

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3  
Form N-CSRS  
April 09, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21157  
-----

Nuveen Arizona Dividend Advantage Municipal Fund 3  
-----

(Exact name of registrant as specified in charter)

Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
-----

(Address of principal executive offices) (Zip code)

Kevin J. McCarthy  
Nuveen Investments  
333 West Wacker Drive  
Chicago, IL 60606  
-----

(Name and address of agent for service)

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

Date of fiscal year end: July 31  
-----

Date of reporting period: January 31, 2010  
-----

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR 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 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. ss. 3507.

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

ITEM 1. REPORTS TO STOCKHOLDERS.

[LOGO]  
NUVEEN  
INVESTMENTS

Closed-End Funds

-----  
Nuveen Investments  
Municipal Closed-End Funds

IT'S NOT WHAT YOU EARN, IT'S WHAT YOU KEEP. (R)

Semi-Annual Report  
January 31, 2010

-----  
NUVEEN ARIZONA  
PREMIUM INCOME  
MUNICIPAL FUND, INC.  
NAZ

-----  
NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND  
NFZ

-----  
NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND 2  
NKR

-----  
NUVEEN ARIZONA  
DIVIDEND ADVANTAGE  
MUNICIPAL FUND  
NXE

-----  
NUVEEN TEXAS  
QUALITY INCOME  
MUNICIPAL FUND  
NTX

(JANUARY 10)

LIFE IS COMPLEX.

Nuveen makes things e-simple.

It only takes a minute to sign up for e-Reports. Once enrolled, you'll receive an e-mail as soon as your Nuveen Investments Fund information is ready. No more waiting for delivery by regular mail. Just click on the link within the e-mail to see the report and save it on your computer if you wish.

Free e-Reports right to your e-mail!

[WWW.INVESTORDELIVERY.COM](http://WWW.INVESTORDELIVERY.COM)

If you receive your Nuveen Fund dividends and statements from your financial advisor or brokerage account.

OR

[WWW.NUVEEN.COM/ACCOUNTACCESS](http://WWW.NUVEEN.COM/ACCOUNTACCESS)

If you receive your Nuveen Fund dividends and statements directly from Nuveen.

[LOGO]  
NUVEEN

Chairman's  
Letter to Shareholders

[PHOTO OF ROBERT P. BREMNER]

DEAR SHAREHOLDER,

The economic environment in which your Fund operates reflects continuing but uneven economic recovery. The U.S. and other major industrial countries are experiencing steady but comparatively low levels of economic growth, while emerging market countries are seeing a resumption of relatively strong economic expansion. The largest source of economic uncertainty is the potential impact of steps being considered by many governments to counteract the extraordinary governmental spending and credit expansion carried out to deal with the financial and economic crisis of 2008. Consequently, the implications for future tax rates, government spending, interest rates and the pace of economic recovery in the U.S. and other leading economies are extremely difficult to predict at the present time. The long term health of the global economy depends on restoring some measure of fiscal discipline around the world, but since all of the corrective steps require economic pain, it is not surprising that governments are reluctant to undertake them.

In the near term, governments remain committed to furthering economic recovery and realizing a meaningful reduction in their national unemployment rates. Such an environment should produce continued economic growth and, consequently, attractive investment opportunities. Over the longer term, the larger uncertainty mentioned earlier carries the risk of unexpected potholes in the road to sustained recovery. For this reason, Nuveen's investment management teams are working hard to balance return and risk by building well-diversified portfolios, among other strategies. I encourage you to read the following commentary on the management of your Fund. As always, I also encourage you to contact your financial consultant if you have any questions about your Nuveen Fund investment.

Nuveen remains committed to refinancing all of the auction rate preferred shares issued by its closed end funds. By the fall of 2009, all of the Nuveen taxable closed end funds had completed redemption of their auction rate preferred shares, at par value. As of March 2010, approximately 25% of the municipal auction rate preferred shares issued by the Nuveen Funds also had been redeemed. Subject to market conditions and no changes in current regulatory approvals, Nuveen expects to continue this redemption process, at par value, through the further issuance of MuniFund Term Preferreds, the resumption of issuance of Variable Rate Demand Preferred Shares, and other portfolio management actions. Please consult the Nuveen web site for the most recent information on this issue and all recent developments on your Nuveen Funds at: [www.nuveen.com](http://www.nuveen.com).

On behalf of the other members of your Fund's Board, we look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

/s/ Robert P. Bremner

Robert P. Bremner  
Chairman of the Board and Lead Independent Director  
March 25, 2010

Portfolio Managers' Comments

NUVEEN ARIZONA PREMIUM INCOME MUNICIPAL FUND, INC. (NAZ)  
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND (NFZ)  
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 2 (NKR)  
NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 (NXE)  
NUVEEN TEXAS QUALITY INCOME MUNICIPAL FUND (NTX)

PORTFOLIO MANAGERS SCOTT ROMANS AND DANIEL CLOSE DISCUSS KEY INVESTMENT STRATEGIES AND THE SIX-MONTH PERFORMANCE OF THESE FIVE NUVEEN FUNDS. SCOTT, WHO HAS BEEN WITH NUVEEN SINCE 2000, HAS MANAGED THE ARIZONA FUNDS SINCE 2003. DAN, WHO JOINED NUVEEN IN 2000, ASSUMED PORTFOLIO MANAGEMENT RESPONSIBILITY FOR NTX IN 2007.

WHAT KEY STRATEGIES WERE USED TO MANAGE THE ARIZONA AND TEXAS FUNDS DURING THE SIX-MONTH REPORTING PERIOD ENDED JANUARY 31, 2010?

