

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-Q
September 29, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-10345

Nuveen Dividend Advantage Municipal Fund 3

(Exact name of registrant as specified in charter)

Nuveen Investments

333 West Wacker Drive, Chicago, Illinois 60606

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy Vice President and Secretary

333 West Wacker Drive, Chicago, Illinois 60606

(Name and address of agent for service)

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

Date of fiscal year end: 10/31

Date of reporting period: 7/31/08

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

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

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)

Nuveen Dividend Advantage Municipal Fund 3 (NZF)

July 31, 2008

Principal

Amount (000) Description (1)

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Municipal Bonds □ **155.8% (99.8% of Total Investments)**

Alabama □ **1.7% (1.1% of Total Investments)**

\$	3,500	Alabama Special Care Facilities Financing Authority, Revenue Bonds, Ascension Health, Series 2008, 5.000%, 11/15/36 (UB)
	5,655	Alabama State Port Authority, Revenue Bonds, State Docks Department Facilities, Series 2001, 5.250%, 10/01/26 (Pre-refunded 10/01/11) □ AMBAC Insured (Alternative Minimum Tax)
	9,155	Total Alabama

Alaska □ **0.1% (0.1% of Total Investments)**

	1,000	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A, 5.000%, 6/01/46
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Arizona □ **0.3% (0.2% of Total Investments)**

	2,200	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37
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Arkansas □ **0.7% (0.4% of Total Investments)**

		Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A:
	1,805	5.500%, 11/01/13
	1,900	5.500%, 11/01/14
	3,705	Total Arkansas

California □ **14.6% (9.4% of Total Investments)**

		California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A:
	855	5.000%, 3/01/28
	140	5.000%, 3/01/33
	2,900	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Series 2007A, 5.000%, 11/15/42 (UB)
	10,000	California Infrastructure Economic Development Bank, First Lien Revenue Bonds, San Francisco Bay Area Toll Bridge, Series 2003A, 5.000%, 7/01/33 (Pre-refunded 1/01/28) □ AMBAC Insured (UB)
	5,000	California Infrastructure Economic Development Bank, Revenue Bonds, Kaiser Hospital Assistance LLC, Series 2001A, 5.550%, 8/01/31
	3,750	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Tender Option Bond Trust 2708, 13.370%, 11/15/48 (IF)
	18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 □ MBIA Insured (Alternative Minimum Tax) (5)
	11,865	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47
		Los Angeles Regional Airports Improvement Corporation, California, Lease Revenue Refunding Bonds, LAXFUEL Corporation at Los Angeles International Airport, Series 2001:
	13,955	5.750%, 1/01/16 □ AMBAC Insured (Alternative Minimum Tax)
	5,000	5.375%, 1/01/21 □ AMBAC Insured (Alternative Minimum Tax)
	1,500	5.250%, 1/01/23 □ AMBAC Insured (Alternative Minimum Tax)
	10,000	5.500%, 1/01/32 □ AMBAC Insured (Alternative Minimum Tax)

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10,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 ☐ MBIA Insured
3,000	San Mateo County Community College District, California, General Obligation Bonds, Series 2006C, 0.000%, 9/01/30 ☐ MBIA Insured

96,815 Total California

Colorado ☐ 6.6% (4.3% of Total Investments)

2,250	Canterberry Crossing Metropolitan District II, Parker, Colorado, Limited Tax General Obligation Bonds, Series 2002, 7.375%, 12/01/32
1,575	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek Education Center, Series 2002A, 7.625%, 3/15/32 (Pre-refunded 3/15/13)
3,160	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Montessori Peaks Building Foundation, Series 2002A, 8.000%, 5/01/32 (Pre-refunded 3/01/10)
1,775	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Weld County School District 6 ☐ Frontier Academy, Series 2001, 7.375%, 6/01/31 (Pre-refunded 6/01/11)
3,465	Colorado Educational and Cultural Facilities Authority, Revenue Bonds, Montessori Peaks Academy, Series 2006, 5.400%, 5/01/26
3,380	Colorado Housing Finance Authority, Multifamily Project Bonds, Class I, Series 2001A-1, 5.500%, 4/01/31 (Alternative Minimum Tax)
5,000	Compark Business Campus Metropolitan District, Colorado, General Obligation Limited Tax Bonds, Series 2007, 5.600%, 12/01/34 ☐ RAAI Insured
2,000	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2001A, 5.500%, 11/15/16 ☐ FGIC Insured (Alternative Minimum Tax)
	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006:
5,365	5.000%, 11/15/23 ☐ FGIC Insured (UB)
3,300	5.000%, 11/15/24 ☐ FGIC Insured (UB)
4,335	5.000%, 11/15/25 ☐ FGIC Insured (UB)
2,000	Maher Ranch Metropolitan District 4, Colorado, General Obligation Limited Tax Bonds, Series 2007, 5.250%, 12/01/36 ☐ RAAI Insured
1,000	Plaza Metropolitan District 1, Lakewood, Colorado, Tax Increment Revenue Bonds, Series 2003, 8.000%, 12/01/25

