Nuveen Build America Bond Fund
Form 497
April 28, 2010

PROSPECTUS

23,500,000 Shares

Nuveen Build America Bond Fund

Common Shares

$20.00 per Share

Investment Objectives. The Nuveen Build America Bond Fund (the Fund) is a newly organized, diversified, closed-end management investment company. The Fund s primary investment objective is to provide current income through investments in taxable municipal securities. As a secondary objective, the Fund will seek to enhance portfolio value and total return. The Fund cannot assure you that it will achieve its investment objectives.

Fund Strategies. The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of taxable municipal securities known as Build America Bonds (or BABs), as described further in this prospectus. The Fund believes there could be an opportunity to capitalize on the developing market for BABs by investing in taxable municipal issues at attractive market yields relative to the yields on equivalently rated corporate bonds. Nuveen Asset Management (NAM), the Fund s investment adviser, will use its credit research driven investment process to assemble a diversified portfolio. In addition, the Fund will use an integrated leverage and hedging strategy that, in NAM s judgment, has the potential to enhance income and risk-adjusted total return over time. The Fund s overall goal is to outperform over time the Barclays Capital Build America Bond Index (BABs Index), an unleveraged index representing the BABs market, while maintaining a comparable overall level of interest rate risk.

No Prior History. Because the Fund is newly organized, its common shares have no history of public trading. **Shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors who expect to sell their shares in a relatively short period after completion of the public offering.**

(continued on following page)

The Fund s common shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance. The trading or ticker symbol is NBB.

Investing in the Fund s common shares involves certain risks. See Risks beginning on page 41 of this prospectus. Certain of these risks are summarized in Prospectus Summary Special Risk Considerations beginning on page 15 of this prospectus.

	Per Share	Total(3)
Public offering price	$20.00	$ 470,000,000
Sales load(1)	$.90	$21,150,000

Proceeds, before expenses, to the Fund(2)	$19.10	$ 448,850,000

(1) NAM (and not the Fund) has agreed to pay from its own assets additional compensation to Merrill Lynch, Pierce, Fenner & Smith Incorporated, a structuring fee to each of Citigroup Global Markets Inc., Wells Fargo Securities, LLC, Raymond James Associates, Inc., and Ameriprise Financial Services, Inc., and a marketing and structuring fee to Morgan Stanley & Co. Incorporated. See Underwriting.

(2) Total expenses of issuance and distribution (other than underwriting discounts and commissions) are estimated to be $.04 per share ($940,000). After payment of such expenses, proceeds to the Fund will be $19.06 per share. The Fund has agreed to pay the underwriters $156,745 or $180,257 if the underwriters exercise the over-allotment option in full ($.00667 per common share) as a partial reimbursement of expenses incurred in connection with the offering. Nuveen Asset Management has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay the amount by which the Fund s offering costs (other than sales load, but inclusive of such $.00667 per common share reimbursement) exceed $.04 per common share.

(3) The Fund has granted the underwriters an option to purchase up to 3,525,000 additional common shares at the public offering price less the sales load within 45 days from the date of this prospectus to cover over-allotments, if any. If such option is exercised in full, the Public offering price, Sales load and Proceeds, before expenses, to the Fund will be $540,500,000, $24,322,500 and $516,177,500, respectively. See Underwriting.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common shares to purchasers on or about April 30, 2010.

BofA Merrill Lynch **Citi** **Morgan Stanley** **Wells Fargo Securities**

Nuveen Investments, LLC **Raymond James** **Ameriprise Financial Services, Inc.**

J.J.B. Hilliard, W.L. Lyons, LLC **Janney Montgomery Scott** **Ladenburg Thalmann & Co. Inc.**

Maxim Group LLC **Oppenheimer & Co.** **RBC Capital Markets** **Stifel Nicolaus**

The date of this prospectus is April 27, 2010.

Build America Bonds. BABs are taxable municipal securities that include bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 (the Act). As described more fully herein, the Act authorizes state and local governments to sell new BABs issues without limitation through December 31, 2010. Unlike investments in most other municipal securities, interest received on BABs is subject to federal income tax and may be subject to state income tax. See The Fund s Investments.

Currently, bonds issued after December 31, 2010 will not qualify as BABs unless the relevant provisions of the Act are extended. The Obama administration and Congress are considering a variety of proposals to extend or modify the BABs program, including changes that would make it permanent, reduce the amount of the subsidy, and allow proceeds to be used for certain private, non-municipal activities or for refinancing capital expenditures. It cannot be predicted whether these proposals or other changes in the BABs program will be enacted, nor can it be predicted whether such proposals or changes, if enacted, will have a positive or negative effect on the Fund. See The Fund s Investments.

Portfolio Contents. Under normal circumstances, the Fund will invest at least 80% of its Managed Assets (as defined in this prospectus) in BABs. The Fund may invest up to 20% of its Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal support, tax-exempt municipal securities, U.S. Treasury securities and obligations of the U.S. Government and its agencies. See The Fund s Investments. At least 80% of Managed Assets will be invested in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the nationally recognized statistical rating organizations (NRSROs) that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM. The Fund may invest up to 20% of its Managed Assets in securities that at the time of investment are rated below investment grade quality or that are unrated by any NRSRO but judged to be of comparable quality by NAM. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds. See Build America Bonds on page 6 for, among other things, a discussion of anticipated changes in certain ratings methodologies.