During this period, municipal bond prices generally rose, as strong cash flows into municipal bond funds combined with tighter supply of new tax-exempt issuance to create favorable supply and demand conditions.

One reason for the supply reduction was the introduction of the Build America Bond program, a new class of taxable municipal debt created as part of the February 2009 economic stimulus package. These bonds offer municipal issuers a federal subsidy equal to 35% of a security's interest payments, and therefore offer issuers an attractive alternative to traditional tax-exempt debt. During the six-month period ended January 31, 2010, taxable Build America Bonds issuance totaled \$51.9 billion, accounting for almost 24% of new municipal bonds nationwide.

In both Arizona and Texas, the Build America Bond program had a significant impact on the availability of tax-exempt issuance, especially among the longer maturities that we typically seek to purchase for these Funds. During this period, Build America Bonds comprised approximately 30% of new municipal supply in Texas, which ranked as the second largest user of these bonds (after California). In Arizona, where municipal issuance was already down 49% from the same period a year earlier, Build America Bonds represented almost 19% of municipal supply between August 1, 2009, and January 31, 2010. Since interest payments from Build America Bonds represent taxable income, we do not view these bonds as good investment opportunities for the Arizona and Texas Funds

CERTAIN STATEMENTS IN THIS REPORT ARE FORWARD-LOOKING STATEMENTS. DISCUSSIONS OF SPECIFIC INVESTMENTS ARE FOR ILLUSTRATION ONLY AND ARE NOT INTENDED AS RECOMMENDATIONS OF INDIVIDUAL INVESTMENTS. THE FORWARD-LOOKING STATEMENTS AND OTHER VIEWS EXPRESSED HEREIN ARE THOSE OF THE PORTFOLIO MANAGERS AS OF THE DATE OF THIS REPORT. ACTUAL FUTURE RESULTS OR OCCURRENCES MAY DIFFER SIGNIFICANTLY FROM THOSE ANTICIPATED IN ANY FORWARD-LOOKING STATEMENTS, AND THE VIEWS EXPRESSED HEREIN ARE SUBJECT TO CHANGE AT ANY TIME, DUE TO NUMEROUS MARKET AND OTHER FACTORS. THE FUNDS DISCLAIM ANY OBLIGATION TO UPDATE PUBLICLY OR REVISE ANY FORWARD-LOOKING STATEMENTS OR VIEWS EXPRESSED HEREIN.

2 Nuveen Investments

Because the supply of new tax-exempt municipal bonds was constrained during this period, investment activity in the Arizona Funds was more limited than usual. However, we continued to find some attractive value opportunities, taking a bottom-up approach to discovering undervalued sectors and individual credits

## Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

with the potential to perform well over the long term. During this period, NTX purchased several higher-rated general obligation issues, bonds issued for an A rated toll road system, an electric utility and a lower-rated tax incremental financing (TIF) district credit. In the Arizona Funds, we added positions in a high-grade tax revenue bond and lower-rated water/sewer and electric utility bonds. In both Arizona and Texas, cash for new purchases was generated by bond calls.

As of January 31, 2010, all five of these Funds continued to use inverse floating rate securities.(1) We employ inverse floaters as a form of leverage for a variety of reasons, including duration management, and income and total return enhancement.

### HOW DID THE FUNDS PERFORM?

Individual results for these Nuveen Arizona and Texas Funds, as well as relevant index and peer group information, are presented in the accompanying table.

AVERAGE ANNUAL TOTAL RETURNS ON COMMON SHARE NET ASSET VALUE\* FOR PERIODS ENDED 1/31/10

	SIX-MONTH	1-YEAR	5-YEAR	10-Y
-----				
ARIZONA FUNDS				
NAZ	8.56%	20.82%	3.44%	5.
NFZ	10.46%	20.56%	2.67%	N
NKR	9.00%	19.23%	3.59%	N
NXE	10.35%	23.06%	3.54%	N
Standard & Poor's (S&P) Arizona Municipal Bond Index(2)	5.33%	11.03%	4.23%	5.
TEXAS FUND				
NTX	8.58%	16.45%	4.05%	6.
Standard & Poor's (S&P) Texas Municipal Bond Index(2)	5.90%	11.37%	4.47%	6.
Standard & Poor's (S&P) National Municipal Bond Index(3)	5.57%	10.75%	4.07%	5.
Lipper Other States Municipal Debt Funds Average(4)	8.96%	19.19%	3.72%	6.
-----				

For the six months ended January 31, 2010, the cumulative returns on common share net asset value (NAV) for all four Arizona Funds exceeded the return for the Standard & Poor's (S&P) Arizona Municipal Bond Index and NTX outperformed the S&P Texas Municipal Bond Index. All of the Funds also outperformed the S&P National Municipal Bond Index. For the six-month period, NFZ, NKR and NXE exceeded the average return for the Lipper Other States Municipal Debt Funds Average, while NAZ and NTX trailed the Lipper group average.

\* Six-month returns are cumulative; returns for one-year, five-year, and ten-year are annualized.

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the

deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares.

For additional information, see the individual Performance Overview for your Fund in this report.

