

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND INC  
Form N-CSR  
April 25, 2012

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF  
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-7278

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

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

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

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

Date of fiscal year end: February 29

Date of reporting period: February 29, 2012

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

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Chairman's  
Letter to Shareholders

Dear Shareholders,

In recent months the positive atmosphere in financial markets has reflected efforts by central banks in the US and Europe to provide liquidity to the financial system and keep interest rates low. At the same time, future economic growth in these countries still faces serious headwinds in the form of high energy prices, uncertainties about potential political leadership changes and increasing pressure to reduce government spending regardless of its impact on the economy. Together with the continuing political tensions in the Middle East, investors have many reasons to remain cautious.

Though progress has been painfully slow, officials in Europe have taken important steps to address critical issues. The European Central Bank has provided vital liquidity to the banking system. Similarly, officials in the Euro area finally agreed to an enhanced "firewall" of funding to deal with financial crises in member countries. These steps, in addition to the completion of another round of financing for Greece, have eased credit conditions across the Continent. Several very significant challenges remain with the potential to derail the recent progress but European leaders have demonstrated political will and persistence in dealing with their problems.

In the US, strong corporate earnings and continued progress on job creation have contributed to a rebound in the equity market and many of the major stock market indexes are approaching their levels before the financial crisis. The Fed's commitment to an extended period of low interest rates is promoting economic growth, which remains moderate but steady and raises concerns about the future course of long term rates once the program ends. Pre-election maneuvering has added to the highly partisan atmosphere in the Congress. The end of the Bush-era tax cuts and implementation of the spending restrictions of the Budget Control act of 2011, both scheduled to take place at year-end loom closer with little progress being made to deal with them.

During the last year investors have experienced a sharp decline and a strong recovery in the equity markets. Experienced investment teams keep their eye on a longer time horizon and use their practiced investment disciplines to negotiate through market peaks and valleys to achieve long term goals for investors. Monitoring this process is an important consideration for the Fund Board as it oversees your Nuveen funds on your behalf.

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

Sincerely,

Robert P. Bremner  
Chairman of the Board  
April 20, 2012

## Portfolio Managers' Comments

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

Portfolio managers Michael Hamilton and Daniel Close review economic and municipal market conditions at the national and state levels, key investment strategies, and the twelve-month performance of these five Nuveen Funds. Michael, who has 23 years of investment experience, assumed portfolio management responsibility for the Arizona Funds in January 2011. An eleven-year veteran of Nuveen, Dan has managed NTX since 2007.

What factors affected the U.S. economic and municipal market environments during the twelve-month reporting period ended February 29, 2012?

During this period, the U.S. economy's progress toward recovery from recession remained modest. The Federal Reserve (Fed) maintained its efforts to improve the overall economic environment by continuing to hold the benchmark fed funds rate at the record low level of zero to 0.25% that it had established in December 2008. At its March 2012 meeting (shortly after the end of this reporting period), the central bank reaffirmed its opinion that economic conditions would likely warrant keeping this rate at "exceptionally low levels" at least through late 2014. The Fed also stated that it would continue its program to extend the average maturity of its holdings of U.S. Treasury securities by purchasing \$400 billion of these securities with maturities of six to thirty years and selling an equal amount of U.S. Treasury securities with maturities of three years or less. The goals of this program, which the Fed expects to complete by the end of June 2012, are to lower longer-term interest rates, support a stronger economic recovery, and help ensure that inflation remains at levels consistent with the Fed's mandates of maximum employment and price stability.

In the fourth quarter of 2011, the U.S. economy, as measured by the U.S. gross domestic product (GDP), grew at an annualized rate of 3.0%, the best growth number since the end of second quarter 2010 and the tenth consecutive quarter of positive growth. The Consumer Price Index (CPI) rose 2.9% year-over-year as of February 2012, while the core CPI (which excludes food and energy) increased 2.2% during the same period, edging above the Fed's unofficial objective of 2.0% or lower for this inflation measure. Labor market conditions have shown some signs of improvement, as national unemployment stood at 8.3% in February 2012, the lowest level in three years, down from 9.0% in February 2011. The housing market continued to be the major weak spot in the economy. For the twelve months ended January 2012 (most recent data available at the time this report was prepared), the average home price in the Standard & Poor's (S&P)/Case-Shiller Index of 20 major metropolitan areas lost 3.8%, as housing prices hit their lowest levels since early 2003. In addition, the U.S. economic picture continued to be clouded by concerns about the European debt crisis and efforts to reduce the federal deficit.