Contingent Term Provision. Under its Declaration of Trust, the Fund has no limitation on its term of existence. To accommodate the possibility that the BABs program will not be extended, if, for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of Build America Bonds or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020 (Contingent Term Provision). Such issuances may cease if the current legislation authorizing the U.S. government subsidy for the issuances is not extended beyond December 31, 2010, and no similar legislation is enacted. If the Fund terminates, the Fund will distribute all of its net assets to shareholders of record as of the date of termination. The Fund s investment objectives and policies are not designed to seek to return to investors who purchase common shares in this offering the amount of their initial investment on the termination date, and such initial investors and any investors who purchase common shares after the completion of the offering may receive more or less than their original investment upon termination. See The Fund s Investments.

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase common share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risk, such as credit risk, which are also increased by the Fund s use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) borrowings, including loans from certain financial institutions (bank credit facility), and/or the issuance of debt securities including fixed and floating rate notes or liquidity supported variable rate demand obligations (collectively, Debt); (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of preferred shares (Preferred Shares), although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the combined economic effect of the total leverage used by the Fund (effective leverage) is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest and retain it for future reference. A Statement of Additional Information, dated April 27, 2010, as it may be supplemented, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the Statement of Additional Information, the table of contents of which is on page 69 of this prospectus, annual and semi-annual reports to shareholders, when available, and other information about the Fund, and make shareholder inquiries by calling (800) 257-8787 or by writing to the Fund, or from the Fund s website (http://www.nuveen.com). The information contained in, or that can be accessed through, the Fund s website is not part of this prospectus. You also may obtain a copy of the Statement of Additional Information (and other information regarding the Fund) from the SEC s website (http://www.sec.gov).

The Fund s common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus and in the Statement of Additional Information prior to making an investment in the Fund, especially the information set forth under the heading Risks.

The Fund

Nuveen Build America Bond Fund (the Fund) is a newly organized, diversified, closed-end management investment company.

The Offering

The Fund is offering 23,500,000 common shares of beneficial interest at $20.00 per share through a group of underwriters (the Underwriters) led by Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), Citigroup Global Markets Inc. (Citi), Morgan Stanley & Co. Incorporated (Morgan Stanley), Wells Fargo Securities, LLC (Wells Fargo), Nuveen Investments, LLC (Nuveen), Raymond James & Associates, Inc. (Raymond James) and Ameriprise Financial Services, Inc. (Ameriprise). Certain Underwriters participating in this offering or their affiliates, including Merrill Lynch (which is a remote affiliate of NAM and the Fund), Citi and Wells Fargo, have an ownership interest in Nuveen Investments, Inc. (Nuveen Investments), the parent company of Nuveen Asset Management (NAM), the Fund s investment adviser. See Management of the Fund Investment Adviser. The common shares of beneficial interest are called Common Shares in this prospectus. You must purchase at least 100 Common Shares in this offering. The Fund has given the Underwriters an option to purchase up to 3,525,000 additional Common Shares to cover orders in excess of 23,500,000 Common Shares. See Underwriting. NAM has agreed to (i) reimburse all organization expenses of the Fund and (ii) pay all offering costs of the Fund (other than sales load, but inclusive of the partial reimbursement of expenses) that exceed $.04 per Common Share.

Who May Want to Invest

You should consider your investment goals, time horizons and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund may be an appropriate investment for you if you are seeking:

- A new opportunity to invest in a predominately investment grade portfolio of taxable municipal securities;
- Potential for current income and the potential for additional total return;
- Regular monthly dividends that are automatically reinvested, or may be received in cash;
- Potential for daily liquidity afforded by listing on the New York Stock Exchange;
- Portfolio diversification potential from exposure to municipal securities, whose issuers have historically demonstrated a lower default rate than issuers of equivalently rated corporate bonds; and

Professional selection and active management by NAM.

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

Investment Objectives

The Fund s primary investment objective is to provide current income through investments in taxable municipal securities. As a secondary objective, the Fund will seek to enhance portfolio value and total return. The Fund s investment objectives and certain investment policies specifically identified as such are considered fundamental and may not be changed without shareholder approval. The Fund cannot assure you that it will achieve its investment objectives. See The Fund s Investments and Risks.

Fund Strategies

The Fund seeks to achieve its investment objectives by investing primarily in a diversified portfolio of taxable municipal securities known as Build America Bonds (or BABs), as discussed further in this prospectus. The Fund believes there could be an opportunity to capitalize on the developing market for BABs by investing in taxable municipal issues at attractive market yields relative to the yields on equivalently rated corporate bonds. NAM, the Fund s investment adviser, will use its credit research driven investment process to assemble a diversified portfolio. In addition, the Fund will use an integrated leverage and hedging strategy that, in NAM s judgment, has the potential to enhance income and risk-adjusted total return over time. The Fund s overall goal is to outperform over time the Barclays Capital Build America Bond Index (BABs Index), an unleveraged index representing the BABs market, while maintaining a comparable overall level of interest rate risk.

Build America Bonds

BABs are taxable municipal securities that include bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 (the Act).

Enacted in February 2009, the Act was intended in part to assist state and local governments in financing capital projects at lower net borrowing costs through direct subsidies designed to stimulate state and local infrastructure projects, create jobs and encourage non-traditional municipal security investors. Unlike investments in most other municipal securities, interest received on BABs is subject to federal income tax and may be subject to state income tax. BAB issuers may elect either (i) to receive payments from the U.S. Treasury equal to a specified percentage of their interest payments (direct pay) or (ii) to cause investors in the bonds to receive federal tax credits (tax credit).