38,605 Total Colorado

Delaware ☐ 0.3% (0.2% of Total Investments)

1,595	Delaware Housing Authority, Multifamily Mortgage Revenue Bonds, Series 2001A, 5.400%, 7/01/24
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District of Columbia ☐ 0.8% (0.5% of Total Investments)

1,375	District of Columbia, Revenue Bonds, Catholic University of America, Series 1999, 5.625%, 10/01/29 ☐ AMBAC Insured
1,335	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 2007, Residuals 1606, 8.249%, 10/01/30 ☐ AMBAC Insured (IF)
3,335	Washington DC Convention Center Authority, Dedicated Tax Revenue Bonds, Residual Series 1730,1731, 1736, 5.609%, 10/01/30 ☐ AMBAC Insured (IF)

6,045 Total District of Columbia

Florida □ 2.3% (1.5% of Total Investments)

Orange County Housing Finance Authority, Florida, Multifamily Housing Revenue Bonds, Oak Glen Apartments, Series 2001G:

1,105	5.400%, 12/01/32 □ FSA Insured
2,195	5.450%, 12/01/41 □ FSA Insured
4,175	Pace Property Finance Authority Inc., Florida, Utility System Improvement and Revenue Refunding Bonds, Series 1997, 5.250%, 9/01/17 □ AMBAC Insured
5,455	South Miami Health Facilities Authority, Florida, Hospital Revenue, Baptist Health System Obligation Group, Series 2007, 5.000%, 8/15/42 (UB)
1,000	Tolomato Community Development District, Florida, Special Assessment Bonds, Series 2007, 6.650%, 5/01/40

13,930	Total Florida
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Georgia □ 2.4% (1.6% of Total Investments)

5,000	Atlanta, Georgia, Airport General Revenue Bonds, Series 2000B, 5.625%, 1/01/30 □ FGIC Insured (Alternative Minimum Tax)
2,700	Atlanta, Georgia, Tax Allocation Bonds, Atlantic Station Project, Series 2001, 7.900%, 12/01/24 (Pre-refunded 12/01/11)
2,000	Fulton County Residential Care Facilities Authority, Georgia, Revenue Bonds, Elderly Care, Lenbrook Square Project, Series 2006A, 5.125%, 7/01/42
3,740	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 2001, 5.500%, 5/15/31 (Pre-refunded 5/15/11)
500	Gainesville Redevelopment Authority, Georgia, Educational Facilities Revenue Bonds, Riverside Military Academy Project, Series 2007, 5.125%, 3/01/37

13,940	Total Georgia
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Illinois □ 19.7% (12.6% of Total Investments)

16,000	Chicago Greater Metropolitan Water Area Sanitary District, Illinois, General Obligation Bonds, Series 2006, 5.000%, 12/01/35 (UB)
8,375	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 2001A, 5.500%, 1/01/19 □ FSA Insured (Alternative Minimum Tax)
1,750	Chicago, Illinois, Sales Tax Revenue Bonds, Series 1998, 5.250%, 1/01/28 □ FGIC Insured
4,950	Chicago, Illinois, Second Lien Passenger Facility Charge Revenue Bonds, O'Hare International Airport, Series 2001A, 5.375%, 1/01/32 □ AMBAC Insured (Alternative Minimum Tax)
5,000	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A, 5.500%, 1/01/26 (Pre-refunded 1/01/11) □ AMBAC Insured
2,220	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A, 5.500%, 1/01/16 □ MBIA Insured
10,000	Chicago, Illinois, Senior Lien Water Revenue Bonds, Series 2001, 5.000%, 11/01/26 (Pre-refunded 11/01/11) □ AMBAC Insured
1,665	Chicago, Illinois, Third Lien General Airport Revenue Bonds, O'Hare International Airport, Series 2005A, 5.000%, 1/01/33 □ FGIC Insured
2,415	Illinois Finance Authority, General Obligation Debt Certificates, Local Government Program □ Kankakee County, Series 2005B, 5.000%, 12/01/24 □ AMBAC Insured
2,385	Illinois Finance Authority, Revenue Bonds, Sherman Health Systems, Series 2007A,

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	5.500%, 8/01/37
1,130	Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2000, 6.500%, 5/15/30
9,000	Illinois Health Facilities Authority, Revenue Bonds, Covenant Retirement Communities Inc., Series 2001, 5.875%, 12/01/31
15,000	Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 2001A, 6.125%, 7/01/31 (Pre-refunded 7/01/11)
5,000	Lake County School District 38, Big Hollow, Illinois, General Obligation Bonds, Series 2005, 0.000%, 2/01/22 ☐ AMBAC Insured
7,000	Lombard Public Facilities Corporation, Illinois, First Tier Conference Center and Hotel Revenue Bonds, Series 2005A-1, 7.125%, 1/01/36
16,900	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1999A, 5.250%, 12/15/28 ☐ FGIC Insured
2,000	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1998A, 5.500%, 6/15/29 ☐ FGIC Insured
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110,790	Total Illinois

