08 at 101                 |
| -----                                     |  |                             |
| HEALTHCARE - 3.2%                         |  |                             |



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|                                |   |              |
|--------------------------------|---|--------------|
| 5,000                          | California Health Facilities Financing Authority, Kaiser Permanente Revenue Bonds, 1993 Series C, 5.600%, 5/01/33   | 5/03 at 102  |
| 3,000                          | Central California Joint Powers Health Financing Authority, Certificates of Participation (Community Hospitals of Central California Obligated Group Project), Series 2000, 6.000%, 2/01/30 | 2/10 at 101  |
| 2,500                          | City of Torrance, California, Revenue Bonds (Torrance Memorial Medical Center), Series 2001A, 5.500%, 6/01/31   | 6/11 at 101  |
| -----                          |   |              |
| HOUSING/MULTIFAMILY - 4.9%     |   |              |
| 10,200                         | California Statewide Communities Development Authority, Multifamily Housing Revenue Bonds (Citrus Gardens Apartments Project), Series 2001J, 6.250%, 6/01/37 (Mandatory put 6/01/02)        | 12/01 at 100 |
| 5,962                          | California Statewide Communities Development Authority, Multifamily Housing Revenue Refunding Bonds (Claremont Village Apartments), Series 2001D, 5.500%, 6/01/31 (Mandatory put 6/01/16)   | 6/11 at 102  |
| -----                          |   |              |
| HOUSING/SINGLE FAMILY - 1.9%   |   |              |
| 6,000                          | California Rural Home Mortgage Finance Authority, Single Family Mortgage Revenue Bonds (Mortgage-Backed Securities Program), 2001 Series A, 5.650%, 12/01/31 (Alternative Minimum Tax)      | 6/11 at 102  |
| -----                          |   |              |
| LONG-TERM CARE - 1.5%          |   |              |
| 4,650                          | Redevelopment Agency of the City and County of San Francisco, California, Multifamily Housing Revenue Bonds (Kokoro Assisted Living Project), GNMA Series 2001A, 5.675%, 4/20/43            | 10/11 at 100 |
| -----                          |   |              |
| TAX OBLIGATION/GENERAL - 15.3% |   |              |
| 5,595                          | State of California, Various Purpose General Obligation Bonds, 5.250%, 12/01/22   | 12/10 at 100 |
| 9,000                          | State of California, Veterans General Obligation Bonds, Series BV, 5.600%, 12/01/32   | 6/06 at 101  |
| 8,330                          | Los Angeles Unified School District, California, General Obligation Bonds, Election of 1997, Series 2000D, 5.375%, 7/01/25  | 7/10 at 100  |
| 275                            | Sacramento City Unified School District, Sacramento County, California, General Obligation Bonds, Election of 1999, Series B of 2001, 5.000%, 7/01/30                                       | 7/10 at 102  |
| 14,190                         | City of San Jose, California, General Obligation Bonds (Libraries and Parks Projects), Series 2001, 5.125%, 9/01/31   | 9/11 at 100  |

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| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|---|-----------------------------|
| -----                     |   |                             |
|                           | TAX OBLIGATION/GENERAL (continued)  |                             |
| \$ 4,050                  | City of Santa Rosa High School District, County of Sonoma, California, General Obligation Bonds, Series 2001, 5.300%, 5/01/26   | 5/11 at 101                 |
| 7,600                     | Southwestern Community College District, San Diego County, California, General Obligation Bonds, Series 2001, 5.375%, 8/01/25   | 8/11 at 101                 |
| -----                     |   |                             |
|                           | TAX OBLIGATION/LIMITED - 30.6%  |                             |
| 9,000                     | Anitoch Area Public Facilities Financing Authority, California, Special Tax Bonds (Community Facilities District No. 1989-1), Series 2001, 5.250%, 8/01/25                  | 8/08 at 103                 |
| 2,885                     | County of Contra Costa Public Financing Authority, California, Lease Revenue Bonds (Refunding and Various Capital Facilities Projects), Series 1998A, 5.350%, 8/01/24       | 8/08 at 101                 |
| 7,595                     | City of Encinitas Public Financing Authority, California, Lease Revenue Bonds (Acquisition Project), Series 2001A, 5.250%, 4/01/31  | 4/08 at 102                 |
| 3,490                     | City of Fontana, Village of Heritage, California, Senior Special Tax Refunding Bonds (Community Facilities District No. 2), 1998 Series A, 5.250%, 9/01/17                  | 9/08 at 102                 |
| 8,000                     | Los Angeles County Metropolitan Transportation Authority (California), Proposition C Sales Tax Revenue Refunding Bonds, Second Senior Bonds, Series 1998-A, 5.000%, 7/01/23 | 7/08 at 101                 |
| 5,670                     | City of Oakland Joint Powers Financing Authority, California, Lease Revenue Refunding Bonds, Series 2001 (Oakland Convention Centers), 5.500%, 10/01/14                     | No Opt. Call                |
| 9,000                     | Redevelopment Agency for the County of Riverside, California, 2001 Tax Allocation Bonds (Jurupa Valley Project Area), 5.250%, 10/01/35                                      | 10/11 at 102                |
| 9,000                     | Sacramento City Financing Authority, California, 2001 Capital Improvement Revenue Bonds, Series A (Water and Capital Improvement Projects), 5.000%, 12/01/32                | 6/11 at 100                 |
| 5,000                     | Santa Ana Financing Authority, California, Revenue Refunding Bonds (South Harbor Boulevard Project), Series 1998A, 5.000%, 9/01/19  | 9/08 at 102                 |
|                           | Santa Clara Valley Transportation Authority, California, Sales Tax Revenue Bonds, Series 2001A:   |                             |
| 16,090                    | 5.000%, 6/01/25   | 6/11 at 100                 |
| 15,345                    | 5.000%, 6/01/26   | 6/11 at 100                 |
| 3,045                     | Redevelopment Agency of the City of Yucaipa, California, Mobile Home Park Revenue Bonds (Rancho del Sol and Grandview), Series 2001A, 6.750%, 5/15/36                       | 5/11 at 102                 |
| 5,600                     | City of Yucaipa, Chapman Heights, County of San Bernardino, California, 1998 Special Tax Bonds (Community Facilities  | 9/09 at 102                 |