- 1 An inverse floating rate security, also known as an inverse floater, is a financial instrument designed to pay long-term tax-exempt interest at a rate that varies inversely with a short-term tax-exempt interest rate index. For the Nuveen Funds, the index typically used is the Securities Industry and Financial Markets (SIFM) Municipal Swap Index (previously referred to as the Bond Market Association Index or BMA). Inverse floaters, including those inverse floating rate securities in which the Funds invested during this reporting period, are further defined within the Notes to Financial Statements and Glossary of Terms Used in this Report sections of this report.
- 2 The Standard & Poor's (S&P) Arizona and Texas Municipal Bond Indexes are unlever-aged, market value-weighted indexes designed to measure the performance of the investment-grade municipal bond markets in Arizona and Texas, respectively. These indexes do not reflect any initial or ongoing expenses and are not available for direct investment.
- 3 The Standard & Poor's (S&P) National Municipal Bond Index is an unleveraged, market value-weighted index designed to measure the performance of the investment-grade U.S. municipal bond market. This index does not reflect any initial or ongoing expenses and is not available for direct investment.
- 4 The Lipper Other States Municipal Debt Funds Average is calculated using the returns of all closed-end funds in this category for each period as follows: six-months, 43 funds; 1-year, 43 funds; 5-year, 43 funds; and 10-year, 20 funds. The performance of the Lipper Other States Municipal Debt Funds Average represents the overall average of returns for funds from ten different states with a wide variety of municipal market conditions. Lipper returns account for the effects of management fees and assume reinvestment of dividends, but do not reflect any applicable sales charges. The Lipper average is not available for direct investment.

Nuveen Investments 3

Key management factors that influenced the Funds' returns during this period included yield curve and duration positioning, credit exposure and sector allocation. In addition, leverage was an important factor affecting each Fund's performance over this period. The impact of leverage is discussed in more detail on page five.

During this period, we saw yields on tax-exempt bonds generally decline and bond prices rise, especially at the longer end of the municipal yield curve. As a result, longer-term bonds generally outperformed credits with shorter maturities. Overall, duration and yield curve positioning was a net positive for the performance of these Funds, with the exception of NKR. In general, the Funds were underexposed to the underperforming short end of the yield curve and tended to have heavier weightings in the longer part of the curve, which had a positive impact on performance. NKR was not as advantageously positioned as the other Arizona Funds, with a duration shorter than its target. This detracted from the Fund's relative performance as yields fell.

While yield curve positioning and duration played important roles in performance during these six months, credit exposure also had a significant impact. The

demand for municipal bonds increased among both institutional and individual investors during this period. This increase was driven by a variety of factors, including concerns about potential tax increases, the need to rebalance portfolio allocations and a growing appetite for additional risk. At the same time, the supply of new tax-exempt municipal securities declined. As investors bid up municipal bond prices, bonds rated BBB or below and non-rated bonds generally outperformed those rated AAA. In this environment, the Funds' benefited from their allocations to lower quality credits. This was especially true in NXE, which had the heaviest weighting of BBB and non-rated bonds among these five Funds. NAZ, which cannot invest in sub-investment-grade bonds, was more constrained in its opportunities to take advantage of this environment.

Holdings that generally contributed positively to the Funds' performance included industrial development revenue (IDR) and health care bonds, both of which exceeded the overall municipal market return by a substantial margin. Revenue bonds as a whole also performed well, as did the transportation and housing sectors. In addition, zero coupon bonds were among the strongest performers.

Pre-refunded bonds, which are often backed by U.S. Treasury securities and which had been one of the top performing segments of the municipal bond market over the past two years, performed poorly on a relative basis during this period. This was primarily due to their shorter effective maturities and higher credit quality. Among these five Funds, NFZ had the smallest allocation of pre-refunded bonds during this period, which benefited its relative performance. Many general obligation bonds also failed to keep pace with the overall municipal market, while education, water and sewer, and leasing trailed the other revenue sectors. In the Arizona Funds, our holdings of improvement district bonds, also known as dirt deals, generally performed poorly. Despite good structures and credit, the market for these lower-rated bonds tends to be underdeveloped in Arizona, which meant less in-state demand, especially from retail buyers, and underperformance for the segment as a whole. During this period, NFZ, NKR and NXE were overexposed to improvement district bonds, which hurt their performance, while NAZ's smaller position in these credits lessened the negative impact.

#### 4 Nuveen Investments

#### IMPACT OF THE FUNDS' LEVERAGE STRATEGIES ON PERFORMANCE

One important factor impacting the returns of these Funds relative to the comparative indexes was the Funds' use of financial leverage. The Funds use leverage because their managers believe that, over time, leveraging provides opportunities for additional income and total returns for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by a Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when bond prices generally are rising.

Leverage made a significant positive contribution to the performance of these Funds over this reporting period.

#### RECENT DEVELOPMENTS REGARDING THE FUNDS' LEVERAGED CAPITAL STRUCTURE

Shortly after their inceptions, each of the Funds issued auction rate preferred shares (ARPS) to create financial leverage. As noted in the past shareholder reports, the ARPS issued by many closed-end funds, including these Funds, have been hampered by a lack of liquidity since February 2008. Since that time, more auction rate preferred shares have been submitted for sale in each of their

regularly scheduled auctions than there have been offers to buy. In fact, offers to buy have been almost completely non-existent since late February 2008. This means that these auctions have "failed to clear," and that many, or all, of the ARPS shareholders who wanted to sell their shares in these auctions were unable to do so. This lack of liquidity in ARPS did not lower the credit quality of these shares, and ARPS shareholders unable to sell their shares received distributions at the "maximum rate" applicable to failed auctions, as calculated in accordance with the pre-established terms of the ARPS. In the recent market, with short-term rates at multi-generational lows, those maximum rates also have been low.

One continuing implication for common shareholders from the auction failures is that each Fund's cost of leverage likely has been incrementally higher at times than it otherwise might have been had the auctions continued to be successful. As a result, each Fund's common share earnings likely have been incrementally lower at times than they otherwise might have been.