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

Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A and BBB are

investment grade ratings; BB, B, CCC, CC, C and D are below investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.

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Municipal bond prices generally rallied over this period. Historically light issuance of new tax-exempt bonds served as a key driver of performance, as tight supply and strong demand combined to create favorable market conditions for municipal bonds. Concurrent with rising prices, yields declined across most maturities. The depressed level of municipal bond issuance was due in part to the continued impact of the taxable Build America Bonds (BAB) program. Even though the BAB program expired at the end of 2010, issuers had made extensive use of its favorable terms to issue almost \$190 billion in taxable BAB bonds during 2009 and 2010, representing approximately 25% of all municipal issuance during that period. Some borrowers accelerated issuance in order to take advantage of the program before its termination, fulfilling their capital program borrowing needs well into 2011 and 2012. This reduced the need for many borrowers to come to market with new tax-exempt issues during this period. The low level of municipal issuance during this period also reflected the current political distaste for additional borrowing by state and local governments and the prevalent atmosphere of municipal budget austerity.

Over the twelve months ended February 29, 2012, municipal bond issuance nationwide totaled \$307.4 billion, a decrease of 24% compared with issuance during the twelvemonth period ended February 28, 2011. During this period, demand for municipal bonds remained very strong, especially from individual investors.

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

Arizona's economy was hard hit by the recent recession, as the housing decline and a major slowdown in the state's construction industry had repercussions throughout housing-related sectors, including manufacturing and finance. However, the pace of economic recovery has now picked up in Arizona, driven by labor market growth in education, health care, tourism and manufacturing. The state's financial sector has also made marginal, but important gains in employment. As of February 2012, the unemployment rate in Arizona dropped to 8.7%, the lowest level in three years, down from 9.7% in February 2011. After three years of steep housing and construction market declines, Arizona has made some progress in working through its excess inventory of housing, although a significant number of foreclosure filings remained. According to the S&P/Case-Shiller Index, housing prices in Phoenix rose 1.3% over the twelve months ended January 2012 (most recent data available at the time this report was prepared). Phoenix was one of only three metropolitan areas (along with Detroit and Denver) to post an increase for this period, compared with an average decrease of 3.8% nationwide. For fiscal 2012, Arizona enacted an \$8.3 billion general fund budget that closed an estimated \$1.5 billion budget gap through spending cuts targeted at Medicaid and education-related funding, including K-12, community colleges and state universities. The state received approval from the federal government for a Medicaid waiver, which has allowed the state to contain program costs. The proposed



general fund budget for fiscal 2013 totaled \$8.9 billion, an increase of 7%. At the end of fiscal 2013, the temporary one-cent sales tax, which was enacted in 2011, will expire, necessitating the location of additional revenue sources to avoid a potential budget gap for fiscal 2014. In February 2012, Moody's affirmed its issuer credit rating of Aa3 for Arizona and changed its outlook to stable from negative, citing improved "overall liquidity and stabilization of the state's budget position." S&P affirmed its issuer rating of AA- and also changed its outlook to stable from negative in December 2011, citing "Arizona's improving fiscal outlook." For the twelve months ended February 29, 2012, municipal issuance in Arizona totaled \$4.6 billion, down 20% from the previous twelve months.