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District No. 98-1), 6.000%, 9/01/28

---

TRANSPORTATION - 5.2%

|       |   |              |
|-------|---|--------------|
| 5,500 | California Statewide Communities Development Authority,<br>Special Facility Revenue Bonds (United Air Lines, Inc. -<br>Los Angeles International Airport Cargo Project), Series 2001,<br>6.250%, 10/01/35 (Alternative Minimum Tax) | 10/11 at 100 |
| 3,840 | Sacramento-Yolo Port District, Counties of Sacramento and<br>Yolo, California, Port Facilities Refunding and Improvement<br>Revenue Bonds, Series 2001, 5.125%, 7/01/14   | 7/08 at 101  |
| 1,750 | Airports Commission of the City and County of San Francisco,<br>California, San Francisco International Airport, Second Series<br>Revenue Bonds, Issue 23B Bonds, 5.000%, 5/01/30 (Alternative<br>Minimum Tax)                      | 5/09 at 101  |
| 6,100 | Airports Commission of the City and County of San Francisco,<br>California, San Francisco International Airport, Second Series<br>Revenue Bonds, Issue 26A, 5.250%, 5/01/30 (Alternative<br>Minimum Tax)                            | 5/10 at 101  |

---

UTILITIES - 10.6%

|        |  |             |
|--------|--|-------------|
| 5,000  | California Pollution Control Financing Authority, Pollution Control<br>Refunding Revenue Bonds (Pacific Gas and Electric Company),<br>1996A Remarketed, 5.350%, 12/01/16 (Alternative Minimum Tax) | 4/11 at 102 |
| 30,000 | Sacramento Municipal Utility District, California, Electric Revenue<br>Bonds, Series 2001N, 5.000%, 8/15/28  | 8/11 at 100 |

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Nuveen California Dividend Advantage Municipal Fund 2 (NVX) (continue  
Portfolio of Investments August 31, 2001

| PRINCIPAL<br>AMOUNT (000) | DESCRIPTION   | OPTIONAL CALL<br>PROVISIONS |
|---------------------------|---|-----------------------------|
| <hr/>                     |   |                             |
| WATER AND SEWER - 11.2%   |   |                             |
| \$ 15,000                 | East Bay Municipal Utility District, Alameda and Contra Costa<br>Counties, California, Water System Subordinated Revenue Bonds,<br>Series 2001, 5.000%, 6/01/26 | 6/11 at 100                 |
| 13,400                    | Department of Water and Power of the City of Los Angeles,<br>California, Waterworks Revenue Bonds, Series 2001A Refunding,<br>5.125%, 7/01/41                   | 7/11 at 100                 |
| 8,350                     | The Metropolitan Water District of Southern California, Water<br>Revenue Bonds, 1997 Authorization, Series A, 5.000%, 7/01/37                                   | 1/08 at 101                 |
| <hr/>                     |   |                             |
| \$ 335,117                | Total Investments (cost \$314,932,501) - 98.6%  |                             |
| <hr/>                     |   |                             |

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Other Assets Less Liabilities - 1.4%

Net Assets - 100%

\* Optional Call Provisions (not covered by the report of independent auditors): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.

\*\* Ratings (not covered by the report of independent auditors): Using the higher of Standard & Poor's or Moody's rating.

N/R Investment is not rated.

See accompanying notes to financial statements.

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Statement of  
Net Assets August 31, 2001

|  | INSURED<br>CALIFORNIA<br>PREMIUM INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCL) |
|--|--|--|--|
| <b>ASSETS</b>  |  |  |  |
| Investments in municipal securities,<br>at market value  | \$146,174,708                                    | \$281,186,273                                      | \$123,139,6                              |
| Temporary investments in short-term municipal<br>securities, at amortized cost, which<br>approximates market value | --   | --   |  |
| Cash   | 456,121  | 305,805  | 628,3                                    |
| Receivables:   |  |  |  |
| Interest   | 2,040,609  | 4,077,667  | 1,832,3                                  |
| Investments sold   | --   | 125,043  | 20,6                                     |
| Other assets   | 13,828   | 32,121   | 2,7                                      |
| <b>Total assets</b>  | <b>148,685,266</b>                               | <b>285,726,909</b>                                 | <b>125,623,6</b>                         |
| <b>LIABILITIES</b>   |  |  |  |
| Accrued expenses:  |  |  |  |
| Management fees  | 80,524   | 153,197  | 68,2                                     |
| Other  | 82,905   | 96,674   | 102,8                                    |
| Preferred share dividends payable  | 7,212  | 10,541   | 10,2                                     |
| Common share dividends payable   | 446,800  | 833,486  | 374,9                                    |
| <b>Total liabilities</b>   | <b>617,441</b>                                   | <b>1,093,898</b>                                   | <b>556,3</b>                             |
| <b>Net assets</b>  | <b>\$148,067,825</b>                             | <b>\$284,633,011</b>                               | <b>\$125,067,2</b>                       |
| Preferred shares, at liquidation value   | \$ 45,000,000                                    | \$ 95,000,000                                      | \$ 43,000,0                              |

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|   |           |            |         |
|---|-----------|------------|---------|
| Preferred shares outstanding  | 1,800     | 3,800      | 1,7     |
| Common shares outstanding   | 6,425,832 | 12,631,158 | 5,771,5 |
| Net asset value per Common share outstanding<br>(net assets less Preferred shares<br>at liquidation value,<br>divided by Common shares outstanding) | \$ 16.04  | \$ 15.01   | \$ 14.  |

See accompanying notes to financial statements.