As noted in past shareholder reports, the Nuveen funds' Board of Directors/Trustees authorized several methods to refinance a portion of the Nuveen funds' outstanding ARPS. Some Funds have invested in tender option bonds (TOBs), also known as floating rate securities. The amount of TOBs that a Fund may use varies according to the composition of each Fund's portfolio. Some Funds have a greater ability to use TOBs than others. As of January 31, 2010, some Funds have issued Variable Rate Demand Preferred Shares (VRDP), but these issuances have been limited since it has been difficult to find liquidity facilities on economically viable terms given the constrained credit environment. Some Funds also have issued MuniFund Term Preferred Shares (MTP), a fixed-rate form of preferred stock with a mandatory redemption period of five years.

Nuveen Investments 5

While all these efforts have reduced the total amount of outstanding ARPS issued by the Nuveen funds, the Funds cannot provide any assurance on when the remaining outstanding ARPS might be redeemed.

As of January 31, 2010, the amount of ARPS redeemed by the Funds are as shown in the accompanying table.

FUND	AUCTION RATE PREFERRED SHARES REDEEMED	% OF ORIGINAL AUCTION RATE PREFERRED SHARES
NAZ	\$2,125,000	7.1%
NFZ	\$1,400,000	11.7%
NKR	\$1,875,000	10.1%
NXE	\$3,600,000	16.4%
NTX	\$3,950,000	5.7%

Subsequent to the reporting period, NFZ, NKR and NXE filed with the Securities and Exchange Commission (SEC) a registration statement seeking to register MTP. These registration statements, declared effective by the SEC, enables the Funds to issue to the public shares of MTP to refinance all or a portion of their ARPS. The issuance of MTP by NFZ, NKR and NXE is subject to market conditions. There is no assurance that these MTP shares will be issued.

As of January 31, 2010, 78 out of the 84 Nuveen closed-end municipal funds that had issued ARPS have redeemed, at par, all or a portion of these shares. These redemptions bring the total amount of Nuveen's municipal closed-end funds' ARPS



# Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

redemptions to approximately \$2.8 billion of the original \$11 billion outstanding.

For up-to-date information, please visit the Nuveen CEF Auction Rate Preferred Resource Center at: <http://www.nuveen.com/arsps>.

6 Nuveen Investments

## COMMON SHARE DIVIDEND AND SHARE PRICE INFORMATION

During the six-month period ended January 31, 2010, NAZ, NFZ, NKR, NXE and NTX each had two monthly dividend increases.

Due to normal portfolio activity, common shareholders of NTX received a long-term capital gains distribution of \$0.0118 per share and a short-term capital gains distribution of \$0.0002 per share at the end of December 2009.

All of the Funds in this report seek to pay stable dividends at rates that reflect each Fund's past results and projected future performance. During certain periods, each Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If a Fund has cumulatively earned more than it has paid in dividends, it holds the excess in reserve as undistributed net investment income (UNII) as part of the Fund's NAV. Conversely, if a Fund has cumulatively paid dividends in excess of its earnings, the excess constitutes negative UNII that is likewise reflected in the Fund's NAV. Each Fund will, over time, pay all of its net investment income as dividends to shareholders. As of January 31, 2010, all of the Funds in this report had positive UNII balances, based upon our best estimate, for tax purposes and positive UNII balances for financial statement purposes.

## COMMON SHARE REPURCHASES AND SHARE PRICE INFORMATION

During the six-month reporting period, NFZ, NKR and NXE did not repurchase any of their outstanding common shares. As of January 31, 2010, NFZ, NKR and NXE cumulatively repurchased their outstanding common shares as shown in the accompanying table. Since the inception of the Funds' repurchase program, NAZ and NTX have not repurchased any of their outstanding common shares.

FUND	COMMON SHARES REPURCHASED	% OF OUTSTANDING COMMON SHARES
NFZ	2,500	0.2%
NKR	800	0.0%*
NXE	1,600	0.1%

\*Rounds to less than 0.1%.

As of January 31, 2010, the Funds' common share prices were trading at (+) premiums or (-) discounts to their common share NAVs as shown in the accompanying table.

	1/31/10 (+) PREMIUM/ (-) DISCOUNT	SIX-MONTH AVERAGE (+) PREMIUM/ (+) DISCOUNT
NAZ	+1.17%	-4.08%
NFZ	-10.11%	-6.52%
NKR	-7.83%	-7.56%
NXE	-7.80%	-7.27%
NTX	+4.24%	+4.11%

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Nuveen Investments 7

NAZ Performance OVERVIEW | Nuveen Arizona Premium Income Municipal Fund, Inc.  
| as of January 31, 2010

FUND SNAPSHOT

Common Share Price	\$ 13.84
Common Share Net Asset Value	\$ 13.68
Premium/(Discount) to NAV	1.17%
Market Yield	5.12%
Taxable-Equivalent Yield(1)	7.45%
Net Assets Applicable to Common Shares (\$000)	\$61,160
Average Effective Maturity on Securities (Years)	17.19
Leverage-Adjusted Duration	8.87

AVERAGE ANNUAL TOTAL RETURN  
(Inception 11/19/92)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	15.57%	8.56%
1-Year	34.93%	20.82%
5-Year	2.31%	3.44%
10-Year	5.25%	5.65%

PORTFOLIO COMPOSITION  
(as a % of total investments)

Tax Obligation/Limited	23.5%
Utilities	16.4%
Health Care	15.2%
Water and Sewer	13.3%
U.S. Guaranteed	12.2%
Education and Civic Organizations	7.9%
Tax Obligation/General	7.5%
Other	4.0%