Most issuers of direct pay BABs currently receive a subsidy from the U.S. Treasury equal to 35% of the interest paid on the bonds, which allows such issuers to issue bonds that pay interest rates that are expected to be competitive with the rates typically paid by private bond issuers in the taxable fixed income market. Bonds issued after December 31, 2010 currently will not qualify as BABs unless the relevant provisions of the Act are extended or similar legislation is enacted that provides for municipal issuers to elect to issue taxable municipal securities and receive from the U.S. Treasury direct pay federal subsidies to offset a portion of the interest costs incurred over the full term of such taxable municipal securities. Currently under the Act, BABs cannot be used to finance private, non-municipal activities, and can only be used to fund capital expenditures. The proceeds of BAB issuances are used for public benefit and generally support facilities that meet such essential needs as water, electricity, transportation, and education. Moreover, many BABs are general obligation bonds, which are backed by the full faith and taxing power of the state and local governments issuing them.

The Obama administration and Congress are considering a variety of proposals to extend or modify the BABs program, including changes that would make it permanent, reduce the amount of the subsidy, and allow proceeds to be used for certain private, non-municipal activities or for refinancing capital expenditures. It cannot be predicted whether these proposals or other changes in the BABs program will be enacted, nor can it be predicted whether such proposals or changes, if enacted, will have a positive or negative effect on the Fund. If, for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of Build America Bonds or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020. See Contingent Term Provision on pages 30-31 for additional information.

NAM believes that BABs presently offer a more compelling yield opportunity than equivalently rated corporate bonds. Municipal issuers, of which BABs issuers are a major subset, have historically lower default rates than issuers of equivalently rated corporate bonds. Past default rates are not predictive of future default rates.

In response to the market s desire for ratings comparability, Moody s Investor Service, Inc. (Moody s) and Fitch Ratings, Inc. (Fitch) have announced that they plan to recalibrate in April 2010 their U.S. municipal ratings. Moody s has announced that it will recalibrate its long-term U.S. municipal ratings to its global ratings scale, while Fitch has stated that it will adjust certain U.S. public finance ratings upwards by one or two notches, depending on the sector in question. According to both Moody s and Fitch, the recalibrations are intended to enhance comparability of ratings across their respective ratings portfolios, and do not reflect an improvement in credit quality or a change in their respective credit opinions for rated issuers of municipal securities. Moody s has announced that its recalibration will be implemented in stages and is expected to occur over a four week period. Fitch has stated that its recalibration process will be completed by April 30, 2010. NAM believes that neither the Moody s nor the Fitch recalibration will have an adverse impact on the Fund.

Based on current market conditions, the Fund anticipates investing in direct pay BABs and not in tax credit BABs. However, the Fund has no policy with respect to direct pay or tax credit BABs and may invest in either type of BAB at any time. Under the terms of the Act, issuers of direct pay BABs are entitled to receive reimbursement from the U.S. Treasury currently equal to 35% (or 45% in the case of Recovery Zone Economic Development Bonds, a new type of taxable governmental bond similar to BABs) of the interest paid on the bonds, which continues for the life of the bond. Issuance of BABs commenced in April 2009 and bonds issued after December 31, 2010 (referred to as the sunset) will not qualify as BABs unless the relevant provisions of the Act are extended. As currently enacted, the Act contains no budgetary limit on issuances through the program through the sunset. However, BABs issuances currently are limited to public purpose or essential purpose bonds. As currently enacted, the Act does not permit refunding issuances, private activity bond issuances, or deficit fund issuances.

According to a February 2010 report issued by the Municipal Securities Rulemaking Board (MSRB), 749 BABs issues came to market in 2009 totaling approximately $64 billion. Between April 15, 2009 and December 31, 2009, BABs issuance accounted for 20% of long-term securities issued in the municipal market, such that taxable municipal securities issuance (including BABs) represented 26% of the overall municipal market. Municipal market research analysts expect such BABs issuance trends to continue throughout 2010, when the BABs program is currently scheduled to sunset. For example, J.P. Morgan municipal market research analysts currently project BABs issuance of approximately $110 billion in 2010. By December 31, 2010, they expect the BAB total market size to be approximately $172 billion. See Risks Build America Bonds Risk.

Investment Policies

Under normal circumstances, the Fund will invest at least 80% of its Managed Assets in BABs. This investment policy may be changed with 60 days notice to shareholders. The Fund may invest up to 20% of its Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal support, municipal securities the interest income from which is exempt from regular federal income tax (sometimes referred to as tax-exempt municipal securities), U.S. Treasury securities and obligations of the U.S. Government, its agencies and instrumentalities. The Fund may purchase BABs (including for purposes of the 80% test) and other municipal securities (taxable or tax-exempt) in the form of bonds, notes, leases or certificates of participation; structured as callable or non-callable; with payment forms that include fixed-coupon, variable rate, zero coupon, capital appreciation bonds, floating rate securities, inverse floating rate securities and other derivative instruments that replicate investment exposure to BABs or other municipal securities. Such BABs and other municipal securities may be acquired through investments in pooled vehicles, partnerships or other investment companies. The Fund may also purchase BABs and other municipal securities representing a wide range of sectors and purposes.

The Fund anticipates that, upon full investment of the net proceeds of this offering, the average credit quality of its investments will be A+. In addition, the Fund anticipates using leverage to seek to enhance current income and total returns. See Leverage.

Under normal circumstances:

The Fund will invest at least 80% of its Managed Assets in securities that at the time of investment are investment grade quality. A security is considered investment grade quality if it is rated within the four highest letter grades (BBB or Baa or better) by at least one of the nationally recognized statistical rating organizations (NRSROs) that rate such security (even if it is rated lower by another), or if it is unrated by any NRSRO but judged to be of comparable quality by NAM.

The Fund may invest up to 20% of its Managed Assets in securities that at the time of investment are rated below investment grade or are unrated by any NRSRO but judged to be of comparable quality by NAM. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as junk bonds . See Risks Credit and Below Investment Grade Risk.

