

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 2

Form 425

August 26, 2015

Filed by Nuveen Dividend Advantage Municipal Fund 3  
pursuant to Rule 425 under the Securities Act of 1933, as amended,  
and deemed filed pursuant to Rule 14a-12  
under the Securities and Exchange Act of 1934, as amended

Subject Companies:

Nuveen Dividend Advantage Municipal Fund 3

Commission File No. 811-10345

Nuveen Municipal Advantage Fund, Inc.

Commission File No. 811-05957

Nuveen Premium Income Municipal Fund 4, Inc.

Commission File No. 811-07432

Nuveen Dividend Advantage Municipal Fund 2

Commission File No. 811-10255

FOR IMMEDIATE RELEASE

ATTENTION: BUSINESS/FINANCIAL EDITORS

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**Nuveen Closed-End Funds Board Approves Fund Mergers and Portfolio Repositionings**

**Plan Seeks to Enhance Income Potential and Reduce Trading Discounts**

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CHICAGO, August 26, 2015 Nuveen Investments, a leading global provider of investment services to institutions as well as individual investors, today announced that the Board of Trustees of the Nuveen closed-end funds approved a plan to merge eight national municipal closed-end funds and to reposition the portfolios of the two acquiring funds. The funds will hold special shareholder meetings later this year to seek approval for those aspects of the plan that require shareholder approval.

The goal of the proposals is to enhance the funds' competitiveness and investor appeal and thereby improve the market price at which the common shares trade relative to net asset value. The proposals seek to accomplish this by:

- Improving fund net earnings potential through a broader investment mandate;
- Creating significantly larger funds that offer greater liquidity and ease of trading; and
- Eliminating overlapping products and enhancing fund differentiation.

The proposed fund mergers are as follows:

<b>Acquired Fund</b>	<b>Symbol</b>	<b>Acquiring Fund</b>	<b>Symbol</b>
Nuveen Premium Income Municipal Fund 4, Inc.	NPT	Nuveen Dividend Advantage Municipal Fund 3, to be renamed	NZF

NXZ *Nuveen Enhanced Municipal Credit Opportunities Fund*

Nuveen Dividend Advantage Municipal Fund 2

Nuveen Municipal Advantage Fund, Inc. NMA

Nuveen Municipal Opportunity Fund, Inc.	NIO	Nuveen Dividend Advantage Municipal Income Fund, to be renamed <i>Nuveen Enhanced AMT-Free Municipal Credit Opportunities Fund</i>	NVG
Nuveen Quality Municipal Fund, Inc.	NQI		

Nuveen Quality Income Municipal Fund, Inc. NQU

A Nuveen Municipal Bond Closed-End Funds Q&A posted on Nuveen's web site provides a summary of the proposed mergers. Detailed information on the proposals will be contained in the proxy materials expected to be filed in the near future.

Nuveen Investments provides high-quality investment services designed to help secure the long-term goals of institutional and individual investors as well as the consultants and financial advisors who serve them. Nuveen Investments markets a wide range of specialized investment solutions which provide investors access to capabilities of its high-quality boutique investment affiliates Nuveen Asset Management, LLC, Symphony Asset Management LLC, NWQ Investment Management Company, LLC, Santa Barbara Asset Management, LLC, Tradewinds Global Investors, LLC, Winslow Capital Management, LLC and Gresham Investment Management LLC, all of which are registered investment advisers and independent investment subsidiaries of Nuveen Investments, Inc. Funds distributed by Nuveen Securities, LLC, a subsidiary of Nuveen Investments, Inc. Nuveen Investments operates as a separate subsidiary within TIAA-CREF, which is a leading provider of retirement and financial services in the academic, research, medical and cultural fields. In total, Nuveen Investments managed approximately \$230 billion as of June 30, 2015. For more information, please visit the Nuveen Investments website at [www.nuveen.com](http://www.nuveen.com).

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The funds expect to file proxy statements with the SEC in connection with the proposed merger and repositioning. Investors are urged to read the proxy statement and any other relevant documents when they become available because they will contain important information about the proposals. After they are filed, free copies of the proxy statements will be available on the SEC's web site at [www.sec.gov](http://www.sec.gov).

This communication is not a solicitation of a proxy from any fund shareholder. The funds, Nuveen Fund Advisors and certain of their respective directors/trustees, officers and affiliates may be deemed under the rules of the SEC to be

participants in the solicitation of proxies from shareholders in connection with the proposals. Information about the directors/trustees and officers of the funds may be found in their

respective annual reports and annual proxy statements previously filed with the SEC and will be contained in the proxy statement when available.