Indiana ☐ 6.0% (3.9% of Total Investments)

	Clark-Pleasant Community School Building Corporation, Indiana, First Mortgage Bonds, Series 2001:
1,255	5.000%, 7/15/21 (Pre-refunded 1/15/12) ☐ AMBAC Insured
1,000	5.000%, 1/15/26 (Pre-refunded 1/15/12) ☐ AMBAC Insured
	Evansville Vanderburgh Public Library Lease Corporation, Indiana, First Mortgage Bonds, Series 2001:
2,000	5.750%, 7/15/18 (Pre-refunded 1/15/12) ☐ MBIA Insured
2,750	5.125%, 1/15/24 (Pre-refunded 1/15/12) ☐ MBIA Insured
1,250	Hamilton Southeastern Cumberland Campus School Building Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.125%, 1/15/23 (Pre-refunded 1/15/12) ☐ AMBAC Insured
9,500	Indiana Educational Facilities Authority, Revenue Bonds, Butler University, Series 2001, 5.500%, 2/01/26 ☐ MBIA Insured
4,230	Indiana Finance Authority, Educational Facilities Revenue Bonds, Tudor Park Foundation, Series 2005B, 5.000%, 6/01/24
2,800	Indiana Health Facility Financing Authority, Revenue Bonds, Community Hospitals of Indiana, Series 2005A, 5.000%, 5/01/35 ☐ AMBAC Insured
3,500	University of Southern Indiana, Student Fee Bonds, Series 2001H, 5.000%, 10/01/21 ☐ AMBAC Insured
	Vigo County, Indiana, Hospital Authority, Union Hospital, Revenue Bonds, Series 2007:
2,500	5.750%, 9/01/42
2,500	5.800%, 9/01/47
1,090	Wayne County Jail Holding Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.500%, 7/15/22 (Pre-refunded 1/15/13) ☐ AMBAC Insured

34,375 Total Indiana

Iowa ☐ 6.3% (4.0% of Total Investments)

2,000	Iowa Finance Authority, Healthcare Revenue Bonds, Great River Medical Center, Series 2001, 5.250%, 5/15/31 ☐ FSA Insured
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Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B:
 28,000 5.300%, 6/01/25 (Pre-refunded 6/01/11)
 3,950 5.600%, 6/01/35 (Pre-refunded 6/01/11)

33,950 Total Iowa

Kansas □ 0.3% (0.2% of Total Investments)

Manhattan Health Care Facility Revenue Bonds, Kansas, Meadowlarks Hills Retirement, Series 2007B:
 1,000 5.125%, 5/15/37
 1,000 5.125%, 5/15/42

2,000 Total Kansas

Kentucky □ 3.3% (2.1% of Total Investments)

18,500 Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 2001A, 5.125%, 5/15/27 □ MBIA Insured

Louisiana □ 4.3% (2.7% of Total Investments)

3,000 Louisiana Local Government Environmental Facilities & Community Development Authority, Revenue Bonds, Westlake Chemical Corporation Project, Series 2007, 6.750%, 11/01/32
 3,700 Louisiana Public Facilities Authority, Revenue Bonds, Ochsner Clinic Foundation Project, Series 2007A, 5.500%, 5/15/47
 19,890 Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39

26,590 Total Louisiana

Maine □ 1.1% (0.7% of Total Investments)

Maine State Housing Authority, Single Family Mortgage Purchase Bonds, Series 2001B:
 4,610 5.400%, 11/15/21 (Alternative Minimum Tax)
 1,610 5.500%, 11/15/32 (Alternative Minimum Tax)

6,220 Total Maine

Maryland □ 2.5% (1.6% of Total Investments)

1,000 Howard County, Maryland, Retirement Community Revenue Bonds, Vantage House, Series 2007B, 5.250%, 4/01/37
 1,570 Maryland Community Development Administration, Insured Multifamily Housing Mortgage Loan Revenue Bonds, Series 2001B, 5.250%, 7/01/21 (Alternative Minimum Tax)
 2,000 Maryland Economic Development Corporation, Revenue Bonds, Chesapeake Bay Hyatt Conference Center, Series 2006A, 5.000%, 12/01/31
 10,600 Maryland Energy Financing Administration, Revenue Bonds, AES Warrior Run Project, Series 1995, 7.400%, 9/01/19 (Alternative Minimum Tax)
 555 Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Ridge Retirement Community, Series 2007, 4.750%, 7/01/34