Economic recovery has proceeded at a moderate pace in Texas, ahead of the national average rate of growth. Another active year for the oil and natural gas industry, a relatively healthy housing market and robust export performance have enabled Texas to maintain a stronger growth path. Nine of the state's eleven major industries added jobs in 2011, with the fastest growth rates in the mining (oil and natural gas) and logging sectors. Unemployment in Texas remained lower than the national average throughout the recession and continued this positive trend in recent months. As of February 2012, the state's unemployment rate was 7.1%, its best reading since April 2009, down from 8.0% in February 2011. This compares with the national unemployment rate of 8.3% in February 2012. The performance of the Texas job market played a role in keeping mortgage delinquency and default rates for the state well below the national average. Texas also benefited from the fact that there was no price boom or bust in the state's housing market. According to the S&P/Case-Shiller Index, housing prices in Dallas posted a year-over-year decline of 1.2% as of January 2012 (most recent data available at the time this report was prepared), below the average decline of 3.8% nationwide. As Texas headed into fiscal 2011, the state faced a shortfall of approximately \$4.3 billion, which was closed through the use of \$3.1 billion of the state's rainy day fund and \$1.2 billion in spending reductions. The enacted fiscal 2012-2013 biennial budget cut the state's all funds budget by 6% and reduced general fund spending by 2%, or \$1.7 billion compared with fiscal 2010-2011. In December 2011, general revenues were forecast at \$82.7 billion for the fiscal 2012-2013 biennium, an increase of 8.2% over the 2010-2011 budget cycle. As of February 2012, Moody's and S&P rated Texas general obligation (GO) debt at Aaa and AA+, respectively, with stable outlooks. For the twelve months ended February 29, 2012, municipal issuance in Texas totaled \$25.2 billion, a decrease of 30% from the previous twelve months. Texas continued to rank as the third largest state issuer behind New York and California.

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

As previously discussed, municipal bond prices generally rallied nationally during this period, as the supply of tax-exempt bonds remained tight and yields continued to be relatively low. In this environment, we continued to take a bottom-up approach to discovering sectors that appeared undervalued as well as individual credits that had the potential to perform well over the long term and helped us keep our Funds fully invested.

During this period, the Arizona Funds added to their positions in charter schools and health care. Because municipal issuance in Arizona continued to be lower than historical averages, we also looked for additional ways to put cash to work, purchasing some territorial bonds that are exempt from federal, state and local taxes. NTX took advantage of attractive opportunities to add to its holdings across a diverse array of sectors, including gas prepayment credits, water and sewer, airports and higher education, as well as state appropriation and dedicated tax bonds.

Our focus in the Arizona Funds generally was on purchasing bonds with longer maturities, while NTX emphasized intermediate and longer maturities. These purchases helped to keep the Funds' durations within their targeted objectives, duration and yield curve positioning. The purchase of longer bonds also enabled us to take advantage of more attractive yields at the longer end of the municipal yield curve. From a quality perspective, NTX emphasized mid-grade to higher-rated credits, while our strategy in the Arizona Funds was to purchase lower-rated credits when we believed that they offered greater value relative to higher-rated bonds. In NTX, the majority of our purchases were made in the primary market, based on our belief that it offered more attractive structures during this period. Later in the period, as the municipal market rally continued, we began to position NTX slightly more defensively by purchasing bonds with more defensive structures in terms of coupons and call provisions.

Cash for new purchases was generated primarily by the proceeds from called and maturing bonds. An elevated number of bond calls, especially in NTX, during this period provided a meaningful source of liquidity, which drove much of our activity as we worked to redeploy the proceeds to keep the Funds fully invested. In addition, all of the Funds sold some short-dated, pre-refunded holdings when we needed additional cash to take advantage of attractive purchase opportunities.

As of February 29, 2012, all five of these Funds continued to use inverse floating rate securities. We employ inverse floaters for a variety of reasons, including duration management, income enhancement and total return enhancement.

How did the Funds perform during the twelve-month period ended February 29, 2012?

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

Average Annual Total Returns on Common Share Net Asset Value  
For periods ended 2/29/12

	1-Year	5-Year	10-Year
<b>Arizona Funds</b>			
NAZ	18.08%	5.59%	5.84%
NFZ	19.56%	5.15%	6.12%
NKR	16.91%	5.60%	N/A
NXE	17.30%	5.63%	N/A
Standard & Poor's (S&P) Arizona Municipal Bond Index*	12.33%	5.39%	5.35%
Standard & Poor's (S&P) National Municipal Bond Index*	12.87%	5.19%	5.36%
Lipper Other States Municipal Debt Funds Classification Average*	18.83%	5.61%	6.28%
<b>Texas Fund</b>			
NTX	16.23%	5.86%	6.20%
Standard & Poor's (S&P) Texas Municipal Bond Index*	12.13%	5.45%	5.57%
Standard & Poor's (S&P) National Municipal Bond Index*	12.87%	5.19%	5.36%
Lipper Other States Municipal Debt Funds Classification Average*	18.83%	5.61%	6.28%

For the twelve months ended February 29, 2012, the total return on common share net asset value (NAV) for all five of the Funds in this report exceeded the returns for their respective state's Standard & Poor's (S&P) Municipal Bond Index as well as that of the S&P National Municipal Bond Index. For the same period, NFZ outperformed the average return for the Lipper Other States Municipal Debt Funds Classification Average, while the remaining four Funds trailed this Lipper average. Shareholders of the Arizona and Texas Funds should note that the performance of the Lipper other States classification represents the overall average returns for funds from ten different states with a wide variety of municipal market conditions, which may make direct comparisons less meaningful.

