

# SECURITIES AND EXCHANGE COMMISSION

## FORM 497

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### FILER

#### **NUVEEN MUNICIPAL BOND FUND INC**

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Prospectus

June 13, 1995

Nuveen Municipal Bond Fund (the "Fund") is designed to provide as high a level of current interest income exempt from regular federal income tax as is consistent, in the view of the Fund's management, with preservation of capital. The Fund invests in investment grade quality, long-term Municipal Obligations judged by the Fund's investment adviser to offer the best values among Municipal Obligations of similar credit quality.

The Fund has adopted a Flexible Sales Charge Program which provides you with alternative ways of purchasing Fund shares based upon your individual investment needs and preferences. You may purchase Class A Shares at a price equal to their net asset value plus an up-front sales charge. You may purchase Class C Shares without any up-front sales charge at a price equal to their net asset value but subject to an annual distribution fee designed to compensate securities dealers over time for the sale of Fund shares. Class C Shares are subject to a 1% contingent deferred sales charge ("CDSC") for redemptions within 12 months of purchase. Class C Shares automatically convert to Class A Shares six years after purchase. Both Class A Shares and Class C Shares are subject to annual service fees, which are used to compensate securities dealers for providing you with ongoing account services. Under the Flexible Sales Charge Program, all Fund shares outstanding as of June 13, 1995, have been designated as Class R Shares. Class R Shares are available for purchase at a price equal to their net asset value only under certain limited circumstances, or by specified investors, as described herein. See "How to Buy Fund Shares."

This Prospectus contains information you should know before investing in the Fund. Please retain it for future reference. You can find more detailed information about the Fund in the "Statement of Additional Information" dated June 13, 1995. For a free copy of this Statement, write to the Fund, c/o John Nuveen & Co. Incorporated, 333 West Wacker Drive, Chicago, IL 60606, or call Nuveen toll-free at 800-621-7227. The Statement has been filed with the Securities and Exchange Commission and is incorporated by reference into this Prospectus.

Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency. Shares of the Fund involve investment risks, including possible loss of principal.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

JOHN NUVEEN & CO. INCORPORATED  
FOR INFORMATION, CALL TOLL-FREE 800-621-7227

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SUMMARY OF FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES (AS A PERCENT OF OFFERING PRICE)

<TABLE>

<CAPTION>

	CLASS A	CLASS C	CLASS R
<S>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases	4.50%	None	None
Maximum Sales Load Imposed on Reinvested Dividends	None	None	None
Deferred Sales Charge (for sales within 12 months of purchase)	None	1.00%	None
Redemption Fees	None	None	None
Exchange Fees	None	None	None

ANNUAL OPERATING EXPENSES (AS A PERCENT OF AVERAGE DAILY NET ASSETS)

<CAPTION>

	CLASS A (1)	CLASS C (1)	CLASS R
<S>	<C>	<C>	<C>
Management Fees	.45%	.45%	.45%
Rule 12b-1 Fees (2)	.25%	1.00%	None
Other Operating Expenses	.14%	.14%	.14%
Total Expenses	.84%	1.59%	.59%

</TABLE>

(1) The percentages shown are estimated because no Class A Shares or Class C Shares were outstanding during the Fund's fiscal year ended February 28,

1995. Actual fees and expenses may be greater or less than those shown.

- (2) Class C Shares are subject to an annual distribution fee of .75 of 1% of average daily net assets, less the amount of any CDSC received by Nuveen as to which no reinstatement privilege has been exercised, to compensate Authorized Dealers over time for the sale of Fund shares. Both Class A Shares and Class C Shares are subject to an annual service fee of .25 of 1% of average daily net assets to compensate Authorized Dealers for ongoing account services. See "Distribution and Service Plan." Long-term holders of Class C Shares may pay more in Rule 12b-1 fees than the economic equivalent of the maximum front-end sales charge permitted under the National Association of Securities Dealers Rules of Fair Practice.

The purpose of the tables above is to help you understand all expenses and fees that you would bear directly or indirectly as a Fund shareholder. The expenses and fees shown are for the fiscal year ended February 28, 1995.

EXAMPLE\*

You would pay the following expenses on a \$1,000 investment over various time periods, assuming (1) a 5% annual rate of return and (2) redemption at the end of each time period:

<TABLE>  
<CAPTION>

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
Class A	\$53	\$71	\$90	\$144
Class C	\$26**	\$50	\$87	\$150
Class R	\$ 6	\$19	\$33	\$ 74

</TABLE>

\*This example does not represent past or future expenses. Actual expenses may be greater or less than those shown. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in this example. This example assumes that the percentage amounts listed under Annual Operating Expenses remain the same in each of the periods. The ten-year figure for Class C Shares reflects the automatic conversion of Class C Shares into Class A Shares six years after purchase. Based on the foregoing assumptions, the expenses incurred on an investment in Class C Shares will exceed the expenses incurred on an investment in Class A Shares sometime in the sixth year after purchase. You should also note that Class R Shares are available for purchase only under certain limited circumstances, or by specified investors. For additional information about the Fund's fees and expenses, see "Distribution and Service Plan" and "Management of the Fund."

\*\*If shares are held longer than 12 months, so that no CDSC is imposed, expenses in the first year would be \$16.

HOW TO DETERMINE IF THE FUND IS RIGHT FOR YOU

There are many reasons why you might invest in the Fund. These can include:

- . lowering the tax burden on your investment income
- . earning regular monthly dividends
- . seeking to preserve your investment capital
- . systematically setting money aside for retirement, college funding or estate planning purposes

While there can be no assurance that the Fund will enable you to achieve your individual investment goals, it has been designed for investors who have these kinds of

investment goals in mind.

In addition, the Fund incorporates the following features and benefits. You should carefully review the more detailed description of these features and benefits elsewhere in the Prospectus to make sure they serve your individual investment goals.

MONTHLY, TAX-FREE INCOME	The Fund provides monthly dividends exempt from regular federal income tax.
DIVERSIFIED, INVESTMENT GRADE QUALITY PORTFOLIO	The Fund purchases investment grade quality Municipal Obligations issued within the 50 states and certain U.S. possessions or territories. The Fund is diversified and maintains diversity within its portfolio by selecting Municipal Obligations of different issuers. The Fund further enhances its portfolio mix by purchasing Municipal Obligations of different types and purposes and from different geographic regions across the country.
EXPERIENCED MANAGEMENT	The Fund is managed by Nuveen Advisory Corp. ("Nuveen Advisory"), a wholly-owned subsidiary of John Nuveen & Co. Incorporated ("Nuveen"). Founded in 1898, Nuveen is the oldest and largest investment banking firm in the country devoted exclusively to tax-exempt securities. Nuveen Advisory currently manages 76 different tax-free portfolios representing approximately \$30 billion in assets.
VALUE INVESTING	As a guiding policy, Nuveen Advisory's portfolio managers seek investment grade quality, undervalued or underrated Municipal Obligations which offer the best values among Municipal Obligations of similar credit quality. By selecting these Municipal Obligations, Nuveen Advisory seeks to position the Fund better to achieve its investment

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objective of as high a level of current interest income exempt from regular federal income tax as is consistent, in the view of the Fund's management, with preservation of capital, regardless of which direction the market may move.

NUVEEN RESEARCH	Nuveen Advisory's portfolio managers call upon the resources of Nuveen's Research Department, the largest in the investment banking industry devoted exclusively to tax-exempt securities. Nuveen research analysts reviewed in 1994 more than \$100 billion of tax-exempt securities sold in new issue and secondary markets.
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LOW MINIMUMS	You can start earning tax-free income with a low initial investment of \$1,000 in a particular class. See "How to Buy Fund Shares."
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FLEXIBLE SALES CHARGE PROGRAM	For many investors, working with a professional financial adviser is an important part of their financial strategy. Because Nuveen recognizes the value a financial adviser can provide in developing and implementing a comprehensive plan for your financial future, Nuveen's open-end long-term bond funds ("Nuveen Mutual Funds") are sold with a sales charge, either at the time of purchase or over time in the form of a distribution fee. This provides your financial adviser with compensation for the professional advice and service you receive in financial planning and investment selection.
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The Fund has adopted a Flexible Sales Charge Program which provides you with alternative ways of purchasing Fund shares based upon your individual investment needs and preferences. As described below, the Fund offers Class A Shares, Class C Shares and, under certain limited circumstances, Class R Shares. In deciding which class of the Fund's shares to purchase, you should consider all relevant factors, including the dollar amount of your purchase, the length of time you expect to hold the shares and whether a CDSC would apply, the amount of any applicable up-front sales charge, the amount of any applicable distribution or service fee that may be incurred while you own the shares, and whether or not you will be reinvesting income or capital gain distri-

butions in additional shares. For assistance with this decision, please refer to the tables under "Summary of Fund Expenses" on page 3 of this Prospectus which set forth examples of the expenses applicable to each class of shares, or consult your financial adviser. The following summary describes the three classes of shares offered by the Fund:

Class A Shares

- . available at net asset value plus an up-front sales charge

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- 
- . certain purchasers qualify for a reduction or waiver of the up-front sales charge
  - . annual service fee to compensate securities dealers who have sales agreements with Nuveen ("Authorized Dealers") for providing you with ongoing account services

Class C Shares

- . available at net asset value without any up-front sales charge
- . annual distribution fee to compensate Authorized Dealers over time for the sale of Fund shares
- . automatic tax-free conversion to Class A Shares six years after purchase
- . annual service fee to compensate Authorized Dealers for providing you with ongoing account services
- . 1% CDSC on shares redeemed within 12 months of purchase

Class R Shares

- . if you owned Fund shares as of June 13, 1995, those shares have been designated as Class R Shares
- . available for purchase under certain limited circumstances, or by specified investors, at net asset value without any sales charge or annual distribution or service fees

See "Flexible Sales Charge Program" and "How to Buy Fund Shares" for additional information about the Fund's three classes of shares.

**AUTOMATIC DEPOSIT PLANS** The Fund offers a number of investment options, including automatic deposit, direct deposit and payroll deduction, to help you add to your account on a regular basis.

**AUTOMATIC REINVESTMENT** All monthly dividends or capital gains paid with respect to each class of shares will be reinvested automatically into additional shares of the same class without a sales charge, unless you elect to receive them in cash. Separately, distributions from any Nuveen unit investment trust (a "Nuveen UIT") may be used to buy Class A Shares and, under certain circumstances, Class R Shares, in either case without a sales charge at net asset value.

**EXCHANGE PRIVILEGE** Shares of a class may be quickly and easily exchanged by telephone, without a sales charge, for shares of the same or equivalent class of another Nuveen Mutual Fund or for shares of certain Nuveen money market funds. Class R Shares of the Fund may be exchanged for Class A Shares of the Fund at any time, provided that the current net asset value of those Class R Shares is at least \$1,000 or you already own Class A Shares.

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**LIQUIDITY** You may redeem all or a portion of your Fund shares on any business day at the net asset value next computed for the class of shares you are redeeming. An investor purchasing Class C Shares agrees to pay a CDSC of 1% if Class C Shares are redeemed within 12 months of purchase. The Fund will redeem shares at net asset value and deduct any applicable CDSC from the proceeds of the redemption. Remember that share prices will

fluctuate with market conditions and upon redemption may be worth more or less than their original cost. See "How to Redeem Fund Shares."

**AUTOMATIC WITHDRAWAL**

If you own shares totalling \$10,000 or more, you can arrange to have \$50 or more sent to you from your account either monthly or quarterly.

**TELEPHONE REDEMPTIONS**

You may establish free telephone redemption privileges for your account.

**NO REDEMPTION FEES**

There are no fees imposed by the Fund for selling shares when redeeming all or part of your holdings. However, your financial adviser may charge you for serving as agent in the redemption of shares.

**RISKS AND SPECIAL CONSIDERATIONS**

You should consider certain other factors about the Fund before investing. As with other bond mutual funds or any long-term, fixed income investment, the value of the Fund's portfolio will tend to vary inversely with changes in prevailing interest rates. Accordingly, the Fund should be considered a long-term investment, designed to provide the best results when held for a multi-year period. The Fund may not be suitable if you have a short-term investment horizon. The Fund also has the ability to engage in certain investment practices, including the purchase of Municipal Obligations that pay interest subject to the federal alternative minimum tax, the purchase or sale of securities on a when-issued or delayed delivery basis and the purchase or sale of municipal lease and installment purchase obligations. The Fund to date has not invested in Municipal Obligations that pay interest subject to the federal alternative minimum tax and has no present intention of doing so. As described elsewhere in this Prospectus, the Fund may engage in the investment practices listed above only under strict limits.

**FINANCIAL HIGHLIGHTS**

The following financial information for 1994 and prior periods has been derived from the Fund's financial statements, which have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report appearing in the Annual Report to Shareholders, and should be read in conjunction with the financial statements and related notes appearing in the Annual Report. A copy of the Annual Report to Shareholders which contains additional unaudited performance information can be obtained without charge by writing to the Fund. All Fund shares outstanding as of June 13, 1995, have been designated as Class R Shares. Information is presented only for Class R Shares since no Class A Shares or Class C Shares were outstanding during the periods shown below.

Selected data for a Class R Share outstanding throughout each period is as follows:

<TABLE>  
<CAPTION>

<S>	YEAR ENDED		5 MOS.		YEAR ENDED						
	FEBRUARY 28		ENDED		SEPTEMBER 30						
	1995	1994	1993	2/29/92	1991	1990	1989	1988	1987	1986	1985
Net Asset Value, Beginning of Period.....	\$9.280	\$9.450	\$9.080	\$9.040	\$8.650	\$8.730	\$8.520	\$8.020	\$8.780	\$7.830	\$7.180
Income from Investment Operations:											
Net Investment Income..	.515	.519	.555	.239	.579	.596	.597	.596	.598	.595	.586
Net Realized and Unrealized Gain (Loss) from Investments.....	(.209)	(.075)	.414	.080	.438	(.080)	.239	.536	(.614)	1.162	.650
Less Distributions:											
Dividends from Net Investment Income.....	(.511)	(.516)	(.544)	(.239)	(.589)	(.596)	(.597)	(.596)	(.598)	(.595)	(.586)
Distributions from Capital Gains.....	(.075)	(.098)	(.055)	(.040)	(.038)	--	(.029)	(.036)	(.146)	(.212)	--

Net Asset Value, End of Period.....	\$9.000	\$9.280	\$9.450	\$9.080	\$9.040	\$8.650	\$8.730	\$8.520	\$8.020	\$8.780	\$7.830
Total Return on Net As- set Value.....	3.60%	4.79%	11.04%	3.56%	12.15%	6.04%	10.07%	14.50%	(.39%)	23.02%	17.73%
Ratios/Supplemental Data:											
Net Assets End of Pe- riod (in millions).....	\$2,741	\$2,700	\$2,372	\$1,836	\$1,661	\$1,324	\$1,120	\$945	\$764	\$668	\$460
Ratio of Expenses to Average Net Assets.....	.59%	.62%	.61%	.62%+	.60%	.62%	.64%	.65%	.68%	.71%	.73%
Ratio of Net Investment Income to Average Net Assets.....	5.79%	5.49%	5.95%	6.24%+	6.48%	6.78%	6.85%	7.11%	6.85%	6.95%	7.68%
Portfolio Turnover Rate.....	17%	15%	14%	6%	10%	8%	12%	8%	16%	39%	28%

</TABLE>  
+Annualized.

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WHO IS RESPONSIBLE FOR THE OPERATION OF THE FUND?

The following organizations work together to provide the services and features offered by the Fund:

<TABLE>  
<CAPTION>

ORGANIZATION	FUNCTION	DUTIES
<S> John Nuveen & Co. Incorporated ("Nuveen")	<C> Fund Sponsor and Principal Underwriter	<C> Sponsors and manages the offering of Fund shares; provides certain administrative services
Nuveen Advisory Corp. ("Nuveen Advisory")	Investment Adviser	Manages the Fund's investment portfolios and provides day- to-day administrative services to the Fund
Shareholder Services, Inc. ("SSI")	Transfer Agent; Shareholder Services Agent; Dividend Paying Agent	Maintains shareholder accounts, handles share redemptions and exchanges and dividend payments
United States Trust Company of New York ("US Trust")	Custodian	Maintains custody of the Fund's investments and provides certain accounting services to the Fund

</TABLE>

The Chase Manhattan Bank, N.A., has agreed to become successor to US Trust, as Custodian and Fund Accountant. The succession is presently scheduled for July 1, 1995. No changes in the Fund's administration or in the amount of fees and expenses paid by the Fund for these services will result, and no action by shareholders will be required.

WHAT ARE THE FUND'S INVESTMENT OBJECTIVE AND POLICIES?

INVESTMENT  
OBJECTIVE

The investment objective of the Fund is to provide you with as high a level of current interest income exempt from regular federal income tax as is consistent, in the view of the Fund's management, with preservation of capi-



tal. This investment objective is a fundamental policy of the Fund and may not be changed without the approval of the holders of a majority of the shares of the Fund. There can be no assurance that the investment objective of the Fund will be achieved.

The Fund is designed to provide income free from federal personal income tax.

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HOW THE FUND PURSUES ITS OBJECTIVE

Value Investing. Nuveen Advisory believes that in any market environment there are quality Municipal Obligations whose current price, yield, credit quality and future prospects make them seem underpriced or exceptionally attractive when compared with other Municipal Obligations in the market. In selecting investments for the Fund, Nuveen Advisory will attempt to identify and purchase those investment grade quality, undervalued or underrated Municipal Obligations that offer the best values among Municipal Obligations of similar credit quality. By selecting these Municipal Obligations, the Fund will seek to provide attractive current tax-free income and to protect the Fund's net asset value in both rising and declining markets. In this way, regardless of the direction the market may move, value investing, if successful, will better position the Fund to achieve its investment objective of as high a level of current interest income exempt from regular federal income tax as is consistent, in the view of the Fund's management, with preservation of capital. Any net capital appreciation realized by the Fund will generally result in the distribution of taxable capital gains to Fund shareholders. See "Distributions and Taxes."

The Fund seeks Municipal Obligations considered to be undervalued.

Thorough research can help identify values.

The Importance of Thorough Research. Successful value investing depends on identifying and purchasing undervalued or underrated securities before the rest of the marketplace finds them. Nuveen Advisory believes the municipal market provides these opportunities, in part because of the relatively large number of issuers of tax-exempt securities and the relatively small number of full-time, professional municipal market analysts. For example, there are currently about 7,500 common stocks that are followed by about 23,000 analysts. By contrast, there are about 60,000 entities that issue tax-exempt securities and less than 1,000 professional municipal market analysts.

Nuveen and Nuveen Advisory believe that together they employ the largest number of research analysts in the investment banking industry devoted exclusively to the review and surveillance of tax-exempt securities. Their team of more than 40 individuals has over 350 years of combined municipal market experience. Nuveen and Nuveen Advisory have access to information on approximately 60,000 municipal issuers, and review annually more than \$100 billion of tax-exempt securities sold in new issue and secondary markets.

Which Municipal Obligations Are Selected As Investments? The Fund will invest primarily in Municipal Obligations issued within the 50 states and certain U.S. possessions or territories so that the interest income on the Municipal Obligations will be exempt from regular federal income tax, although this income may be subject to applicable state personal income taxes.