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Statement of  
Operations Year Ended August 31, 2001

|   | INSURED<br>CALIFORNIA<br>PREMIUM INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) |
|---|--|--|--|
| INVESTMENT INCOME   | \$ 7,892,090                                     | \$14,969,625                                       | \$ 6,794,39                              |
| EXPENSES  |  |  |  |
| Management fees   | 931,993  | 1,773,249  | 788,27                                   |
| Preferred shares - auction fees   | 112,500  | 237,498  | 107,50                                   |
| Preferred shares - dividend disbursing agent fees                       | 9,367  | 21,799   | 8,47                                     |
| Shareholders' servicing agent fees and expenses                         | 15,477   | 23,309   | 10,03                                    |
| Custodian's fees and expenses   | 37,688   | 61,789   | 43,15                                    |
| Directors'/Trustees' fees and expenses                                  | 1,823  | 3,990  | 1,48                                     |
| Professional fees   | 14,758   | 14,911   | 21,36                                    |
| Shareholders' reports - printing<br>and mailing expenses                | 19,301   | 38,251   | 19,16                                    |
| Stock exchange listing fees   | 20,399   | 29,129   | 9,01                                     |
| Investor relations expense  | 16,963   | 29,807   | 15,77                                    |
| Portfolio insurance expense   | 13,491   | 2,998  | -  |
| Other expenses  | 11,044   | 16,810   | 10,12                                    |
| Total expenses before custodian fee credit<br>and expense reimbursement | 1,204,804  | 2,253,540  | 1,034,37                                 |
| Custodian fee credit  | (14,498)   | (14,624)   | (16,75                                   |
| Expense reimbursement   | --   | --   | -  |
| Net expenses  | 1,190,306  | 2,238,916  | 1,017,61                                 |
| Net investment income   | 6,701,784  | 12,730,709   | 5,776,78                                 |
| REALIZED AND UNREALIZED GAIN (LOSS)<br>FROM INVESTMENTS                 |  |  |  |
| Net realized gain (loss) from<br>investment transactions                | (3,088)  | (518,300)  | 727,94                                   |
| Change in net unrealized appreciation<br>(depreciation) of investments  | 6,344,071  | 12,002,378   | 4,435,49                                 |
| Net gain from investments   | 6,340,983  | 11,484,078   | 5,163,43                                 |

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|  |              |              |             |
|--|--------------|--------------|-------------|
| Net increase in net assets from operations | \$13,042,767 | \$24,214,787 | \$10,940,22 |
|--|--------------|--------------|-------------|

\* For the period March 27, 2001 (commencement of operations) through August 31, 2001.

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets

|  | INSURED<br>CALIFORNIA<br>PREMIUM INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM INCOME 2<br>(NCL) |                       |             |
|--|--|--|-----------------------|-------------|
| YEAR ENDED<br>8/31/01  | YEAR ENDED<br>8/31/00                            | YEAR ENDED<br>8/31/01                              | YEAR ENDED<br>8/31/00 |             |
| OPERATIONS   |  |  |                       |             |
| Net investment income  | \$ 6,701,784                                     | \$ 7,008,059                                       | \$ 12,730,709         | \$ 12,853,8 |
| Net realized gain (loss) from<br>investment transactions                                   | (3,088)  | (2,371,822)  | (518,300)             | (491,1      |
| Change in net unrealized appreciation<br>(depreciation) of investments                     | 6,344,071  | 4,320,269  | 12,002,378            | 5,822,8     |
| Net increase in net assets<br>from operations  | 13,042,767                                       | 8,956,506  | 24,214,787            | 18,185,5    |
| DISTRIBUTIONS TO SHAREHOLDERS  |  |  |                       |             |
| From and in excess of net investment<br>income:  |  |  |                       |             |
| Common shareholders  | (5,501,796)                                      | (5,683,474)  | (9,845,915)           | (10,102,2   |
| Preferred shareholders   | (1,375,685)                                      | (1,550,742)  | (2,765,748)           | (3,064,0    |
| Decrease in net assets from<br>distributions to shareholders                               | (6,877,481)                                      | (7,234,216)  | (12,611,663)          | (13,166,3   |
| CAPITAL SHARE TRANSACTIONS   |  |  |                       |             |
| Common shares:   |  |  |                       |             |
| Net proceeds from sale of shares   | --   | --   | --                    | --          |
| Net proceeds from shares issued to<br>shareholders due to reinvestment<br>of distributions | --   | 89,174   | 53,134                | 124,6       |
| Preferred shares:  |  |  |                       |             |
| Net proceeds from sale of shares   | --   | --   | --                    | --          |
| Net increase in net assets from<br>capital share transactions                              | --   | 89,174   | 53,134                | 124,6       |

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|   |               |               |               |             |
|---|---------------|---------------|---------------|-------------|
| Net increase in net assets  | 6,165,286     | 1,811,464     | 11,656,258    | 5,143,9     |
| Net assets at the beginning of period   | 141,902,539   | 140,091,075   | 272,976,753   | 267,832,7   |
| Net assets at the end of period   | \$148,067,825 | \$141,902,539 | \$284,633,011 | \$272,976,7 |
| Undistributed (Over-distribution of) net investment income at the end of period | \$ 324,927    | \$ 499,867    | \$ 544,540    | \$ 425,4    |

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets (continued)

|  | CALIFORNIA DIVIDEND ADVANTAGE (NA) |                       |
|--|------------------------------------|-----------------------|
|  | YEAR ENDED<br>8/31/01              | YEAR ENDED<br>8/31/00 |
| OPERATIONS   |                                    |                       |
| Net investment income  | \$ 24,993,570                      | \$ 24,941,473         |
| Net realized gain (loss) from investment transactions                                | 153,449                            | (6,629,216)           |
| Change in net unrealized appreciation (depreciation) of investments                  | 30,026,536                         | 18,810,097            |
| Net increase (decrease) in net assets from operations                                | 55,173,555                         | 37,122,354            |
| DISTRIBUTIONS TO SHAREHOLDERS  |                                    |                       |
| From and in excess of net investment income:   |                                    |                       |
| Common shareholders  | (18,957,806)                       | (19,709,931)          |
| Preferred shareholders   | (5,398,060)                        | (5,976,400)           |
| Decrease in net assets from distributions to shareholders                            | (24,355,866)                       | (25,686,331)          |
| CAPITAL SHARE TRANSACTIONS   |                                    |                       |
| Common shares:   |                                    |                       |
| Net proceeds from sale of shares   | --                                 | --                    |
| Net proceeds from shares issued to shareholders due to reinvestment of distributions | 53,132                             | 522,953               |
| Preferred shares:  |                                    |                       |
| Net proceeds from sale of shares   | --                                 | --                    |
| Net increase in net assets from capital share transactions                           | 53,132                             | 522,953               |

|   |               |               |
|---|---------------|---------------|
| Net increase in net assets  | 30,870,821    | 11,958,976    |
| Net assets at the beginning of period   | 498,326,249   | 486,367,273   |
| Net assets at the end of period   | \$529,197,070 | \$498,326,249 |
| Undistributed (Over-distribution of)<br>net investment income at<br>the end of period | \$ 439,325    | \$ (198,379)  |

See accompanying notes to financial statements.