CREDIT QUALITY (as a % of total investments)

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

[PIE CHART]

AAA/U.S.	
Guaranteed	27%
AA	20%
A	34%
BBB	8%
N/R	11%

2009-2010 MONTHLY TAX-FREE DIVIDENDS PER COMMON SHARE

[BAR CHART]

Feb	\$ 0.053
Mar	0.053
Apr	0.053
May	0.054
Jun	0.054
Jul	0.054
Aug	0.054
Sep	0.057
Oct	0.057
Nov	0.057
Dec	0.059
Jan	0.059

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE

[LINE GRAPH]

2/01/09	\$ 10.81
	11.01
	11.23
	10.8981
	10.93
	10.83
	10.6501
	10.96
	11.23
	11.1
	11.12
	11.18
	11.6
	11.79
	11.85
	11.85
	12.09
	11.8985
	11.94
	11.88
	11.93
	11.65
	11.91
	12.58
	12.6
	12.37
	12.29
	12.57
	12.49
	12.47
	12.52

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	12.8
	12.88
	13.07
	13.3
	13.23
	13.52
	12.93
	13.1517
	12.72
	12.99
	12.7501
	12.81
	13.06
	13.31
	12.9388
	13.08
	13.1
	12.87
	13.55
	13.89
	13.9499
1/31/10	13.84

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

8 Nuveen Investments

NFZ Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund  
| as of January 31, 2010

CREDIT QUALITY (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	19%
AA	25%
A	32%
BBB	16%
N/R	8%

2009-2010 MONTHLY TAX-FREE DIVIDENDS PER COMMON SHARE

[BAR CHART]

Feb	\$ 0.0525
Mar	0.0525
Apr	0.0525
May	0.0525
Jun	0.0525
Jul	0.0525
Aug	0.0525
Sep	0.054
Oct	0.054
Nov	0.054
Dec	0.057
Jan	0.057

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE

[LINE GRAPH]

2/01/09	\$ 10.18
	10.3299
	10.31
	9.95
	10.04
	10.0265
	9.43
	9.59
	9.97
	10.58
	11.39
	10.9
	10.93
	11.33
	11
	10.96
	11.1845
	11.3199
	11.52
	11.27
	11.27
	11.19
	11.35
	11.69
	11.5135
	12.16
	12.14
	12.45
	12
	12.14
	12.1
	12.28
	12.58
	12.8999
	13.29
	13.07
	13.32
	12
	12.75
	12.59
	12.538
	12.4
	12.38
	13
	12.67
	12.51
	12.535
	12.41
	12.39
	12.49
	12.46
	12.4
1/31/10	12.27

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax

## Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

### FUND SNAPSHOT

Common Share Price	\$ 12.27
Common Share Net Asset Value	\$ 13.65
Premium/(Discount) to NAV	-10.11%
Market Yield	5.57%
Taxable-Equivalent Yield(1)	8.11%
Net Assets Applicable to Common Shares (\$000)	\$21,131
Average Effective Maturity on Securities (Years)	15.37
Leverage-Adjusted Duration	9.10

### AVERAGE ANNUAL TOTAL RETURN (Inception 1/30/01)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	3.74%	10.46%
1-Year	26.44%	20.56%
5-Year	-0.69%	2.67%
Since Inception	3.36%	5.20%

### PORTFOLIO COMPOSITION (as a % of total investments)

Tax Obligation/Limited	31.9%
Utilities	22.8%
Health Care	12.3%
Water and Sewer	8.7%
Tax Obligation/General	7.9%
U.S. Guaranteed	6.1%
Education and Civic Organizations	5.4%
Other	4.9%

Nuveen Investments 9

# Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

NKR Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund 2  
| as of January 31, 2010

## FUND SNAPSHOT

Common Share Price	\$ 13.18
Common Share Net Asset Value	\$ 14.30
Premium/(Discount) to NAV	-7.83%
Market Yield	5.83%
Taxable-Equivalent Yield(1)	8.49%
Net Assets Applicable to Common Shares (\$000)	\$34,896
Average Effective Maturity on Securities (Years)	14.11
Leverage-Adjusted Duration	7.29

## AVERAGE ANNUAL TOTAL RETURN (Inception 3/25/02)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	8.22%	9.00%
1-Year	26.10%	19.23%
5-Year	1.96%	3.59%
Since Inception	4.15%	5.74%

## PORTFOLIO COMPOSITION (as a % of total investments)

Tax Obligation/Limited	32.0%
Health Care	16.5%
U.S. Guaranteed	13.9%
Tax Obligation/General	13.7%
Water and Sewer	7.9%
Education and Civic Organizations	4.5%
Other	11.5%

## CREDIT QUALITY (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	34%
AA	14%

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

A	23%
BBB	13%
N/R	16%

2009-2010 MONTHLY TAX-FREE DIVIDENDS PER COMMON SHARE

[BAR CHART]

Feb	\$ 0.0585
Mar	0.0585
Apr	0.0585
May	0.0585
Jun	0.0585
Jul	0.0585
Aug	0.0585
Sep	0.0595
Oct	0.0595
Nov	0.0595
Dec	0.064
Jan	0.064

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE

[LINE GRAPH]

2/01/09	\$ 11.09
	11.2
	11.3
	11.07
	11.273
	10.354
	10.37
	10.4401
	10.6901
	11.12
	11.82
	11.33
	11.6
	12.03
	11.92
	11.824
	12.15
	12.2
	12.44
	12.2
	12.2
	12.0501
	12.18
	12.83
	13.05
	12.4488
	12.52
	12.47
	12.2
	12.429
	12.41
	12.6999
	12.7
	12.9999
	13.3202
	13.464
	13.64