### **FORWARD LOOKING STATEMENTS**

Certain statements made in this release are forward-looking statements. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements due to numerous factors. These include, but are not limited to:

- market developments;
- legal and regulatory developments; and
- other additional risks and uncertainties.

Nuveen and the closed-end funds managed by Nuveen and its affiliates undertake no responsibility to update publicly or revise any forward-looking statement.

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## Nuveen Municipal Bond Closed-End Funds

### Questions & Answers about Fund Proposals 8.26.2015

#### What actions did the Nuveen Closed-End Fund Board of Trustees approve?

The Funds Board approved proposals for two sets of fund mergers along with updated investment strategies and fund names for the two surviving funds. The affected Nuveen national municipal bond funds are:

Acquired Fund	Symbol	Acquiring Fund	Symbol
Nuveen Premium Income Municipal Fund 4, Inc.	NPT	Nuveen Dividend Advantage Municipal Fund 3, to be renamed <i>Nuveen Enhanced Municipal Credit Opportunities Fund</i>	NZF
Nuveen Dividend Advantage Municipal Fund 2	NXZ		

Nuveen Municipal Advantage Fund, Inc.	NMA		
Nuveen Municipal Opportunity Fund, Inc.	NIO	Nuveen Dividend Advantage Municipal Income Fund, to be renamed <i>Nuveen Enhanced AMT-Free Municipal Credit Opportunities Fund</i>	NVG
Nuveen Quality Municipal Fund, Inc.	NQI		
Nuveen Quality Income Municipal Fund, Inc.	NQU		

**How will each surviving fund's investment strategy change?**

Each surviving fund will reposition its portfolio to achieve and consistently maintain a higher allocation to municipal securities rated BBB & below.

Each fund may invest up to 55% of its portfolio in municipal securities rated BBB and below. It is expected that when each fund completes its portfolio repositioning, given current market conditions, approximately 45% of each surviving fund's portfolio will be allocated to municipal securities rated BBB and below.

Each surviving fund expects to consistently maintain a higher proportion of its portfolio invested in municipal securities rated BBB and below, but each fund's actual allocation to such municipal securities may vary over time.

For NVG, 100% of the fund's portfolio also will be invested in securities that are exempt from the Alternative Minimum Tax (AMT) at the time of investment.

These changes are anticipated to increase each fund's potential net earnings, and will also increase credit risk, relative to historical levels. As of July 31, 2015, the combined investment exposure (including tender option bond obligations) of the surviving funds NZF and NVG allocated to municipal securities rated BBB and below was 15.4% and 20.4%, respectively.

Both funds would continue to employ leverage in accordance with current leverage policies.

**What are the potential benefits of each proposal to me as a Fund common shareholder?**

These proposed actions are expected to offer a number of potential benefits to fund shareholders, including:

- Meaningfully higher fund net earnings that may support higher common share distributions
- Increased competitiveness and investor appeal which may enhance the funds' secondary market trading prices relative to net asset value
- Increased portfolio and leverage management flexibility, due to a significantly larger asset base
- Greater liquidity and ease of trading due to a larger common share float
- Lower fund administrative costs (excluding the costs of leverage) as certain fixed costs are spread over a larger asset base

**Will my fund's dividend change?**

As has been the case in prior Nuveen municipal closed-end fund mergers, distribution amounts immediately following each merger are anticipated to be at least equal to pre-merger levels on a common share equivalent basis. Each surviving fund anticipates that its net earnings may increase over time as a result of repositioning its portfolio, which would support higher common share distributions.

**What is Nuveen's outlook on lower-rated municipal bonds in the current market environment?**

Nuveen Asset Management (NAM), the fund's sub-adviser, believes that lower-rated municipal bonds represent attractive long-term investments and that fundamentals remain strong in the current market environment. In several public communications, NAM has noted its reasons, including:

- High yield municipal bond yields and spreads remain attractive

- High yield defaults have declined to pre-crisis levels and NAM expects that an improving economic environment will continue to benefit this trend



High yield municipal bonds have historically responded favorably to a rising interest rate environment

For a more detailed discussion, please see NAM's [commentary on high yield](#) and its [high yield municipal bond investor presentation](#).