The Fund will generally invest in securities with intermediate- or long-term maturities. The Fund anticipates having a weighted average maturity of 15 to 35 years. The weighted average maturity of securities held by the Fund may be shortened or lengthened, depending on market conditions and on an assessment by the Fund s portfolio manager of which segments of the market offer the most favorable relative investment values and opportunities for income and total return.

The Fund will not invest more than 25% of its Managed Assets in municipal securities in any one industry or in any one state of origin.

The Fund will not invest more than 15% of its Managed Assets in municipal securities that, at the time of investment, are illiquid (*i.e.*, securities that are not readily marketable). See Risks Illiquid Securities Risk.

The Fund also may invest up to 20% of its total assets in certain derivative instruments to enhance returns. Such derivatives include financial futures contracts, swap contracts (including interest rate and credit default swaps), options on financial futures, options on swap contracts, or similar instruments. This limit will apply to the investment exposure created by those derivative instruments. Inverse floating rate securities are not regarded as derivatives for this purpose. NAM may also use derivative instruments to hedge some of the risk of the Fund s investments in municipal securities. These types of strategies may generate taxable income. See The Fund s Investments Derivatives.

See The Fund s Investments Investment Objectives and Policies.

During temporary defensive periods or in order to keep the Fund s cash fully invested, including during the period when the net proceeds of the offering of Common Shares are first being invested, the Fund may deviate from its investment policies and objectives. During such periods, the Fund may invest up to 100% of its Managed Assets in short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable, or may invest in short-, intermediate-, or long-term U.S. Treasury Bonds. There can be no assurance that such strategies will be successful. For a more complete discussion of the Fund s portfolio composition, see The Fund s Investments.

Managed Assets means the total assets of the Fund, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the express purpose of creating effective leverage). Total assets for this purpose shall include assets attributable to the Fund s use of effective leverage (whether or not those assets are reflected in the Fund s financial statements for purposes of generally accepted accounting principles), such as, but not limited to, the portion of assets in special purpose trusts of which the Fund owns the inverse floater certificates that has been effectively financed by the trust s issuance of floating rate certificates. See The Fund s Investments Portfolio Composition and Other Information Municipal Securities Inverse Floating Rate Securities and Floating Rate Securities.

Contingent Term Provision

Under its Declaration of Trust, the Fund has no limitation on its term of existence. To accommodate the possibility that the BABs program will not be extended, if for any twenty-four month period ending on or prior to December 31, 2014, there are no new issuances of BABs or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, as a fundamental policy, the Fund will terminate on or around June 30, 2020 (the Contingent Term Provision). Such issuances may cease if the current legislation authorizing the U.S. government subsidy for the issuances is not extended beyond December 31, 2010, and no similar legislation is enacted. Currently there are several proposals either to make such legislation permanent or to extend it beyond its scheduled sunset date. If, because there are no such new issuances, the Fund is to terminate on June 30, 2020, the Fund s Board of Trustees may extend the term of the Fund for up to six months after that date if deemed to be in the best interests of shareholders, but otherwise may not extend the term of the Fund without shareholder approval. Furthermore, the Fund can be terminated at any time by action of the Trustees, or by action of the shareholders, which could occur prior to June 30, 2020. If the Fund terminates, the Fund will distribute all of its net assets to shareholders of record as of the date of termination. The Fund s investment objectives and policies are not designed to seek to return to investors who purchase common shares in this offering the amount of their initial investment on the termination date, and such initial investors and any investors who purchase common shares after the completion of the offering may receive more or less than their original investment upon termination.

Leverage

Integrated Leverage and Hedging Strategy. The Fund anticipates using an integrated leverage and hedging strategy to seek to enhance its potential current income and longer-term risk-adjusted total return, while seeking to maintain a level of interest rate risk comparable to that of the BABs Index. The Fund expects to use leverage instruments that will have a funding cost based on short- to intermediate-term market interest rates. Because such interest rates are expected to be generally lower than the yields on the long-term bonds in which the Fund invests, NAM believes that the use of leverage will generally increase Common Share net income.

The use of leverage involves increased risk, including increased variability of the Fund s net income, distributions and/or net asset value in relation to market changes. In particular, leverage increases interest rate risk, which is the risk that the prices of portfolio securities will fall (or rise) if market interest rates for those securities rise (or fall). The Fund s hedging strategy seeks to reduce this increased interest rate risk by systematically reducing the leverage-adjusted portfolio duration (duration is a measure of the sensitivity of bond prices to changes in interest rates) to a level comparable to the duration of the BABs Index. This hedging strategy is not expected to reduce other types of risk, such as credit risk, which are also increased by the Fund s use of leverage. The Fund s leverage and hedging techniques are referred to as integrated because the Fund s use of hedging strategies is expected to be directly calibrated to any increased interest rate risk, relative to the Fund s benchmark, due to the use of leverage.

The Fund s use of derivatives such as bond futures or interest rate swaps in hedging interest rate risk will generate costs that will effectively reduce the Fund s net asset value. These capital costs may be offset over time by capital appreciation of the Fund s portfolio. The potential to achieve such capital appreciation will depend largely on NAM s investment capabilities in executing the Fund s investment strategy as well as the performance of BABs relative to the securities underlying the Fund s hedging instruments. If and to the extent that such capital appreciation does not occur or is less than these hedging costs, however, the Fund s total returns can be expected to be less than the Fund s net earnings (and, over time, distributions).