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15,725 Total Maryland

Massachusetts □ 1.3% (0.8% of Total Investments)

- 1,375 Massachusetts Development Finance Agency, Revenue Bonds, Orchard Cove, Series 2007, 5.250%, 10/01/26
- 1,000 Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Milton Hospital Project, Series 2005D, 5.250%, 7/01/30
- 5,000 Massachusetts Port Authority, Special Facilities Revenue Bonds, Delta Air Lines Inc., Series 2001A, 5.500%, 1/01/18 □ AMBAC Insured (Alternative Minimum Tax)
- 870 Massachusetts Water Resources Authority, General Revenue Bonds, Tender Option Bond Trust 2848, 9.722%, 8/01/46 □ FSA Insured (IF)

8,245 Total Massachusetts

Michigan □ 10.0% (6.4% of Total Investments)

- 15,000 Detroit City School District, Wayne County, Michigan, Unlimited Tax School Building and Site Improvement Bonds, Series 2001A, 6.000%, 5/01/29 □ FSA Insured (UB)
- 2,000 Garden City Hospital Finance Authority, Michigan, Revenue Bonds, Garden City Hospital Obligated Group, Series 2007A, 5.000%, 8/15/38
- 11,000 Kent Hospital Finance Authority, Michigan, Revenue Bonds, Spectrum Health, Series 2001A, 5.500%, 1/15/31 (Pre-refunded 7/15/11)
- 1,235 Michigan State Building Authority, Revenue Bonds, Facilities Program, Series 2001I, 5.500%, 10/15/18
- 1,355 Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A, 5.250%, 8/15/23
- 3,485 Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sisters of Mercy Health Corporation, Series 1993P, 5.375%, 8/15/14 □ MBIA Insured (ETM)
- Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sparrow Obligated Group, Series 2001:
 - 1,400 5.500%, 11/15/21 (Pre-refunded 11/15/11)
 - 2,500 5.625%, 11/15/31 (Pre-refunded 11/15/11)
 - 3,500 Michigan State Hospital Finance Authority, Revenue Bonds, Trinity Health Care Group, Series 2008, 5.000%, 12/01/31 (UB)
- 12,640 Royal Oak Hospital Finance Authority, Michigan, Hospital Revenue Bonds, William Beaumont Hospital, Series 2001M, 5.250%, 11/15/31 □ MBIA Insured

54,115 Total Michigan

Minnesota □ 0.6% (0.4% of Total Investments)

- 2,290 Dakota County Community Development Agency, Minnesota, GNMA Collateralized Multifamily Housing Revenue Bonds, Rose Apartments Project, Series 2001, 6.350%, 10/20/37 (Alternative Minimum Tax)
- 1,375 Saint Paul Port Authority, Minnesota, Lease Revenue Bonds, Regions Hospital Parking Ramp Project, Series 2007-1, 5.000%, 8/01/36

3,665 Total Minnesota

Mississippi □ 0.9% (0.6% of Total Investments)

- 2,155 Mississippi Business Finance Corporation, GNMA Collateralized Retirement Facility Mortgage

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Revenue Refunding Bonds, Aldersgate Retirement Community Inc. Project, Series 1999A,
5.450%, 5/20/34

3,000 Mississippi Hospital Equipment and Facilities Authority, Revenue Bonds, Baptist Memorial
Healthcare, Series 2008, 5.000%, 9/01/24 (UB)

5,155 Total Mississippi

Missouri □ 3.0% (1.9% of Total Investments)

1,495 Cape Girardeau County Industrial Development Authority, Missouri, Health Facilities Revenue
Bonds, Southeast Missouri Hospital Association, Series 2007, 5.000%, 6/01/36

1,000 Clinton County Industrial Development Authority, Missouri, Revenue Bonds, Cameron Regional
Medical Center, Series 2007, 5.000%, 12/01/32

1,825 Fenton, Missouri, Tax Increment Refunding and Improvement Revenue Bonds, Gravois Bluffs
Redevelopment Project, Series 2002, 6.125%, 10/01/21 (Pre-refunded 10/01/12)
Missouri Development Finance Board, Cultural Facilities Revenue Bonds, Nelson Gallery
Foundation, Series 2001A:

3,335 5.250%, 12/01/19 □ MBIA Insured

3,510 5.250%, 12/01/20 □ MBIA Insured

3,695 5.250%, 12/01/21 □ MBIA Insured

2,040 5.250%, 12/01/22 □ MBIA Insured

16,900 Total Missouri

Montana □ 0.8% (0.5% of Total Investments)

5,000 Montana Board of Investments, Exempt Facility Revenue Bonds, Stillwater Mining Company, Series
2000, 8.000%, 7/01/20 (Alternative Minimum Tax)

Nebraska □ 1.1% (0.7% of Total Investments)

Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2001D:

2,245 5.250%, 9/01/21 (Alternative Minimum Tax)