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	12.8499
	13.01
	12.91
	13.31
	13.1725
	13.31
	13.24
	13.16
	13.0325
	13.0201
	13.19
	13.166
	13.55
	13.42
	13.5393
1/31/10	13.1776

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

10 Nuveen Investments

NXE Performance OVERVIEW | Nuveen Arizona Dividend Advantage Municipal Fund 3  
| as of January 31, 2010

CREDIT QUALITY (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	21%
AA	20%
A	27%
BBB	18%
N/R	14%

2009-2010 MONTHLY TAX-FREE DIVIDENDS PER COMMON SHARE

[BAR CHART]

Feb	\$ 0.0545
Mar	0.0545
Apr	0.0545
May	0.0545
Jun	0.0545
Jul	0.0545
Aug	0.0545
Sep	0.059
Oct	0.059
Nov	0.059
Dec	0.062
Jan	0.062

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE

[LINE GRAPH]

2/01/09	\$ 10.37
---------	----------

10.531  
 10.45  
 9.9999  
 10.07  
 9.9982  
 9.51  
 9.69  
 9.76  
 9.88  
 10.131  
 10.35  
 10.64  
 10.34  
 10.7  
 10.97  
 11.62  
 11.5  
 11.4  
 11.26  
 11.03  
 11.1  
 11.19  
 11.56  
 11.62  
 11.6154  
 11.73  
 11.7  
 11.63  
 11.7  
 12.0225  
 12.18  
 12.53  
 13.14  
 13.142  
 13.09  
 13.12  
 12.382  
 13.2  
 12.792  
 12.4  
 12.7  
 12.69  
 13.05  
 12.69  
 12.6899  
 12.4299  
 12.58  
 12.5  
 12.6  
 12.634  
 12.55  
 12.65

1/31/10

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a combined federal and state income tax rate of 31.3%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

FUND SNAPSHOT

-----  
 Common Share Price \$ 12.65

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Common Share	
Net Asset Value	\$ 13.72
Premium/(Discount) to NAV	-7.80%
Market Yield	5.88%
Taxable-Equivalent Yield(1)	8.56%
Net Assets Applicable to Common Shares (\$000)	\$42,078
Average Effective Maturity on Securities (Years)	15.77
Leverage-Adjusted Duration	8.08

AVERAGE ANNUAL TOTAL RETURN  
(Inception 9/25/02)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	10.90%	10.35%
1-Year	30.07%	23.06%
5-Year	2.34%	3.54%
Since Inception	3.10%	4.66%

PORTFOLIO COMPOSITION  
(as a % of total investments)

Tax Obligation/Limited	22.1%
Health Care	20.6%
U.S. Guaranteed	13.4%
Education and Civic Organizations	10.4%
Transportation	9.7%
Water and Sewer	9.4%
Utilities	9.3%
Other	5.1%

Nuveen Investments 11

NTX Performance OVERVIEW | Nuveen Texas Quality Income Municipal Fund  
| as of January 31, 2010

FUND SNAPSHOT

Common Share Price	\$ 15.23
--------------------	----------

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Common Share Net Asset Value	\$ 14.61
Premium/(Discount) to NAV	4.24%
Market Yield	5.36%
Taxable-Equivalent Yield(1)	7.44%
Net Assets Applicable to Common Shares (\$000)	\$139,034
Average Effective Maturity on Securities (Years)	15.84
Leverage-Adjusted Duration	7.31

AVERAGE ANNUAL TOTAL RETURN  
(Inception 10/17/91)

	ON SHARE PRICE	ON NAV
6-Month (Cumulative)	5.97%	8.58%
1-Year	27.65%	16.45%
5-Year	5.70%	4.05%
10-Year	8.62%	6.73%

PORTFOLIO COMPOSITION  
(as a % of total investments)

Tax Obligation/General	32.1%
U.S. Guaranteed	10.9%
Education and Civic Organizations	10.2%
Health Care	8.5%
Utilities	8.5%
Water and Sewer	8.1%
Transportation	6.3%
Tax Obligation/Limited	6.2%
Other	9.2%

CREDIT QUALITY (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	42%
AA	24%
A	16%
BBB	14%
BB or Lower	4%

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

2009-2010 MONTHLY TAX-FREE DIVIDENDS PER COMMON SHARE (2)

[BAR CHART]

Feb	\$ 0.058
Mar	0.058
Apr	0.058
May	0.062
Jun	0.062
Jul	0.062
Aug	0.062
Sep	0.067
Oct	0.067
Nov	0.067
Dec	0.068
Jan	0.068

COMMON SHARE PRICE PERFORMANCE -- WEEKLY CLOSING PRICE

[LINE GRAPH]

2/01/09	\$ 12.56
	12.92
	12.9501
	12.41
	13.118
	13.05
	13.08
	13.07
	13.38
	13.2
	13.4
	13.13
	13.36
	13.25
	13.42
	13.75
	13.6696
	13.864
	13.55
	13.81
	13.6001
	14.1
	14.18
	14.49
	14.26
	14.212
	14.78
	14.5
	14.9
	14.54
	14.74
	15.09
	14.95
	15.25
	15.4199
	15.4215
	15.6283
	15.75
	15.4
	14.61
	14.61

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	14.35
	14.3999
	14.7
	15.19
	15.11
	14.95
	14.8899
	15.1
	15.16
	15.3399
	15.35
1/31/10	15.23

1 Taxable-Equivalent Yield represents the yield that must be earned on a fully taxable investment in order to equal the yield of the Fund on an after-tax basis. It is based on a federal income tax rate of 28%. When comparing this Fund to investments that generate qualified dividend income, the Taxable-Equivalent Yield is lower.