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Notes to Financial Statements

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The California Funds (the "Funds") covered in this report and their corresponding stock exchange symbols are Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC), Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL), Nuveen California Premium Income Municipal Fund (NCU), Nuveen California Dividend Advantage Municipal Fund (NAC) and Nuveen California Dividend Advantage Municipal Fund 2 (NVX). Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL) and California Dividend Advantage (NAC) are traded on the New York Stock Exchange while California Premium Income (NCU) and California Dividend Advantage 2 (NVX) are traded on the American Stock Exchange. Prior to the commencement of operations of California Dividend Advantage 2 (NVX), the Fund had no operations other than those related to organizational matters, the initial capital contribution of \$100,275 by Nuveen Advisory Corp. (the "Adviser"), a wholly owned subsidiary of The John Nuveen Company and the recording of the organizational expenses (\$15,000) and their reimbursement by Nuveen Investments, also a wholly owned subsidiary of The John Nuveen Company.

Each Fund seeks to provide current income exempt from both regular federal and California state income taxes by investing primarily in a diversified portfolio of municipal obligations issued by state and local government authorities within the state of California. The Funds are registered under the Investment Company Act of 1940 as closed-end management investment companies.

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with accounting principles generally accepted in the United States.

Securities Valuation

The prices of municipal bonds in each Fund's investment portfolio are provided by a pricing service approved by the Fund's Board of Directors/Trustees. When price quotes are not readily available (which is usually the case for municipal securities), the pricing service establishes fair market value based on yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating, indications of value from securities dealers and general market conditions. If it is determined that market prices for a security are unavailable or inappropriate, the Board of Directors/Trustees of the Funds may establish a fair value for the security. Temporary investments in securities that have variable rate and demand features qualifying them as short-term securities are valued at amortized cost, which approximates market value.

Securities Transactions



Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method. Securities purchased or sold on a when-issued or delayed delivery basis may have extended settlement periods. The securities so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets in a separate account with a current value at least equal to the amount of the when-issued and delayed delivery purchase commitments. At August 31, 2001, the Funds had no such outstanding purchase commitments.

#### Investment Income

Interest income is determined on the basis of interest accrued, adjusted for amortization of premiums and accretion of discounts on long-term debt securities.

#### Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its net investment income to its shareholders. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable interest from municipal securities, which is exempt from regular federal and California state income taxes, to retain such tax-exempt status when distributed to shareholders of the Funds. All monthly tax-exempt income dividends paid during the fiscal year ended August 31, 2001, have been designated Exempt Interest Dividends.

#### Dividends and Distributions to Shareholders

Tax-exempt net investment income is declared monthly as a dividend and payment is made or reinvestment is credited to shareholder accounts on the first business day after month end. Net realized capital gains and/or market discount from investment transactions are distributed to shareholders not less frequently than annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

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#### Notes to Financial Statements (continued)

Distributions to shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States. Accordingly, temporary over-distributions as a result of these differences may occur and will be classified as either distributions in excess of net investment income, distributions in excess of net realized gains and/or distributions in excess of net ordinary taxable income from investment transactions, where applicable.

#### Preferred Shares

The Funds have issued and outstanding \$25,000 stated value Preferred shares. Each Fund's Preferred shares are issued in one or more Series. The dividend rate may change every seven days, as set by the Auction Agent. The number of shares outstanding, by Series and in total, for each Fund is as follows:

INSURED

INSURED

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|                   | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CA<br>ADV |
|-------------------|--|--|--|--|-----------|
| -----             |  |  |  |  |           |
| Number of shares: |  |  |  |  |           |
| Series M          | --                                       | --   | 1,720                                    | --   |           |
| Series T          | 1,800                                    | 1,900                                      | --                                       | --   |           |
| Series Th         | --                                       | 1,900                                      | --                                       | 3,500  |           |
| Series F          | --                                       | --   | --                                       | 3,500  |           |
| -----             |  |  |  |  |           |
| Total             | 1,800                                    | 3,800                                      | 1,720                                    | 7,000  |           |
| -----             |  |  |  |  |           |

Effective May 18, 2001, California Dividend Advantage 2 (NVX) issued 2,200 Series M and 2,200 Series F \$25,000 stated value Preferred shares.

Insurance

Insured California Premium Income (NPC) and Insured California Premium Income 2 (NCL) invest in municipal securities which are either covered by insurance or are backed by an escrow or trust account containing sufficient U.S. Government or U.S. Government agency securities, both of which ensure the timely payment of principal and interest. Each insured municipal security is covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance. Such insurance does not guarantee the market value of the municipal securities or the value of the Funds' shares. Original Issue Insurance and Secondary Market Insurance remain in effect as long as the municipal securities covered thereby remain outstanding and the insurer remains in business, regardless of whether the Funds ultimately dispose of such municipal securities. Consequently, the market value of the municipal securities covered by Original Issue Insurance or Secondary Market Insurance may reflect value attributable to the insurance. Portfolio Insurance is effective only while the municipal securities are held by the Funds. Accordingly, neither the prices used in determining the market value of the underlying municipal securities nor the net asset value of the Funds' shares include value, if any, attributable to the Portfolio Insurance. Each policy of the Portfolio Insurance does, however, give the Funds the right to obtain permanent insurance with respect to the municipal security covered by the Portfolio Insurance policy at the time of its sale.