3,015 5.375%, 9/01/32 (Alternative Minimum Tax)

1,125 Omaha Public Power District, Nebraska, Separate Electric System Revenue Bonds, Nebraska
City 2, Series 2006A, Residuals 1508-2, 12.189%, 2/01/49 □ BHAC Insured (IF)

6,385 Total Nebraska

Nevada □ 1.3% (0.8% of Total Investments)

2,000 Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas
Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 □ AMBAC Insured

4,000 Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas
Monorail Project, Second Tier, Series 2000, 7.375%, 1/01/40

200 Nevada Housing Division, Single Family Mortgage Bonds, Senior Series 1998A-1, 5.300%, 4/01/18
(Alternative Minimum Tax)

4,290 University of Nevada, Revenue Bonds, Community College System, Series 2001A, 5.250%, 7/01/26
(Pre-refunded 1/01/12) □ FGIC Insured

10,490 Total Nevada

New Hampshire □ 0.4% (0.2% of Total Investments)

2,000 New Hampshire Health and Education Authority, Hospital Revenue Bonds, Concord Hospital, Series 2001, 5.500%, 10/01/21 □ FSA Insured

New Jersey □ 3.9% (2.5% of Total Investments)

10,000 New Jersey Economic Development Authority, Water Facilities Revenue Bonds, American Water Company, Series 2002A, 5.250%, 11/01/32 □ AMBAC Insured (Alternative Minimum Tax)
 375 New Jersey Health Care Facilities Financing Authority, Revenue Bonds, Somerset Medical Center, Series 2003, 5.500%, 7/01/33 (WI/DD, Settling 8/01/08)
 4,125 New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 □ AMBAC Insured
 20,000 New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/28 □ AMBAC Insured
 2,000 Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2007-1A, 4.750%, 6/01/34

36,500 Total New Jersey

New York □ 3.8% (2.4% of Total Investments)

900 Albany Industrial Development Agency, New York, Revenue Bonds, Brighter Choice Charter Schools, Series 2007A, 5.000%, 4/01/32
 1,780 East Rochester Housing Authority, New York, GNMA Secured Revenue Bonds, Gates Senior Housing Inc., Series 2001, 5.300%, 4/20/31
 220 Hudson Yards Infrastructure Corporation, New York, Revenue Bonds, Driver Trust 1649, 2006, 5.121%, 2/15/47 □ MBIA Insured (IF)
 4,360 Hudson Yards Infrastructure Corporation, New York, Revenue Bonds, Series 2006A, 4.500%, 2/15/47 □ MBIA Insured (UB)
 4,155 Monroe County Airport Authority, New York, Revenue Refunding Bonds, Greater Rochester International Airport, Series 1999, 5.750%, 1/01/13 □ MBIA Insured (Alternative Minimum Tax)
 7,000 New York City Industrial Development Agency, New York, American Airlines-JFK International Airport Special Facility Revenue Bonds, Series 2005, 7.750%, 8/01/31 (Alternative Minimum Tax)
 1,715 New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 □ MBIA Insured
 785 New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 (Pre-refunded 8/01/12) □ MBIA Insured
 2,000 New York State Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed and State Contingency Contract-Backed Bonds, Series 2003B-1C, 5.500%, 6/01/16

22,915 Total New York

North Carolina □ 1.0% (0.7% of Total Investments)

1,285 Charlotte-Mecklenburg Hospital Authority, North Carolina, Carolinas HealthCare System Revenue Bonds, Series 2008, Trust 1149, 12.043%, 1/15/47 □ AGC Insured (IF)
 1,200 Charlotte-Mecklenburg Hospital Authority, North Carolina, Health Care System Revenue Bonds, Carolinas Health Care, Series 2007A, 5.000%, 1/15/31
 1,750 Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 4.875%, 1/15/32 (Pre-refunded 1/15/15)

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1,800 North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 2003A,
5.500%, 1/01/13

6,035 Total North Carolina

Ohio □ 3.2% (2.0% of Total Investments)

Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:

3,435 5.125%, 6/01/24
710 5.875%, 6/01/30
685 5.750%, 6/01/34
1,570 5.875%, 6/01/47

1,715 Ohio Housing Finance Agency, GNMA Mortgage-Backed Securities Program Residential Mortgage Revenue Bonds, Series 1998A-1, 5.300%, 9/01/19 □ FSA Insured (Alternative Minimum Tax)

7,200 Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998B, 6.625%, 9/01/20 (Alternative Minimum Tax)

Portage County, Ohio, General Obligation Bonds, Series 2001:

1,870 5.000%, 12/01/21 □ FGIC Insured
1,775 5.000%, 12/01/23 □ FGIC Insured

18,960 Total Ohio

Oklahoma □ 2.5% (1.6% of Total Investments)