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The Fund will seek to purchase investment grade quality Municipal Obligations.

The Fund's investment assets will consist of:

. Municipal Obligations rated investment grade at the time of purchase (Baa or BBB or better by Moody's In-

- vestors Service, Inc. ("Moody's") or Standard and Poor's Corporation ("S&P"));
- . unrated Municipal Obligations of investment grade quality in the opinion of Nuveen Advisory, limited to no more than 10% of the Fund's net assets; and
- . temporary investments within the limitations and for the purposes described below.

Municipal Obligations rated Baa are considered by Moody's to be medium grade obligations which lack outstanding investment characteristics and in fact have speculative characteristics as well, while Municipal Obligations rated BBB are regarded by S&P as having an adequate capacity to pay principal and interest. Although the Fund to date has not done so and has no present intention of doing so, the Fund may invest up to 20% of its net assets in Municipal Obligations that pay interest subject to the federal alternative minimum tax ("AMT Bonds"). The Fund intends to emphasize investments in Municipal Obligations with long-term maturities in order to maintain an average portfolio maturity of 20-30 years, but the average maturity may be shortened from time to time depending on market conditions in order to help limit the Fund's exposure to market risk. As a result, the Fund's portfolio at any given time may include both long-term and intermediate-term Municipal Obligations.

Under ordinary circumstances, the Fund will invest substantially all (at least 80%) of its net assets in Municipal Obligations, and not more than 20% of its net assets in "temporary investments," described below, provided that temporary investments subject to regular federal income tax and AMT Bonds may not comprise more than 20% of the Fund's net assets. For defensive purposes, however, in order to limit the exposure of its portfolio to market risk from temporary imbalances of supply and demand or other temporary circumstances affecting the municipal market, the Fund may invest without limit in temporary investments. The Fund will not be in a position to achieve its investment objective of tax-exempt income to the extent it invests in taxable temporary investments.

The foregoing investment policies are fundamental policies of the Fund and may not be changed without the approval of the holders of a majority of the shares of the Fund.

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DESCRIPTION OF  
THE FUND'S  
INVESTMENTS

Municipal Obligations. Municipal Obligations, as the term is used in this prospectus, are federally tax-exempt debt obligations issued by states, cities and local authorities and by certain U.S. possessions or terri-

Municipal Obligations are issued by states, cities and local authorities to support a variety of public activities.

ties to obtain funds for various public purposes, such as the construction of public facilities, the payment of general operating expenses and the refunding of outstanding debts. They may also be issued to obtain funding for various private activities, including loans to finance the construction of housing, educational and medical facilities or privately owned industrial development and pollution control projects.

The two principal classifications of Municipal Obligations are general obligation and revenue bonds. GENERAL OBLIGATION bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. REVENUE bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise or other specific revenue source. Industrial development and pollution control bonds are in most cases revenue bonds and do not generally constitute the pledge of the credit or taxing power of the issuer of these bonds.

Municipal Obligations may also include participations in

lease obligations or installment purchase contract obligations (collectively, "lease obligations") of municipal authorities or entities. Certain "non-appropriation" lease obligations may present special risks because the municipality's obligation to make future lease or installment payments depends on money being appropriated each year for this purpose. The Fund will seek to minimize these risks by not investing more than 10% of its assets in non-appropriation lease obligations, and by only investing in those non-appropriation lease obligations that meet certain criteria of the Fund. See the Statement of Additional Information for further information about lease obligations.

The yields on Municipal Obligations depend on a variety of factors, including the condition of financial markets in general and the municipal market in particular, as well as the size of a particular offering, the maturity of the obligation and the rating of the issue. Certain Municipal Obligations may pay variable or floating rates of interest based upon certain market rates or indexes such as a bank prime rate or a tax-exempt money market index. The ratings of Moody's and S&P represent their opinions as to the quality of the Municipal Obligations that they undertake to rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, Municipal Obligations with the same maturity, coupon and rating may have different yields, while those having the same maturity and coupon with different ratings may have the

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same yield. The market value of Municipal Obligations will vary with changes in prevailing interest rate levels and as a result of changing evaluations of the ability of their issuers to meet interest and principal payments. Similarly, the market value and net asset value of shares of the Fund will change in response to interest rate changes; they will tend to decrease when interest rates rise and increase when interest rates fall.

All temporary investments will be U.S. Government or high quality securities.

Temporary Investments. As described above, the Fund under ordinary circumstances may invest up to 20% of its net assets in "temporary investments," but may invest without limit in temporary investments during temporary defensive periods. The Fund will seek to make temporary investments in short-term securities the interest on which is exempt from regular federal income tax, but may be subject to state income tax. If suitable tax-exempt temporary investments are not available at reasonable prices and yields, the Fund may make temporary investments in taxable securities. The Fund will invest only in those taxable temporary investments that are either U.S. Government securities or are rated within the highest grade by Moody's or S&P, and mature within one year from the date of purchase or carry a variable or floating rate of interest. See the Statement of Additional Information for further information about the temporary investments in which the Fund may invest.

CERTAIN INVESTMENT STRATEGIES AND LIMITATIONS

Portfolio Trading and Turnover. The Fund will make changes in its investment portfolio from time to time in order to take advantage of opportunities in the municipal market and to limit exposure to market risk. The Fund may engage to a limited extent in short-term trading consistent with its investment objective, but will not trade securities solely to realize a profit. Changes in the Fund's investments are known as "portfolio turnover." While the Fund's annual portfolio turnover rate is not expected to exceed 35%, actual portfolio turnover rates are impossible to predict, and may exceed 35% in particular years depending upon market conditions.

The Fund will focus on long-term investment strategies, and will engage in short-term trading only when consistent with its stated investment objective.

When-issued or Delayed Delivery Transactions. The Fund may purchase and sell Municipal Obligations on a when-issued or delayed delivery basis, which calls for the Fund to make payment or take delivery at a future date, normally 15-45 days after the trade date. The commitment to purchase securities on a when-issued or delayed delivery basis may involve an element of risk because the value of the securities is subject to market fluctuation, no interest accrues to the purchaser prior to settlement of the transaction, and at the time of delivery the market value may be less than cost. A Fund commonly engages in when-issued transactions in order to purchase or sell newly-issued Municipal Obligations, and may

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engage in delayed delivery transactions in order to manage its operations more effectively. See the Statement of Additional Information for further information about when-issued and delayed delivery transactions.

The Fund will take steps to ensure that its assets are not concentrated in just a few holdings.

Other Investment Policies and Restrictions. The Fund has adopted certain fundamental policies intended to limit the risk of its investment portfolio. In accordance with these policies, the Fund may not:

- . invest more than 5% of its total assets in securities of any one issuer, except that this limitation shall not apply to securities of the U.S. government, its agencies and instrumentalities;
- . invest more than 5% of its total assets in securities of unseasoned issuers which, together with their predecessors, have been in operation for less than three years;
- . invest more than 10% of its total assets in securities that the Fund is restricted from selling to the public without registration under the Securities Act of 1933;
- . hold securities of a single bank, including securities backed by a letter of credit of that bank, if these holdings would exceed 10% of the total assets of the Fund.

In applying these policies, the "issuer" of a security is deemed to be the entity whose assets and revenues are committed to the payment of principal and interest on that security, provided that the guarantee of an instrument will generally be considered a separate security.

See the Statement of Additional Information for a more complete description of the fundamental investment policies summarized above and the Fund's other fundamental investment policies. The Fund's fundamental investment policies may not be changed without the approval of the Fund's shareholders.

#### FLEXIBLE SALES CHARGE PROGRAM

The Fund offers various sales charge options designed to meet your individual investment needs and preferences.

For many investors, working with a professional financial adviser is an important part of their financial strategy. Because Nuveen recognizes the value a financial adviser can provide in developing and implementing a comprehensive plan for your financial future, Nuveen Mutual Funds are sold with a sales charge, either at the time of purchase or at the time of redemption (in the case of Class C Shares redeemed within 12 months of purchase), or over time in the form of a distribution fee. This provides your financial adviser with compensation for the professional advice and service you receive in financial planning and investment selection.

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The Fund has adopted a Flexible Sales Charge Program which provides you with alternative ways of purchasing Fund shares based upon your individual investment needs and preferences. You may purchase Class A Shares at a price equal to their net asset value plus an up-front sales charge. You may purchase Class C Shares without any up-front sales charge at a price equal to their net asset value, but subject to an annual distribution fee designed to compensate Authorized Dealers over time for the sale of Fund shares and a 1% CDSC if Class C Shares are redeemed within 12 months of purchase. See "How to Buy Fund Shares--Class C Shares" and "How to Redeem Fund Shares." Class C Shares automatically convert to Class A Shares six years after purchase. Both Class A Shares and Class C

Shares are subject to annual service fees, which are used to compensate Authorized Dealers for providing you with ongoing account services. See "Distribution and Service Plan" below. Under the Flexible Sales Charge Program, all Fund shares outstanding as of June 13, 1995, have been designated as Class R Shares. Class R Shares are available for purchase at a price equal to their net asset value only under certain limited circumstances, or by specified investors, as described herein. The price at which the purchase of Fund shares is effected is based on the next calculation of the Fund's net asset value after the order is placed.

Which Option is  
Right For You?

When you purchase Class A Shares, you will pay an up-front sales charge. As a result, you will have less money invested initially and you will own fewer Class A Shares than you would in the absence of an up-front sales charge. Alternatively, when you purchase Class C Shares, you will not pay an up-front sales charge and all of your monies will be fully invested at the time of purchase. However, Class C Shares are subject to an annual distribution fee to compensate Authorized Dealers over time for the sale of Fund shares and a CDSC of 1% if redeemed within 12 months of purchase. Class C Shares automatically convert to Class A Shares six years after purchase. This automatic conversion is designed to ensure that holders of Class C Shares would pay over the six-year period a distribution fee that is approximately the economic equivalent of the one-time, up-front sales charge paid by holders of Class A Shares on purchases of up to \$50,000. Class A Shares and Class C Shares are subject to annual service fees which are identical in amount and which are used to compensate Authorized Dealers for providing you with ongoing account services. You may qualify for a reduced sales charge or a sales charge waiver on a purchase of Class A Shares, as described below under "How the Sales Charge on Class A Shares May Be Reduced or Waived." Under certain limited circumstances, Class R Shares are available for purchase at a price equal to their net asset value.

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In deciding whether to purchase Class A Shares, Class C Shares or Class R Shares, you should consider all relevant factors, including the dollar amount of your purchase, the length of time you expect to hold the shares and whether a CDSC would apply, the amount of any applicable up-front sales charge, the amount of any applicable distribution or service fee that may be incurred while you own the shares, and whether or not you will be reinvesting income or capital gain distributions in additional shares. For assistance with this decision, please refer to the tables under "Summary of Fund Expenses" on page 3 of this Prospectus which sets forth examples of the expenses applicable to each class of shares, or consult your financial adviser.

Differences  
Between the  
Classes of Shares

Each class of shares represents an interest in the same portfolio of investments. Each class of shares is identical in all respects except that each class bears its own class expenses, including administration and distribution expenses, and each class has exclusive voting rights with respect to any distribution or service plan applicable to its shares. In addition, the Class C Shares are subject to a conversion feature and a CDSC of 1% if redeemed within 12 months of purchase, as described below. As a result of the differences in the expenses borne by each class of shares, net income per share, dividends per share and net asset value per share will vary among the Fund's classes of shares.

Dealer Incentives

Upon notice to all Authorized Dealers, Nuveen may reallocate to Authorized Dealers electing to participate up to the full applicable sales charge during periods and for transactions specified in the notice. The reallocations made during these periods may be based upon attainment of minimum sales levels. Further, Nuveen may from time to time make additional reallocations only to certain Authorized Dealers who sell or are expected to sell certain minimum amounts of the Funds or other Nuveen Mutual Funds and Nuveen UITs during specified time periods. The staff of the Securities and Exchange Commission takes the position that dealers who receive 90% or more of the applicable

sales charge may be deemed underwriters under the Securities Act of 1933, as amended.

Nuveen may also from time to time provide additional promotional support to certain Authorized Dealers who sell or are expected to sell certain minimum amounts of Nuveen Mutual Funds and Nuveen UITs during specified time periods. Such promotional support may include providing sales literature to and holding informational or educational programs for the benefit of such Authorized Dealers' representatives, seminars for the public, and advertising and sales campaigns. Any such support would be provided by Nuveen out of its own assets, and not out of the assets of the

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Funds, and will not change the price an investor pays for shares or the amount that a Fund will receive from such a sale.

HOW TO BUY FUND SHARES

CLASS A SHARES

You may purchase Class A Shares at a public offering price equal to the applicable net asset value per share plus an up-front sales charge imposed at the time of purchase as set forth below. You may qualify for a reduced sales charge, or the sales charge may be waived in its entirety, as described below under "How the Sales Charge on Class A Shares May Be Reduced or Waived." Class A Shares are also subject to an annual service fee to compensate Authorized Dealers for providing you with ongoing account services. See "Distribution and Service Plan."

Class A Shares are offered at their net asset value plus an up-front sales charge.

The sales charges for Class A Shares are as follows:

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE	SALES CHARGE	REALLOWANCE
	AS % OF PUBLIC OFFERING PRICE	AS % OF NET AS % OF PUBLIC	AS % OF PUBLIC OFFERING PRICE
<S>	<C>	<C>	<C>
Less than \$50,000	4.50%	4.71%	4.00%
\$50,000 but less than \$100,000	4.25%	4.44%	3.75%
\$100,000 but less than \$250,000	3.50%	3.63%	3.25%
\$250,000 but less than \$500,000	2.75%	2.83%	2.50%
\$500,000 but less than \$1,000,000	2.00%	2.04%	1.75%
\$1,000,000 but less than \$2,500,000	1.00%	1.01%	1.00%
\$2,500,000 but less than \$5,000,000	0.75%	0.76%	0.75%
\$5,000,000 but less than \$7,500,000	0.50%	0.50%	0.50%
\$7,500,000 and over	0.00%	0.00%	0.00%

</TABLE>

The Fund receives the entire net asset value of all Class A Shares that are sold. Nuveen retains the full applicable sales charge from which it pays the uniform reallowances shown above to Authorized Dealers. See "Flexible Sales Charge Program--Dealer Incentives" above for more information about reallowances and other compensation to Authorized Dealers.

Certain commercial banks may make Class A Shares of the Fund available to their customers on an agency basis. Pursuant to the agreements between Nuveen and these banks, some or all of the sales charge paid by a bank customer in connection with a purchase of Class A Shares may be retained by or paid to the bank. Certain banks and other financial institutions may be required to register as securities dealers in certain states.

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HOW THE SALES CHARGE ON CLASS A SHARES MAY BE

Summary. There are several ways to reduce or eliminate the sales charge:

.cumulative discount;

There are several ways to reduce or eliminate the sales charge.

.letter of intent;

.group purchase programs; and

.special sales charge waivers for certain categories of investors.

**Cumulative Discount.** You may qualify for a reduced sales charge as shown above on a purchase of Class A Shares if the amount of your purchase, when added to the value that day of all of your prior purchases of shares of the Fund or of another Nuveen Mutual Fund, or units of a Nuveen UIT, on which an up-front sales charge or ongoing distribution fee is imposed, falls within the amounts stated in the table. You or your financial adviser must notify Nuveen or SSI of any cumulative discount whenever you plan to purchase Class A Shares of the Fund that you wish to qualify for a reduced sales charge.

**Letter of Intent.** You may qualify for a reduced sales charge on a purchase of Class A Shares if you plan to purchase Class A Shares of Nuveen Mutual Funds over the next 13 months and the total amount of your purchases would, if purchased at one time, qualify you for one of the reduced sales charges shown above. In order to take advantage of this option, you must complete the applicable section of the Application Form or sign and deliver either to an Authorized Dealer or to SSI a written Letter of Intent in a form acceptable to Nuveen. A Letter of Intent states that you intend, but are not obligated, over the next 13 months to purchase a stated total amount of Class A Shares that would qualify you for a reduced sales charge shown above. You may count shares of a Nuveen Mutual Fund that you already own on which you paid an up-front sales charge or an ongoing distribution fee and any Class C Shares of a Nuveen Mutual Fund that you purchase over the next 13 months towards completion of your investment program, but you will receive a reduced sales charge only on new Class A Shares you purchase with a sales charge over the 13 months. You cannot count towards completion of your investment program Class A Shares that you purchase without a sales charge through investment of distributions from a Nuveen Mutual Fund or a Nuveen UIT, or otherwise.

By establishing a Letter of Intent, you agree that your first purchase of Class A Shares following execution of the Letter of Intent will be at least 5% of the total amount of your intended purchases. You further agree that shares representing 5% of the total amount of your intended purchases will be held in escrow pending completion of these purchases. All dividends and capital gains distributions on Class A Shares held in escrow

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will be credited to your account. If total purchases, less redemptions, prior to the expiration of the 13 month period equal or exceed the amount specified in your Letter of Intent, the Class A Shares held in escrow will be transferred to your account. If the total purchases, less redemptions, exceed the amount specified in your Letter of Intent and thereby qualify for a lower sales charge than the sales charge specified in your Letter of Intent, you will receive this lower sales charge retroactively, and the difference between it and the higher sales charge paid will be used to purchase additional Class A Shares on your behalf. If the total purchases, less redemptions, are less than the amount specified, you must pay Nuveen an amount equal to the difference between the amounts paid for these purchases and the amounts which would have been paid if the higher sales charge had been applied. If you do not pay the additional amount within 20 days after written request by Nuveen or your financial adviser, Nuveen will redeem an appropriate number of your escrowed Class A Shares to meet the required payment. By establishing a Letter of Intent, you irrevocably appoint Nuveen as attorney to give instructions to redeem any or

all of your escrowed shares, with full power of substitution in the premises.

You or your financial adviser must notify Nuveen or SSI whenever you make a purchase of Fund shares that you wish to be covered under the Letter of Intent option.

Group Purchase Programs. If you are a member of a qualified group, you may purchase Class A Shares of the Fund or of another Nuveen Mutual Fund at the reduced sales charge applicable to the group's purchases taken as a whole. A "qualified group" is one which has been in existence for more than six months, has a purpose other than investment, has five or more participating members, has agreed to include Fund sales publications in mailings to members and has agreed to comply with certain administrative requirements relating to its group purchases.

Under any group purchase program, the minimum monthly investment in Class A Shares of any particular Fund or portfolio by each participant is \$25, and the minimum monthly investment in Class A Shares of any particular Fund or portfolio for all participants in the program combined is \$1,000. No certificates will be issued for any participant's account. All dividends and other distributions by the Fund will be reinvested in additional Class A Shares of the Fund. No participant may utilize a systematic withdrawal program.

To establish a group purchase program, both the group itself and each participant must fill out special application materials, which the group administrator may obtain from the group's financial adviser, by checking the

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applicable box on the enclosed Application Form or by calling Nuveen toll-free at 800-621-7227. See the Statement of Additional Information for more complete information about "qualified groups" and group purchase programs.