Derivative Financial Instruments

The Funds may invest in transactions in certain derivative financial instruments including futures, forward, swap and option contracts, and other financial instruments with similar characteristics. Although the Funds are authorized to invest in such financial instruments, and may do so in the future, they did not make any such investments during the fiscal year ended August 31, 2001.

Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

Offering Costs

Nuveen Investments has agreed to pay all offering costs (other than the sales load) that exceed \$.03 per Common share for California Dividend Advantage 2 (NVX). California Dividend Advantage 2's (NVX) share of offering costs (\$443,400) was recorded as a reduction of the proceeds from the sale of Common shares.

Costs incurred by California Dividend Advantage 2 (NVX) in connection with its offering of Preferred shares (\$1,296,000) was recorded as a reduction of the proceeds from the sale of the Preferred shares.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results may differ from those estimates.

Audit Guide

In November 2000, the American Institute of Certified Public Accountants (AICPA) issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). The Guide is effective for annual financial statements issued for fiscal years beginning after December 15, 2000. It is not anticipated that the adoption of the Guide will have a significant effect on the financial statements.

2. FUND SHARES

Transactions in Common and Preferred shares were as follows:

|  | INSURED CALIFORNIA<br>PREMIUM INCOME (NPC) |                       | INSURED CALIFORNIA<br>PREMIUM INCOME 2 (NCL) |                       | CALIFORNIA<br>PREMIUM INCOME |
|--|--|-----------------------|--|-----------------------|------------------------------|
|  | YEAR ENDED<br>8/31/01                      | YEAR ENDED<br>8/31/00 | YEAR ENDED<br>8/31/01                        | YEAR ENDED<br>8/31/00 | YEAR ENDED<br>8/31/01        |
| Common shares:   |  |                       |  |                       |                              |
| Shares sold  | --   | --                    | --   | --                    | --                           |
| Shares issued to shareholders<br>due to reinvestment<br>of distributions | --   | 6,092                 | 3,745  | 13,473                | 7,867                        |
|  | --   | 6,092                 | 3,745  | 13,473                | 7,867                        |
| Preferred shares sold  | --   | --                    | --   | --                    | --                           |

|                | CALIFORNIA DIVIDEND<br>ADVANTAGE (NAC) |                       | CALIFORNIA D<br>ADVANTAGE 2                       |
|----------------|--|-----------------------|---|
|                | YEAR ENDED<br>8/31/01                  | YEAR ENDED<br>8/31/00 | FOR THE PERIOD<br>(COMMENCEME<br>OPERATIONS) THRO |
| Common shares: |  |                       |   |

|  |       |        |    |
|--|-------|--------|----|
| Shares sold  | --    | --     | 14 |
| Shares issued to shareholders<br>due to reinvestment<br>of distributions | 3,990 | 48,242 |    |
|  | 3,990 | 48,242 | 14 |
| Preferred shares sold  | --    | --     |    |

3. DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid October 1, 2001, to shareholders of record on September 15, 2001, as follows:

|                    | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CA<br>ADV |
|--------------------|---|---|--|--|-----------|
| Dividend per share | \$ .0705  | \$ .0670  | \$ .0660                                 | \$ .0705                                     |           |

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Notes to Financial Statements (continued)

4. SECURITIES TRANSACTIONS

Purchases and sales (including maturities) of investments in long-term municipal securities and short-term municipal securities during the fiscal year ended August 31, 2001, were as follows:

|                                 | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CA<br>ADV |
|---------------------------------|---|---|--|--|-----------|
| Purchases:                      |   |   |  |  |           |
| Long-term municipal securities  | \$29,467,356  | \$47,896,220  | \$21,969,914                             | \$89,677,133                                 | \$36      |
| Short-term municipal securities | 7,400,000   | 11,200,000  | --                                       | 5,400,000                                    |           |

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Sales and maturities:

|                                 |            |            |            |            |   |
|---------------------------------|------------|------------|------------|------------|---|
| Long-term municipal securities  | 30,181,547 | 49,137,925 | 21,882,476 | 84,904,781 | 4 |
| Short-term municipal securities | 7,400,000  | 11,200,000 | --         | 5,300,000  |   |

\* For the period March 27, 2001 (commencement of operations) through August 31, 2001.

At August 31, 2001, the identified cost of investments owned for federal income tax purposes were as follows:

|  | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CA<br>ADV |
|--|---|---|--|--|-----------|
|  | \$129,946,045                                       | \$259,252,969   | \$116,746,883                            | \$493,587,460                                | \$315     |

At August 31, 2001, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

| Expiration year: | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CA<br>A |
|------------------|---|---|--|---------|
| 2003             | \$ --   | \$ 323,810  | \$1,039,028                              |         |
| 2004             | --  | 4,345,091   | 2,742,449                                |         |
| 2005             | 165,897   | 1,283,948   | 1,049,994                                |         |
| 2006             | --  | --  | --                                       |         |
| 2007             | --  | --  | --                                       | 1       |
| 2008             | 681,230   | --  | --                                       | 1       |
| 2009             | 1,592,883   | 2,185,870   | --                                       | 4       |
| Total            | \$2,440,010   | \$8,138,719   | \$4,831,471                              | \$7     |

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5. UNREALIZED APPRECIATION (DEPRECIATION)

Gross unrealized appreciation and gross unrealized depreciation of investments for federal income tax purposes at August 31, 2001, were as follows:

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|                             | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE 2<br>(NVX) |
|-----------------------------|---|---|--|--|--|
| Gross unrealized:           |   |   |  |  |  |
| appreciation                | \$16,329,459  | \$22,763,148  | \$6,835,339                              | \$28,929,286                                 | \$13,111,111                                   |
| depreciation                | (100,796)   | (829,844)   | (442,618)                                | (240,340)                                    | (111,111)                                      |
| Net unrealized appreciation | \$16,228,663  | \$21,933,304  | \$6,392,721                              | \$28,688,946                                 | \$12,999,999                                   |

6. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Funds' (excluding California Dividend Advantage (NAC) and California Dividend Advantage 2 (NVX)) investment management agreements with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets of each Fund as follows:

| AVERAGE DAILY NET ASSETS        | MANAGEMENT FEE |
|---------------------------------|----------------|
| For the first \$125 million     | .6500 of 1%    |
| For the next \$125 million      | .6375 of 1     |
| For the next \$250 million      | .6250 of 1     |
| For the next \$500 million      | .6125 of 1     |
| For the next \$1 billion        | .6000 of 1     |
| For the next \$3 billion        | .5875 of 1     |
| For net assets over \$5 billion | .5750 of 1     |

Under California Dividend Advantage's (NAC) and California Dividend Advantage 2's (NVX) investment management agreements with the Adviser, each Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily net assets of each Fund as follows:

| AVERAGE DAILY NET ASSETS        | MANAGEMENT FEE |
|---------------------------------|----------------|
| For the first \$125 million     | .6500 of 1%    |
| For the next \$125 million      | .6375 of 1     |
| For the next \$250 million      | .6250 of 1     |
| For the next \$500 million      | .6125 of 1     |
| For the next \$1 billion        | .6000 of 1     |
| For net assets over \$2 billion | .5750 of 1     |

The Adviser has agreed to waive part of its management fees or reimburse certain expenses of California Dividend Advantage (NAC) in an amount equal to .30% of the average daily net assets for the period May 26, 1999 (commencement of operations) through July 31, 2004, .25% of the average daily net assets for the year ended July 31, 2005, .20% of the average daily net assets for the year ended July 31, 2006, .15% of the average daily net assets for the year ended July 31, 2007, .10% of the average daily net assets for the year ended July 31, 2008, and .05% of the average daily net assets for the year ended July 31, 2009. The Adviser has not agreed to reimburse California Dividend Advantage (NAC) for any portion of its fees and expenses beyond July 31, 2009.

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The Adviser has agreed to waive part of its management fees or reimburse certain expenses of California Dividend Advantage 2 (NVX) in an amount equal to .30% of the average daily net assets for the period March 27, 2001 (commencement of operations) through March 31, 2006, .25% of the average daily net assets for the year ended March 31, 2007, .20% of the average daily net assets for the year ended March 31, 2008, .15% of the average daily net assets for the year ended March 31, 2009, .10% of the average daily net assets for the year ended March 31, 2010, and .05% of the average daily net assets for the year ended March 31, 2011. The Adviser has not agreed to reimburse California Dividend Advantage 2 (NVX) for any portion of its fees and expenses beyond March 31, 2011.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Funds pay no compensation directly to those of its Directors/Trustees who are affiliated with the Adviser or to their officers, all of whom receive remuneration for their services to the Funds from the Adviser.

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Notes to Financial Statements (continued)

7. COMPOSITION OF NET ASSETS

At August 31, 2001, net assets consisted of:

|  | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME<br>(NPC) | INSURED<br>CALIFORNIA<br>PREMIUM<br>INCOME 2<br>(NCL) | CALIFORNIA<br>PREMIUM<br>INCOME<br>(NCU) | CALIFORNIA<br>DIVIDEND<br>ADVANTAGE<br>(NAC) |
|--|---|---|--|--|
| Preferred shares, \$25,000 stated value per share,<br>at liquidation value | \$ 45,000,000                                       | \$ 95,000,000   | \$ 43,000,000                            | \$175,000,000                                |
| Common shares, \$.01 par value per share                                   | 64,258  | 126,312   | 57,715                                   | 234,063                                      |
| Paid-in surplus  | 88,889,988  | 175,167,573   | 80,143,273                               | 332,416,129                                  |
| Undistributed (over-distribution of) net<br>investment income              | 324,927   | 544,540   | 304,995                                  | 439,325                                      |
| Accumulated net realized gain (loss) from<br>investment transactions       | (2,540,807)   | (8,671,401)   | (4,831,471)                              | (7,581,393)                                  |
| Net unrealized appreciation of investments                                 | 16,329,459  | 22,465,987  | 6,392,721                                | 28,688,946                                   |
| Net assets   | \$148,067,825                                       | \$284,633,011   | \$125,067,233                            | \$529,197,070                                |
| Authorized shares:   |   |   |  |  |
| Common   | 200,000,000   | 200,000,000   | Unlimited                                | Unlimited                                    |
| Preferred  | 1,000,000   | 1,000,000   | Unlimited                                | Unlimited                                    |

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Financial Highlights

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Financial Highlights

Selected data for a Common share outstanding throughout each period:

|  | Beginning<br>Net Asset<br>Value | Investment Operations       |   |        | From and<br>in Excess<br>of Net<br>Investment<br>Income to<br>Common<br>Share-<br>holders | From an<br>in Exce<br>of Net<br>Investm<br>Income<br>Prefer<br>Share-<br>holders |
|--|---------------------------------|-----------------------------|---|--------|---|--|
|  |                                 | Net<br>Investment<br>Income | Net<br>Realized/<br>Unrealized<br>Investment<br>Gain (Loss) | Total  |   |  |
| -----  |                                 |                             |   |        |   |  |
| Insured California<br>Premium Income (NPC)   |                                 |                             |   |        |   |  |
| -----  |                                 |                             |   |        |   |  |
| Year Ended 8/31:                             |                                 |                             |   |        |   |  |
| 2001   | \$15.08                         | \$1.04                      | \$ .99  | \$2.03 | \$(.86)   | \$(.21)  |
| 2000   | 14.81                           | 1.09                        | .30   | 1.39   | (.88)   | (.24)  |
| 1999   | 16.31                           | 1.09                        | (1.56)  | (.47)  | (.83)   | (.20)  |
| 1998   | 15.39                           | 1.03                        | .92   | 1.95   | (.81)   | (.22)  |
| 1997   | 14.46                           | 1.04                        | .93   | 1.97   | (.81)   | (.23)  |
| -----  |                                 |                             |   |        |   |  |
| Insured California<br>Premium Income 2 (NCL) |                                 |                             |   |        |   |  |
| -----  |                                 |                             |   |        |   |  |
| Year Ended 8/31:                             |                                 |                             |   |        |   |  |
| 2001   | 14.09                           | 1.01                        | .91   | 1.92   | (.78)   | (.22)  |
| 2000   | 13.70                           | 1.02                        | .41   | 1.43   | (.80)   | (.24)  |
| 1999   | 14.82                           | 1.01                        | (1.14)  | (.13)  | (.78)   | (.21)  |
| 1998   | 14.06                           | .98                         | .77   | 1.75   | (.75)   | (.24)  |
| 1997   | 13.27                           | .99                         | .77   | 1.76   | (.74)   | (.23)  |
| -----  |                                 |                             |   |        |   |  |
| California Premium Income (NCU)              |                                 |                             |   |        |   |  |
| -----  |                                 |                             |   |        |   |  |
| Year Ended 8/31:                             |                                 |                             |   |        |   |  |
| 2001   | 13.34                           | 1.00                        | .90   | 1.90   | (.79)   | (.23)  |
| 2000   | 13.19                           | 1.03                        | .14   | 1.17   | (.79)   | (.23)  |
| 1999   | 14.30                           | 1.00                        | (1.13)  | (.13)  | (.77)   | (.21)  |
| 1998   | 13.60                           | .98                         | .70   | 1.68   | (.74)   | (.24)  |
| 1997   | 12.70                           | .99                         | .89   | 1.88   | (.74)   | (.24)  |
| -----  |                                 |                             |   |        |   |  |
| California Dividend Advantage (NAC)          |                                 |                             |   |        |   |  |
| -----  |                                 |                             |   |        |   |  |
| Year Ended 8/31:                             |                                 |                             |   |        |   |  |
| 2001   | 13.82                           | 1.07                        | 1.28  | 2.35   | (.81)   | (.23)  |
| 2000   | 13.33                           | 1.07                        | .52   | 1.59   | (.84)   | (.26)  |
| 1999 (a)                                     | 14.33                           | .20                         | (.92)   | (.72)  | (.14)   | (.03)  |



