

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-Q
April 01, 2009

**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: 1/31/09

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)

January 31, 2009

Principal

Amount (000) Description (1)

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Municipal Bonds □ **157.0% (99.8% of Total Investments)**

Alabama □ **1.8% (1.1% of Total Investments)**

\$	3,500	Alabama Special Care Facilities Financing Authority, Revenue Bonds, Ascension Health, Series 2006, 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 □ **0.9% (0.6% of Total Investments)**

	3,390	Arizona State Transportation Board, Highway Revenue Bonds, Series 2006, Trust 3151, 13.019%, 7/01/33 (IF)
	2,200	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37

5,590 Total Arizona

Arkansas □ **0.6% (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 □ **12.9% (8.2% 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
	950	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Tender Option Bond Trust 3175, 13.820%, 11/15/42 (IF)
	5,000	California Infrastructure Economic Development Bank, Revenue Bonds, Kaiser Hospital Assistance LLC, Series 2001A, 5.550%, 8/01/31
	5,355	California Statewide Community Development Authority, Revenue Bonds, Sutter Health, Tender Option Bond Trust 3175, 13.377%, 11/15/48 (IF)
	18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 □ MBIA Insured (Alternative Minimum Tax)
	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)

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1,500	5.250%, 1/01/23	□ AMBAC Insured (Alternative Minimum Tax)
10,000	5.500%, 1/01/32	□ AMBAC Insured (Alternative Minimum Tax)
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	

86,470 Total California

Colorado □ 5.8% (3.7% 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	
3,300	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006, 5.000%, 11/15/24 □ FGIC 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, Colorado, Airport Revenue Bonds, Trust 2365:	
1,340	12.736%, 11/15/23	□ FGIC Insured (IF)
1,085	12.728%, 11/15/25	□ FGIC Insured (IF)
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	

31,330 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 □ 0.9% (0.6% 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, 11.765%, 10/01/30 □ AMBAC Insured (IF)	
3,335	Washington DC Convention Center Authority, Dedicated Tax Revenue Bonds, Residual Series	

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1730, 1731, 1736, 11.765%, 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

Georgia ☐ 2.5% (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

Illinois ☐ 16.5% (10.5% of Total Investments)

8,375 Chicago, Illinois, Revenue Bonds, Midway Airport, Series 2001A, 5.500%, 1/01/19 ☐ FSA Insured (Alternative Minimum Tax)

1,600 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)

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, 5.500%, 8/01/37

1,130 Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2000,

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	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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89,640	Total Illinois

Indiana ☐ 6.4% (4.1% 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
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34,375	Total Indiana

Iowa ☐ 7.2% (4.6% of Total Investments)

2,000	Iowa Finance Authority, Healthcare Revenue Bonds, Great River Medical Center, Series 2001, 5.250%, 5/15/31 ☐ FSA Insured
1,000	Iowa Tobacco Settlement Authority, Asset Backed Settlement Revenue Bonds, Series 2005C, 5.625%, 6/01/46

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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)

34,950 Total Iowa

Kansas □ 0.2% (0.1% 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 □ 3.8% (2.4% of Total Investments)

1,000 Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds,
 Louisville Arena Authority, Inc., Series 2008A-1, 6.000%, 12/01/42 □ AGC Insured
 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

19,500 Total Kentucky

Louisiana □ 3.4% (2.2% 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 □ 1.2% (0.8% 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 □ 2.2% (1.4% of Total Investments)

1,000 Howard County, Maryland, Retirement Com