Special Sales Charge Waivers. Class A Shares of the Fund may be purchased at net asset value without a sales charge and in any amount by the following categories of investors:

- . officers, trustees and retired directors or trustees of the Fund or its predecessor;
- . bona fide, full-time and retired employees of Nuveen, any parent company of Nuveen, and subsidiaries thereof, or their immediate family members (as defined below);
- . any person who, for at least 90 days, has been an officer, director or bona fide employee of any Authorized Dealer, or their immediate family members;
- . officers and directors of bank holding companies that make Fund shares available directly or through subsidiaries or bank affiliates;
- . bank or broker-affiliated trust departments investing funds over which they exercise exclusive discretionary investment authority and that are held in a fiduciary, agency, advisory, custodial or similar capacity; and
- . registered investment advisers, certified financial planners and registered broker-dealers who in each case either charge periodic fees to their customers for financial planning, investment advisory or asset management services, or provide such services in connection with the establishment of an investment account for which a comprehensive "wrap fee" charge is imposed.

Any Class A Shares purchased pursuant to a special sales charge waiver must be acquired for investment purposes and on the condition that they will not be transferred or resold except through redemption by the Fund. You or your financial adviser must notify Nuveen or SSI whenever you make a purchase of Class A Shares that you wish to be covered under these special sales charge waivers. The above categories of investors are also eligible to purchase Class R Shares, as described below under "Class R Shares."

You may also purchase Class A Shares at net asset value



without a sales charge if the purchase takes place through a broker-dealer and represents the reinvestment of the proceeds of the redemption of shares of one or more registered investment companies not affiliated with Nuveen. You must provide appropriate documentation that the redemption occurred not more than 60 days prior to the reinvestment of the proceeds in Class

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A Shares, and that you either paid an up-front sales charge or were subject to a contingent deferred sales charge in respect of the redemption of such shares of such other investment company. Finally, Class A Shares may be issued at net asset value without a sales charge in connection with the acquisition by the Fund of another investment company. All purchases under the special sales charge waivers will be subject to minimum purchase requirements as established by the Fund.

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In determining the amount of your purchases of Class A Shares that may qualify for a reduced sales charge, the following purchases may be combined: (1) all purchases by a trustee or other fiduciary for a single trust estate or fiduciary account; (2) all purchases by individuals and their immediate family members (i.e., their spouses and their children under 21 years of age); or (3) all purchases made through a group purchase program as described above.

The reduced sales charge programs may be modified or discontinued by the Fund at any time upon prior written notice to shareholders of the Fund.

FOR MORE INFORMATION ABOUT THE PURCHASE OF CLASS A SHARES OR REDUCED SALES CHARGE PROGRAMS, OR TO OBTAIN THE REQUIRED APPLICATION FORMS, CALL NUVEEN TOLL-FREE AT 800-621-7227.

#### CLASS C SHARES

You may purchase Class C Shares at a public offering price equal to the applicable net asset value per share without any up-front sales charge. Class C Shares are subject to an annual distribution fee to compensate Authorized Dealers over time for the sale of Fund shares. See "Flexible Sales Charge Program--Dealer Incentives" above for more information about compensation to Authorized Dealers. Class C Shares are also subject to an annual service fee to compensate Authorized Dealers for providing you with ongoing financial advice and other services. See "Distribution and Service Plan."

Class C Shares may be purchased at their net asset value, and are subject to an annual distribution fee.

An investor purchasing Class C Shares agrees to pay a CDSC of 1% if Class C Shares are redeemed within 12 months of purchase. The Fund will redeem shares at net asset value and deduct any applicable CDSC from the proceeds of the redemption.

The Class C Shares of the Fund will effectively retain the CDSC; the Fund will pay the amount of the CDSC to Nuveen, but will be reimbursed by Nuveen in an equal amount by a reduction in the distribution fees payable to Nuveen.

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The CDSC will be based on 1% of the lower of (i) the net asset value of Class C Shares at the time of purchase or (ii) the net asset value of Class C Shares at the time of redemption and will be charged for Class C Shares redeemed within 12 months of purchase. No CDSC will be charged on Class C Shares purchased as a result of automatic reinvestment of dividends or capital gains paid, or on exchanges for Class C Shares of another Nuveen Mutual Fund or money market fund. The CDSC will be calculated as if Class C Shares not subject to a CDSC are redeemed first, except if another order of redemption would result in a

lower charge. The CDSC will be waived for redemptions following the disability (as determined in writing by the Social Security Administration) or death of the shareholder.

Class C Shares will automatically convert to Class A Shares six years after purchase. All conversions will be done at net asset value without the imposition of any sales load, fee, or other charge, so that the value of each shareholder's account immediately before conversion will be the same as the value of the account immediately after conversion. Class C Shares acquired through reinvestment of distributions will convert into Class A Shares based on the date of the initial purchase to which such shares relate. For this purpose, Class C Shares acquired through reinvestment of distributions will be attributed to particular purchases of Class C Shares in accordance with such procedures as the Board of Trustees may determine from time to time. The automatic conversion of Class C Shares to Class A Shares six years after purchase was designed to ensure that holders of Class C Shares would pay over the six-year period a distribution fee that is approximately the economic equivalent of the one-time, up-front sales charge paid by holders of Class A Shares on purchases of up to \$50,000. Class C Shares that are converted to Class A Shares will no longer be subject to an annual distribution fee, but they will remain subject to an annual service fee that is identical in amount for both Class C Shares and Class A Shares. Since net asset value per share of the Class C Shares and the Class A Shares may differ at the time of conversion, a shareholder may receive more or fewer Class A Shares than the number of Class C Shares converted. Any conversion of Class C Shares into Class A Shares will be subject to the continuing availability of an opinion of counsel or a private letter ruling from the Internal Revenue Service to the effect that the conversion of shares would not constitute a taxable event under federal income tax law. Conversion of Class C Shares into Class A Shares might be suspended if such an opinion or ruling were no longer available.

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#### CLASS R SHARES

If you owned Fund shares as of June 13, 1995, those shares have been designated as Class R Shares. Purchases of additional Class R Shares, which will not be subject to any sales charge or any distribution or service fee, will be limited to the following circumstances. You may purchase Class R Shares with monies representing distributions from Nuveen-sponsored UITs if, prior to June 13, 1995, you had purchased such UITs and elected to reinvest distributions from such UITs in shares of the Fund. You may also purchase Class R Shares with monies representing dividends and capital gain distributions on Class R Shares of the Fund. Finally, you may purchase Class R Shares if you are within the following specified categories of investors who are also eligible to purchase Class A Shares at net asset value without an up-front sales charge:

Class R Shares are offered at their net asset value.

- . officers, trustees and retired directors and trustees of the Fund or its predecessor;
- . bona fide, full-time and retired employees of Nuveen, any parent company of Nuveen, and subsidiaries thereof, or their immediate family members;
- . any person who, for at least 90 days, has been an officer, director or bona fide employee of any Authorized Dealer, or their immediate family members;
- . officers and directors of bank holding companies that make Fund shares available directly or through subsidiaries or bank affiliates;
- . bank or broker-affiliated trust departments investing funds over which they exercise exclusive discretionary investment authority and that are held in a fiduciary, agency, custodial or similar capacity; and
- . registered investment advisers, certified financial planners and registered broker-dealers who in each case

either charge periodic fees for financial planning, investment advisory or asset management services, or provide such services in connection with the establishment of an investment account for which a comprehensive "wrap fee" charge is imposed.

Investors who are eligible to purchase either Class R Shares or Class A Shares without a sales charge at net asset value should be aware of the differences between these two classes of shares. Class A Shares are subject to an annual service fee to compensate Authorized Dealers for providing you with ongoing account services. Class R Shares are not subject to a service fee and consequently holders of Class R Shares may not receive the same types or levels of services from Authorized Dealers. In choosing between Class A Shares and Class R Shares, you should weigh the benefits of the services to be provided by Authorized Dealers against the annual service fee imposed upon the Class A Shares.

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INITIAL AND  
SUBSEQUENT  
PURCHASES OF  
SHARES

You may buy Fund shares through Authorized Dealers or by directing your financial adviser to call Nuveen toll-free at 800-843-6765. You may pay for your purchase by Federal Reserve draft or by check made payable to "Nuveen Municipal Bond Fund, Class [A], [C], [R]," delivered to the financial adviser through whom the investment is to be made for forwarding to the Fund's shareholder services agent, SSI. When making your initial investment, you must also furnish the information necessary to establish your Fund account by completing and enclosing with your payment the attached Application Form. After your initial investment, you may make subsequent purchases at any time by forwarding to SSI a check in the amount of your purchase made payable to "Nuveen Municipal Bond Fund, Class [A], [C], [R]," and indicating on the check your account number. All payments must be in U.S. dollars and should be sent directly to SSI at its address listed on the back cover of this Prospectus. A check drawn on a foreign bank or payable other than to the order of the Fund generally will not be acceptable. You may also wire Federal Funds directly to SSI, but you may be charged a fee for this. For instructions on how to make Fund purchases by wire transfer, call Nuveen toll-free at 800-621-7227. Authorized Dealers and other persons distributing the Fund's shares may receive different compensation for selling different classes of shares.

The Fund offers a number of convenient ways to purchase shares.

MINIMUM  
INVESTMENT  
REQUIREMENTS

Generally, your first purchase of any class of the Fund's shares must be for \$1,000 or more. Additional purchases may be in amounts of \$100 or more. These minimums may be changed at any time by the Fund. There are exceptions to these minimums for shareholders who qualify under one or more of the Fund's automatic deposit, group purchase or reinvestment programs.

SYSTEMATIC  
INVESTMENT  
PROGRAMS

The Fund offers you several opportunities to capture the benefits of "dollar cost averaging" through systematic investment programs. In a regularly followed dollar cost averaging program, you would purchase more shares when Fund share prices are lower and fewer shares when Fund share prices are higher, so that the average price paid for Fund shares is less than the average price of the Fund shares over the same time period. The chart below shows the cumulative effect that compound interest can have on a systematic investment program.

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The Power of a  
Systematic  
Investment  
Program.

[GRAPH APPEARS HERE]  
<TABLE>  
<CAPTION>

YEAR	6%	5%	4%	0%
<S>	<C>	<C>	<C>	<C>
0	1,000	1,000	1,000	1,000
1	2,184	2,170	2,156	2,100
2	3,553	3,509	3,466	3,300
3	5,005	4,916	4,829	4,500
4	6,548	6,396	6,248	5,700
5	8,185	7,951	7,725	6,900
6	9,923	9,586	9,262	8,100
7	11,769	11,304	10,862	9,300
8	13,728	13,110	12,526	10,500
9	15,809	15,009	14,259	11,700
10	18,017	17,004	16,062	12,900
11	20,362	19,102	17,939	14,100
12	22,852	21,307	19,892	15,300
13	25,494	23,625	21,925	16,500
14	28,300	26,062	24,040	17,700
15	31,280	28,623	26,242	18,900

</TABLE>

SOURCE: NUVEEN MARKETING RESEARCH DEPARTMENT

In the above example, it is assumed that \$100 is added to an investment account every month for 15 years. From the same \$1,000 beginning, the chart shows the amount that would be in the account after 15 years, assuming no interest and interest compounded annually at the rates of 4%, 5% and 6%.

This chart is designed to illustrate the effects of compound interest, and is not intended to predict the results of an actual investment in the Fund. There are several important differences between the Fund and the hypothetical investment program shown. This example assumes no gain or loss in the net asset value of the investment over the entire 15-year period, whereas the net asset value of the Fund will rise and fall due to market conditions or other factors, which could have a significant impact on the total value of your investment. Similarly, this example shows four steady interest rates over the entire 15-year period, whereas the dividend rate of the Fund can be expected to fluctuate over time. The Fund may provide additional information to investors and advisers illustrating the benefits of systematic investment programs and dollar cost averaging.

The Fund offers automatic deposit and payroll deposit plans.

The Fund offers two different types of systematic investment programs:

**Automatic Deposit Plan.** Once you have established a Class A Share account or Class C Share account, or if you are eligible to purchase additional Class R Shares, in the Fund, you may make regular investments in an amount of \$25 or more each month by authorizing SSI to draw preauthorized checks on your bank account. There is no obligation to continue payments and you may terminate your participation at any time at your discretion. No charge in addition to the applicable sales charge is made in connection with this Plan, and there is no cost to the Fund. To obtain an application form for the Automatic Deposit Plan, check the applicable box on the enclosed Application Form or call Nuveen toll-free at 800-621-7227.

**Payroll Direct Deposit Plan.** Once you have established a Class A Share or Class C Share account in the Fund, you may, with your employer's consent, make regular investments in Fund shares of \$25 or more per pay period by authorizing your employer to deduct this amount automatically from your paycheck. There is no obligation to continue payments and you may terminate your participation at any time at your discretion. No charge in addition to the applicable sales charge is made for this Plan, and there is no cost to the Fund. To obtain an application form for the Payroll Direct Deposit Plan, check the applicable box on the enclosed Application Form or call Nuveen toll-free at 800-621-7227.

Exchange Privilege. You may exchange shares of a class of the Fund for shares of the same class of any other Nuveen Mutual Fund with reciprocal exchange privileges, by sending a written request to the Fund, c/o Shareholder Services, Inc., P.O. Box 5330, Denver, CO 80217-5330. The shares to be purchased must be offered in your state of residence and you must have held the shares you are exchanging for at least 15 days. Class A Shares of the Fund may be exchanged for Class A Shares of any other Nuveen Mutual Fund at net asset value without a sales charge. Similarly, Class A Shares of other Nuveen Mutual Funds purchased subject to a

The Fund  
offers no-charge  
exchanges with  
other Nuveen  
Mutual Funds.

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sales charge may be exchanged for Class A Shares of the Fund at net asset value without a sales charge. Shares of any Nuveen Mutual Fund purchased through dividend reinvestment or through investment of Nuveen UIT distributions may be exchanged for shares of the Fund or any other Nuveen Mutual Fund without a sales charge. Exchanges of shares from any Nuveen money market fund will be made into Class A Shares or Class C Shares of the Fund or any other Nuveen Mutual Fund at the public offering price, which includes an up-front sales charge in the case of Class A Shares, and will be subject to an annual distribution fee in the case of Class C Shares. If, however, a sales charge has previously been paid on the investment represented by the exchanged shares (i.e., the shares to be exchanged were originally issued in exchange for shares on which a sales charge was paid), the exchange of shares from a Nuveen money market fund will be made into Class A Shares at net asset value without any up-front sales charge. Shares of any class of the Fund may be exchanged for shares of any Nuveen money market fund that does not impose a sales charge or have any distribution or service fees.

No CDSC will be charged on the exchange of Class C Shares of the Fund for Class C Shares of any other Nuveen Mutual Fund or shares of any Nuveen money market fund. The 12 month holding period for purposes of the CDSC applicable to Class C Shares will continue to run during any period in which Class C Shares of the Fund, Class C Shares of any other Nuveen Mutual Fund or shares of a Nuveen money market fund are held.

The total value of exchanged shares must at least equal the minimum investment requirement of the Nuveen Mutual Fund being purchased. For federal income tax purposes, any exchange constitutes a sale and purchase of shares and may result in capital gain or loss. Before making any exchange, you should obtain the Prospectus for the Nuveen Mutual Fund you are purchasing and read it carefully. If the registration of the account for the Fund you are purchasing is not exactly the same as that of the fund account from which the exchange is made, written instructions from all holders of the account from which the exchange is being made must be received, with signatures guaranteed by a member of an approved Medallion Guarantee Program or in such other manner as may be acceptable to the Fund. You may also exchange shares by telephone if you authorize telephone exchanges by checking the applicable box on the enclosed Application Form or by calling Nuveen toll-free at 800-621-7227 to obtain an authorization form. The exchange privilege may be modified or discontinued by the Fund at any time upon prior written notice to shareholders of the Fund.

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In addition, you may exchange Class R Shares of the Fund for Class A Shares without a sales charge if the current net asset value of your Class R Shares is at least \$1,000 or you already own Class A Shares.

Reinstatement Privilege. If you have redeemed Class A Shares of the Fund or Class A Shares of any other Nuveen Mutual Fund that were subject to a sales charge, you may reinvest without any added sales charge up to the full

amount of the redemption in Class A Shares of the Fund at net asset value at the time of reinvestment. This reinstatement privilege can be exercised only once for all or a portion of the Class A Shares you redeemed and must be exercised within 90 days of the date of the redemption. As applied to Class C Shares of the Fund or of any other Nuveen Mutual Fund, this reinstatement privilege, if exercised within 90 days of the date of the redemption, will preserve the number of years credited to your ownership of Class C Shares for purposes of the conversion of these Class C Shares to Class A Shares. Any CDSC charged if the shares were redeemed within 12 months of purchase will be refunded if ownership is reinstated within the 90 day period. The tax consequences of any capital gain realized on a redemption will not be affected by reinstatement, but a capital loss may be disallowed in whole or in part depending on the timing and amount of the reinvestment.

FOR MORE INFORMATION ABOUT THESE PURCHASE OPTIONS AND TO OBTAIN THE APPLICATION FORMS REQUIRED FOR SOME OF THEM, CALL NUVEEN TOLL-FREE AT 800-621-7227.

ADDITIONAL  
INFORMATION

If you choose to invest in the Fund, an account will be opened and maintained for you by SSI, the Fund's shareholder services agent. Share certificates will be issued to you only upon written request to SSI, and no certificates will be issued for fractional shares. The Fund reserves the right to reject any purchase order and to waive or increase minimum investment requirements. A change in registration or transfer of shares held in the name of your financial adviser's firm can only be made by an order in good form from the financial adviser acting on your behalf.

Authorized Dealers are encouraged to open single master accounts. However, some Authorized Dealers may wish to use SSI's sub-accounting system to minimize their internal recordkeeping requirements. An Authorized Dealer or other investor requesting shareholder servicing or accounting other than the master account or sub-accounting service offered by SSI will be required to enter into a separate agreement with another agent for these services for a fee that will depend upon the level of services to be provided.

Subject to the rules and regulations of the Securities and Exchange Commission, the Fund reserves the right to suspend the continuous offering of its shares at any time, but no suspension shall affect your right of redemption as described below.

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DISTRIBUTION AND SERVICE PLAN

The Fund has adopted a plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, which provides that Class C Shares will be subject to an annual distribution fee, and that both Class A Shares and Class C Shares will be subject to an annual service fee. Class R Shares will not be subject to either distribution or service fees.

The distribution fee applicable to Class C Shares under the Plan will be payable to reimburse Nuveen for services and expenses incurred in connection with the distribution of Class C Shares. These expenses include payments to Authorized Dealers, including Nuveen, who are brokers of record with respect to the Class C Shares, as well as, without limitation, expenses of printing and distributing prospectuses to persons other than shareholders of the Fund, expenses of preparing, printing and distributing advertising and sales literature and reports to shareholders used in connection with the sale of Class C Shares, certain other expenses associated with the distribution of Class C Shares, and any distribution-related expenses that may be authorized from time to time by the Board of Trustees.

The service fee applicable to Class A Shares and Class C Shares under the Plan will be payable to Authorized Dealers in connection with the provision of ongoing account services to shareholders. These services may include establishing and maintaining shareholder accounts, answering shareholder inquiries and providing other personal serv-

ices to shareholders.