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California Dividend Advantage 2 (NVX)

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|                  |       |     |     |      |       |       |
|------------------|-------|-----|-----|------|-------|-------|
| Year Ended 8/31: |       |     |     |      |       |       |
| 2001(b)          | 14.33 | .34 | .90 | 1.24 | (.29) | (.05) |

---

|  |                                 |                           | Total Returns                    |  |
|--|---------------------------------|---------------------------|----------------------------------|--|
| Offering<br>Costs and<br>Preferred<br>Share<br>Underwriting<br>Discounts | Ending<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value | Based<br>on<br>Market<br>Value** | Based<br>on<br>Net<br>Asset<br>Value** |

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Insured California  
Premium Income (NPC)

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|                  |      |         |           |        |        |
|------------------|------|---------|-----------|--------|--------|
| Year Ended 8/31: |      |         |           |        |        |
| 2001             | \$-- | \$16.04 | \$15.6900 | 14.12% | 12.43% |
| 2000             | --   | 15.08   | 14.5625   | .84    | 8.34   |
| 1999             | --   | 14.81   | 15.3750   | 1.62   | (4.35) |
| 1998             | --   | 16.31   | 15.9375   | 15.85  | 11.51  |
| 1997             | --   | 15.39   | 14.5000   | 10.69  | 12.30  |

Insured California  
Premium Income 2 (NCL)

---

|                  |    |       |         |       |        |
|------------------|----|-------|---------|-------|--------|
| Year Ended 8/31: |    |       |         |       |        |
| 2001             | -- | 15.01 | 14.8300 | 11.99 | 12.45  |
| 2000             | -- | 14.09 | 14.0000 | 3.58  | 9.21   |
| 1999             | -- | 13.70 | 14.3750 | 2.27  | (2.50) |
| 1998             | -- | 14.82 | 14.8125 | 15.70 | 10.95  |
| 1997             | -- | 14.06 | 13.5000 | 14.36 | 11.82  |

California Premium Income (NCU)

---

|                  |    |       |         |       |        |
|------------------|----|-------|---------|-------|--------|
| Year Ended 8/31: |    |       |         |       |        |
| 2001             | -- | 14.22 | 14.1700 | 12.84 | 12.92  |
| 2000             | -- | 13.34 | 13.3125 | 5.93  | 7.63   |
| 1999             | -- | 13.19 | 13.3750 | .81   | (2.57) |
| 1998             | -- | 14.30 | 14.0000 | 12.54 | 10.83  |
| 1997             | -- | 13.60 | 13.1250 | 17.16 | 13.20  |

California Dividend Advantage (NAC)

---

|                  |       |       |         |        |        |
|------------------|-------|-------|---------|--------|--------|
| Year Ended 8/31: |       |       |         |        |        |
| 2001             | --    | 15.13 | 14.8900 | 15.06  | 15.85  |
| 2000             | --    | 13.82 | 13.7500 | (2.18) | 10.80  |
| 1999(a)          | (.11) | 13.33 | 15.0000 | .96    | (5.99) |

California Dividend Advantage 2 (NVX)

---

|                  |       |       |         |      |      |
|------------------|-------|-------|---------|------|------|
| Year Ended 8/31: |       |       |         |      |      |
| 2001(b)          | (.12) | 15.11 | 15.2100 | 3.40 | 7.55 |