The Fund may employ the following leverage instruments: (a) borrowings, including loans from certain financial institutions (bank credit facility), and/or the issuance of debt securities including fixed and floating rate notes or liquidity supported variable rate demand obligations (collectively, Debt); (b) portfolio investments that have the economic effect of leverage, including but not limited to investments in inverse floating rate securities; and (c) the issuance of preferred shares (Preferred Shares), although the Fund has no current intention to issue Preferred Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy principally by using (a) Debt and (b) investments in inverse floating rate securities. Initially after the closing of this offering, the Fund intends to establish a bank credit facility. If current market conditions persist, the combined economic effect of the total leverage used by the Fund (effective leverage) is expected to be in the range of 25% and 27% of its Managed Assets upon completion of the invest-up period. The Fund intends to limit its total effective leverage to 33% of Managed Assets. The Fund s integrated leverage and hedging strategy may not work as planned or achieve its goals.

The Fund pays NAM a management fee based on a percentage of Managed Assets. Managed Assets include the proceeds realized and managed from the Fund s use of leverage as set forth in the Fund s investment management agreement. NAM will base its decision whether and how much to leverage the Fund based on its assessment of whether such use of leverage will advance the Fund s investment objectives over the longer term. NAM will be responsible for using leverage to pursue the Fund s investment objectives. However, the fact that a decision to increase the Fund s leverage will have the effect, all other things being equal, of increasing Managed Assets and therefore NAM s management fee means that NAM may have an incentive to increase the Fund s use of leverage. NAM will seek to manage that incentive by only increasing the Fund s use of leverage when it determines that such increase is consistent with the Fund s investment objectives, and by periodically reviewing the Fund s performance and use of leverage with the Fund s Board of Trustees.

The use of leverage creates special risks for holders of Common Shares (Common Shareholders). See Leverage and Risks Leverage Risk. See also Risks Inverse Floating Rate Securities Risk.

Distributions

Commencing with the first distribution, the Fund will seek to pay monthly distributions to Common Shareholders at a level rate (stated in terms of a fixed cents per Common Share dividend rate) based on the Fund s projected performance. The Fund s ability to maintain a level Common Share dividend rate will depend on a number of factors. As portfolio and market conditions change, the rate of dividends on the Common Shares and the Fund s distribution policy could change. Over time, the Fund will distribute all of its net investment income. In addition, the Fund intends to distribute, at least annually, the net capital gain and taxable ordinary income, if any, to Common Shareholders. The Fund expects to declare its initial Common Share distribution approximately 30 to 45 days, and to pay that distribution approximately

	60 to 90 days, from the completion of this offering, depending on market conditions.
	As explained more fully below in Tax Matters, at least annually, the Fund may elect to retain rather than distribute all or a portion of any net capital gain (which is the excess of net long-term capital gain over net short-term capital loss) otherwise allocable to Common Shareholders and pay U.S. federal income tax on the retained gain. As provided under federal tax law, Common Shareholders of record as of the end of the Fund s taxable year will include their attributable share of the retained gain in their income for the year as a long-term capital gain, and will be entitled to an income tax credit or refund for the tax deemed paid on their behalf by the Fund. The Fund may treat the cash value of tax credit and refund amounts in connection with retained capital gains as a substitute for equivalent cash distributions. See Distributions and Dividend Reinvestment Plan.
	The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to Common Shareholders.
Automatic Reinvestment	Distributions will be automatically reinvested in additional Common Shares under the Fund s Dividend Reinvestment Plan unless a Common Shareholder elects to receive cash. See Distributions, Dividend Reinvestment Plan and Tax Matters.
Investment Adviser	NAM will be the Fund s investment adviser, responsible for investing the Fund s Managed Assets. NAM, a registered investment adviser, is a wholly owned subsidiary of Nuveen Investments. Founded in 1898, Nuveen Investments and its affiliates had approximately $145 billion of assets under management as of December 31, 2009, of which approximately $68.7 billion was in municipal securities. Regarding this approximately $68.7 billion of tax-exempt municipal securities, approximately $34.9 billion, $16.5 billion, $15.6 billion and $2.0 billion represent assets relating to closed-end municipal bond funds, open-end municipal bond funds, retail municipal managed accounts and institutional municipal managed accounts, respectively. According to Morningstar Fundamental Data, Nuveen is the leading sponsor of closed-end funds as measured by the number of funds (123) and the amount of fund assets under management (approximately $46 billion) as of December 31, 2009.
	On November 13, 2007, Nuveen Investments was acquired by an investor group led by Madison Dearborn Partners, LLC, a private equity firm based in Chicago, Illinois (the MDP Acquisition). The investor group led by Madison Dearborn Partners, LLC included affiliates of Merrill Lynch & Co., Inc., which was subsequently acquired by Bank of America Corporation (Bank of America), Wells Fargo and Citi. As a result of the MDP Acquisition, Merrill Lynch & Co., Inc. currently owns a 32% non-voting equity stake in Nuveen Investments, owns a $30 million position in a $250 million revolving loan facility of Nuveen

Investments and holds two of ten seats on the board of directors of Nuveen Investments. Wells Fargo and Citi also own an interest in Nuveen Investments. Because these arrangements may give rise to certain conflicts of interest involving NAM and Bank of America (including Merrill Lynch & Co., Inc.), NAM has adopted polices and procedures intended to address these potential conflicts. For additional information regarding the MDP Acquisition, see Management of the Fund Nuveen Investments.