The Fund may spend up to .25 of 1% per year of the average daily net assets of Class A Shares as a service fee under the Plan applicable to Class A Shares. The Fund may spend up to .75 of 1% per year of the average daily net assets of Class C Shares less the amount of any CDSC received by Nuveen as to which no reinstatement privilege has been exercised, as a distribution fee and up to .25 of 1% per year of the average daily net assets of Class C Shares as a service fee under the Plan applicable to Class C Shares.

#### HOW TO REDEEM FUND SHARES

You may require the Fund at any time to redeem for cash your shares of the Fund at the net asset value next computed after instructions and required documents and certificates, if any, are received in proper form. There is no charge for the redemption of Class A Shares or Class R Shares. An investor purchasing Class C Shares agrees to pay a CDSC of 1% of the lower of (i) the net asset value of Class C Shares at the time

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of purchase or (ii) the net asset value of Class C Shares at the time of redemption, if Class C Shares are redeemed within 12 months of purchase. The Fund will redeem shares at net asset value and deduct any applicable CDSC from the proceeds of redemption. No CDSC will be charged on Class C Shares purchased as a result of automatic reinvestment of dividends or capital gains paid. The CDSC will be calculated as if Class C Shares not subject to a CDSC are redeemed first, except if another order of redemption would result in a lower charge. The CDSC will be waived for redemption following the disability (as determined in writing by the Social Security Administration) or death of the shareholder. There is no CDSC on Class C Shares held more than 12 months.

The Fund offers a variety of redemption options.

By Written Request. You may redeem shares by sending a written request for redemption directly to the Fund, c/o Shareholder Services, Inc., P.O. Box 5330, Denver, CO 80217-5330, accompanied by duly endorsed certificates, if issued. Requests for redemption and share certificates, if issued, must be signed by each shareholder and, if the redemption proceeds exceed \$25,000 or are payable other than to the shareholder of record at the address of record (which address may not have changed in the preceding 60 days), the signature must be guaranteed by a member of an approved Medallion Guarantee Program or in such other manner as may be acceptable to the Fund. You will receive payment based on the net asset value per share next determined after receipt by the Fund of a properly executed redemption request in proper form. A check for the redemption proceeds will be mailed to you within seven days after receipt of your redemption request. However, if any shares to be redeemed were purchased by check within 15 days prior to the date the redemption request is received, a Fund will not mail the redemption proceeds until the check received for the purchase of shares has cleared, which may take up to 15 days.

By TEL-A-CHECK. If you have authorized telephone redemption and your account address has not changed within the last 60 days, you can redeem shares that are held in non-certificate form and that are worth \$25,000 or less by calling Nuveen at 800-621-7227. While you or anyone authorized by you may make telephone redemption requests, redemption checks will be issued only in the name of the shareholder of record and will be mailed to the address of record. If your telephone request is received prior to 2:00 p.m. eastern time, the shares redeemed will earn income through the day the request is made and the redemption check will be mailed the next business day. For requests received after 2:00 p.m. eastern time, the shares redeemed earn income through the next business day and the check will be mailed on the second business day after the request.

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By TEL-A-WIRE. If you have authorized TEL-A-WIRE redemption, you can take advantage of the following expedited

redemption procedures to redeem shares held in non-certificate form that are worth at least \$1,000. You may make TEL-A-WIRE redemption requests by calling Nuveen at 800-621-7227. If a redemption request is received by 4:00 p.m. eastern time, the redemption will be made as of 4:00 p.m. that day. If the redemption request is received after 4:00 p.m. eastern time, the redemption will be made as of 4:00 p.m. the following business day. Redemption proceeds will normally be wired on the second business day following the redemption, but may be delayed one additional business day if the Federal Reserve Bank of Boston or the Federal Reserve Bank of New York is closed on the day redemption proceeds would ordinarily be wired. The Fund reserves the right to charge a fee for TEL-A-WIRE.

Before you may redeem shares by TEL-A-CHECK or TEL-A-WIRE, you must complete the telephone redemption authorization section of the enclosed Application Form and return it to Nuveen or SSI. If you did not authorize telephone redemption when you opened your account, you may obtain a telephone redemption authorization form by writing the Fund or by calling Nuveen toll-free at 800-621-7227. Proceeds of share redemptions made by TEL-A-WIRE will be transferred by Federal Reserve wire only to the commercial bank account specified by the shareholder on the application form. You must send a written request to Nuveen or SSI in order to establish multiple accounts, or to change the account or accounts designated to receive redemption proceeds. These requests must be signed by each account owner with signatures guaranteed by a member of an approved Medallion Guarantee Program or in such other manner as may be acceptable to the Fund. Further documentation may be required from corporations, executors, trustees or personal representatives.

The Fund reserves the right to refuse telephone redemptions and, at its option, may limit the timing, amount or frequency of these redemptions. This procedure may be modified or terminated at any time, on 30 days' notice, by the Fund.

For the convenience of shareholders, the Fund has authorized Nuveen as its agent to accept orders from financial advisers by wire or telephone for the redemption of Fund shares. The redemption price is the first net asset value determined following receipt of an order placed by the financial adviser. The Fund makes payment for the redeemed shares to the securities representatives who placed the order promptly upon presentation of required documents with signatures guaranteed as described above. Neither the Fund nor Nuveen charges any redemption fees. However, your financial adviser may charge you for serving as agent in the redemption of shares.

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The Fund reserves the right to refuse telephone redemptions and, at its option, may limit the timing, amount or frequency of these redemptions. This procedure may be modified or terminated at any time, on 30 days' notice, by the Fund. The Fund, SSI and Nuveen will not be liable for following telephone instructions reasonably believed to be genuine. The Fund employs procedures reasonably designed to confirm that telephone instructions are genuine. These procedures include recording all telephone instructions and requiring up to three forms of identification prior to acting upon a caller's instructions. If the Fund does not follow reasonable procedures for protecting shareholders against loss on telephone transactions, it may be liable for any losses due to unauthorized or fraudulent telephone instructions.

Automatic Withdrawal Plan. If you own Fund shares currently worth at least \$10,000, you may establish an Automatic Withdrawal Plan by completing an application form for the Plan. You may obtain an application form by checking the applicable box on the enclosed Application Form or by calling Nuveen toll-free at 800-621-7227.

The Plan permits you to request periodic withdrawals on a monthly, quarterly, semi-annual or annual basis in an amount of \$50 or more. Depending upon the size of the withdrawals requested under the Plan and fluctuations in the net asset value of Fund shares, these withdrawals may



reduce or even exhaust your account.

The purchase of Class A Shares, other than through reinvestment, while you are participating in the Automatic Withdrawal Plan with respect to Class A Shares will usually be disadvantageous because you will be paying a sales charge on any Class A Shares you purchase at the same time you are redeeming shares. Similarly, use of the Automatic Withdrawal Plan for Class C Shares held 12 months or less will result in imposition of the 1% CDSC. Purchase of new Class C Shares, other than through reinvestment, while participating in the Automatic Withdrawal Plan may be disadvantageous because the newly-purchased Class C Shares will be subject to the 1% CDSC until more than 12 months after purchase.

General. The Fund may suspend the right of redemption of Fund shares or delay payment more than seven days (a) during any period when the New York Stock Exchange is closed (other than customary weekend and holiday closings), (b) when trading in the markets the Fund normally utilizes is restricted, or an emergency exists as determined by the Securities and Exchange Commission so that trading of the Fund's investments or determination of its net asset value is not reasonably practicable, or (c) for any other periods that the Securities and Exchange Commission by order may permit for protection of Fund shareholders.

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The Fund may, from time to time, establish a minimum total investment for Fund shareholders, and the Fund reserves the right to redeem your shares if your investment is less than the minimum after giving you at least 30 days' notice. If any minimum total investment is established, and if your account is below the minimum, you will be allowed 30 days following the notice in which to purchase sufficient shares to meet the minimum. So long as the Fund continues to offer shares at net asset value to holders of Nuveen UITs who are investing their Nuveen UIT distributions, no minimum total investment will be established for the Fund.

#### MANAGEMENT OF THE FUND

Nuveen Advisory has been managing similar tax-free funds since 1976, and has approximately \$30 billion of assets under management.

Board of Trustees. The management of the Fund, including general supervision of the duties performed for the Fund by Nuveen Advisory under the Investment Management Agreement, is the responsibility of the Fund's Board of Trustees.

Investment Adviser. Nuveen Advisory acts as the investment adviser for and manages the investment and reinvestment of the assets of the Fund. Its address is Nuveen Advisory Corp., 333 West Wacker Drive, Chicago, Illinois 60606. Nuveen Advisory also administers the Fund's business affairs, provides office facilities and equipment and certain clerical, bookkeeping and administrative services, and permits any of its officers or employees to serve without compensation as directors or officers of the Fund if elected to such positions.

Nuveen Advisory was organized in 1976 and since then has exclusively engaged in the management of municipal securities portfolios. It currently serves as investment adviser to 21 open-end municipal securities portfolios (the "Nuveen Mutual Funds") and 55 exchange-traded municipal securities funds (the "Nuveen Exchange-Traded Funds"). Each of these invests substantially all of its assets in investment grade quality, tax-free municipal securities, and except for money-market funds, adheres to the value investing strategy described previously. As of the date of this Prospectus, Nuveen Advisory manages approximately \$30 billion in assets held by the Nuveen Mutual Funds and the Nuveen Exchange-Traded Funds.

Nuveen Advisory is a wholly-owned subsidiary of John Nuveen & Co. Incorporated, 333 West Wacker Drive, Chicago, Illinois 60606, the oldest and largest investment banking firm (based on number of employees) specializing in the underwriting and distribution

of tax-exempt securities. Nuveen, the principal underwriter of the Fund's shares, is sponsor of the Nuveen Tax-Exempt Unit Trust, a registered unit investment trust. It is also the principal underwriter for the Nuveen Mutual Funds, and served as co-managing underwriter for the shares of the Nuveen Exchange-

Traded Funds. Over 1,000,000 individuals have invested to date in Nuveen's tax-exempt funds and trusts. Founded in 1898, Nuveen is a subsidiary of The John Nuveen Company which, in turn, is approximately 75% owned by The St. Paul Companies, Inc. ("St. Paul"). St. Paul is located in St. Paul, Minnesota, and is principally engaged in providing property-liability insurance through subsidiaries.

For the services and facilities furnished by Nuveen Advisory, the Fund has agreed to pay an annual management fee as follows:

<TABLE>  
<CAPTION>

AVERAGE DAILY NET ASSET VALUE	MANAGEMENT FEE
<S>	<C>
For the first \$125 million	.5000 of 1%
For the next \$125 million	.4875 of 1%
For the next \$250 million	.4750 of 1%
For the next \$500 million	.4625 of 1%
For the next \$1 billion	.4500 of 1%
For assets over \$2 billion	.4250 of 1%

</TABLE>

All fees and expenses are accrued daily and deducted before payment of dividends to investors. In addition to the management fee of Nuveen Advisory, the Fund pays all its other costs and expenses of its operations. Nuveen Advisory has agreed to waive all or a portion of its management fee or reimburse certain expenses of the Fund in order to prevent total operating expenses (excluding any distribution or service fees) in any fiscal year from exceeding .75 of 1% of the average daily net asset value of any class of shares of the Fund. For the fiscal year ended February 28, 1995, the management fee amounted to .45 of 1% of the average daily net assets, and the Fund's total operating expenses amounted to .59 of 1% of the average net assets.

Portfolio Management. Overall portfolio management strategy and the day-to-day management of the Fund is the responsibility of Thomas C. Spalding, Jr., a Vice President of Nuveen Advisory and of the Fund. Mr. Spalding has served as the portfolio manager of the Fund since August, 1978. Mr. Spalding has been employed by Nuveen since 1976 and by Nuveen Advisory since 1978 and has responsibility with respect to the portfolio management of all Nuveen open-end and exchange-traded funds managed by Nuveen Advisory. See the Statement of Additional Information for further information about Mr. Spalding.

Consistent with the Fund's investment objectives, the day-to-day management of the Fund is characterized by an emphasis on value investing, a process that involves the search for Municipal Obligations with favorable characteristics that, in Nuveen Advisory's judgment, have not yet been recognized in the marketplace. The process of searching for such undervalued or underrated securities is an ongoing one that draws upon the resources of the portfolio managers of the various Nuveen funds and senior management of Nuveen Advisory. All portfolio management decisions are

subject to weekly review by the Nuveen Advisory management and to quarterly review by the Fund's Board of Trustees.

HOW THE FUND SHOWS PERFORMANCE

The Fund may compare its performance with other tax-free

The Fund from time to time may quote various performance measures in order to illustrate the historical returns available from an investment in the Fund. These performance measures, which are determined for each class of

and taxable investments, often on a taxable equivalent basis.

shares of the Fund, include:

Yield Information. YIELD is a standardized measure of the net investment income earned over a specified 30-day period, expressed as a percentage of the offering price per share at the end of the period. Yield is an annualized figure, which means that it is assumed that the same level of net investment income is generated over a one-year period.

TAXABLE EQUIVALENT YIELD is the yield that a taxable investment would need to generate in order to equal the yield on an after-tax basis for an investor in a stated tax bracket. Taxable equivalent yield will consequently be higher than its yield. See the chart below and Appendix A for examples of taxable equivalent yields and how you can use them to compare other investments with investments in the Fund.

#### HISTORICAL YIELDS

[GRAPH APPEARS HERE]

SOURCES: BOND BUYER, BANXQUOTE, IBC/DONOGHUE'S MONEY FUND REPORT

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As this chart shows, interest rates on various long- and short-term investments will fluctuate over time, and not always in the same direction or to the same degree. For convenience, the taxable equivalent yield of the Bond Buyer 20 Index shown here was calculated using a 36% federal income tax rate. Other federal income tax rates, both higher and lower, were in existence for all or part of the period shown in the chart. This chart is not intended to predict the future direction of interest rates. See the discussion below under the subcaption "General" for a description of the indices and investments shown in the chart.

DISTRIBUTION RATE is determined based upon the latest dividend, annualized, expressed as a percentage of the offering price per share at the end of the measurement period. Distribution rate may sometimes be different than yield because it may not reflect amortization of bond premiums to the extent such premiums arise after the bonds were purchased.

Total Return Information. AVERAGE ANNUAL TOTAL RETURN and CUMULATIVE TOTAL RETURN figures for a specified period measure both the net investment income generated by, and the effect of any realized and unrealized appreciation or depreciation of, an investment in the Fund, assuming the reinvestment of all dividends and capital gain distributions. Average annual total return figures generally are quoted for at least one-, five- and ten-year (or life-of-fund, if shorter) periods and represent the average annual percentage change over those periods. Cumulative total return figures are not annualized and represent the cumulative percentage or dollar value change over the period specified.

TAXABLE EQUIVALENT TOTAL RETURN represents the total return that would be generated by a taxable income fund that produced the same amount of net asset value appreciation or depreciation and after-tax income as the Fund in each year, assuming a specified tax rate. The taxable equivalent total return of the Fund will therefore be higher than its total return over the same period.

From time to time, the Fund may compare its risk-adjusted performance with other investments that may provide different levels of risk and return. For example, the Fund may compare its risk level, as measured by the variability of its periodic returns, or its RISK-ADJUSTED TOTAL RETURN, with those of other funds or groups of funds. Risk-adjusted total return would be calculated by adjusting each investment's total return to account for the risk level of the investment.

The Fund may also compare its TAX-ADJUSTED TOTAL RETURN with that of other funds or groups of funds. This measure would take into account the tax-

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exempt nature of exempt-interest dividends and the payment of income taxes on the Fund's distributions of net realized capital gains and ordinary income.

General. Any given performance quotation or performance comparison for the Fund is based on historical earnings and should not be considered as representative of the performance of the Fund for any future period. See the Statement of Additional Information for further information concerning the Fund's performance. For information as to current yield and other performance information regarding the Fund, call Nuveen toll-free at 800-621-7227.

A comparison of the current yield or historic performance of the Fund to those of other investments is one element to consider in making an informed investment decision. The Fund may from time to time in its advertising and sales materials compare its current yield or total return with the yield or total return on taxable investments such as corporate or U.S. Government bonds, bank certificates of deposit (CDs) or money market funds. These taxable investments have investment characteristics that differ from those of the Fund. Additionally, the Fund may compare its current yield or total return history with a widely-followed, unmanaged municipal market index such as the Bond Buyer 20 Index, the Merrill Lynch 500 Municipal Market Index or the Lehman Brothers Municipal Bond Index. Comparative performance information may also be used from time to time in advertising or marketing the Fund's shares, including data from Lipper Analytical Services, Inc., Morningstar, Inc. and other industry publications.

#### DISTRIBUTIONS AND TAXES

#### HOW THE FUND PAYS DIVIDENDS

The Fund will pay monthly dividends to shareholders at a level rate that reflects the past and projected net income of the Fund and that results, over time, in the distribution of substantially all of the Fund's net income. Net income of the Fund consists of all interest income accrued on its portfolio less all expenses of the Fund accrued daily. To maintain a more stable monthly distribution, the Fund may from time to time distribute less than the entire amount of net income earned in a particular period. This undistributed net income would be available to supplement future distributions, which might otherwise have been reduced by a decrease in the Fund's monthly net income due to fluctuations in investment income or expenses. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of net income

The Fund pays monthly dividends.

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actually earned by the Fund during such period. Undistributed net income is included in the Fund's net asset value and, correspondingly, distributions from previously undistributed net income are deducted from the Fund's net asset value. It is not expected that this dividend policy will impact the management of the Fund's portfolio.

Dividends paid by the Fund with respect to each class of shares will be calculated in the same manner and at the same time, and will be paid in the same amount except that different distribution and service fees and any other expense relating to a specific class of shares will be borne exclusively by that class. As a result, dividends per share will vary among the Fund's classes.

The Fund will declare dividends on the 9th of each month (or if the 9th is not a business day, on the immediately preceding business day), payable to shareholders of record as of the close of business on that day. This distribution policy is subject to change, however, by the Board of Trustees of the Fund without prior notice to or approval by shareholders. Dividends will be paid on the first busi-

ness day of the following month and are reinvested in additional shares of the Fund at net asset value unless you have elected that your dividends be paid in cash. Net realized capital gains, if any, will be paid not less frequently than annually and will be reinvested at net asset value in additional shares of the Fund unless you have elected to receive capital gains distributions in cash.

#### TAX MATTERS

The following federal tax discussion is intended to provide you with an overview of the impact of federal income tax provisions on the Fund or its shareholders. These tax provisions are subject to change by legislative or administrative action, and any changes may be applied retroactively. Because the Fund's taxes are a complex matter, you should consult your tax adviser for more detailed information concerning the taxation of the Fund and the federal, state and local tax consequences to Fund shareholders.

Income dividends are free from regular federal income tax.

The Fund intends to qualify, as it has in prior years, under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), for tax treatment as a regulated investment company. In order to qualify for treatment as a regulated investment company, the Fund must satisfy certain requirements relating to the sources of its income, diversification of its assets and distribution of its income to shareholders. As a regulated investment company, the Fund will not be subject to federal income tax on the portion of its net investment income and net realized capital gains that is

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currently distributed to shareholders. The Fund also intends to satisfy conditions that will enable it to pay "exempt-interest dividends" to its shareholders. This means that you will not be subject to regular federal income tax on Fund dividends you receive from income on Municipal Obligations.