2 The Fund paid shareholders capital gains and net ordinary income distributions in December 2009 of \$0.0120 per share.

12 Nuveen Investments

NAZ | Nuveen Arizona Premium Income Municipal Fund, Inc.  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
CONSUMER STAPLES - 1.2% (0.8% OF TOTAL INVESTMENTS)		
\$ 785	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100.00
EDUCATION AND CIVIC ORGANIZATIONS - 11.4% (7.9% OF TOTAL INVESTMENTS)		
2,500	Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Auction Rate Securities, 0.000%, 11/01/41 (Alternative Minimum Tax) (4)	9/10 at 100.00
1,000	Arizona State University, System Revenue Bonds, Series 2002, 5.000%, 7/01/25 - FGIC Insured	7/12 at 100.00
1,455	Arizona State University, System Revenue Bonds, Series 2005: 5.000%, 7/01/20 - AMBAC Insured	7/15 at 100.00
750	5.000%, 7/01/21 - AMBAC Insured	7/15 at 100.00
1,500	Tempe Industrial Development Authority, Arizona, Lease Revenue Bonds, Arizona State University Foundation Project, Series 2003, 5.000%, 7/01/34 - AMBAC Insured	7/13 at 100.00
7,205	Total Education and Civic Organizations	
HEALTH CARE - 22.0% (15.2% OF TOTAL INVESTMENTS)		

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

1,430	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25	1/17 at 100.00
885	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 1.004%, 1/02/37	1/17 at 100.00
3,470	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38	1/18 at 100.00
675	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at 100.00
1,110	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42	12/17 at 100.00
2,150	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23	7/14 at 100.00
2,800	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32	7/17 at 100.00
515	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Hospital Revenue Bonds, Hospital de la Concepcion, Series 2000A, 6.375%, 11/15/15	11/10 at 101.00
1,005	Winslow Industrial Development Authority, Arizona, Hospital Revenue Bonds, Winslow Memorial Hospital, Series 1998, 5.500%, 6/01/22	6/10 at 100.00
-----		
14,040	Total Health Care	
-----		
HOUSING/SINGLE FAMILY - 4.6% (3.2% OF TOTAL INVESTMENTS)		
610	Phoenix and Pima County Industrial Development Authority, Arizona, Single Family Mortgage Revenue Bonds, Series 2007-4, 5.800%, 12/01/39 (Alternative Minimum Tax)	7/17 at 103.00
2,115	Tucson and Pima County Industrial Development Authority, Arizona, Joint Single Family Mortgage Revenue Bonds, Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax)	6/17 at 101.00
-----		
2,725	Total Housing/Single Family	
-----		
TAX OBLIGATION/GENERAL - 10.8% (7.5% OF TOTAL INVESTMENTS)		
1,265	Gila County Unified School District 10 Payson, Arizona, School Improvement Bonds, Project 2006, Series 2008B, 3.000%, 7/01/28	7/18 at 100.00
1,200	Maricopa County Unified School District 95 Queen Creek, Arizona, General Obligation Bonds, Series 2008, 5.000%, 7/01/27 - AGM Insured	7/18 at 100.00
3,530	Pinal County Unified School District 1, Florence, Arizona, General Obligation Bonds, Series 2008C, 5.250%, 7/01/28	7/18 at 100.00
330	Puerto Rico, General Obligation and Public Improvement Bonds, Series 2001A, 5.375%, 7/01/28	7/11 at 100.00

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

6,325 Total Tax Obligation/General

Nuveen Investments 13

NAZ | Nuveen Arizona Premium Income Municipal Fund, Inc. (continued)  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
TAX OBLIGATION/LIMITED - 34.0% (23.5% OF TOTAL INVESTMENTS)		
\$ 376	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at 102.00
3,000	Glendale Western Loop 101 Public Facilities Corporation, Arizona, Third Lien Excise Tax Revenue Bonds, Series 2008B, 6.250%, 7/01/38	1/14 at 100.00
1,280	Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006-1, 5.000%, 8/01/22 - NPMG Insured	8/16 at 100.00
740	Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - NPMG Insured	8/16 at 100.00
575	Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/28 - AMBAC Insured	7/13 at 100.00
1,511	Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26	7/16 at 100.00
3,400	Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002, 5.375%, 6/01/18 - AMBAC Insured	6/12 at 100.00
3,400	Mesa, Arizona, Street and Highway User Tax Revenue Bonds, Series 2005, 5.000%, 7/01/24 - AGM Insured	7/15 at 100.00
1,140	Pinetop Fire District of Navajo County, Arizona, Certificates of Participation, Series 2008, 7.750%, 6/15/29	6/16 at 102.00
1,200	Prescott Valley Municipal Property Corporation, Arizona, Municipal Facilities Revenue Bonds, Series 2003, 5.000%, 1/01/27 - FGIC Insured	1/13 at 100.00
265	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24	7/12 at 100.00
1,610	San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured	7/15 at 100.00
1,000	Scottsdale Municipal Property Corporation, Arizona, Excise Tax	No Opt. Call



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Revenue Bonds, Series 2006, 5.000%, 7/01/24