---

| Ratios/Supplemental Data                     |                                  |   |  |  |   |
|--|----------------------------------|---|--|--|---|
| -----  |                                  |   |  |  |   |
| Before Credit/Reimbursement                  |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
|  | Ending<br>Net<br>Assets<br>(000) | Ratio of<br>Expenses<br>to Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of Net<br>Investment<br>Income to<br>Average to<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of<br>Expenses<br>Average<br>Total<br>Net Assets<br>Including<br>Preferred++ | Ratio of Net<br>Investment<br>Income to<br>Average<br>Total<br>Net Assets<br>Including<br>Preferred++ |
| -----  |                                  |   |  |  |   |
| Insured California<br>Premium Income (NPC)   |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
| Year Ended 8/31:                             |                                  |   |  |  |   |
| 2001   | \$148,068                        | 1.22%   | 6.77%  | .84%   | 4.65%   |
| 2000   | 141,903                          | 1.25  | 7.65   | .84  | 5.13  |
| 1999   | 140,091                          | 1.22  | 6.81   | .85  | 4.74  |
| 1998   | 149,478                          | 1.22  | 6.49   | .85  | 4.50  |
| 1997   | 143,571                          | 1.25  | 6.96   | .85  | 4.74  |
| Insured California<br>Premium Income 2 (NCL) |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
| Year Ended 8/31:                             |                                  |   |  |  |   |
| 2001   | 284,633                          | 1.24  | 7.01   | .82  | 4.60  |
| 2000   | 272,977                          | 1.28  | 7.65   | .81  | 4.88  |
| 1999   | 267,833                          | 1.24  | 6.86   | .82  | 4.53  |
| 1998   | 281,399                          | 1.25  | 6.79   | .82  | 4.46  |
| 1997   | 271,883                          | 1.28  | 7.24   | .83  | 4.67  |
| California Premium Income (NCU)              |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
| Year Ended 8/31:                             |                                  |   |  |  |   |
| 2001   | 125,067                          | 1.32  | 7.36   | .85  | 4.75  |
| 2000   | 119,878                          | 1.38  | 8.09   | .87  | 5.10  |
| 1999   | 118,877                          | 1.30  | 7.08   | .85  | 4.62  |
| 1998   | 125,066                          | 1.32  | 7.02   | .86  | 4.57  |
| 1997   | 120,995                          | 1.34  | 7.47   | .86  | 4.76  |
| California Dividend Advantage (NAC)          |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
| Year Ended 8/31:                             |                                  |   |  |  |   |
| 2001   | 529,197                          | 1.19  | 7.03   | .78  | 4.61  |
| 2000   | 498,326                          | 1.24  | 7.93   | .78  | 4.99  |
| 1999(a)                                      | 486,367                          | .93*  | 5.06*  | .73*   | 3.99*   |
| California Dividend Advantage 2 (NVX)        |                                  |   |  |  |   |
| -----  |                                  |   |  |  |   |
| Year Ended 8/31:                             |                                  |   |  |  |   |
| 2001(b)                                      | 333,440                          | 1.05*   | 5.23*  | .77*   | 3.85*   |
| -----  |                                  |   |  |  |   |

| Ratios/Supplemental Data                     |   |   |   |   |                               |   |
|--|---|---|---|---|-------------------------------|---|
| -----  |   |   |   |   |                               |   |
| After Credit/Reimbursement***                |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
|  | Ratio of<br>Expenses<br>to Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br>Applicable<br>to Common<br>Shares++ | Ratio of<br>Expenses<br>to Average<br>Total<br>Net Assets<br>Including<br>Preferred++ | Ratio of Net<br>Investment<br>Income to<br>Average<br>Total<br>Net Assets<br>Including<br>Preferred++ | Portfolio<br>Turnover<br>Rate | Mun<br>Pre<br>Aggreg<br>Amount<br>Outsta<br>(000) |
| -----  |   |   |   |   |                               |   |
| Insured California<br>Premium Income (NPC)   |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
| Year Ended 8/31:                             |   |   |   |   |                               |   |
| 2001   | 1.21%   | 6.79%   | .83%  | 4.66%   | 21%                           | \$ 45,0   |
| 2000   | 1.24  | 7.66  | .83   | 5.13  | 27                            | 45,0  |
| 1999   | 1.22  | 6.82  | .85   | 4.74  | 50                            | 45,0  |
| 1998   | 1.22  | 6.49  | .85   | 4.50  | 2                             | 45,0  |
| 1997   | 1.25  | 6.96  | .85   | 4.74  | 9                             | 45,0  |
| Insured California<br>Premium Income 2 (NCL) |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
| Year Ended 8/31:                             |   |   |   |   |                               |   |
| 2001   | 1.24  | 7.02  | .81   | 4.61  | 18                            | 95,0  |
| 2000   | 1.26  | 7.66  | .81   | 4.89  | 26                            | 95,0  |
| 1999   | 1.24  | 6.86  | .82   | 4.53  | 35                            | 95,0  |
| 1998   | 1.25  | 6.79  | .82   | 4.46  | 13                            | 95,0  |
| 1997   | 1.28  | 7.24  | .83   | 4.67  | 24                            | 95,0  |
| California Premium Income (NCU)              |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
| Year Ended 8/31:                             |   |   |   |   |                               |   |
| 2001   | 1.30  | 7.38  | .84   | 4.76  | 18                            | 43,0  |
| 2000   | 1.36  | 8.10  | .86   | 5.10  | 19                            | 43,0  |
| 1999   | 1.30  | 7.08  | .85   | 4.63  | 36                            | 43,0  |
| 1998   | 1.32  | 7.02  | .86   | 4.57  | 21                            | 43,0  |
| 1997   | 1.34  | 7.47  | .86   | 4.76  | 44                            | 43,0  |
| California Dividend Advantage (NAC)          |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
| Year Ended 8/31:                             |   |   |   |   |                               |   |
| 2001   | .72   | 7.50  | .47   | 4.92  | 17                            | 175,  |
| 2000   | .75   | 8.43  | .47   | 5.30  | 25                            | 175,  |
| 1999 (a)                                     | .55*  | 5.45*   | .43*  | 4.29*   | 8                             | 175,  |
| California Dividend Advantage 2 (NVX)        |   |   |   |   |                               |   |
| -----  |   |   |   |   |                               |   |
| Year Ended 8/31:                             |   |   |   |   |                               |   |
| 2001 (b)                                     | .62*  | 5.65*   | .46*  | 4.16*   | 40                            | 110,  |
| -----  |   |   |   |   |                               |   |

\* Annualized.

\*\* Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in stock price per share. Total Return on Net Asset Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in net asset value per share. Total returns are not annualized.

\*\*\* After custodian fee credit and expense reimbursement, where applicable.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares.

(a) For the period May 26, 1999 (commencement of operations) through August 31, 1999.

(b) For the period March 27, 2001 (commencement of operations) through August 31, 2001.

See accompanying notes to financial statements.

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Sidebar text: Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

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The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of

shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

#### FLEXIBILITY

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

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##### LEGAL COUNSEL

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Washington, D.C.

INDEPENDENT AUDITORS  
Ernst & Young LLP  
Chicago, IL

Each Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the twelve-month period ended August 31, 2001. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

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