Key management factors that influenced the Funds' returns during this period included duration and yield curve positioning, credit exposure and sector allocation. NFZ also benefited from strong individual security selection. In addition, the use of regulatory leverage was an important positive factor affecting the Funds' performance. Leverage is discussed in more detail later in this report.

During this period, municipal bonds with longer maturities generally outperformed those with shorter maturities. Overall, credits at the longest end of the municipal yield curve posted the strongest returns, while bonds at the shortest end produced the weakest results. The Funds' duration and yield curve positionings were important determinants of performance during this period and for NTX, credit rating was also an

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

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

\* Refer to Glossary of Terms Used in this Report for definitions.

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important determinant for performance. On the whole, NFZ was the most advantageously positioned in terms of duration and yield curve exposure. The Arizona Funds benefited from their weightings in the outperforming longer part of the yield curve while all Funds benefited from their underweightings in the shorter segments of the curve that underperformed. During this period, we worked to extend the duration of NKR, which had started the period with the shortest duration among the Arizona Funds. While we were successful in our duration extension efforts, NKR benefited less from the market environment of this period than the three Arizona Funds that had entered the period with longer durations. As a result, NKR's return lagged that of the other Arizona Funds.

Credit exposure also played a role in performance during these twelve months, as lower-rated bonds, especially those rated BBB, generally outperformed higher-quality bonds rated AAA and AA. This outperformance was due in part to the greater demand for lower-rated bonds as investors looked for investments offering higher yields. Overall, the Arizona Funds benefited from being underweighted in bonds rated AAA and AA, which underperformed, while a strong weighting in BBB bonds helped NTX's performance.

Holdings that generally made positive contributions to the Funds' returns during this period included zero coupon bonds and health care, industrial development revenue (IDR), transportation and dedicated tax credits. Lease-backed and education bonds also outpaced the general municipal market for the period, while water and sewer credits just edged past the municipal market average. All of the Arizona Funds were overweighted in health care, while NTX's performance was boosted by a heavy weighting in long-dated zero coupon bonds.

In contrast, pre-refunded bonds, which are often backed by U.S. Treasury securities, were the poorest performing market segment during this period. The underperformance of these bonds can be attributed primarily to their shorter effective maturities and higher credit quality. NAZ, NXE and NTX were overweighted in pre-refunded bonds, with NTX having heaviest weighting, which negatively impacted the performance of these three Funds. The public power, housing and resource recovery sectors also lagged the performance of the general municipal market for this period.

In addition, NTX held two credits—Dallas-Ft. Worth International Airport Facility Improvement Corporation for American Airlines and Brazos River Authority for TXU Electric Company—that meaningfully detracted from the Fund's performance for this period. Due to competitive pressures, rising costs, reduced demand and mounting losses, American Airlines declared bankruptcy at the end of November 2011, and we sold our holdings in this credit at a loss in early December 2011. The Brazos/TXU bond price deteriorated in tandem with the decline in natural gas prices. As of February 29, 2012, we continued to hold this credit, based on its current valuation. At the same time, the Arizona Funds continued to monitor funding issues involving the Arizona Sports and Tourism Authority (AZSTA) and the potential impact on local municipalities. After funding derived from taxes on hotels and rental cars declined sharply during the recent recession, AZSTA has been unable to pay for improvements in spring training facilities

that were made to attract and keep major league baseball teams. The responsibility for covering these costs could now fall to the cities where the stadiums are located. NFZ held a position in insured bonds issued by the AZSTA, which posted a negative return for this reporting period, and all of the Funds hold credits issued by cities, specifically Glendale, that could be impacted by this situation.