Oklahoma Development Finance Authority, Revenue Bonds, Saint John Health System, Series 2007:

4,930 5.000%, 2/15/37
955 5.000%, 2/15/42

2,500 Oklahoma Development Finance Authority, Revenue Refunding Bonds, Hillcrest Healthcare System, Series 1999A, 5.625%, 8/15/29 (Pre-refunded 8/15/09)

40 Tulsa County Industrial Authority, Oklahoma, Health Care Revenue Bonds, Saint Francis Health System, Series 2006, Trust 3500, 12.105%, 12/15/36 (IF)

6,305 Tulsa County Industrial Authority, Oklahoma, Health Care Revenue Bonds, Saint Francis Health System, Series 2006, 5.000%, 12/15/36 (UB)

14,730 Total Oklahoma

Oregon □ 2.6% (1.6% of Total Investments)

4,700 Oregon Health, Housing, Educational and Cultural Facilities Authority, Revenue Bonds, PeaceHealth Project, Series 2001, 5.250%, 11/15/21 □ AMBAC Insured

10,000 Oregon Housing and Community Services Department, Multifamily Housing Revenue Bonds, Series 2000A, 6.050%, 7/01/42 (Alternative Minimum Tax)

14,700 Total Oregon

Pennsylvania □ 2.1% (1.4% of Total Investments)

Allegheny County Hospital Development Authority, Pennsylvania, Revenue Bonds, West Penn Allegheny Health System, Series 2000B:

2,000 9.250%, 11/15/22 (Pre-refunded 11/15/10)
2,000 9.250%, 11/15/30 (Pre-refunded 11/15/10)

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- 500 Bucks County Industrial Development Authority, Pennsylvania, Charter School Revenue Bonds, School Lane Charter School, Series 2007A, 5.000%, 3/15/37
- 3,500 Pennsylvania Economic Development Financing Authority, Senior Lien Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994A, 6.600%, 1/01/19 (Alternative Minimum Tax)
- 3,205 Philadelphia School District, Pennsylvania, General Obligation Bonds, Series 2002B, 5.625%, 8/01/16 (Pre-refunded 8/01/12) □ FGIC Insured

11,205 Total Pennsylvania

Puerto Rico □ 0.4% (0.3% of Total Investments)

- 2,500 Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue Bonds, Series 2007A, 5.250%, 8/01/57

South Carolina □ 1.3% (0.8% of Total Investments)

- 6,850 South Carolina Transportation Infrastructure Bank, Revenue Bonds, Series 2001A, 5.500%, 10/01/22 (Pre-refunded 10/01/11) □ AMBAC Insured

Tennessee □ 1.9% (1.2% of Total Investments)

- 3,680 Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Revenue Refunding Bonds, Covenant Health, Series 2006, 0.000%, 1/01/41
- 5,210 Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 2001A, 5.500%, 3/01/14 □ FSA Insured (Alternative Minimum Tax)
- 275 Sullivan County Health Educational and Housing Facilities Board, Tennessee, Revenue Bonds, Wellmont Health System, Series 2006C, 5.250%, 9/01/36
- Sumner County Health, Educational, and Housing Facilities Board, Tennessee, Revenue Refunding Bonds, Sumner Regional Health System Inc., Series 2007:
- 800 5.500%, 11/01/37
- 2,800 5.500%, 11/01/46
- 745 Tennessee Housing Development Agency, Homeownership Program Bonds, Series 1998-2, 5.350%, 7/01/23 (Alternative Minimum Tax)
- 760 Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2001-3A, 5.200%, 7/01/22 (Alternative Minimum Tax)

14,270 Total Tennessee

Texas □ 18.2% (11.7% of Total Investments)

- 5,445 Board of Regents, University of Texas System, Financing System Revenue Bonds, Series 2006F, 4.250%, 8/15/36 (UB)
- 1,125 Brushy Creek Municipal Utility District, Williamson County, Texas, Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001, 5.125%, 6/01/26 □ FSA Insured
- Collins and Denton Counties, Frisco, Texas, General Obligation Bonds, Series 2001:
- 1,910 5.000%, 2/15/20 □ FGIC Insured
- 2,005 5.000%, 2/15/21 □ FGIC Insured
- 3,850 Dallas-Ft. Worth International Airport, Texas, Joint Revenue Refunding and Improvement Bonds, Series 2001A, 5.500%, 11/01/35 □ FGIC Insured (Alternative Minimum Tax)
- 5,000 Decatur Hospital Authority, Texas, Revenue Bonds, Wise Regional Health System, Series 2004A, 7.000%, 9/01/25
- 4,040 Harris County, Texas, Tax and Revenue Certificates of Obligation, Series 2001, 5.000%, 8/15/27