Your share of the Fund's taxable income, if any, from income on taxable temporary investments and net short-term capital gains, will be taxable to you as ordinary income. If the Fund purchases a Municipal Obligation at a market discount, any gain realized by the Fund upon sale or redemption of the Municipal Obligation will be treated as taxable interest income to the extent such gain does not exceed the market discount, and any gain realized in excess of the market discount will be treated as capital gains. Distributions, if any, of net long-term capital gains are taxable as long-term capital gains, regardless of the length of time you have owned Fund shares. You are required to pay tax on all taxable distributions even if these distributions are automatically reinvested in additional Fund shares. Certain distributions paid by a Fund in January of a given year may be taxable to shareholders as if received the prior December 31. As long as the Fund qualifies as a regulated investment company under the Code, distributions will not qualify for the dividends received deduction for corporate shareholders. Investors should consider the tax implications of buying shares immediately prior to a distribution. Investors who purchase shares shortly before the record date for a distribution will pay a per share price that includes the value of the anticipated distribution and will be taxed on the distribution (unless it is exempt from tax) even though the distribution represents a return of a portion of the purchase price.

If in any year the Fund should fail to qualify under Subchapter M for tax treatment as a regulated investment company, the Fund would incur a regular corporate federal income tax upon its taxable income for that year, and the entire amount of your distributions would be taxable as ordinary income.

The Code does not permit you to deduct the interest on borrowed monies used to purchase or carry tax-free investments, such as Fund shares. Under Internal Revenue Service rules, the purchase of Fund shares may be considered to have been made with borrowed monies even though those monies are not directly traceable to the purchase of those shares.

Because the net asset value of the Fund's shares includes net tax-exempt interest earned by the Fund but not yet de-

clared as an exempt-interest dividend, each time an exempt-interest dividend is declared, the net asset value of the Fund's shares will decrease in an amount equal to the

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amount of the dividend. Accordingly, if you redeem Fund shares immediately prior to or on the record date of a monthly exempt-interest dividend, you may realize a taxable gain even though a portion of the redemption proceeds may represent your pro rata share of undistributed tax-exempt interest earned by the Fund.

The redemption or exchange of Fund shares normally will result in capital gain or loss to shareholders. Any loss you may realize on the redemption or exchange of Fund shares held for six months or less will be disallowed to the extent of any distribution of exempt-interest dividends received on these shares and will be treated as a long-term capital loss to the extent of any distribution of long-term capital gain received on these shares.

If you receive social security or railroad retirement benefits you should note that tax-exempt income is taken into account in calculating the amount of these benefits that may be subject to federal income tax.

The Fund may invest in private activity bonds, the interest on which is not exempt from federal income tax to "substantial users" of the facilities financed by these bonds or "related persons" of such substantial users. Therefore, the Fund may not be an appropriate investment for you if you are considered either a substantial user or a related person.

The Fund may invest up to 20% of its net assets in AMT Bonds, the interest on which is a specific tax preference item for purposes of computing the alternative minimum tax on corporations and individuals. If your tax liability is determined under the alternative minimum tax, you will be taxed on your share of the Fund's exempt-interest dividends that were paid from income earned on AMT Bonds. In addition, the alternative minimum taxable income for corporations is increased by 75% of the difference between an alternative measure of income ("adjusted current earnings") and the amount otherwise determined to be alternative minimum taxable income. Interest on all Municipal Obligations, and therefore all distributions by the Fund that would otherwise be tax exempt, is included in calculating a corporation's adjusted current earnings.

The Fund is required in certain circumstances to withhold 31% of taxable dividends and certain other payments paid to non-corporate holders of shares who have not furnished to the Fund their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to back-up withholding.

Each January, the Fund will notify you of the amount and tax status of Fund distributions for the preceding year.

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#### NET ASSET VALUE

Net asset value is calculated daily.

Net asset value of the shares of the Fund will be determined separately for each class of shares. The net asset value per share of a class of shares will be computed by dividing the value of the Fund's assets attributable to the class, less the liabilities attributable to the class, by the total number of shares of the class outstanding. The net asset value per share is expected to vary among Class A Shares, Class C Shares and Class R Shares, principally due to the differences in sales charges, distribution and service fees and other class expenses borne by each class.

Net asset value will be determined by United States Trust Company of New York, the Fund's custodian, as of 4:00 p.m. eastern time on each day the New York Stock Exchange is normally open for trading. In determining net asset value, the custodian uses the valuations of portfolio securities furnished by a pricing service approved by the Board of Trustees. The pricing service values portfolio securities

at the mean between the quoted bid and asked prices or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available (which are expected to constitute a majority of the securities held by the Fund) are valued at fair value as determined by the pricing service using methods that include consideration of the following: yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating; indications as to value from securities dealers; and general market conditions. The pricing service may employ electronic data processing techniques and/or a matrix system to determine valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of its Board of Trustees.

#### GENERAL INFORMATION

If you have any questions about the Fund or other Nuveen Mutual Funds, call Nuveen toll-free at 800-621-7227.

Custodian and Transfer and Shareholder Services Agent. The Custodian of the assets of the Fund is United States Trust Company of New York, 114 West 47th Street, New York, New York 10036. The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, NY 10081, has agreed to become successor to US Trust, as Custodian and Fund Accountant. The succession is presently scheduled for July 1, 1995. No changes in the Fund's administration or in the amount of fees and expenses paid by the Fund for these services will result, and no action by shareholders will be required. The Fund's transfer, shareholder services and dividend

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paying agent, Shareholder Services, Inc., P.O. Box 5330, Denver, CO 80217-5330, performs bookkeeping, data processing and administrative services for the maintenance of shareholder accounts.

Organization. The Fund is an open-end diversified management investment company under the Investment Company Act of 1940. The Fund was originally incorporated in Maryland on October 8, 1976 and reorganized as a Massachusetts business trust on June 12, 1995. The Board of Trustees is authorized to issue an unlimited number of shares, \$.10 par value, divided into three classes of shares designated as Class A Shares, Class C Shares and Class R Shares. Each class of shares represents an interest in the same portfolio of investments of the Fund. Each class of shares has equal rights as to voting, redemption, dividends and liquidation, except that each bears different class expenses, including different distribution and service fees, and each has exclusive voting rights with respect to any distribution or service plan applicable to its shares. There are no conversion, preemptive or other subscription rights, except that Class C Shares automatically convert into Class A Shares, as described above. The Board of Trustees has the right to establish additional series of the Fund and classes of shares in the future, to change those series or classes and to determine the preferences, voting powers, rights and privileges thereof.

The Fund is not required and does not intend to hold annual meetings of shareholders. Shareholders owning more than 10% of the outstanding shares of the Fund have the right to call a special meeting to remove Trustees or for any other purpose.

The Fund is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of such a trust may, under certain circumstances, be held personally liable as partners for its obligations. However, the Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Fund and requires that notice of this disclaimer be given in each agreement, obligation or instrument entered into or executed by the Fund or the Trustees. The Declaration of Trust further provides for indemnification out of the assets and property of the Fund for all loss and expense of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which both inadequate insurance existed and the Fund it-

self was unable to meet its obligations. The Fund believes the likelihood of these circumstances is remote.

APPENDIX A--TAXABLE EQUIVALENT YIELD TABLES

TAXABLE EQUIVALENT YIELD TABLES AND THE EFFECT OF TAXES AND INTEREST RATES ON INVESTMENTS

The following tables show the effects for individuals of federal income taxes on:

- . what you would have to earn on a taxable investment to equal a given tax-free yield; and
- . the amount that those subject to a given tax rate would have to put into a tax-free investment in order to generate the same after-tax income as a taxable investment.

These tables are for illustrative purposes only and are not intended to predict the actual return you might earn on a Fund investment. The Fund occasionally may advertise its performance in similar tables using other current tax rates than those shown here. The tax rates used in these tables have been rounded to the nearest one-half of one percent. They are based upon published 1995 marginal federal tax rates and do not take into account changes in tax rates that are proposed from time to time. They reflect the current federal tax limitations on itemized deductions and personal exemptions, which may raise the effective tax rate and taxable equivalent yield for taxpayers above certain income levels. The tax rates shown here may be higher or lower than your actual tax rate. A higher tax rate would tend to make the dollar amounts in the third table lower, while a lower tax rate would make the amounts higher. You should consult your tax adviser to determine your actual tax rate.

NUVEEN MUNICIPAL BOND FUND

MARGINAL TAX RATES FOR JOINT TAXPAYERS WITH FOUR PERSONAL EXEMPTIONS  
<TABLE>  
<CAPTION>

Federal Taxable Income (1,000's)	Federal Adjusted Gross Income (1,000's)	Federal Tax Rate	TAX-FREE YIELD						
			3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
TAXABLE EQUIVALENT YIELD									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$ 0-									
39.0	\$ 0-114.7	15.0%	4.12	4.71	5.29	5.88	6.47	7.06	7.65
39.0-									
94.3	0-114.7	28.0	4.86	5.56	6.25	6.94	7.64	8.33	9.03
	114.7-172.1	29.0	4.93	5.63	6.34	7.04	7.75	8.45	9.15
94.3-									
143.6	0-114.7	31.0	5.07	5.80	6.52	7.25	7.97	8.70	9.42
	114.7-172.1	32.0	5.15	5.88	6.62	7.35	8.09	8.82	9.56
	172.1-294.6	34.5	5.34	6.11	6.87	7.63	8.40	9.16	9.92
143.6-									
256.5	114.2-172.1	37.0	5.56	6.35	7.14	7.94	8.73	9.52	10.32
	172.1-294.6	40.0	5.83	6.67	7.50	8.33	9.17	10.00	10.83
	Over 294.6	37.0	5.56	6.35	7.14	7.94	8.73	9.52	10.32
Over									
256.5	172.1-294.6	44.0	6.25	7.14	8.04	8.93	9.82	10.71	11.61
	Over 294.6	41.0	5.93	6.78	7.63	8.47	9.32	10.17	11.02

</TABLE>



MARGINAL TAX  
RATES FOR SINGLE  
TAXPAYERS WITH  
ONE PERSONAL  
EXEMPTION  
<TABLE>  
<CAPTION>

Federal Taxable Income (1,000's)	Federal Adjusted Gross Income (1,000's)	Federal Tax Rate	TAX-FREE YIELD						
			3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
			TAXABLE EQUIVALENT YIELD						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$ 0-									
23.4	\$ 0-114.7	15.0%	4.12	4.71	5.29	5.88	6.47	7.06	7.65
23.4-									
56.6	0-114.7	28.0	4.86	5.56	6.25	6.94	7.64	8.33	9.03
56.6-									
118.0	0-114.7	31.0	5.07	5.80	6.52	7.25	7.97	8.70	9.42
	114.7-237.2	32.5	5.19	5.93	6.67	7.41	8.15	8.89	9.63
118.0-									
256.5	114.7-237.2	38.0	5.65	6.45	7.26	8.06	8.87	9.68	10.48
	Over 237.2	37.0	5.56	6.35	7.14	7.94	8.73	9.52	10.32
Over									
256.5	Over 237.2	41.0	5.93	6.78	7.63	8.47	9.32	10.17	11.02

</TABLE>

FOR AN EQUAL  
AFTER-TAX RETURN,  
YOUR TAX-FREE  
INVESTMENT MAY BE  
LESS\*  
<TABLE>  
<CAPTION>

\$50,000 INVESTMENT		3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
		TAX-FREE	TAX-FREE	TAX-FREE	TAX-FREE	TAX-FREE	TAX-FREE	TAX-FREE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
COMPARE 4% TAXABLE	\$39,429	\$34,500	\$30,667	\$27,600	\$25,091	\$23,000	\$21,231	
COMPARE 5% TAXABLE	\$49,286	\$43,125	\$38,333	\$34,500	\$31,364	\$28,750	\$26,538	
COMPARE 6% TAXABLE	\$59,143	\$51,750	\$46,000	\$41,400	\$37,636	\$34,500	\$31,846	
COMPARE 7% TAXABLE	\$69,000	\$60,375	\$53,667	\$48,300	\$43,909	\$40,250	\$37,154	
COMPARE 8% TAXABLE	\$78,857	\$69,000	\$61,333	\$55,200	\$50,182	\$46,000	\$42,462	

</TABLE>

For example,  
\$50,000 in a 6%  
taxable  
investment earns  
the same after-  
tax return as  
\$41,400 in a 5%  
tax-free Nuveen  
investment.

\*The dollar amounts in the table reflect a 31.0% federal tax rate.

PART B--STATEMENT OF ADDITIONAL INFORMATION

NUVEEN MUNICIPAL BOND FUND

333 West Wacker Drive

Chicago, Illinois 60606

Statement of Additional Information  
June 13, 1995  
Nuveen Municipal Bond Fund

NUVEEN MUNICIPAL BOND FUND

This Statement of Additional Information is not a prospectus. A prospectus may be obtained from certain securities representatives, banks and other financial institutions that have entered into sales agreements with John Nuveen & Co. Incorporated, or from the Fund, c/o John Nuveen & Co. Incorporated, 333 West Wacker Drive, Chicago, Illinois 60606. This Statement of Additional Information relates to, and should be read in conjunction with, the Prospectus dated June 13, 1995.

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<S>	<C>
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The audited financial statements for the fiscal year ended February 28, 1995, appearing in the Fund's Annual Report are incorporated herein by reference. The Annual Report accompanies this Statement of Additional Information.

FUNDAMENTAL POLICIES AND INVESTMENT PORTFOLIO

FUNDAMENTAL POLICIES

The investment objective and certain fundamental investment policies of the Fund are described in the Prospectus. The Fund, as a fundamental policy, may not, without the approval of the holders of a majority of the shares of the Fund:

- (1) Invest in securities other than Municipal Obligations and temporary investments, as those terms are defined in the Prospectus;
- (2) Invest more than 5% of its total assets in securities of any one issuer, except that this limitation shall not apply to securities of the United States government, its agencies and instrumentalities;
- (3) Borrow money, except for temporary or emergency purposes and not for investment purposes and then only in an amount not exceeding 5% of the value of the Fund's total assets at the time of borrowing;
- (4) Pledge, mortgage or hypothecate its assets, except that, to secure borrowings permitted by subparagraph (3) above, it may pledge securities having a market value at the time of pledge not exceeding 10% of the value of the Fund's total assets;
- (5) Issue senior securities as defined in the Investment Company Act of 1940;
- (6) Underwrite any issue of securities;
- (7) Purchase or sell real estate, but this shall not prevent the Fund from investing in Municipal Obligations secured by real estate or interests therein;
- (8) Purchase or sell commodities or commodities contracts or oil, gas or other mineral exploration or development programs;
- (9) Make loans, other than by entering into repurchase agreements and through the purchase of Municipal Obligations or temporary investments in accordance with the Fund's investment objective, policies and limitations;
- (10) Make short sales of securities or purchase any securities on margin, except for such short-term credits as are necessary for the clearance of transactions;

(11) Write or purchase puts, calls, straddles, spreads or any combination thereof;

(12) Invest more than 5% of its total assets in securities of unseasoned issuers which, together with their predecessors, have been in operation for less than three years;

(13) Invest more than 10% of its total assets in securities that the Fund is restricted from selling to the public without registration under the Securities Act of 1933; or

(14) Purchase or retain the securities of any issuer other than the securities of the Fund if, to the Fund's knowledge, those trustees of the Fund, or those officers and directors of Nuveen Advisory Corp. ("Nuveen Advisory"), who individually own beneficially more than 1/2 of 1% of the outstanding securities of such issuer, together own beneficially more than 5% of such outstanding securities.

For the purpose of applying the limitations set forth in paragraphs (2) and (12) above, an issuer shall be deemed the sole issuer of a security when its assets and revenues are separate from other governmental entities and its securities are backed only by its assets and revenues. Similarly, in

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the case of a non-governmental user, such as an industrial corporation or a privately owned or operated hospital, if the security is backed only by the assets and revenues of the non-governmental user, then such non-governmental user would be deemed to be the sole issuer. Where a security is also backed by the enforceable obligation of a superior or unrelated governmental entity or other entity (other than a bond insurer), it shall also be included in the computation of securities owned that are issued by such governmental or other entity.

Where a security is guaranteed by a governmental entity or some other facility, such as a bank guarantee or letter of credit, such a guarantee or letter of credit would be considered a separate security and would be treated as an issue of such government, other entity or bank. Where a security is insured by bond insurance, it shall not be considered a security issued or guaranteed by the insurer; instead the issuer of such security will be determined in accordance with the principles set forth above. The foregoing restrictions do not limit the percentage of the Fund's assets that may be invested in securities insured by any single insurer. It is a fundamental policy of the Fund, which cannot be changed without the approval of the holders of a majority of shares, that the Fund will not hold securities of a single bank, including securities backed by a letter of credit of such bank, if such holdings would exceed 10% of the total assets of the Fund.

With respect to temporary investments, in addition to the foregoing limitations, the Fund will not purchase securities (other than securities of the U.S. government, its agencies and instrumentalities) if, as a result of such purchase, more than 25% of the Fund's total assets would be invested in any one industry nor enter into a repurchase agreement if, as a result thereof, more than 10% of its assets would be subject to repurchase agreements maturing in more than seven days.

The foregoing restrictions and limitations, as well as the Fund's policies as to ratings of portfolio investments, will apply only at the time of purchase of securities, and the percentage limitations will not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of an acquisition of securities, unless otherwise indicated.

The foregoing fundamental investment policies, together with the investment objective of the Fund, cannot be changed without approval by holders of a "majority of the Fund's outstanding voting shares." As defined in the Investment Company Act of 1940, this means the vote of (i) 67% or more of the Fund's shares present at a meeting, if the holders of more than 50% of the Fund's shares are present or represented by proxy, or (ii) more than 50% of the Fund's shares, whichever is less.

#### PORTFOLIO SECURITIES

As described in the Prospectus, the Fund invests primarily in a diversified portfolio of Municipal Obligations issued within the 50 states and certain U.S. possessions and territories. In general, Municipal Obligations include debt obligations issued by states, cities and local authorities to obtain funds for various public purposes, including construction of a wide range of public facilities such as airports, bridges, highways, hospitals, housing, mass transportation, schools, streets and water and sewer works. Industrial development bonds and pollution control bonds that are issued by or on

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behalf of public authorities to finance various privately-rated facilities are included within the term Municipal Obligations if the interest paid thereon is exempt from federal income tax.

The investment assets of the Fund will consist of (1) Municipal Obligations which are rated at the time of purchase within the four highest grades (Baa or BBB or better) by Moody's Investors Service, Inc. ("Moody's") or Standard and Poor's Corporation ("S&P"), (2) unrated Municipal Obligations which, in the opinion of Nuveen Advisory, have credit characteristics equivalent to bonds rated within the four highest grades by Moody's or S&P, except that the Fund may not invest more than 10% of its net assets in unrated bonds and (3) temporary investments as described below, the income from which may be subject to federal income tax.