#### APPROVED FUND REORGANIZATIONS

On April 18, 2012, the Funds' Board of Directors/Trustees approved a series of reorganizations for all the Arizona Funds included in this report. The reorganizations are intended to create a single larger state Fund, which would potentially offer shareholders the following benefits:

Lower Fund expense ratios (excluding the effects of leverage), as fixed costs are spread over a larger asset base;

Enhanced secondary market trading, as larger Funds potentially make it easier for investors to buy and sell Fund shares;

Lower per share trading costs through reduced bid/ask spreads due to a larger common share float; and

Increased Fund flexibility in managing the structure and cost of leverage over time.

The approved reorganizations are as follows:

Acquired Funds	Symbol	Acquiring Fund	Symbol
Nuveen Arizona Dividend Advantage Municipal Fund	NFZ		
Nuveen Arizona Dividend Advantage Municipal Fund 2	NKR	Nuveen Arizona Premium Income Municipal Fund, Inc.	NAZ
Nuveen Arizona Dividend Advantage Municipal Fund 3	NXE		

If shareholders approve the reorganizations, and upon the closing of the reorganizations, the Acquired Funds will transfer substantially all of their assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of the liabilities of the Acquired Funds. The Acquired Funds will then be liquidated, dissolved and terminated in accordance with their Declaration of Trust.

Fund Leverage and  
Other Information

IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

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

THE FUNDS' REGULATORY LEVERAGE

As of February 29, 2012, each of the Funds has redeemed all of their outstanding auction rate preferred shares (ARPS) at liquidation value.

As of February 29, 2012, the Funds have issued and outstanding MuniFund Term Preferred (MTP) Shares and Variable Rate MuniFund Term Preferred (VMTP) Shares as shown in the accompanying tables.

MTP Shares

Fund	Series	MTP Shares Issued at Liquidation Value	Annual Interest Rate	NYSE Ticker
NFZ	2015	\$11,100,000	2.05%	NFZ PrC
NKR	2015	\$18,725,000	2.05%	NKR PrC
NXE	2016	\$20,846,000	2.90%	NXE PrC
NTX	2015	\$70,920,000	2.30%	NTX PrC

VMTP Shares

Fund	Series	VMTP Shares Issued at Liquidation Value
NAZ	2014	\$ 28,000,000

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

As of October 5, 2011, all 84 of the Nuveen closed-end municipal funds that had issued ARPS, approximately \$11.0 billion, have redeemed at liquidation value all of these shares. For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at: <http://www.nuveen.com/arps>.

## UPDATE ON LITIGATION REGARDING THE FUNDS' REDEMPTION OF AUCTION RATE PREFERRED SHARES

During 2011, certain funds (including NXE) were named in a consolidated complaint as nominal defendants in a putative shareholder derivative action captioned *Martin Safier, et al. v. Nuveen Asset Management, et al.* that was filed in the Circuit Court of Cook County, Illinois, Chancery Division (the "Cook County Chancery Court") on February 18, 2011 (the "Complaint"). The Complaint, filed on behalf of purported holders of each fund's common shares, also named Nuveen Fund Advisors, Inc. as a defendant, together with current and former Officers and interested Directors/Trustees of each of the funds (together with the nominal defendants, collectively, the "Defendants"). The Complaint contained allegations regarding breaches of fiduciary duties in connection with the redemption of auction rate preferred shares issued by the funds. The Defendants filed a motion to dismiss the suit and on December 16, 2011, the court granted that motion dismissing the Complaint. The plaintiffs failed to file an appeal of the court's decision within the required time period, resulting in the final disposition of the suit.

## RISK CONSIDERATIONS

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation. Past performance is no guarantee of future results. Fund common shares are subject to a variety of risks, including:

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

**Price Risk.** Shares of closed-end investment companies like these Funds frequently trade at a discount to their NAV. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

**Leverage Risk.** Each Fund's use of leverage creates the possibility of higher volatility for the Fund's per share NAV, market price, distributions and returns. There is no assurance that a Fund's leveraging strategy will be successful.

**Tax Risk.** The tax treatment of Fund distributions may be affected by new IRS interpretations of the Internal Revenue Code and future changes in tax laws and regulations.

**Issuer Credit Risk.** This is the risk that a security in a Fund's portfolio will fail to make dividend or interest payments when due.