The Fund is dependent upon the services and resources provided by its investment adviser, NAM, and therefore the investment adviser s parent, Nuveen Investments. Nuveen Investments significantly increased its level of debt in connection with the MDP Acquisition. As of December 31, 2009, Nuveen Investments had outstanding approximately $4.0 billion in aggregate principal amount of indebtedness, with approximately $491.8 million of available cash on hand. Nuveen Investments believes that monies generated from operations and cash on hand will be adequate to fund debt service requirements, capital expenditures and working capital requirements for the foreseeable future; however, Nuveen Investments ability to continue to fund these items, to service its debt and to maintain compliance with covenants in its debt agreements may be affected by general economic, financial, competitive, legislative, legal and regulatory factors and by its ability to refinance or repay outstanding indebtedness with scheduled maturities beginning in 2013. The risks, uncertainties and other factors related to Nuveen Investments business, the effects of which may cause its assets under management, earnings, revenues, and/or profit margins to decline, are described in its filings with the Securities and Exchange Commission, which are publicly available.

The Fund will pay NAM an annual management fee, payable monthly, in a maximum amount equal to .65% of the Fund s average daily Managed Assets (as defined below). This maximum fee is equal to the sum of a fund-level fee and a complex-level fee. The fund-level fee is a maximum of .45% of the Fund s average total daily Managed Assets, with lower fees for assets that exceed $125 million. The complex-level fee is a maximum of .2000% of the Fund s daily Managed Assets based on the daily managed assets of all Nuveen-branded closed-end and open-end registered investment companies organized in the United States (collectively, the Nuveen Funds) (as managed assets is defined in each Nuveen Fund s investment management agreement with NAM, which generally includes assets attributable to any preferred shares that may be outstanding and any borrowings), with lower fee levels for complex-level assets that exceed $55 billion.

Based on complex-level assets of approximately $67.3 billion as of December 31, 2009, the complex-level fee would be .1887% of Managed Assets and the total fee to NAM would be .6387% of

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Managed Assets (assuming Managed Assets of $125 million). For more information on fees and expenses, including fees attributable to Common Shares, see Management of the Fund.

Nuveen Investments, LLC, a registered broker-dealer affiliate of NAM that is involved in the offering of the Fund s Common Shares, has received notice of certain charges that may be brought against it by the Financial Industry Regulatory Authority (FINRA) in connection with the marketing of preferred shares of other closed-end funds managed by NAM. See Underwriting.

Listing The Common Shares have been approved for listing on the New York Stock Exchange, subject to notice of issuance. See Description of Shares Common Shares. The trading or ticker symbol of the Common Shares is NBB.

Custodian and Transfer Agent State Street Bank and Trust Company will serve as the Fund s custodian and transfer agent. See Custodian and Transfer Agent.

Special Risk

Considerations Investment in the Fund involves special risk considerations, which are summarized below. The Fund is designed as a long-term investment and not as a trading vehicle. The Fund is not intended to be a complete investment program. The Fund s performance and the value of its investments will vary in response to changes in interest rates, inflation, the financial condition of a municipal security s issuer, perceptions of the issuer, ratings on a municipal security and other market factors. See Risks for a more complete discussion of the special risk considerations of an investment in the Fund.

No Prior History. The Fund is a newly organized, diversified, closed-end management investment company with no history of operations.

Investment and Market Risk. An investment in the Fund s 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. In addition, if the current national economic downturn deteriorates into a prolonged recession, the ability of municipalities to collect revenue and service their obligations could be materially and adversely affected. See Risks Investment and Market Risk.

Market Discount from Net Asset Value and Expected Reductions in Net Asset Value. Shares of closed-end investment companies like the Fund frequently trade at prices lower than their net asset value, which creates a risk of loss for investors when they sell shares purchased in the initial public offering. This characteristic is a risk separate and distinct from the risk that the Fund s net asset value could decrease as a result of investment activities. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than net asset value and have during other periods traded at prices lower than net asset value. Proceeds from the sale of Common Shares in this offering will be reduced by 4.5% (the amount of the sales load as a percentage of the offering price), making the Fund s net asset value per Common Share equal to $19.10, before deducting offering expenses. Net asset value of the Fund and net asset value per Common Share are then further reduced by the amount of offering expenses paid by the Fund (estimated to be up to an additional $.04 per Common Share). The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for short- term trading purposes. See Risks Market Discount from Net Asset Value and Expected Reductions in Net Asset Value.

Build America Bonds Risk. The BABs market is smaller and less diverse than the broader municipal securities market. In addition, because BABs are a new form of municipal financing and because bonds issued after December 31, 2010 currently will not qualify as BABs unless the relevant provisions of the Act are extended, it is impossible to predict the extent to which a market for such bonds will develop, meaning that BABs may experience less liquidity than other types of municipal securities. If the ability to issue BABs is not extended beyond December 31, 2010, the number of BABs available in the market will be limited and there can be no assurance that BABs will be actively traded. Reduced liquidity may negatively affect the value of the BABs.

Because issuers of direct pay BABs held in the Fund s portfolio receive reimbursement from the U.S. Treasury with respect to interest payment on bonds, there is a risk that those municipal issuers will not receive timely payment from the U.S. Treasury and may remain obligated to pay the full interest due on direct pay BABs held by the Fund. Furthermore, it is possible that a municipal issuer may fail to comply with the requirements to receive the direct pay subsidy or that a future Congress may terminate the subsidy altogether.

Because the BABs program is new, certain aspects of the BABs program may be subject to additional Federal or state level guidance or subsequent legislation. For example, the Internal Revenue Service (IRS) or U.S. Treasury could impose restrictions or limitations on the payments received. Aspects of the BABs program for which the IRS and the U.S. Treasury have solicited public comment include, but have not been limited to, methods for making direct payments to issuers, the tax procedural framework for such payments, and compliance safeguards. It is not known what additional procedures will be implemented with respect to direct pay BABs, if any, nor is it known what effect such possible procedures would have on the BABs market.

Legislation extending the relevant provisions of the Act may also modify the characteristics of BABs issued after December 31, 2010, including the amount of subsidy paid to issuers.

