

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3  
Form N-Q  
September 29, 2005

**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)

**333 West Wacker Drive, Chicago, Illinois 60606**

(Address of principal executive offices) (Zip code)

**Jessica R. Droeger 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: 07/31/05

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, 2005*

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Principal Amount (000)	Description <sup>(1)</sup>	Option Provision
<b>Alabama - 0.9% (0.6% of Total Investments)</b>		
\$ 5,655	Alabama State Port Authority, Revenue Bonds, State Docks Department Facilities, Series 2001, 5.250%, 10/01/26 (Alternative Minimum Tax) - AMBAC Insured	10/11 at
<b>Alaska - 0.7% (0.4% of Total Investments)</b>		
4,000	Alaska Student Loan Corporation, Student Loan Revenue Bonds, Series 1998A, 5.250%, 7/01/14 (Alternative Minimum Tax) - AMBAC Insured	7/08 at
<b>Arkansas - 0.9% (0.6% of Total Investments)</b>		
	Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A:	
1,805	5.500%, 11/01/13	11/11 at
1,900	5.500%, 11/01/14	11/11 at
1,745	5.250%, 11/01/21	11/11 at
<b>California - 10.2% (6.9% of Total Investments)</b>		
5,000	California Infrastructure Economic Development Bank, Revenue Bonds, Kaiser Hospital Assistance LLC, Series 2001A, 5.550%, 8/01/31	8/11 at
18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 (Alternative Minimum Tax) - MBIA Insured	6/07 at
1,500	California Statewide Community Development Authority, Senior Lien Revenue Bonds, East Valley Tourist Authority, Series 2003B, 9.250%, 10/01/20 (a)	10/15 at
5,000	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2004G, 2.300%, 4/01/34 (Mandatory put 5/01/07)	No O
	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 (Alternative Minimum Tax) - AMBAC Insured	1/12 at
5,000	5.375%, 1/01/21 (Alternative Minimum Tax) - AMBAC Insured	1/12 at
1,500	5.250%, 1/01/23 (Alternative Minimum Tax) - AMBAC Insured	1/12 at
10,000	5.500%, 1/01/32 (Alternative Minimum Tax) - AMBAC Insured	1/12 at
<b>Colorado - 7.6% (5.1% of Total Investments)</b>		

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2,250	Canterberry Crossing Metropolitan District II, Parker, Colorado, Limited Tax General Obligation Bonds, Series 2002, 7.375%, 12/01/32	12/12 at
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	6/11 at
3,250	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Montessori Peaks Building Foundation, Series 2002A, 8.000%, 5/01/32	5/12 at
1,700	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek Education Center, Series 2002A, 7.625%, 3/15/32	3/12 at
3,380	Colorado Housing Finance Authority, Multifamily Project Bonds, Class I, Series 2001A-1, 5.500%, 4/01/31 (Alternative Minimum Tax)	10/11 at
10,100	Colorado Springs, Colorado, Utility System Revenue Refunding and Improvement Bonds, Series 1997A, 5.375%, 11/15/26	11/07 at
2,000	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2001A, 5.500%, 11/15/16 (Alternative Minimum Tax)- FGIC Insured	11/11 at
19,150	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1996A: 5.750%, 11/15/16 - MBIA Insured	11/06 at
1,105	5.500%, 11/15/25 - MBIA Insured	11/06 at
1,000	Plaza Metropolitan District 1, Lakewood, Colorado, Tax Increment Revenue Bonds, Series 2003, 8.000%, 12/01/25	6/14 at
<b>Delaware - 0.5% (0.3% of Total Investments)</b>		
2,835	Delaware State Housing Authority, Multifamily Mortgage Revenue Bonds, Series 2001A, 5.400%, 7/01/24	7/12 at
<b>District of Columbia - 1.0% (0.7% of Total Investments)</b>		
6,000	District of Columbia, Revenue Bonds, Catholic University of America, Series 1999, 5.625%, 10/01/29 - AMBAC Insured	10/09 at
<b>Florida - 1.6% (1.1% of Total Investments)</b>		
2,000	Dade County, Florida, Water and Sewerage System Revenue Bonds, Series 1997, 5.375%, 10/01/16 - FGIC Insured	10/07 at
	Orange County Housing Finance Authority, Florida, Multifamily Housing Revenue Bonds, Oak Glen Apartments, Series 2001G:	
1,105	5.400%, 12/01/32 - FSA Insured	12/11 at
2,195	5.450%, 12/01/41 - FSA Insured	12/11 at
4,175	Pace Property Finance Authority Inc., Florida, Utility System Improvement and Revenue Refunding Bonds, Series 1997, 5.250%, 9/01/17 - AMBAC Insured	9/07 at
<b>Georgia - 2.3% (1.5% of Total Investments)</b>		
5,000	Atlanta, Georgia, Airport General Revenue Bonds, Series 2000B, 5.625%, 1/01/30 (Alternative Minimum Tax) - FGIC Insured	1/10 at
2,700	Atlanta, Georgia, Tax Allocation Bonds, Atlantic Station Project, Series 2001, 7.900%, 12/01/24	12/11 at
3,740	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 2001, 5.500%, 5/15/31	5/11 at
2,000	Henry County Water and Sewerage Authority, Georgia, Revenue Bonds, Series 2000, 5.625%, 2/01/30 (Pre-refunded to 2/01/10) - FGIC Insured	2/10 at

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**Hawaii - 0.9% (0.6% of Total Investments)**