**Interest Rate Risk.** Fixed-income securities such as bonds, preferred, convertible and other debt securities will decline in value if market interest rates rise.

**Reinvestment Risk.** If market interest rates decline, income earned from a Fund's portfolio may be reinvested at rates below that of the original bond that generated the income.

**Call Risk or Prepayment Risk.** Issuers may exercise their option to prepay principal earlier than scheduled, forcing a Fund to reinvest in lower-yielding securities.



Inverse Floater Risk. The Funds invest in inverse floaters. Due to their leveraged nature, these investments can greatly increase a Fund's exposure to interest rate risk and credit risk. In addition, investments in inverse floaters involve the risk that the Fund could lose more than its original principal investment.

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Common Share Dividend  
and Price Information

DIVIDEND INFORMATION

During the twelve-month reporting period ended February 29, 2012, NAZ had one monthly dividend increase, while the dividends of NFZ, NKR, NXE and NTX remained stable throughout the reporting period.

Due to normal portfolio activity, common shareholders of NTX received a long-term capital gains distribution of \$0.0259 per share in December 2011.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of February 29, 2012, all five of the Funds in this report had positive UNII balances for both tax and financial reporting purposes.

SHARE REPURCHASES AND PRICE INFORMATION

As of February 29, 2012, and since the inception of the Funds' repurchase programs, the Funds have cumulatively repurchased and retired their outstanding common shares as shown in the accompanying table. Since the inception of the Funds' repurchase programs, NAZ and NTX have not repurchased any of their outstanding common shares.

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

\* Rounds to less than 0.1%.

During the twelve-month reporting period, the Funds did not repurchase any of their outstanding common shares.

As of February 29, 2012, the Funds' common share prices were trading at (+) premiums or (-) discounts to their common share NAVs as shown in the accompanying table.

Fund	2/29/12 (+)Premium/(-)Discount	Twelve-Month Average (+)Premium/(-)Discount
NAZ	(-)1.42%	(-)4.70%
NFZ	(-)4.58%	(-)7.08%
NKR	(-)3.96%	(-)7.55%
NXE	(-)4.61%	(-)8.71%
NTX	(+)5.50%	(+)6.72%

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NAZ Nuveen Arizona  
 Performance Premium Income  
 OVERVIEW Municipal Fund, Inc.

as of February 29, 2012

## Fund Snapshot

Common Share Price	\$	14.61
Common Share Net Asset Value (NAV)	\$	14.82
Premium/(Discount) to NAV		-1.42%
Market Yield		5.26%
Taxable-Equivalent Yield <sup>1</sup>		7.66%
Net Assets Applicable to Common Shares (\$000)	\$	66,268

## Leverage

Regulatory Leverage	29.70%
Effective Leverage	31.27%

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

	On Share Price	On NAV
1-Year	25.48%	18.08%
5-Year	6.37%	5.59%
10-Year	4.33%	5.84%

Portfolio Composition<sup>3</sup>

(as a % of total investments)

Tax Obligation/Limited	26.9%
Utilities	17.8%
Health Care	15.5%
Education and Civic Organizations	12.1%
U.S. Guaranteed	10.0%
Water and Sewer	8.7%
Tax Obligation/General	8.2%
Consumer Staples	0.8%

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

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.

3 Holdings are subject to change.

16 Nuveen Investments

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NFZ Nuveen Arizona  
 Performance Dividend Advantage  
 OVERVIEW Municipal Fund

as of February 29, 2012

## Fund Snapshot

Common Share Price	\$	14.39
Common Share Net Asset Value (NAV)	\$	15.08
Premium/(Discount) to NAV		-4.58%
Market Yield		5.38%
Taxable-Equivalent Yield <sup>1</sup>		7.83%
Net Assets Applicable to Common Shares (\$000)	\$	23,349

## Leverage

Regulatory Leverage	32.22%
Effective Leverage	35.37%

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

	On Share Price	On NAV
1-Year	25.66%	19.56%
5-Year	4.79%	5.15%
10-Year	5.35%	6.12%

Portfolio Composition<sup>3</sup>

(as a % of total investments)

Tax Obligation/Limited	31.0%
Utilities	19.6%
Health Care	14.8%
Tax Obligation/General	12.9%
Education and Civic Organizations	10.0%
U.S. Guaranteed	5.3%
Other	6.4%

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- 3 Holdings are subject to change.