*Lower-rated municipal bonds may be more likely to fail to make dividend or interest payments when due, may be less liquid, and are subject to greater volatility and risk of default.*

### **How large are the surviving funds expected to be?**

As of 7/31/2015 the total investment exposure, including tender option bond obligations, of the surviving funds NZF and NVG and their proposed constituents was approximately \$3.4 billion and \$5.1 billion, respectively.

### **Will the surviving funds be able to find enough attractive lower-rated municipal securities in the current market environment?**

We believe so. As one of the largest and most experienced managers of municipal credit, NAM believes there are attractive opportunities in both new issue and secondary markets.

### **Will the surviving funds invest in any Puerto Rico bonds?**

At this time, the combined assets of each surviving fund have less than 1% exposure to Puerto Rico municipal bonds, and that exposure is fully insured. The mergers and investment policy changes will not affect whether the funds sub-adviser believes investments in Puerto Rico bonds are attractive or not.

NAM has published numerous [updates](#) over the past year about its view of Puerto Rico bonds, and any future updates will be found on NAM's [Municipal Bond Resource Center](#).

### **How long will it take the surviving funds to reposition their portfolios?**

The transition process will depend on a number of market factors, including new issue and secondary market supply of municipal bonds. Consequently, it is not possible to provide an estimated timeframe for each fund's transition.

At this time, the four funds that are proposed to combine into NVG have AMT-eligible income ranging from 2.64% to 4.67% of each fund's total income. If fund shareholders approve the proposals, the funds will transition their portfolios to be completely AMT-free prior to closing.

### **How will fund expense ratios be affected?**

For the NZF merger, expense ratios (excluding the cost of leverage) are projected to be 1 to 2 basis points lower in the first year following the merger, and thereafter from 3 to 4 basis points higher, depending on the original fund. For the NVG merger, expense ratios (excluding the cost of leverage) are projected to be 4 basis points lower to 3 basis points higher in the first year following the merger, and thereafter from 1 to 8 basis points higher, depending on the original fund.

Expense changes after the first year are due to the phase-in of a 5 basis point higher management fee over the first year, reflecting the increased level of ongoing credit research and surveillance required by the surviving funds expanded mandates. The funds' larger scale is expected to result in lower administrative fees, which are anticipated to partially offset the higher management fees. Detailed fund-by-fund comparisons will be available in proxy materials that will be sent to shareholders in the fall.

The surviving funds' modestly higher expense ratios, not including the costs of leverage, are expected to be more than offset by meaningfully increased common share net earnings and distribution potential resulting from each fund's expanded investment mandate.

**Will there be any taxable consequences from this proposal?**

No. Each merger is intended to qualify as a tax-free reorganization for federal income tax purposes. In addition, we anticipate that repositioning the surviving funds' portfolios will not result in any net realized gains.

**What actions do I need to take at this time?**

You do not need to do anything at this time. More information on the proposed actions will be contained in the proxy materials expected to be filed in the coming weeks.

Proxy materials should be distributed electronically or by mail once they have been finalized. The funds engage a proxy solicitation firm - Computershare Fund Services - to assist in soliciting the necessary votes in a timely manner. If enough shareholders do not cast their votes, a fund may not be able to hold its meeting and will be required to incur additional solicitation costs in order to obtain sufficient shareholder participation. To reduce expense, and minimize phone calls to shareholders from the proxy solicitor, please vote as soon as possible. If you are a financial advisor, please encourage your clients to vote as soon as possible.

**FORWARD LOOKING STATEMENTS**

Certain statements made in this release are forward-looking statements. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements due to numerous factors. These include, but are not limited to:

- o market developments;
- o legal and regulatory developments; and
- o other additional risks and uncertainties.

Nuveen and the closed-end funds managed by Nuveen and its affiliates undertake no responsibility to update publicly or revise any forward-looking statements.

The Annual and Semi-Annual Reports and other regulatory filings of the Nuveen closed-end funds with the Securities and Exchange Commission ( SEC ) are accessible on the SEC 's web site at [www.sec.gov](http://www.sec.gov) and on Nuveen`s web site at [www.nuveen.com/cef](http://www.nuveen.com/cef) and may discuss the above-mentioned or other factors that affect the Nuveen closed-end funds.

This information does not constitute an offer for sale of any securities. Shareholders and their financial advisors are urged to read the joint proxy statement/prospectus carefully when it is filed with the SEC in a few weeks, to find all important information regarding the proposals.

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