As described in the Prospectus, the Fund may invest in Municipal Obligations that constitute participations in a lease obligation or installment purchase contract obligation (hereafter collectively called "lease obligations") of a municipal authority or entity. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Although nonappropriation lease obligations are secured by the leased property, disposition of the property in the event of foreclosure might prove difficult. The Fund will seek to minimize the special risks associated with such securities by not investing more than 10% of its assets in lease obligations that contain non-appropriation clauses, and by only investing in those nonappropriation leases where (1) the nature of the leased equipment or property is such that its ownership or use is essential to a governmental function of the municipality, (2) the lease payments will commence amortization of principal at an early date resulting in an average life of seven years or less for the lease obligation, (3) appropriate covenants will be obtained from the municipal obligor prohibiting the substitution or purchase of similar equipment if lease payments are not appropriated, (4) the lease obligor has maintained good market acceptability in the past, (5) the investment is of a size that will be attractive to institutional investors, and (6) the underlying leased equipment has elements of portability and/or use that enhance its marketability in the event foreclosure on the underlying equipment were ever required. Lease obligations provide a premium interest rate which along with regular amortization of the principal may make them attractive for a portion of the assets of the Fund.

Obligations of issuers of Municipal Obligations are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Reform Act of 1978. In addition, the obligations of such issuers may become subject to the laws enacted in the future by Congress, state legislatures or referenda extending the time for payment of principal and/or interest, or imposing other constraints upon enforcement of such obligations or upon municipalities to levy taxes. There is also the possibility that, as a result of legislation or other conditions, the power or ability of any issuer to pay, when due, the principal of and interest on its Municipal Obligations may be materially affected.

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#### PORTFOLIO TRADING AND TURNOVER

The Fund will make changes in its investment portfolio from time to time in order to take advantage of opportunities in the municipal market and to limit exposure to market risk. The Fund may also engage to a limited extent in short-term trading consistent with its investment objective. Securities may be sold in anticipation of market decline or purchased in anticipation of market rise and later sold, but the Fund will not engage in trading solely to recognize a gain. In addition, a security may be sold and another of comparable quality purchased at approximately the same time to take advantage of what Nuveen Advisory believes to be a temporary disparity in the normal yield relationship between the two securities. The Fund may make changes in its investment portfolio in order to limit its exposure to changing market conditions. Changes in the Fund's investments are known as "portfolio turnover." While it is impossible to predict future portfolio turnover rates, the Fund's annual portfolio turnover rate is generally not expected to exceed 35%. However, the Fund reserves the right to make changes in its investments whenever it deems such action advisable, and therefore, the Fund's annual portfolio turnover rate may exceed 35% in particular years depending upon market conditions. The Fund's portfolio turnover rates for the fiscal years ended February 28, 1995, and February 28, 1994 were 17% and 15%, respectively.

#### WHEN-ISSUED SECURITIES

As described in the Prospectus, the Fund may purchase and sell Municipal Obligations on a when-issued or delayed delivery basis. When-issued and delayed delivery transactions arise when securities are purchased or sold with payment and delivery beyond the regular settlement date. (When-issued transactions normally settle within 15-45 days.) On such transactions the payment obligation and the interest rate are fixed at the time the buyer enters into the commitment. The commitment to purchase securities on a when-issued or delayed delivery basis may involve an element of risk because the value of the securities is subject to market fluctuation, no interest accrues to the purchaser

prior to settlement of the transaction, and at the time of delivery the market value may be less than cost. At the time the Fund makes the commitment to purchase a Municipal Obligation on a when issued or delayed delivery basis, it will record the transaction and reflect the amount due and the value of the security in determining its net asset value. Likewise, at the time the Fund makes the commitment to sell a Municipal Obligation on a delayed delivery basis, it will record the transaction and include the proceeds to be received in determining its net asset value; accordingly, any fluctuations in the value of the Municipal Obligation sold pursuant to a delayed delivery commitment are ignored in calculating net asset value so long as the commitment remains in effect. The Fund will maintain designated readily marketable assets at least equal in value to commitments to purchase when-issued or delayed delivery securities, such assets to be segregated by the Custodian specifically for the settlement of such commitments. The Fund will only make commitments to purchase Municipal Obligations on a when-issued or delayed delivery basis with the intention of actually acquiring the securities, but the Fund reserves the right to sell these securities before the settlement date if it is deemed advisable. If a when-issued security is sold before delivery any gain or loss would not be tax-exempt. A Fund commonly engages in when-issued transactions in order to purchase or sell newly-issued Municipal Obligations, and may engage in delayed delivery transactions in order to manage its operations more effectively.

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#### TEMPORARY INVESTMENTS

The Prospectus discusses briefly the ability of the Fund to invest a portion of its assets in federally tax-exempt or taxable "temporary investments." Temporary investments will not exceed 20% of the Fund's assets except when made for defensive purposes. The Fund will invest only in taxable temporary investments that are either U.S. Government securities or are rated within the highest grade by Moody's or S&P, and mature within one year from the date of purchase or carry a variable or floating rate of interest.

The Fund may invest in the following federally tax-exempt temporary investments:

Bond Anticipation Notes (BANs) are usually general obligations of state and local governmental issuers which are sold to obtain interim financing for projects that will eventually be funded through the sale of long-term debt obligations or bonds. The ability of an issuer to meet its obligations on its BANs is primarily dependent on the issuer's access to the long-term municipal bond market and the likelihood that the proceeds of such bond sales will be used to pay the principal and interest on the BANs.

Tax Anticipation Notes (TANs) are issued by state and local governments to finance the current operations of such governments. Repayment is generally to be derived from specific future tax revenues. Tax anticipation notes are usually general obligations of the issuer. A weakness in an issuer's capacity to raise taxes due to, among other things, a decline in its tax base or a rise in delinquencies, could adversely affect the issuer's ability to meet its obligations on outstanding TANs.

Revenue Anticipation Notes (RANs) are issued by governments or governmental bodies with the expectation that future revenues from a designated source will be used to repay the notes. In general, they also constitute general obligations of the issuer. A decline in the receipt of projected revenues, such as anticipated revenues from another level of government, could adversely affect an issuer's ability to meet its obligations on outstanding RANs. In addition, the possibility that the revenues would, when received, be used to meet other obligations could affect the ability of the issuer to pay the principal and interest on RANs.

Construction Loan Notes are issued to provide construction financing for specific projects. Frequently, these notes are redeemed with funds obtained from the Federal Housing Administration.

Bank Notes are notes issued by local government bodies and agencies as those described above to commercial banks as evidence of borrowings. The purposes for which the notes are issued are varied but they are frequently issued to meet short-term working capital or capital-project needs. These notes may have risks similar to the risks associated with TANs and RANs.

Tax-Exempt Commercial Paper (Municipal Paper) represents very short-term unsecured, negotiable promissory notes, issued by states, municipalities and their agencies. Payment of principal and interest on issues of municipal paper may be made from various sources, to the extent the funds are available therefrom. Maturities of municipal paper generally will be shorter than the maturities of TANs, BANs or RANs. There is a limited secondary market for issues of municipal paper.

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While these various types of notes as a group represent the major portion of

the tax-exempt note market, other types of notes are occasionally available in the marketplace and the Fund may invest in such other types of notes to the extent permitted under its investment objective, policies and limitations. Such notes may be issued for different purposes and may be secured differently from those mentioned above.

The Fund may also invest in the following taxable temporary investments:

U.S. Government Direct Obligations are issued by the United States Treasury and include bills, notes and bonds.

- -- Treasury bills are issued with maturities of up to one year. They are issued in bearer form, are sold on a discount basis and are payable at par value at maturity.
- -- Treasury notes are longer-term interest bearing obligations with original maturities of one to seven years.
- -- Treasury bonds are longer-term interest-bearing obligations with original maturities from five to thirty years.

U.S. Government Agencies Securities--Certain federal agencies have been established as instrumentalities of the United States Government to supervise and finance certain types of activities. These agencies include, but are not limited to, the Bank for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Export-Import Bank of the United States, and Tennessee Valley Authority. Issues of these agencies, while not direct obligations of the United States Government, are either backed by the full faith and credit of the United States or are guaranteed by the Treasury or supported by the issuing agencies' right to borrow from the Treasury. There can be no assurance that the United States Government itself will pay interest and principal on securities as to which it is not legally so obligated.

Certificates of Deposit (CDs)--A certificate of deposit is a negotiable interest bearing instrument with a specific maturity. CDs are issued by banks in exchange for the deposit of funds and normally can be traded in the secondary market, prior to maturity. The Fund will only invest in U.S. dollar denominated CDs issued by U.S. banks with assets of \$1 billion or more.

Commercial Paper--Commercial paper is the term used to designate unsecured short-term promissory notes issued by corporations. Maturities on these issues vary from a few days to nine months. Commercial paper may be purchased from U.S. corporations.

Other Corporate Obligations--The Fund may purchase notes, bonds and debentures issued by corporations if at the time of purchase there is less than one year remaining until maturity or if they carry a variable or floating rate of interest.

Repurchase Agreements--A repurchase agreement is a contractual agreement whereby the seller of securities (U.S. Government or Municipal Obligations) agrees to repurchase the same security at a specified price on a future date agreed upon by the parties. The agreed upon repurchase price

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determines the yield during the Fund's holding period. Repurchase agreements are considered to be loans collateralized by the underlying security that is the subject of the repurchase contract. The Fund will only enter into repurchase agreements with dealers, domestic banks or recognized financial institutions that in the opinion of Nuveen Advisory present minimal credit risk. The risk to the Fund is limited to the ability of the issuer to pay the agreed-upon repurchase price on the delivery date; however, although the value of the underlying collateral at the time the transaction is entered into always equals or exceeds the agreed-upon repurchase price, if the value of the collateral declines there is a risk of loss of both principal and interest. In the event of default, the collateral may be sold but the Fund might incur a loss if the value of the collateral declines, and might incur disposition costs or experience delays in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral by the Fund may be delayed or limited. Nuveen Advisory will monitor the value of collateral at the time the transaction is entered into and at all times subsequent during the term of the repurchase agreement in an effort to determine that the value always equals or exceeds the agreed upon price. In the event the value of the collateral declined below the repurchase price, Nuveen Advisory will demand additional collateral from the issuer to increase the value of the collateral to at least that of the repurchase price. The Fund will not invest more than 10% of its assets in repurchase agreements maturing in more than seven days.

#### RATINGS OF INVESTMENTS

The four highest ratings of Moody's for Municipal Obligations are Aaa, Aa, A and Baa. Municipal Obligations rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to Municipal Obligations which are of "high

quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than in Aaa rated Municipal Obligations. The Aaa and Aa rated Municipal Obligations comprise what are generally known as "high grade bonds." Municipal Obligations that are rated A by Moody's possess many favorable investment attributes and are considered upper medium grade obligations. Factors giving security to principal and interest of A rated Municipal Obligations are considered adequate, but elements may be present, which suggest a susceptibility to impairment sometime in the future. Municipal Obligations rated Baa by Moody's are considered medium grade obligations (i.e., they are neither highly protected nor poorly secured). Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well. Moody's bond rating symbols may contain numerical modifiers of a generic rating classification. The modifier 1 indicates that the bond ranks at the high end of its category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its general rating category.

The four highest ratings of S&P for Municipal Obligations are AAA, AA, A and BBB. Municipal Obligations rated AAA have a strong capacity to pay principal and interest. The rating of AA indicates that capacity to pay principal and interest is very strong and such bonds differ from AAA issues only in small degree. The category of A describes bonds which have a strong capacity to pay principal and interest, although such bonds are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. The BBB rating is the lowest "investment grade" security rating by S&P. Municipal Obligations rated BBB are regarded as having an

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adequate capacity to pay principal and interest. Whereas such bonds normally exhibit adequate protection parameters, adverse economic conditions are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

The "Other Corporate Obligations" category of temporary investments are corporate (as opposed to municipal) debt obligations rated AAA by S&P or Aaa by Moody's. Corporate debt obligations rated AAA by S&P have an extremely strong capacity to pay principal and interest. The Moody's corporate debt rating of Aaa is comparable to that set forth above for Municipal Obligations.

Subsequent to its purchase by the Fund, an issue may cease to be rated or its rating may be reduced below the minimum required for purchase. Neither event requires the elimination of such obligation from the Fund's portfolio, but Nuveen Advisory will consider such an event in its determination of whether the Fund should continue to hold such obligation.

#### MANAGEMENT

The management of the Fund, including general supervision of the duties performed for the Fund under the Investment Management Agreement, is the responsibility of its Board of Trustees. The number of trustees of the Fund is fixed at seven. Due to the recent death of one of the trustees, John E. O'Toole, there is a vacancy on the board, so that currently there are six trustees, two of whom are "interested persons" (as the term "interested person" is defined in the Investment Company Act of 1940) and four of whom are "disinterested persons." The names and business addresses of the trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth below, with those trustees who are "interested persons" of the Fund indicated by an asterisk.

<TABLE>

<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS AND OFFICES WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>	<C>
Richard J. Franke* 333 West Wacker Drive Chicago, IL 60606	63	Chairman of the Board and Trustee	Chairman of the Board, Director and formerly President of John Nuveen & Co. Incorporated; Chairman of the Board and Director, formerly President, of Nuveen Advisory Corp.; Chairman of the Board and Director of Nuveen Institutional Advisory Corp. (since April 1990); Certified Financial Planner.
Timothy R. Schwertfeger* 333 West Wacker Drive Chicago, IL 60606	46	President and Trustee	Executive Vice President and Director of The John Nuveen Company (since March 1992) and John Nuveen & Co. Incorporated; Director of Nuveen Advisory Corp. (since 1992) and Nuveen Institutional Advisory Corp. (since 1992).
Lawrence H. Brown 201 Michigan Avenue Highwood, IL 60040	60	Trustee	Retired (August 1989) as Senior Vice President of The Northern Trust Company.

Anne E. Impellizzeri  
3 West 29th Street  
New York, NY 10001

62 Trustee

President and Chief Executive Officer of Blanton-Peale, Institutes of Religion and Health (since December 1990); prior thereto, Vice President of New York City Partnership (from 1987 to 1990).

</TABLE>

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<TABLE>

<CAPTION>

NAME AND ADDRESS	AGE	POSITIONS AND OFFICES WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>	<C>
Margaret K. Rosenheim 969 East 60th Street Chicago, IL 60637	68	Trustee	Helen Ross Professor of Social Welfare Policy, School of Social Service Administration, University of Chicago.
Peter R. Sawers 22 The Landmark Northfield, IL 60093	62	Trustee	Adjunct Professor of Business and Economics, University of Dubuque, Iowa (since January 1991); Adjunct Professor, Lake Forest Graduate School of Management, Lake Forest, Illinois (since January 1992); prior thereto, Executive Director, Towers Perrin Australia (management consultant); Chartered Financial Analyst; Certified Management Consultant.
Kathleen M. Flanagan 333 West Wacker Drive Chicago, IL 60606	48	Vice President	Vice President of John Nuveen & Co. Incorporated.
J. Thomas Futrell 333 West Wacker Drive Chicago, IL 60606	39	Vice President	Vice President of Nuveen Advisory Corp. (since February 1991); prior thereto, Assistant Vice President of Nuveen Advisory Corp. (from August 1988 to February 1991); Chartered Financial Analyst.
Steven J. Krupa 333 West Wacker Drive Chicago, IL 60606	37	Vice President	Vice President of Nuveen Advisory Corp. (since October 1990); prior thereto, Vice President of John Nuveen & Co. Incorporated (from January 1989 to October 1990).
Anna R. Kucinskis 333 West Wacker Drive Chicago, IL 60606	49	Vice President	Vice President of John Nuveen & Co. Incorporated.
Larry W. Martin 333 West Wacker Drive Chicago, IL 60606	43	Vice President and Assistant Secretary	Vice President (since September 1992), Assistant Secretary and Assistant General Counsel of John Nuveen & Co. Incorporated; Vice President (since May 1993) and Assistant Secretary of Nuveen Advisory Corp; Vice President (since May 1993) and Assistant Secretary (since January 1992) of Nuveen Institutional Advisory Corp.; Assistant Secretary of The John Nuveen Company (since February 1993).
O. Walter Renfftlen 333 West Wacker Drive Chicago, IL 60606	55	Vice President and Controller	Vice President and Controller of The John Nuveen Company (since March 1992), John Nuveen & Co. Incorporated, Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. (since April 1990).
Thomas C. Spalding, Jr. 333 West Wacker Drive Chicago, IL 60606	43	Vice President	Vice President of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. (since April 1990); Chartered Financial Analyst.
H. William Stabenow 333 West Wacker Drive Chicago, IL 60606	60	Vice President and Treasurer	Vice President and Treasurer of The John Nuveen Company (since March 1992), John Nuveen & Co. Incorporated, Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp, (since January 1992).

</TABLE>

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<TABLE>

<CAPTION>



NAME AND ADDRESS	AGE	POSITIONS AND OFFICES WITH FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S> George P. Thermos 333 West Wacker Drive Chicago, IL 60606	<C> 63	<C> Vice President	<C> Vice President of John Nuveen & Co. Incorporated.
James J. Wesolowski 333 West Wacker Drive Chicago, IL 60606	44	Vice President and Secretary	Vice President, General Counsel and Secretary of The John Nuveen Company (since March 1992), John Nuveen & Co. Incorporated, Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. (since April 1990).
Gifford R. Zimmerman 333 West Wacker Drive Chicago, IL 60606	38	Vice President and Assistant Secretary	Vice President (since September 1992), Assistant Secretary and Assistant General Counsel of John Nuveen & Co. Incorporated; Vice President (since May 1993) and Assistant Secretary of Nuveen Advisory Corp.; Vice President (since May 1993) and Assistant Secretary (since January 1992) of Nuveen Institutional Advisory Corp.

</TABLE>

Richard J. Franke, Timothy R. Schwertfeger and Margaret K. Rosenheim serve as members of the Executive Committee of the Board of Trustees. The Executive Committee, which meets between regular meetings of the Board of Trustees, is authorized to exercise all of the powers of the Board of Trustees.

The trustees of the Fund are also directors or trustees, as the case may be, of 20 other Nuveen open-end fund portfolios and 55 closed-end funds.

The following table sets forth compensation paid by the Fund and its predecessor during the fiscal year ended February 28, 1995 to each of the trustees of the Fund. The Fund has no retirement or pension plans. The officers and trustees affiliated with Nuveen serve without any compensation from the Fund.

<TABLE>  
<CAPTION>

NAME OF TRUSTEE	AGGREGATE COMPENSATION FROM THE FUND	TOTAL COMPENSATION FROM FUND AND FUND COMPLEX PAID TO TRUSTEES
<S>	<C>	<C>
Richard J. Franke.....	\$ 0	\$ 0
Timothy R. Schwertfeger.....	0	0
Lawrence H. Brown.....	4,839	56,500
Anne E. Impellizzeri.....	3,785	48,750
Margaret K. Rosenheim.....	6,509(1)	64,404(2)
Peter R. Sawers.....	4,839	56,000

</TABLE>

- (1) Includes \$270 in interest earned on deferred compensation from prior years.
- (2) Includes \$1,404 in interest earned on deferred compensation from prior years.

Each trustee who is not affiliated with Nuveen or Nuveen Advisory receives a \$45,000 annual retainer for serving as a director or trustee of all funds for which Nuveen Advisory serves as investment adviser and a \$1,000 fee per day plus expenses for attendance at all meetings held on a day on which a regularly scheduled Board meeting is held, a \$1,000 fee per day plus expenses for attendance in person or a \$500 fee per day plus expenses for attendance by telephone at a meeting held on a day on which no regular Board meeting is held, and a \$250 fee per day plus expenses for attendance in person or by telephone at a meeting of the Executive Committee held solely to declare dividends. The annual retainer, fees and expenses are allocated among the funds for which Nuveen Advisory serves as investment adviser on the basis of relative net asset sizes. The Fund requires no employees other than its officers, all of whom are compensated by Nuveen.