NKR Nuveen Arizona  
 Performance Dividend Advantage  
 OVERVIEW Municipal Fund 2

as of February 29, 2012

## Fund Snapshot

Common Share Price	\$	14.78
Common Share Net Asset Value (NAV)	\$	15.39
Premium/(Discount) to NAV		-3.96%
Market Yield		5.44%
Taxable-Equivalent Yield <sup>1</sup>		7.92%
Net Assets Applicable to Common Shares (\$000)	\$	37,546

## Leverage

Regulatory Leverage	33.28%
Effective Leverage	34.84%

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

	On Share Price	On NAV
1-Year	23.88%	16.91%
5-Year	5.16%	5.60%
Since Inception	5.77%	6.51%

Portfolio Composition<sup>3</sup>

(as a % of total investments)

Tax Obligation/Limited	33.3%
Health Care	20.6%
Tax Obligation/General	20.0%
Education and Civic Organizations	9.1%
Water and Sewer	6.9%
Utilities	6.4%
Other	3.7%

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- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.
- 3 Holdings are subject to change.



18 Nuveen Investments

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NXE Nuveen Arizona  
 Performance Dividend Advantage  
 OVERVIEW Municipal Fund 3

as of February 29, 2012

## Fund Snapshot

Common Share Price	\$	14.28
Common Share Net Asset Value (NAV)	\$	14.97
Premium/(Discount) to NAV		-4.61%
Market Yield		5.29%
Taxable-Equivalent Yield <sup>1</sup>		7.70%
Net Assets Applicable to Common Shares (\$000)	\$	45,904

## Leverage

Regulatory Leverage	31.23%
Effective Leverage	33.54%

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

	On Share Price	On NAV
1-Year	23.63%	17.30%
5-Year	5.77%	5.63%
Since Inception	5.07%	5.82%

Portfolio Composition<sup>3</sup>  
(as a % of total investments)

Tax Obligation/Limited	29.9%
Health Care	19.6%
Education and Civic Organizations	12.8%
Utilities	11.8%
Tax Obligation/General	7.5%
U.S. Guaranteed	7.0%
Water and Sewer	6.7%
Other	4.7%

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

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having

an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a national rating agency.

- 3 Holdings are subject to change.

Nuveen Investments

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NTX Nuveen Texas  
 Performance Quality Income  
 OVERVIEW Municipal Fund

as of February 29, 2012

## Fund Snapshot

Common Share Price	\$	16.31
Common Share Net Asset Value (NAV)	\$	15.46
Premium/(Discount) to NAV		5.50%
Market Yield		5.26%
Taxable-Equivalent Yield <sup>1</sup>		7.31%
Net Assets Applicable to Common Shares (\$000)	\$	148,222

## Leverage

Regulatory Leverage	32.36%
Effective Leverage	33.56%

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

	On Share Price	On NAV
1-Year	13.81%	16.23%
5-Year	8.05%	5.86%
10-Year	6.81%	6.20%

Portfolio Composition<sup>4</sup>

(as a % of total investments)

Tax Obligation/General	25.5%
U.S. Guaranteed	10.6%
Utilities	10.4%
Water and Sewer	10.3%
Tax Obligation/Limited	10.2%
Health Care	9.8%
Transportation	8.1%
Education and Civic Organizations	7.8%
Other	7.3%

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

- 1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.
- 2 Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's Group, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below-investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by a

national rating agency.

3 The Fund paid shareholders a capital gains distribution in December 2011 of \$0.0259 per share.

4 Holdings are subject to change.

5 Rounds to less than 1%.

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NAZ Shareholder Meeting Report

NFZ

NKR

The annual meeting of shareholders was held in the offices of Nuveen Investments on November 15, 2011; at this meeting the shareholders were asked to vote on the election of Board Members, the elimination of Fundamental Investment Policies and the approval of new Fundamental Investment Policies. The meeting was subsequently adjourned to December 16, 2011. The meeting for NFZ, NKR and NXE was additionally adjourned to January 31, 2012.