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6,000	Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001B, 5.500%, 12/01/29 ☐ MBIA Insured (ETM)
7,000	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 1998B, 5.250%, 7/01/14 ☐ FGIC Insured (Alternative Minimum Tax)
	Houston, Texas, Subordinate Lien Airport System Revenue Refunding Bonds, Series 2001A:
2,525	5.500%, 7/01/13 ☐ FGIC Insured (Alternative Minimum Tax)
2,905	5.500%, 7/01/14 ☐ FGIC Insured (Alternative Minimum Tax)
4,735	Hutto Independent School District, Williamson County, Texas, General Obligation Bonds, Series 2007, Residuals 07-1001, 9.205%, 8/01/43 (IF)
	Jefferson County Health Facilities Development Corporation, Texas, FHA-Insured Mortgage Revenue Bonds, Baptist Hospital of Southeast Texas, Series 2001:
8,500	5.400%, 8/15/31 ☐ AMBAC Insured
8,500	5.500%, 8/15/41 ☐ AMBAC Insured
10,700	Laredo Independent School District, Webb County, Texas, General Obligation Refunding Bonds, Series 2001, 5.000%, 8/01/25
2,500	Matagorda County Navigation District 1, Texas, Collateralized Revenue Refunding Bonds, Houston Light and Power Company, Series 1997, 5.125%, 11/01/28 ☐ AMBAC Insured (Alternative Minimum Tax)
3,150	North Texas Thruway Authority, Second Tier System Revenue Refunding Bonds, Series 2008, 5.750%, 1/01/38
3,045	Port of Houston Authority, Harris County, Texas, General Obligation Port Improvement Bonds, Series 2001B, 5.500%, 10/01/17 ☐ FGIC Insured (Alternative Minimum Tax)
7,700	Tarrant County, Texas, Cultural & Educational Facilities Financing Corporation, Texas, Revenue Bonds, Series 2007A, 5.000%, 2/15/36 (UB)
10,485	Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2001A, 5.350%, 7/01/33 (Alternative Minimum Tax)
	White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2006:
9,110	0.000%, 8/15/37
9,110	0.000%, 8/15/40
7,110	0.000%, 8/15/44

126,450 Total Texas

Utah ☐ 0.6% (0.4% of Total Investments)

	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001E:
1,165	5.200%, 1/01/18 (Alternative Minimum Tax)
295	5.500%, 1/01/23 (Alternative Minimum Tax)
	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001F-1:
1,600	4.950%, 7/01/18 (Alternative Minimum Tax)
400	5.300%, 7/01/23 (Alternative Minimum Tax)

3,460 Total Utah

Virginia ☐ 1.1% (0.7% of Total Investments)

1,000	Chesterfield County Health Center Commission, Virginia, Mortgage Revenue Bonds, Lucy Corr Village, Series 2005, 5.375%, 12/01/28
7,000	Pocahontas Parkway Association, Virginia, Senior Lien Revenue Bonds, Route 895 Connector Toll

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Road, Series 1998B, 0.000%, 8/15/13 (Pre-refunded 8/15/08)

8,000 Total Virginia

Washington □ 15.9% (10.2% of Total Investments)

Bellingham Housing Authority, Washington, Housing Revenue Bonds, Varsity Village Project, Series 2001A:

1,000 5.500%, 12/01/27 □ MBIA Insured

2,000 5.600%, 12/01/36 □ MBIA Insured

12,955 Port of Seattle, Washington, Passenger Facility Charge Revenue Bonds, Series 1998B, 5.300%, 12/01/16 □ AMBAC Insured (Alternative Minimum Tax)

Port of Seattle, Washington, Revenue Bonds, Series 2001B:

2,535 5.625%, 4/01/18 □ FGIC Insured (Alternative Minimum Tax)

16,000 5.100%, 4/01/24 □ FGIC Insured (Alternative Minimum Tax)

2,090 Public Utility District 1, Benton County, Washington, Electric Revenue Refunding Bonds, Series 2001A, 5.625%, 11/01/15 □ FSA Insured

5,680 Seattle, Washington, Municipal Light and Power Revenue Refunding and Improvement Bonds, Series 2001, 5.500%, 3/01/18 □ FSA Insured

4,530 Tacoma, Washington, Solid Waste Utility Revenue Refunding Bonds, Series 2001, 5.250%, 12/01/21 (Pre-refunded 12/01/11) □ AMBAC Insured

3,720 Washington State Healthcare Facilities Authority, Revenue Bonds, Children's Hospital and Regional Medical Center, Series 2001, 5.375%, 10/01/18 (Pre-refunded 10/01/11) □ AMBAC Insured

Washington State Healthcare Facilities Authority, Revenue Bonds, Good Samaritan Hospital, Series 2001:

5,480 5.500%, 10/01/21 (Pre-refunded 10/01/11) □ RAAI Insured

25,435 5.625%, 10/01/31 (Pre-refunded 10/01/11) □ RAAI Insured

Washington State Healthcare Facilities Authority, Revenue Bonds, Group Health Cooperative of Puget Sound, Series 2001:

3,005 5.375%, 12/01/17 □ AMBAC Insured

2,915 5.375%, 12/01/18 □ AMBAC Insured

87,345 Total Washington

Wisconsin □ 4.6% (2.9% of Total Investments)

Appleton, Wisconsin, Waterworks Revenue Refunding Bonds, Series 2001:

3,705 5.375%, 1/01/20 (Pre-refunded 1/01/12) □ FGIC Insured

1,850 5.000%, 1/01/21 (Pre-refunded 1/01/12) □ FGIC Insured

12,250 La Crosse, Wisconsin, Pollution Control Revenue Refunding Bonds, Dairyland Power Cooperative, Series 1997B, 5.550%, 2/01/15 □ AMBAC Insured

1,000 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Franciscan Sisters of Christian Charity HealthCare Ministry, Series 2007, 5.000%, 9/01/33

350 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert and Community Health Obligated Group, Series 2001, 5.375%, 10/01/30

3,650 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert and Community Health Obligated Group, Series 2001, 5.375%, 10/01/30 (Pre-refunded 10/01/11)

2,500 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Marshfield Clinic, Series 2001B, 6.000%, 2/15/25

50 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan

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Services Inc., Series 2003A, 5.125%, 8/15/33

25,355 Total Wisconsin

\$ 946,370 Total Long-Term Municipal Bonds (cost \$896,524,695) □ 155.8%

Shares Description (1)

Investment Companies □ 0.3% (0.2% of Total Investments)

29,113 BlackRock MuniHoldings Fund Inc.
 26,880 Dreyfus Strategic Municipal Fund
 27,920 PIMCO Municipal Income Fund II
 42,020 Van Kampen Investment Grade Municipal Trust
 19,260 Van Kampen Municipal Trust

Total Investment Companies (cost \$1,842,034)

Total Investments (cost \$898,366,729) □ 156.1%

Floating Rate Obligations □ (12.2)%

Other Assets Less Liabilities □ 3.4%

Preferred Shares, at Liquidation Value □ (47.3)% (6)

Net Assets Applicable to Common Shares □ 100%

Forward Swaps outstanding at July 31, 2008:

Counterparty	Notional Amount	Fund	Floating Rate Index	Fixed Rate (Annualized)	Fixed Rate Payment Frequency	Effective Date (7)	Termination Date (8)
		Pay/Receive Floating Rate					
JP Morgan	\$21,500,000	Pay	SIFM	4.383%	Quarterly	8/06/08	8/06/08

SIFM - The daily arithmetic average of the weekly Securities Industry and Financial Markets (SIFM) Municipal Swap Index, published by the Bond Market Association or BMA.

Futures Contracts outstanding at July 31, 2008:

Type	Contract Position	Number of Contracts	Contract Expiration	Value at July 31, 2008	Approximate Delta (D)
U.S. Treasury Bond	Long	158	9/08	\$18,249,000	

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- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings: Using the higher of Standard & Poor's Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.

The Portfolio of Investments may reflect the ratings on certain bonds insured by ACA, AMBAC, CIFG, FGIC, MBIA, RAAI and XLCA as of July 31, 2008. Subsequent to July 31, 2008, and during the period this Portfolio of Investments was prepared, there may have been reductions to the ratings of certain bonds resulting from changes to the ratings of the underlying insurers both during the period and after period end. Such reductions would likely reduce the effective rating of many of the bonds insured by that insurer or insurers presented at period end.

- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (5) Portion of investment, with an aggregate market value of \$385,012, has been pledged to collateralize the net payment obligations under futures contracts.
- (6) Preferred Shares, at Liquidation Value as percentage of total investments is (30.3)%.
- (7) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract.

N/R Not rated.

WI/DD Purchased on a when-issued or delayed delivery basis.

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

(UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing taxable market discount, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate transactions subject to SFAS No. 140. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

At July 31, 2008, the cost of investments was \$828,020,556.

Gross unrealized appreciation and gross unrealized depreciation of investments at July 31, 2008, were as follows:

Gross unrealized:

Appreciation	\$ 25,088,924
Depreciation	(29,980,924)

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Net unrealized appreciation (depreciation) of investments	\$ (4,892,000)
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Item 2. Controls and Procedures.

- a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)), exactly as set forth below: See EX-99 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Dividend Advantage Municipal Fund 3

By (Signature and Title) /s/ Kevin J. McCarthy
Kevin J. McCarthy
Vice President and Secretary

Date September 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Gifford R. Zimmerman
Gifford R. Zimmerman
Chief Administrative Officer (principal executive officer)

Date September 29, 2008

By (Signature and Title) /s/ Stephen D. Foy
Stephen D. Foy
Vice President and Controller (principal financial officer)

Date September 29, 2008