On May 18, 1995, the officers and trustees of the Fund as a group owned less than 1% of the outstanding shares of the Fund. No person owned as much as 5% of the outstanding shares of the Fund on that date.

#### INVESTMENT ADVISER AND INVESTMENT MANAGEMENT AGREEMENT

Nuveen Advisory Corp. acts as investment adviser for and manages the investment and reinvestment of the assets of the Fund. Nuveen Advisory also administers the Fund's business affairs, provides office facilities and equipment and certain clerical, bookkeeping and administrative services, and permits any of its



ers will include the spread between the bid and asked price. Given the best price and execution obtainable, it will be the practice of the Fund to select dealers which, in addition, furnish

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research information (primarily credit analyses of issuers and general economic reports) and statistical and other services to Nuveen Advisory. It is not possible to place a dollar value on information and statistical and other services received from dealers. Since it is only supplementary to Nuveen Advisory's own research efforts, the receipt of research information is not expected to reduce significantly Nuveen Advisory's expenses. While Nuveen Advisory will be primarily responsible for the placement of the business of the Fund, the policies and practices of Nuveen Advisory in this regard must be consistent with the foregoing and will, at all times, be subject to review by the Board of Trustees.

Nuveen Advisory reserves the right to, and does, manage other investment accounts and investment companies for other clients, which may have investment objectives similar to the Fund. Subject to applicable laws and regulations, Nuveen Advisory will attempt to allocate equitably portfolio transactions among the Fund and the portfolios of its other clients purchasing or selling securities whenever decisions are made to purchase or sell securities by the Fund and one or more of such other clients simultaneously. In making such allocations the main factors to be considered will be the respective investment objectives of the Fund and such other clients, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment by the Fund and such other clients, the size of investment commitments generally held by the Fund and such other clients and opinions of the persons responsible for recommending investments to the Fund and such other clients. While this procedure could have a detrimental effect on the price or amount of the securities available to the Fund from time to time, it is the opinion of the Board of Trustees that the benefits available from Nuveen Advisory's organization will outweigh any disadvantage that may arise from exposure to simultaneous transactions.

Under the Investment Company Act of 1940, the Fund may not purchase portfolio securities from any underwriting syndicate of which Nuveen is a member except under certain limited conditions set forth in Rule 10f-3. The Rule sets forth requirements relating to, among other things, the terms of an issue of Municipal Obligations purchased by the Fund, the amount of Municipal Obligations which may be purchased in any one issue and the assets of the Fund which may be invested in a particular issue. In addition, purchases of securities made pursuant to the terms of the Rule must be approved at least quarterly by the Board of Trustees, including a majority of the trustees who are not interested persons of the Fund.

#### NET ASSET VALUE

As stated in the Prospectus, the net asset value of the shares of the Fund will be determined separately for each class of the Fund's shares by United States Trust Company of New York, the Fund's custodian, as of 4:00 p.m. eastern time on each day on which the New York Stock Exchange (the "Exchange") is normally open for trading. The Exchange is not open for trading on New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The net asset value per share of a class of shares will be computed by dividing the value of the Fund's assets attributable to the class, less the liabilities attributable to the class, by the number of shares of the class outstanding.

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In determining net asset value for the Fund, the Fund's custodian utilizes the valuations of portfolio securities furnished by a pricing service approved by the directors. The pricing service values portfolio securities at the mean between the quoted bid and asked price or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available (which constitute a majority of the securities held by the Fund) are valued at fair value as determined by the pricing service using methods which include consideration of the following: yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating; indications as to value from securities representatives; and general market conditions. The pricing service may employ electronic data processing techniques and/or a matrix system to determine valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board of Trustees.

#### TAX MATTERS

##### FEDERAL INCOME TAX MATTERS

The following discussion of federal income tax matters is based upon the advice of Fried, Frank, Harris, Shriver & Jacobson, Washington, D.C., counsel to the Fund.

As described in the Prospectus, the Fund intends to qualify under Subchapter M

of the Internal Revenue Code of 1986, as amended (the "Code") for tax treatment as a regulated investment company. In order to qualify as a regulated investment company, the Fund must satisfy certain requirements relating to the source of its income, diversification of its assets, and distributions of its income to shareholders. First, the Fund must derive at least 90% of its annual gross income (including tax-exempt interest) from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock or securities, foreign currencies or other income (including but not limited to gains from options and futures) derived with respect to its business of investing in such stock or securities (the "90% gross income test"). Second, the Fund must derive less than 30% of its annual gross income from the sale or other disposition of any of the following which was held for less than three months: (i) stock or securities and (ii) certain options, futures, or forward contracts (the "short-short test"). Third, the Fund must diversify its holdings so that, at the close of each quarter of its taxable year, (i) at least 50% of the value of its total assets is comprised of cash, cash items, United States Government securities, securities of other regulated investment companies and other securities limited in respect of any one issuer to an amount not greater in value than 5% of the value of a Fund's total assets and to not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the total assets is invested in the securities of any one issuer (other than United States Government securities and securities of other regulated investment companies) or two or more issuers controlled by the Fund and engaged in the same, similar or related trades or businesses.

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As a regulated investment company, the Fund will not be subject to federal income tax in any taxable year for which it distributes at least 90% of its "investment company taxable income" (which includes dividends, taxable interest, taxable original issue discount and market discount income, income from securities lending, net short-term capital gain in excess of long-term capital loss, and any other taxable income other than "net capital gain" (as defined below) and is reduced by deductible expenses) and at least 90% of the excess of its gross tax-exempt interest income over certain disallowed deductions ("net tax-exempt interest"). The Fund may retain for investment its net capital gain (which consists of the excess of its net long-term capital gain over its short-term capital loss). However, if the Fund retains any net capital gain or any investment company taxable income, it will be subject to tax at regular corporate rates on the amount retained. If the Fund retains any capital gain, such Fund may designate the retained amount as undistributed capital gains in a notice to its shareholders who, if subject to federal income tax purposes on long-term capital gains, (i) will be required to include in income for federal income tax purposes, as long-term capital gain, their shares of such undistributed amount, and (ii) will be entitled to credit their proportionate shares of the tax paid by the Fund against their federal income tax liabilities if any, and to claim refunds to the extent the credit exceeds such liabilities. For federal income tax purposes, the tax basis of shares owned by a shareholder of the Fund will be increased by an amount equal under current law to 65% of the amount of undistributed capital gains included in the shareholder's gross income. The Fund intends to distribute at least annually to its shareholders all or substantially all of its net tax-exempt interest and any investment company taxable income and net capital gain.

Treasury regulations permit a regulated investment company, in determining its investment company taxable income and net capital gain, i.e., the excess of net long-term capital gain over net short-term capital loss for any taxable year, to elect (unless it has made a taxable year election for excise tax purposes as discussed below) to treat all or part of any net capital loss, any net long-term capital loss or any net foreign currency loss incurred after October 31 as if they had been incurred in the succeeding year.

The Fund also intends to satisfy conditions (including requirements as to the proportion of its assets invested in Municipal Obligations) that will enable it to designate distributions from the interest income generated by investments in Municipal Obligations, which is exempt from regular federal income tax when received by the Fund, as exempt-interest dividends. Shareholders receiving exempt-interest dividends will not be subject to regular federal income tax on the amount of such dividends. Insurance proceeds received by the Fund under any insurance policies in respect of scheduled interest payments on defaulted Municipal Obligations will be excludable from federal gross income under Section 103(a) of the Code. In the case of non-appropriation by a political subdivision, however, there can be no assurance that payments made by the insurer representing interest on "non-appropriation" lease obligations will be excludable from gross income for federal income tax purposes. See "Fundamental Policies and Investment Portfolio; Portfolio Securities."

Distributions by the Fund of net interest received from certain taxable temporary investments (such as certificates of deposit, commercial paper and obligations of the U.S. Government, its agencies and instrumentalities) and net short-term capital gains realized by the Fund, if any, will be taxable

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to shareholders as ordinary income whether received in cash or additional

shares./1/ If the Fund purchases a Municipal Obligation at a market discount, any gain realized by the Fund upon sale or redemption of the Municipal Obligation will be treated as taxable interest income to the extent such gain does not exceed the market discount, and any gain realized in excess of the market discount will be treated as capital gains. Any net long-term capital gains realized by the Fund and distributed to shareholders in cash or additional shares, will be taxable to shareholders as long-term capital gains regardless of the length of time investors have owned shares of the Fund. Distributions by the Fund that do not constitute ordinary income dividends, exempt-interest dividends, or capital gain dividends will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in his or her shares. Any excess will be treated as gain from the sale of his or her shares, as discussed below.

If any of the Funds engages in hedging transactions involving financial futures and options, these transactions will be subject to special tax rules, the effect of which may be to accelerate income to a Fund, defer a Fund's losses, cause adjustments in the holding periods of a Fund's securities, convert long-term capital gains into short-term capital gains and convert short-term capital losses into long-term capital losses. These rules could therefore affect the amount, timing and character of distributions to shareholders.

Because the taxable portion of the Fund's investment income consists primarily of interest, none of its dividends, whether or not treated as exempt-interest dividends, is expected to qualify under the Internal Revenue Code for the dividends received deductions for corporations.

Prior to purchasing shares in the Fund, the impact of dividends or distributions which are expected to be or have been declared, but not paid, should be carefully considered. Any dividend or distribution declared shortly after a purchase of such shares prior to the record date will have the effect of reducing the per share net asset value by the per share amount of the dividend or distribution.

Although dividends generally will be treated as distributed when paid, dividends declared in October, November or December, payable to shareholders of record on a specified date in one of those months and paid during the following January, will be treated as having been distributed by the Fund (and received by the shareholders) on December 31.

The redemption or exchange of the shares of the Fund normally will result in capital gain or loss to the shareholders. Generally, a shareholder's gain or loss will be long-term gain or loss if the shares have been held for more than one year. Present law taxes both long- and short-term capital gains of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, however, net capital gains (i.e., the excess of net long-term capital gain over net short-term capital loss) will be taxed at a maximum marginal rate of 28%, while short-term capital gains and other ordinary income will be taxed at a maximum marginal rate of 39.6%. Because of the limitations on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective tax rate may be higher in certain circumstances.

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/1/If the Fund has both tax-exempt and taxable income, it will use the "average annual" method for determining the designated percentage that is taxable income and designate the use of such method within 60 days after the end of the Fund's taxable year. Under this method, one designated percentage is applied uniformly to all distributions made during the Fund's taxable year. The percentage of income designated as tax-exempt for any particular distribution may be substantially different from the percentage of the Fund's income that was tax-exempt during the period covered by the distribution.

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All or a portion of a sales load paid in purchasing shares of a Fund cannot be taken into account for purposes of determining gain or loss on the redemption or exchange of such shares within 90 days after their purchase to the extent shares of a Fund or another fund are subsequently acquired without payment of a sales load pursuant to the reinvestment or exchange privilege. Any disregarded portion of such load will result in an increase in the shareholder's tax basis in the shares subsequently acquired. Moreover, losses recognized by a shareholder on the redemption or exchange of shares of the Fund held for six months or less are disallowed to the extent of any distribution of exempt-interest dividends received with respect to such shares and, if not disallowed, such losses are treated as long-term capital losses to the extent of any distributions of long-term capital gains made with respect to such shares. In addition, no loss will be allowed on the redemption or exchange of shares of the Fund if the shareholder purchases other shares of the Fund (whether through reinvestment of distributions or otherwise) or the Shareholder acquires or enters into a contract or option to acquire securities that are substantially identical to shares of the Fund within a period of 61 days beginning 30 days before and ending 30 days after such redemption or exchange. If disallowed, the loss will be reflected in an adjustment to the basis of the shares acquired.

It may not be advantageous from a tax perspective for shareholders to redeem or exchange shares after tax-exempt income has accrued but before the record date for the exempt-interest dividend representing the distribution of such income. Because such accrued tax-exempt income is included in the net asset value per share (which equals the redemption or exchange value), such a redemption could result in treatment of the portion of the sales or redemption proceeds equal to the accrued tax-exempt interest as taxable gain (to the extent the redemption or exchange price exceeds the shareholder's tax basis in the shares disposed of) rather than tax-exempt interest.

In order to avoid a 4% federal excise tax, the Fund must distribute or be deemed to have distributed by December 31 of each calendar year at least 98% of its taxable ordinary income for such year, at least 98% of the excess of its realized capital gains over its realized capital losses (generally computed on the basis of the one-year period ending on October 31 of such year) and 100% of any taxable ordinary income and the excess of realized capital gains over realized capital losses for the prior year that was not distributed during such year and on which the Fund paid no federal income tax. For purposes of the excise tax, a regulated investment company may reduce its capital gain net income (but not below its net capital gain) by the amount of any net ordinary loss for the calendar year. The Fund intends to make timely distributions in compliance with these requirements and consequently it is anticipated that they generally will not be required to pay the excise tax.

If in any year the Fund should fail to qualify under Subchapter M for tax treatment as a regulated investment company, the Fund would incur a regular corporate federal income tax upon its income for that year (other than interest income from Municipal Obligations), and distributions to its shareholders would be taxable to shareholders as ordinary dividend income for federal income tax purposes to the extent of the Fund's available earnings and profits.

Among the requirements that the Fund must meet in order to qualify under Subchapter M in any year is that less than 30% of its gross income must be derived from the sale or other disposition of securities and certain other assets held for less than three months.

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Because the Fund may invest in private activity bonds, the interest on which is not federally tax-exempt to persons who are "substantial users" of the facilities financed by such bonds or "related persons" of such "substantial users," the Fund may not be an appropriate investment for shareholders who are considered either a "substantial user" or a "related person" within the meaning of the Code. For additional information, investors should consult their tax advisers before investing in the Fund.

Federal tax law imposes an alternative minimum tax with respect to both corporations and individuals. Interest on certain Municipal Obligations, such as bonds issued to make loans for housing purposes or to private entities (but not for certain tax-exempt organizations such as universities, and non-profit hospitals) is included as an item of tax preference in determining the amount of a taxpayer's alternative minimum taxable income. To the extent that the Fund receives income from Municipal Obligations subject to the alternative minimum tax, a portion of the dividends paid by it, although otherwise exempt from federal income tax, will be taxable to shareholders to the extent that their tax liability is determined under the alternative minimum tax regime. The Fund will annually supply shareholders with a report indicating the percentage of Fund income attributable to Municipal Obligations subject to the federal alternative minimum tax.

In addition, the alternative minimum taxable income for corporations is increased by 75% of the difference between an alternative measure of income ("adjusted current earnings") and the amount otherwise determined to be the alternative minimum taxable income. Interest on all Municipal Obligations, and therefore all distributions by the Fund that would otherwise be tax exempt, is included in calculating a corporation's adjusted current earnings.

Tax-exempt income, including exempt-interest dividends paid by the Fund, will be added to the taxable income of individuals receiving social security or railroad retirement benefits in determining whether a portion of that benefit will be subject to federal income tax.

The Code provides that interest on indebtedness incurred or continued to purchase or carry shares of the Fund is not deductible. Under rules used by the IRS for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of shares of the Fund may be considered to have been made with borrowed funds even though such funds are not directly traceable to the purchase of shares.

The Fund is required in certain circumstances to withhold 31% of taxable dividends and certain other payments paid to non-corporate holders of shares who have not furnished to the Fund their correct taxpayer identification number (in the case of individuals, their social security number) and certain certifications, or who are otherwise subject to back-up withholding.

The foregoing is a general and abbreviated summary of the provisions of the Code and Treasury Regulations presently in effect as they directly govern the taxation of the Fund and its shareholders. For complete provisions, reference should be made to the pertinent Code sections and Treasury Regulations. The Code and Treasury Regulations are subject to change by legislative or administrative action, and any such change may be retroactive with respect to Fund transactions. Shareholders are advised to consult their own tax advisers for more detailed information concerning the federal taxation of the Fund and the income tax consequences to its shareholders.

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#### PERFORMANCE INFORMATION

As explained in the Prospectus, the historical investment performance of the Fund may be shown in the form of "yield," "taxable equivalent yield," "average annual total return," "cumulative total return" and "taxable equivalent total return" figures, each of which will be calculated separately for each class of shares. Information is presented only for Class R Shares since no Class A Shares or Class C Shares were outstanding during the periods shown below.

In accordance with a standardized method prescribed by rules of the Securities and Exchange Commission ("SEC"), yield is computed by dividing the net investment income per share earned during the specified one month or 30-day period by the maximum offering price per share on the last day of the period, according to the following formula:

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<TABLE>
<C> <C> <C>          <C> <S>
Yield = 2[(a-b+1)/6/-1]
        cd
</TABLE>
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In the above formula, a = dividends and interest earned during the period; b = expenses accrued for the period (net of reimbursements); c = the average daily number of shares outstanding during the period that were entitled to receive dividends; and d = the maximum offering price per share on the last day of the period. In all cases, the maximum offering price includes the maximum sales charge of 4.75% which was in effect for the Fund's Class R Shares during the periods shown.

In computing yield, the Fund follows certain standardized accounting practices specified by SEC rules. These practices are not necessarily consistent with those that the Fund uses to prepare its annual and interim financial statements in conformity with generally accepted accounting principles. Thus, yield may not equal the income paid to shareholders or the income reported in the Fund's financial statements.

Taxable equivalent yield is computed by dividing that portion of the yield which is tax-exempt by 1 minus the stated federal income tax rate and adding the result to that portion, if any, of the yield that is not tax exempt. Based upon (1) the 1994 maximum marginal federal income tax rate of 39.6% and (2) the previously quoted yield for the 30-day period ended February 28, 1995, the taxable equivalent yield of the Class R Shares of the Fund for that period was 8.64%.

For additional information concerning taxable equivalent yields, see the Taxable Equivalent Yield Tables in the Prospectus.

The Fund may from time to time in its advertising and sales materials report a quotation of the current distribution rate. The distribution rate represents a measure of dividends distributed for a specified period. Distribution rate is computed by dividing the most recent monthly tax-free income dividend per share, multiplying it by 12 to annualize it, and dividing by the appropriate price per share (e.g., net asset value for purchases to be made without a load such as reinvestments from Nuveen UITs, or the maximum public offering price). The distribution rate differs from yield and total return and therefore is not intended to be a complete measure of performance. Distribution rate may sometimes be higher than yield because it may not include the effect of amortization of bond premiums to the extent such premiums arise after the bonds were purchased. The distribution

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rate as of February 28, 1995, based on maximum public offering price then in effect for the Class R Shares of the Fund was 5.46%.