	NAZ		NFZ		NKR	
	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class
To approve the elimination of the fundamental policies relating to the Fund's ability to make loans.						
For	2,113,498	280	1,162,602	394,600	1,946,180	661,900
Against	257,710	—	180,784	123,900	200,805	93,978
Abstain	144,826	—	46,123	1,000	72,985	22,000
Broker Non-Votes	500,208	—	215,808	22,999	372,045	103,287
Total	3,016,242	280	1,605,317	542,499	2,592,015	881,165

To approve the new fundamental policy relating to the Fund's ability to make loans.

For	2,088,038	280	1,165,252	394,600	1,940,518	661,900
Against	272,029	—	182,534	123,900	204,777	93,978
Abstain	155,968	—	41,723	1,000	74,675	22,000
Broker Non-Votes	500,207	—	215,808	22,999	372,045	103,287
Total	3,016,242	280	1,605,317	542,499	2,592,015	881,165

Approval of the Board Members was reached as follows:

John P. Amboian

For	2,935,327	—	1,469,695	—	2,426,700	—
Withhold	80,915	—	128,072	—	145,051	—
Total	3,016,242	—	1,597,767	—	2,571,751	—

Robert P. Bremner

For	2,932,327	—	—	—	—	—
Withhold	83,915	—	—	—	—	—
Total	3,016,242	—	—	—	—	—

Jack B. Evans

For	2,935,009	—	—	—	—	—
Withhold	81,233	—	—	—	—	—
Total	3,016,242	—	—	—	—	—

William C. Hunter

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For	—	280	—	518,650	—	912,687
Withhold	—	—	—	58,600	—	51,478
Total	—	280	—	577,250	—	964,165
<b>David J. Kundert</b>						
For	2,934,327	—	1,470,236	—	2,433,450	—
Withhold	81,915	—	127,531	—	138,301	—
Total	3,016,242	—	1,597,767	—	2,571,751	—
<b>William J. Schneider</b>						
For	—	280	—	518,650	—	912,687
Withhold	—	—	—	58,600	—	51,478
Total	—	280	—	577,250	—	964,165
<b>Judith M. Stockdale</b>						
For	2,930,229	—	—	—	—	—
Withhold	86,013	—	—	—	—	—
Total	3,016,242	—	—	—	—	—
<b>Carole E. Stone</b>						
For	2,931,001	—	—	—	—	—
Withhold	85,241	—	—	—	—	—
Total	3,016,242	—	—	—	—	—
<b>Virginia L. Stringer</b>						
For	2,934,001	—	—	—	—	—
Withhold	82,241	—	—	—	—	—
Total	3,016,242	—	—	—	—	—
<b>Terence J. Toth</b>						
For	2,935,327	—	1,470,779	—	2,433,450	—
Withhold	80,915	—	126,988	—	138,301	—
Total	3,016,242	—	1,597,767	—	2,571,751	—

Nuveen Investments

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## Shareholder Meeting Report (continued)

NXE  
NTX

	NXE		NTX	
	Common and Preferred shares voting together as a class	Preferred shares voting together as a class	Common and Preferred shares voting together as a class	Preferred shares voting together as a class
To approve the elimination of the fundamental policies relating to the Fund's ability to make loans.				
For	2,279,256	608,700	6,877,113	2,858,008
Against	239,195	91,800	724,877	168,661
Abstain	100,908	20,000	207,350	72,500
Broker Non-Votes	494,557	202,749	2,227,525	827,437
Total	3,113,916	923,249	10,036,865	3,926,606
To approve the new fundamental policy relating to the Fund's ability to make loans.				
For	2,260,006	603,700	6,871,716	2,859,508
Against	255,195	96,800	730,502	167,161
Abstain	104,158	20,000	207,122	72,500
Broker Non-Votes	494,557	202,749	2,227,525	827,437
Total	3,113,916	923,249	10,036,865	3,926,606
Approval of the Board Members was reached as follows:				
John P. Amboian				
For	3,077,871	—	9,790,124	—
Withhold	162,109	—	246,741	—
Total	3,239,980	—	10,036,865	—
Robert P. Bremner				
For	—	—	—	—
Withhold	—	—	—	—
Total	—	—	—	—
Jack B. Evans				
For	—	—	—	—
Withhold	—	—	—	—
Total	—	—	—	—
William C. Hunter				
For	—	1,066,631	—	3,867,682
Withhold	—	32,418	—	58,924
Total	—	1,099,049	—	3,926,606
David J. Kundert				
For	3,077,871	—	—	—