The Fund intends to invest primarily in BABs and therefore the Fund s net asset value may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. Because BABs currently do not include certain industries or types of municipal bonds (i.e., tobacco bonds or private activity bonds), there may be less diversification than with a broader pool of municipal securities.

General Municipal Securities Market Risk. The amount of public information available about the municipal securities in the Fund s portfolio is generally less than that for corporate equities or bonds, and the Fund s investment performance may therefore be more dependent on NAM s analytical abilities. The secondary market for municipal securities, particularly the below investment grade municipal securities in which the Fund may invest, also tends to be less developed or liquid than many other securities markets, which may adversely affect the Fund s ability to sell its municipal securities at attractive prices. See Risks General Municipal Securities Market Risk, Risks Special Risks Related to Certain Municipal Securities and Risks Build America Bonds Risk.

Current Economic Conditions Credit Crisis Liquidity and Volatility Risk. The markets for credit instruments have experienced periods of extreme illiquidity and volatility since the latter half of 2007. General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including municipal securities. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Fund s municipal securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Common Shares.

In response to the recent national economic downturn, governmental cost burdens may be reallocated among federal, state and local governments. Also, as a result of the downturn, many state and local governments have experienced significant reductions in revenues and consequently difficulties meeting ongoing expenses. As a result, certain of these state and local governments may have difficulty paying principal or interest on their outstanding debt and may experience ratings downgrades of their debt. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations, or on the ability of municipalities to levy taxes. In addition to actions taken at the federal level, municipalities might seek protection under the bankruptcy laws, thereby affecting the repayment of their outstanding debt.

Credit and Below Investment Grade Risk. Credit risk is the risk that one or more securities in the Fund s portfolio will decline in price, or the issuer thereof will fail to pay interest or principal when due, because the issuer experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. The Fund may invest up to 20% (measured at the time of investment) of its Managed Assets in securities that are rated below investment grade or that are unrated but judged to be of comparable quality by NAM. If a security satisfies the rating requirements described above at the time of investment and is subsequently downgraded below that rating, the Fund will not be required to dispose of the security. If a downgrade occurs, NAM will consider what action, including the sale of the security, is in the best interests of the Fund and its shareholders. Securities of below investment grade quality are regarded as having predominately speculative characteristics with respect to the issuer s capacity to pay interest and repay principal when due, and are more susceptible to default or decline in market value due to adverse economic and business developments than investment grade securities. Also, to the extent that the rating assigned to a security in the Fund s portfolio is downgraded by any NRSRO, the market price and liquidity of such security may be adversely affected. The market values for securities of below investment grade quality tend to be volatile, and these securities are less liquid than investment grade securities. For these reasons, an investment in the Fund, compared with a portfolio consisting solely of investment grade securities, may experience the following:

increased price sensitivity resulting from a deteriorating economic environment and changing interest rates;

greater risk of loss due to default or declining credit quality;

adverse issuer specific events that are more likely to render the issuer unable to make interest and/or principal payments; and

the possibility that a negative perception of the below investment grade market develops, resulting in the price and liquidity of below investment grade securities becoming depressed, and this negative perception could last for a significant period of time.

See Risks Market Discount From Net Asset Value and Expected Reductions in Net Asset Value, Risks Credit and Below Investment Grade Risk and Risks Build America Bonds Risk.

Leverage Risk. The Fund anticipates using leverage to seek to enhance current income and total returns. If current market conditions persist, the Fund s total effective leverage is expected to be in the range of 25% to 27% of its Managed Assets upon completion of the invest-up period. The use of leverage creates special risks for Common Shareholders, including potential interest rate risks and the likelihood of greater volatility of net asset value and market price of, and distributions on, the Common Shares. Based on current market conditions, the Fund intends to implement its leveraging strategy by, among other things, establishing a bank credit facility. The Fund expects that the lender in the bank credit facility may require additional asset coverage and portfolio composition provisions as well as restrictions on the Fund s investment practices. In addition, the Fund may issue debt securities including fixed and floating rate notes or commercial paper. The issuance of such senior securities may limit the Fund s ability to pay dividends to Common Shareholders in accordance with the requirements of Section 18 of the Investment Company Act of 1940 (the 1940 Act). If the Fund seeks an investment grade rating from a NRSRO for any commercial paper or notes, asset coverage or portfolio composition provisions in addition to and more stringent than those required by the 1940 Act or the Fund s policies may be imposed in connection with the issuance of such a rating. The Fund will pay (and Common Shareholders will bear) any costs and expenses relating to the Funds use of leverage, which will result in a reduction in the net asset value of the Common Shares. The Fund may, based on its assessment of market conditions, increase or decrease its level of total effective leverage. Such changes may impact net investment income and the valuation of the Fund s Common Shares in the secondary market. There can be no assurance that the Fund s leverage strategy will be successful. Furthermore, the amount of fees paid to NAM for investment advisory services will be higher if the Fund uses leverage because the fees will be calculated based on the Fund s Managed Assets this may create an incentive for NAM to leverage the Fund. See Risks Leverage Risk and Risks Inverse Floating Rate Securities Risk.

Inverse Floating Rate Securities Risk. The Fund may invest in inverse floating rate securities. Typically, inverse floating rate securities represent beneficial interests in a special purpose trust (sometimes called a tender option bond trust) formed by a third party sponsor for the purpose of holding municipal bonds. See The Fund s Investments Portfolio Composition and Other Information Municipal Securities Inverse Floating Rate Securities. In general, income on inverse floating rate securities will decrease when interest rates increase and increase when interest rates decrease. Investments in inverse floating rate securities may subject the Fund to the risks of reduced or eliminated interest payments and losses of principal. In addition, inverse floating rate securities may increase or decrease in value at a greater rate than the underlying interest rate, which effectively leverages the Fund s investment. As a result, the market value of such securities generally will be more volatile than that of fixed rate securities.