5,125 Hawaii, Highway Revenue Bonds, Series 2001, 5.375%, 7/01/21 (Pre-refunded to 7/01/11) - FSA Insured 7/11 at

**Illinois - 16.9% (11.4% of Total Investments)**

3,000 Chicago, Illinois, General Obligation Bonds, Neighborhoods Alive 21 Program, Series 2001A, 5.500%, 1/01/31 - FGIC Insured 1/11 at

Chicago, Illinois, General Obligation Refunding Bonds, Series 1996B:

1,210 5.125%, 1/01/25 (Pre-refunded to 1/01/06) - FGIC Insured 1/06 at

1,290 5.125%, 1/01/25 - FGIC Insured 1/06 at

8,375 Chicago, Illinois, Revenue Bonds, Midway Airport, Series 2001A, 5.500%, 1/01/19 (Alternative Minimum Tax) - FSA Insured 1/11 at

4,950 Chicago, Illinois, Second Lien Passenger Facility Charge Revenue Bonds, O'Hare International Airport, Series 2001A, 5.375%, 1/01/32 (Alternative Minimum Tax) - AMBAC Insured 1/11 at

1,750 Chicago, Illinois, Sales Tax Revenue Bonds, Series 1998, 5.250%, 1/01/28 - FGIC Insured 7/08 at

10,800 Chicago, Illinois, Sales Tax Revenue Bonds, Series 1999, 5.375%, 1/01/30 (Pre-refunded to 1/01/09) - FGIC Insured 1/09 at

Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A:

2,220 5.500%, 1/01/16 - MBIA Insured No O

8,610 5.500%, 1/01/26 (Pre-refunded to 1/01/11) - AMBAC Insured 1/11 at

10,000 Chicago, Illinois, Senior Lien Water Revenue Bonds, Series 2001, 5.000%, 11/01/26 (Pre-refunded to 11/01/11) - AMBAC Insured 11/11 at

2,415 Illinois Finance Authority, General Obligation Debt Certificates, Local Government Program - Kankakee County, Series 2005B, 5.000%, 12/01/24 - AMBAC Insured 12/14 at

1,100 Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2000, 6.500%, 5/15/30 5/10 at

15,000 Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 2001A, 6.125%, 7/01/31 7/11 at

9,000 Illinois Health Facilities Authority, Revenue Bonds, Covenant Retirement Communities Inc., Series 2001, 5.875%, 12/01/31 12/11 at

2,000 Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1998A, 5.500%, 6/15/29 - FGIC Insured No O

16,900 Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1999A, 5.250%, 12/15/28 - FGIC Insured 12/09 at

**Indiana - 5.8% (4.0% of Total Investments)**

Clark-Pleasant Community School Building Corporation, Indiana, First Mortgage Bonds, Series 2001:

1,255 5.000%, 7/15/21 - AMBAC Insured 1/12 at

1,000 5.000%, 1/15/26 - AMBAC Insured 1/12 at

Evansville Vanderburgh Public Library Lease Corporation, Indiana, First Mortgage Bonds, Series 2001:

2,000 5.750%, 7/15/18 (Pre-refunded to 1/15/12) - MBIA Insured 1/12 at

2,750 5.125%, 1/15/24 (Pre-refunded to 1/15/12) - MBIA Insured 1/12 at

3,435 Gary, Indiana, GNMA/FHA Mortgage Revenue Bonds, Windsor Square Project, Series 2001A, 5.375%, 10/20/41 (Alternative Minimum Tax) 11/11 at

1,250 Hamilton Southeastern Cumberland Campus School Building Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.125%, 1/15/23 - AMBAC Insured 1/12 at

2,800 Indiana Health Facility Financing Authority, Revenue Bonds, Community Hospitals of Indiana, Series 2005A, 5.000%, 5/01/35 - AMBAC Insured 5/15 at

9,500 Indiana Educational Facilities Authority, Revenue Bonds, Butler University, Series 2001, 5.500%, 2/01/26 - MBIA Insured 2/11 at

4,230 Indiana Finance Authority, Educational Facilities Revenue Bonds, Tudor Park Foundation, Series 6/15 at

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	2005B, 5.000%, 6/01/24	
2,650	Indianapolis, Indiana, Special Facility Revenue Bonds, United Airlines Inc., Indianapolis Maintenance Center Project, Series 1995A, 6.500%, 11/15/31 (Alternative Minimum Tax) #	11/05 at
3,500	University of Southern Indiana, Student Fee Bonds, Series 2001H, 5.000%, 10/01/21 - AMBAC Insured	10/11 at
1,150	Wayne County Jail Holding Corporation, Indiana, First Mortgage Bonds, Series 2001:	1/13 at
1,090	5.625%, 7/15/18 - AMBAC Insured	1/13 at
	5.500%, 7/15/22 - AMBAC Insured	

**Iowa - 5.5% (3.7% of Total Investments)**

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

**Kentucky - 3.1% (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	11/11 at
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**Louisiana - 3.3% (2.3% of Total Investments)**

19,890	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at
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**Maine - 1.1% (0.7% of Total Investments)**

	Maine State Housing Authority, Mortgage Purchase Bonds, Series 2001B:	
4,610	5.400%, 11/15/21 (Alternative Minimum Tax)	11/10 at
2,065	5.500%, 11/15/32 (Alternative Minimum Tax)	11/10 at

**Maryland - 2.1% (1.4% of Total Investments)**

	Maryland Community Development Administration, Multifamily Housing Insured Mortgage Loans, Series 2001B:	
715	5.250%, 5/15/21 (Alternative Minimum Tax)	5/11 at