Average annual total return quotation is computed in accordance with a standardized method prescribed by SEC rules. The average annual total return for a specific period is found by taking a hypothetical, \$1,000 investment ("initial investment") in Fund shares on the first day of the period, reducing the amount to reflect the maximum sales charge, and computing the "redeemable value" of that investment at the end of the period. The redeemable value is then divided



by the initial investment, and this quotient is taken to the Nth root (N representing the number of years in the period) and 1 is subtracted from the result, which is then expressed as a percentage. The calculation assumes that all income and capital gains distributions have been reinvested in Fund shares at net asset value on the reinvestment dates during the period. The Fund's average annual return figures, including the effect of the maximum sales charge then in effect for the Class R Shares, for the one-year, five-year and ten-year periods ended February 28, 1995, and for the period from the Fund's inception on November 29, 1976, through February 28, 1995, were (1.32)%, 6.48%, 9.10% and 6.98%, respectively.

Calculation of cumulative total return is not subject to a prescribed formula. Cumulative total return for a specific period is calculated by first taking a hypothetical initial investment in Fund shares on the first day of the period, deducting (in some cases) the maximum sales charge, and computing the "redeemable value" of that investment at the end of the period. The cumulative total return percentage is then determined by subtracting the initial investment from the redeemable value and dividing the remainder by the initial investment and expressing the result as a percentage. The calculation assumes that all income and capital gains distributions by the Fund have been reinvested at net asset value on the reinvestment dates during the period. Cumulative total return may also be shown as the increased dollar value of the hypothetical investment over the period. Cumulative total return calculations that do not include the effect of the sales charge would be reduced if such charge were included. The cumulative total return, including the effect of the maximum sales charge then in effect for the Class R Shares, for the one-year, five-year and ten-year periods ended February 28, 1995, and for the period from the Fund's inception on November 29, 1976, through February 28, 1995, were (1.32)%, 36.86%, 139.02% and 242.21%, respectively.

Calculation of taxable equivalent total return is also not subject to a prescribed formula. Taxable equivalent total return for a specific period is calculated by first taking a hypothetical initial investment in Fund shares on the first day of the period, computing the total return for each calendar year in the period in the manner described above, and increasing the total return for each such calendar year by the amount of additional income that a taxable fund would need to have generated to equal the income on an after-tax basis, at a specified income tax rate (usually the highest marginal federal tax rate), calculated as described above under the discussion of "taxable equivalent yield." The resulting amount for the calendar year is then divided by the initial investment amount to arrive at a "taxable equivalent total return factor" for the calendar year. The taxable equivalent total return factors for all the calendar years are then multiplied together and the result is then annualized by taking its Nth root (N representing the number of years in the period) and subtracting 1, which provides a taxable equivalent total return expressed as a percentage. Using

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the 39.6% maximum marginal federal tax rate for 1995, the annualized taxable equivalent total returns for the Fund's Class R Shares for the one-year, five-year and ten-year periods ended February 28, 1995, were as follows:

<TABLE>  
<CAPTION>

ONE YEAR ENDED FEBRUARY 28, 1995		FIVE YEARS ENDED FEBRUARY 28, 1995		TEN YEARS ENDED FEBRUARY 28, 1995	
<S>		<C>		<C>	
WITH MAXIMUM 4.75% SALES CHARGE THEN IN EFFECT	AT NET ASSET VALUE	WITH MAXIMUM 4.75% SALES CHARGE THEN IN EFFECT	AT NET ASSET VALUE	WITH MAXIMUM 4.75% SALES CHARGE THEN IN EFFECT	AT NET ASSET VALUE
2.22%	7.31%	10.53%	11.61%	13.50%	14.05%

</TABLE>

From time to time, the Fund may compare its risk-adjusted performance with other investments that may provide different levels of risk and return. For example, the Fund may compare its risk level, as measured by the variability of its periodic returns, or its RISK-ADJUSTED TOTAL RETURN, with those of other funds or groups of funds. Risk-adjusted total return would be calculated by adjusting each investment's total return to account for the risk level of the investment.

The Fund may also compare its TAX-ADJUSTED TOTAL RETURN with that of other funds or groups of funds. This measure would take into account the tax-exempt nature of exempt-interest dividends and the payment of income taxes on a fund's distributions of net realized capital gains and ordinary income.

The risk level for a class of shares of the Fund, and any of the other investments used for comparison, would be evaluated by measuring the variability of the investment's return, as indicated by the standard deviation of the investment's monthly returns over a specified measurement period (e.g., two years). An investment with a higher standard deviation of monthly returns would indicate that a fund had greater price variability, and therefore greater risk,



than an investment with a lower standard deviation. The standard deviation of monthly returns for the three years ended February 28, 1995, for the Class R Shares of the Fund, was 1.21%.

THE RISK-ADJUSTED TOTAL RETURN for a class of shares of the Fund and for other investments over a specified period would be evaluated by dividing (a) the remainder of the investment's annualized two-year total return minus the annualized total return of an investment in short-term tax-exempt securities (essentially a risk-free return) over that period, by (b) the standard deviation of the investment's monthly returns for the period. This ratio is sometimes referred to as the "Sharpe measure" of return. An investment with a higher Sharpe measure would be regarded as producing a higher return for the amount of risk assumed during the measurement period than an investment with a lower Sharpe measure. The Sharpe measure, for the three-year period ended February 28, 1995, for the Class R Shares of the Fund, was 2.248.

Class A Shares of the Fund are sold at net asset value plus a current maximum sales charge of 4.50% of the offering price. This current maximum sales charge will typically be used for purposes of calculating performance figures even though the maximum sales charge may have been different for portion of the measurement period. Yield, returns and net asset value of each class of shares of the Fund will fluctuate. Factors affecting performance include general market conditions, operating expenses and investment management. Any additional fees charged by a securities representative

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or other financial services firm would reduce returns described in this section. Shares of the Fund are redeemable at net asset value, which may be more or less than original cost.

In reports or other communications to shareholders or in advertising and sales literature, the Fund may also compare its performance with that of: (1) the Consumer Price Index or various unmanaged bond indexes such as the Lehman Brothers Municipal Bond Index and the Salomon Brothers High Grade Corporate Bond Index and (2) other fixed income or municipal bond mutual funds or mutual fund indexes as reported by Lipper Analytical Services, Inc. ("Lipper"), Morningstar, Inc. ("Morningstar"), Wiesenberger Investment Companies Service ("Wiesenberger") and CDA Investment Technologies, Inc. ("CDA") or similar independent services which monitor the performance of mutual funds, or other industry or financial publications such as Barron's, Changing Times, Forbes and Money Magazine. Performance comparisons by these indexes, services or publications may rank mutual funds over different periods of time by means of aggregate, average, year-by-year, or other types of total return and performance figures. Any given performance quotation or performance comparison should not be considered as representative of the performance of the Fund for any future period.

There are differences and similarities between the investments which the Fund may purchase and the investments measured by the indexes and reporting services which are described herein. The Consumer Price Index is generally considered to be a measure of inflation. The CDA Mutual Fund-Municipal Bond Index is a weighted performance average of other mutual funds with a federally tax-exempt income objective. The Salomon Brothers High Grade Corporate Bond Index is an unmanaged index that generally represents the performance of high grade long-term taxable bonds during various market conditions. The Lehman Brothers Municipal Bond Index is an unmanaged index that generally represents the performance of high grade intermediate and long-term municipal bonds during various market conditions. Lipper, Morningstar, Wiesenberger and CDA are widely recognized mutual fund reporting services whose performance calculations are based upon changes in net asset value with all dividends reinvested and which do not include the effect of any sales charges. The market prices and yields of taxable and tax-exempt bonds will fluctuate. The Fund primarily invests in investment grade Municipal Obligations in pursuing its objective of as high a level of current interest income which is exempt from federal income tax as is consistent, in the view of the Fund's management, with preservation of capital.

The Fund may also compare its taxable equivalent total return performance to the total return performance of taxable income funds such as treasury securities funds, corporate bond funds (either investment grade or high yield), or Ginnie Mae funds. These types of funds, because of the character of their underlying securities, differ from municipal bond funds in several respects. The susceptibility of the price of treasury bonds to credit risk is far less than that of municipal bonds, but the price of treasury bonds tends to be slightly more susceptible to change resulting from changes in market interest rates. The susceptibility of the price of investment grade corporate bonds and municipal bonds to market interest rate changes and general credit changes is similar. High yield bonds are subject to a greater degree of price volatility than municipal bonds resulting from changes in market interest rates and are particularly susceptible to volatility from credit changes. Ginnie Mae bonds are generally subject to less price volatility than municipal bonds from

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credit concerns, due primarily to the fact that the timely payment of monthly installments of principal and interest are backed by the full faith and credit of the U.S. Government, but Ginnie Maes of equivalent coupon and maturity are generally more susceptible to price volatility resulting from market interest rate changes. In addition, the volatility of Ginnie Mae bonds due to changes in market interest rates may differ from municipal bonds of comparable coupon and maturity because bonds of the sensitivity of Ginnie Mae prepayment experience to change in interest rates.

ADDITIONAL INFORMATION ON THE PURCHASE AND REDEMPTION OF FUND SHARES

As described in the Prospectus, the Fund has adopted a Flexible Sales Charge Program which provides you with alternative ways of purchasing Fund shares based upon your individual investment needs and preferences. You may purchase Class A Shares at a price equal to their net asset value plus an up-front sales charge.

For information regarding the up-front sales charge on Class A shares, see the table under "How to Buy Fund Shares" of the Prospectus. Set forth is an example of the method of computing the offering price of the Class A shares of the Fund. The example assumes a purchase on February 28, 1995 of Class A shares from the Fund aggregating less than \$50,000 subject to the schedule of sales charges set forth in the Prospectus at a price based upon the net asset value of the Class A shares.

<TABLE>

<S>	<C>
Net Asset Value per share.....	\$9.280
Per Share Sales Charge--4.50% of public offering price (4.71% of net asset value per share).....	\$ .437
Per Share Offering Price to the Public.....	\$9.717

</TABLE>

You may purchase Class C Shares without any up-front sales charge at a price equal to their net asset value, but subject to an annual distribution fee designed to compensate Authorized Dealers over time for the sale of Fund shares. Class C Shares are subject to a 1% contingent deferred sales charge for redemptions within 12 months of purchase. Class C Shares automatically convert to Class A Shares six years after purchase. Both Class A Shares and Class C Shares are subject to annual service fees, which are used to compensate Authorized Dealers for providing you with ongoing financial advice and other services. Under the Flexible Sales Charge Program, all Fund shares outstanding as of June 13 1995, have been designated as Class R Shares. Class R Shares are available for purchase at a price equal to their net asset value only under certain limited circumstances, or by specified investors, as described herein.

Each class of shares represents an interest in the same portfolio of investments. Each class of shares is identical in all respects except that each class bears its own class expenses, including administration and distribution expenses, and each class has exclusive voting rights with respect to any distribution or service plan applicable to its shares. In addition, the Class C Shares are subject to a conversion feature, as described below. As a result of the differences in the expenses borne by each class of shares, net income per share, dividends per share and net asset value per share will vary among the Fund's classes of shares.

The expenses to be borne by specific classes of shares may include (i) transfer agency fees attributable to a specific class of shares, (ii) printing and postage expenses related to preparing and distributing materials such as shareholder reports, prospectuses and proxy statements to current shareholders of a specific class of shares, (iii) Securities and Exchange Commission ("SEC") and state securities registration fees incurred by a specific class of shares, (iv) the expense of administrative personnel and services required to support the shareholders of a specific class of shares, (v) litigation or other legal expenses relating to a specific class of shares, (vi) directors' fees or expenses incurred as a result of issues relating to a specific class of shares, (vii) accounting expenses relating to a specific class of shares and (viii) any additional incremental expenses subsequently identified and determined to be properly allocated to one or more classes of shares that shall be approved by the SEC pursuant to an amended exemptive order.

The Fund has special purchase programs under which certain persons may purchase Class A Shares at reduced sales charges. One such program is available to members of a "qualified group." An individual who is a member of a "qualified group" may purchase Class A Shares of the Fund (or any other Nuveen Fund with respect to which a sales charge is imposed), at the reduced sales charge applicable to the group taken as whole. A "qualified group" is one which (i) has been in existence for more than six months; (ii) has a purpose other than investment; (iii) has five or more participating members; (iv) has agreed to include sales literature and other materials related to the Fund in publications and mailings to members; (v) has agreed to have its group administrator submit a single bulk order and make payment with a single remittance for all investments in the Fund during each investment period by all participants who choose

to invest in the Fund; and (vi) has agreed to provide the Fund's transfer agent with appropriate backup data for each participant of the group in a format fully compatible with the transfer agent's processing system.

The "amount" of a share purchase by a participant in a group purchase program for purposes of determining the applicable sales charge is (i) the aggregate value of all shares of the Fund (and all other Nuveen Funds with respect to which a sales charge is imposed) currently held by participants of the group, plus (ii) the amount of shares currently being purchased.

The Fund may encourage registered representatives and their firms to help apportion their assets among bonds, stocks and cash, and may seek to participate in programs that recommend a portion of their assets be invested in tax-free, fixed income securities.

To help advisers and investors better understand and most efficiently use the Fund to reach their investment goals, the Fund may advertise and create specific investment programs and systems. For example, this may include information on how to use the Fund to accumulate assets for future education needs or periodic payments such as insurance premiums. The Fund may produce software or additional sales literature to promote the advantages of using the Fund to meet these and other specific investor needs.

Exchanges of shares of the Fund for shares of a Nuveen money market fund may be made on days when both funds calculate a net asset value and make shares available for public purchase. Shares of the Nuveen money market funds may be purchased on days on which the Federal Reserve Bank

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of Boston is normally open for business. In addition to the holidays observed by the Fund, the Nuveen money market funds observe and will not make fund shares available for purchase on the following holidays: Martin Luther King's Birthday, Columbus Day and Veterans Day.

For more information on the procedure for purchasing shares of the Fund and on the special purchase programs available thereunder, see "How to Buy Fund Shares" in the Prospectus.

Nuveen serves as the principal underwriter of the shares of the Fund pursuant to a "best efforts" arrangement as provided by a distribution agreement with the Nuveen Municipal Bond Fund, Inc., dated January 2, 1990, and assigned to the Fund effective June 13, 1995 ("Distribution Agreement"). Pursuant to the Distribution Agreement, the Fund appointed Nuveen to be its agent for the distribution of the Fund's shares on a continuous offering basis. Nuveen sells shares to or through brokers, dealers, banks or other qualified financial intermediaries (collectively referred to as "Dealers"), or others, in a manner consistent with the then effective registration statement of the Fund. Pursuant to the Distribution Agreement, Nuveen, at its own expense, finances certain activities incident to the sale and distribution of the Fund's shares, including printing and distributing of prospectuses and statements of additional information to other than existing shareholders, the printing and distributing of sales literature, advertising and payment of compensation and giving of concessions to dealers. Nuveen receives for its services the excess, if any, of the sales price of the Fund's shares sold with an up-front sales charge less the net asset value of those shares, and reallows a majority or all of such amounts to the Dealers who sold the shares; Nuveen may act as such a Dealer. Nuveen also receives compensation pursuant to a distribution plan adopted by the Fund pursuant to Rule 12b-1 and described herein under "Distribution and Service Plan." Nuveen receives any CDSCs imposed on redemptions of Class C Shares redeemed within 12 months of purchase, but any such amounts as to which a reinstatement privilege is not exercised are set off against and reduce amounts otherwise payable to Nuveen pursuant to the distribution plan.

The aggregate amount of underwriting commissions with respect to the sale of Fund shares and the amount thereof retained by Nuveen for the Fund's fiscal years ended February 28, 1995, 1994 and 1993 were \$2,248, \$467; \$5,703, \$1,093; and \$5,938, \$986, respectively. All figures are to the nearest thousand.

#### DISTRIBUTION AND SERVICE PLAN

The Fund has adopted a plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, which provides that Class C Shares will be subject to an annual distribution fee, and that both Class A Shares and Class C Shares will be subject to an annual service fee. Class R Shares will not be subject to either distribution or service fees.

The distribution fee applicable to Class C Shares under the Plan will be payable to reimburse Nuveen for services and expenses incurred in connection with the distribution of Class C Shares. These expenses include payments to Authorized Dealers, including Nuveen, who are brokers of

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record with respect to the Class C Shares, as well as, without limitation, ex-

penses of printing and distributing prospectuses to persons other than shareholders of the Fund, expenses of preparing, printing and distributing advertising and sales literature and reports to shareholders used in connection with the sale of Class C Shares, certain other expenses associated with the distribution of Class C Shares, and any distribution-related expenses that may be authorized from time to time by the Board of Directors.

The service fee applicable to Class A Shares and Class C Shares under the Plan will be payable to Authorized Dealers in connection with the provision of on-going account services to shareholders. These services may include establishing and maintaining shareholder accounts, answering shareholder inquiries and providing other personal services to shareholders.

The Fund may spend up to .25 of 1% per year of the average daily net assets of Class A Shares as a service fee under the Plan applicable to Class A Shares. The Fund may spend up to .75 of 1% per year of the average daily net assets of Class C Shares as a distribution fee and up to .25 of 1% per year of the average daily net assets of Class C Shares as a service fee under the Plan applicable to Class C Shares. The .75 of 1% distribution fee will be reduced by the amount of any CDSC imposed on the redemption of Class C Shares within 12 months of purchase as to which a reinstatement privilege has not been exercised.

Under the Plan, the Fund will report quarterly to the Board of Trustees for its review of all amounts expended per class of shares under the Plan. The Plan may be terminated at any time with respect to any class of shares, without the payment of any penalty, by a vote of a majority of the trustees who are not "interested persons" and who have no direct or indirect financial interest in the Plan or by vote of a majority of the outstanding voting securities of such class. The Plan may be renewed from year to year if approved by a vote of the Board of Trustees and a vote of the non-interested directors who have no direct or indirect financial interest in the Plan cast in person at a meeting called for the purpose of voting on the Plan. The Plan may be continued only if the trustees who vote to approve such continuance conclude, in the exercise of reasonable business judgment and in light of their fiduciary duties under applicable law, that there is a reasonable likelihood that the Plan will benefit the Fund and its shareholders. The Plan may not be amended to increase materially the cost which a class of shares may bear under the Plan without the approval of the shareholders of the affected class, and any other material amendments of the Plan must be approved by the non-interested directors by a vote cast in person at a meeting called for the purpose of considering such amendments. During the continuance of the Plan, the selection and nomination of the non-interested trustees of the Fund will be committed to the discretion of the non-interested trustees then in office.

#### INDEPENDENT PUBLIC ACCOUNTANTS AND CUSTODIAN

Arthur Andersen LLP, independent public accountants, 33 W. Monroe Street, Chicago, Illinois 60603 have been selected as auditors for the Fund. In addition to audit services, Arthur Andersen LLP will provide consultation and assistance on accounting, internal control, tax and related matters. The

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financial statements incorporated by reference elsewhere in this Statement of Additional Information and the information for 1994 and prior periods set forth under "Financial Highlights" in the Prospectus have been audited by Arthur Andersen LLP as indicated in their report with respect thereto, and are included in reliance upon the authority of said firm as experts in giving said report.

The custodian of the assets of the Fund is United States Trust Company of New York, 114 West 47th Street, New York, NY 10036. The custodian performs custodial, fund accounting and portfolio accounting services. The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, NY 10081 has agreed to become successor to US Trust, as custodian and fund accountant. The succession is presently scheduled for July 1, 1995. No changes in the Fund's administration or in the amount of fees and expenses paid by the Fund for those services will result, and no action by shareholders will be required.

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