The Fund may invest in inverse floating rate securities, issued by special purpose trusts that have recourse to the Fund. In NAM s discretion, the Fund may enter into a separate shortfall and forbearance agreement with the third party sponsor of a special purpose trust. The Fund may enter into such recourse agreements (i) when the liquidity provider to the special purpose trust requires such an agreement because the level of leverage in the special purpose trust exceeds the level that the liquidity provider is willing to support absent such an agreement; and/or (ii) to seek to prevent the liquidity provider from collapsing the special purpose trust in the event that the municipal obligation held in the trust has declined in value. Such an agreement would require the Fund to reimburse the third party sponsor of the trust, upon termination of the trust issuing the inverse floating rate security, the difference between the liquidation value of the bonds held in the trust and the principal amount due to the holders of floating rate interests. In such instances, the Fund may be at risk of loss that exceeds its original investment in the inverse floating rate securities.

The Fund s investments in inverse floating rate securities issued by special purpose trusts that have recourse to the Fund may be highly leveraged. The structure and degree to which the Fund s inverse floating rate securities are highly leveraged will vary based upon a number of factors, including the size of the trust itself and the terms of the underlying municipal security. An inverse floating rate security generally is considered highly leveraged if the principal amount of the short-term floating rate interests issued by the related special purpose trust is in excess of three times the principal amount of the inverse floating rate securities owned by the trust (the ratio of the principal amount of such short-term floating rate interests to the principal amount of the inverse floating rate securities is referred to as the gearing). In the event of a significant decline in the value of an underlying security, the Fund may suffer losses in excess of the amount of its investment (up to an amount equal to the value of the municipal securities underlying the inverse floating rate securities) as a result of liquidating the special purpose trust or other collateral required to maintain the Fund s anticipated effective leverage ratio.

The Fund s investments in inverse floating rate securities will create effective leverage, which will create an opportunity for increased Common Share net income and returns, but will also create the possibility that Common Share long-term returns will be diminished if the cost of leverage exceeds the return on the inverse floating rate securities purchased by the Fund.

Inverse floating rate securities have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a special purpose trust. The market price of inverse floating rate securities is more volatile than the underlying securities due to leverage. The leverage attributable to such inverse floating rate securities may be called away on relatively short notice and therefore may be less permanent than more traditional forms of leverage. In certain circumstances, the likelihood of an increase in the volatility of net asset value and market price of the Common Shares may be greater for a fund (like the Fund) that relies primarily on inverse floating rate securities to achieve a desired effective leverage ratio. The Fund may be required to sell its inverse floating rate securities at less than favorable prices, or liquidate other Fund portfolio holdings in certain circumstances, including, but not limited to, the following:

If the Fund has a need for cash and the securities in a special purpose trust are not actively trading due to adverse market conditions;

If special purpose trust sponsors (as a collective group or individually) experience financial hardship and consequently seek to terminate their respective outstanding special purpose trusts; and

If the value of an underlying security declines significantly (to a level below the notional value of the floating rate securities issued by the trust) and if additional collateral has not been posted by the Fund.

The Fund may invest in taxable inverse floating rate securities, issued by special purpose trusts formed with taxable municipal securities. The market for such taxable inverse floating rate securities is relatively new and undeveloped. Initially, there may be a limited number of counterparties, which may increase the credit risks, counterparty risk and liquidity risk of investing in taxable inverse floating rate securities. See Risks Inverse Floating Rate Securities Risk.

Interest Rate Risk. Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the securities in the Fund s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of municipal securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund s value. In typical market interest rate environments, the prices of longer-term municipal securities generally fluctuate more than prices of shorter-term municipal securities as interest rates change. Because the Fund intends to invest primarily in longer-term securities, the Fund s net asset value and market price per Common Share may fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter-term securities. These risks may be greater because certain interest rates are near historically low levels. Because the values of lower-rated and comparable unrated debt securities are affected both by credit risk and interest rate risk, the price movements of such lower grade securities are not typically highly correlated to the fluctuations of the prices of investment grade quality securities in response to changes in interest rates. The Fund s investments in inverse floating rate securities, as described herein under Inverse Floating Rate Securities Risk, will tend to increase Common Share interest rate risk. See Risks Interest Rate Risk.

Contingent Term Provision Risk. In the event the Fund terminates pursuant to the Contingent Term Provision, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when interest rate or market conditions are not favorable, which may cause the Fund to lose money on its investments. Further, the process of liquidating the Fund s Managed Assets could result in a reduction in the Fund s net investment income and monthly dividend distributions in the last year of the Fund s operations. In the event the Fund terminates pursuant to the Contingent Term Provision, the Fund s investment objectives and policies are not designed to seek to return to investors who purchase Common Shares in this offering their initial investment on the anticipated termination date, and such initial investors and any investors who purchase Common Shares after the completion of the offering may receive more or less than their original investment upon termination.

Derivatives Risk, Including the Risk of Swaps. The Fund s use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in the investments underlying the derivatives. If the Fund invests in a derivative instrument, it could lose more than the principal amount invested. Whether the Fund s use of derivatives is successful will depend on, among other things, if NAM correctly forecasts market values, interest rates and other applicable factors. If NAM incorrectly forecasts these and other factors, the investment performance of the Fund will be unfavorably affected. In addition, the derivatives market is largely unregulated. It is possible that developments in the derivatives market could adversely affect the Fund s ability to successfully use derivative instruments.