645	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at 100.00
-----		
20,142	Total Tax Obligation/Limited	
-----		
U.S. GUARANTEED - 17.7% (12.2% OF TOTAL INVESTMENTS) (5)		
800	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)	7/10 at 101.00
1,000	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 7.000%, 12/01/25 (Pre-refunded 12/01/10)	12/10 at 102.00
1,250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Series 2001A, 5.875%, 5/15/31 (Pre-refunded 5/15/11)	5/11 at 101.00
1,250	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Refunding Bonds, Samaritan Health Services, Series 1990A, 7.000%, 12/01/16 - MBIA Insured (ETM)	No Opt. Call
385	Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)	4/15 at 100.00
2,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2000, 6.000%, 7/01/24 (Pre-refunded 7/01/10) - FGIC Insured	7/10 at 101.00
1,000	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 6.500%, 7/01/27 (Pre-refunded 7/01/10)	7/10 at 101.00
735	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 (Pre-refunded 7/01/12)	7/12 at 100.00
1,500	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11)	12/11 at 101.00
-----		
9,920	Total U.S. Guaranteed	
-----		

14 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
UTILITIES - 23.7% (16.4% OF TOTAL INVESTMENTS)		
\$ 1,000	Arizona Power Authority, Special Obligation Power Resource	No Opt. Call

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Revenue Refunding Crossover Bonds, Hoover Project, Series  
2001, 5.250%, 10/01/15

105	Pima County Industrial Development Authority, Arizona, Lease Obligation Revenue Refunding Bonds, Tucson Electric Power Company, Series 1988A, 7.250%, 7/15/10 - AGM Insured	4/10 at 100.00
1,340	Pima County Industrial Development Authority, Arizona, Revenue Bonds, Tucson Electric Power Company, Series 2008, 5.750%, 9/01/29	4/15 at 100.00
2,170	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/27 - SYNCORA GTY Insured	7/15 at 100.00
530	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at 100.00
715	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Tender Option Bond Trust 09-9W, 17.125%, 1/01/38 (IF)	1/18 at 100.00
1,000	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A, 5.125%, 1/01/27	1/12 at 101.00
	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007:	
4,500	5.500%, 12/01/29	No Opt. Call
3,500	5.000%, 12/01/37	No Opt. Call
-----		
14,860	Total Utilities	
-----		
	WATER AND SEWER - 19.2% (13.3% OF TOTAL INVESTMENTS)	
1,005	Cottonwood, Arizona, Senior Lien Water System Revenue Bonds, Municipal Property Corporation, Series 2004, 5.000%, 7/01/24 - SYNCORA GTY Insured	7/14 at 100.00
3,500	Glendale, Arizona, Water and Sewer Revenue Bonds, Subordinate Lien, Series 2003, 5.000%, 7/01/28 - AMBAC Insured	7/13 at 100.00
1,425	Goodyear, Arizona, Water and Sewer Revenue Obligations, Series 2010, 5.625%, 7/01/39	7/20 at 100.00
600	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - NPF Insured	7/13 at 100.00
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Bonds, Series 2004, 5.000%, 7/01/24 - NPF Insured	7/14 at 100.00
1,500	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured	7/12 at 100.00
1,250	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/21 - FGIC Insured	No Opt. Call
	Surprise Municipal Property Corporation, Arizona, Wastewater	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

System Revenue Bonds, Series 2007:		
600	4.700%, 4/01/22	4/14 at 100.00
695	4.900%, 4/01/32	4/17 at 100.00
-----		
11,575	Total Water and Sewer	
-----		
\$ 87,577	Total Investments (cost \$85,048,139) - 144.6%	
=====		
	Other Assets Less Liabilities - 1.0%	
-----		
	Preferred Shares, at Liquidation Value - (45.6)% (6)	
-----		
	Net Assets Applicable to Common Shares - 100%	
=====		

- (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.
  - (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Directors. For fair value measurement disclosure purposes, investment categorized as Level 3. See Notes to Financial Statements, Footnote 2 - Fair Value Measurements for more information.
  - (5) 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.
  - (6) Preferred shares, at Liquidation Value as a percentage of Total Investments is 31.5%.
- N/R Not rated.
- (ETM) Escrowed to maturity.
- (IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 15

NFZ | Nuveen Arizona Dividend Advantage Municipal Fund  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL  
 AMOUNT (000) DESCRIPTION (1)

OPTIONAL CALL  
 PROVISIONS (2)

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

---

EDUCATION AND CIVIC ORGANIZATIONS - 8.1% (5.4% OF TOTAL INVESTMENTS)			
\$	280	Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Auction Rate Securities, 0.000%, 11/01/41 (Alternative Minimum Tax) (4)	9/10 at 100.00
	1,000	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/29	2/10 at 100.50
	300	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, University of the Sacred Heart, Series 2001, 5.250%, 9/01/21	9/11 at 100.00
	305	Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34	9/14 at 100.00
<hr/>			
	1,885	Total Education and Civic Organizations	
<hr/>			
HEALTH CARE - 18.3% (12.3% OF TOTAL INVESTMENTS)			
	565	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25	1/17 at 100.00
	325	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 1.004%, 1/02/37	1/17 at 100.00
	720	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38	1/18 at 100.00
	10	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/28	3/13 at 100.00
	250	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at 100.00
	415	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42	12/17 at 100.00
	750	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23	7/14 at 100.00
	1,025	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32	7/17 at 100.00
<hr/>			
	4,060	Total Health Care	
<hr/>			
HOUSING/MULTIFAMILY - 3.5% (2.4% OF TOTAL INVESTMENTS)			
	1,000	Maricopa County Industrial Development Authority, Arizona, Multifamily Housing Revenue Bonds, Whispering Palms	2/10 at 102.00

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Apartments, Series 1999A, 5.900%, 7/01/29 - NPMFG Insured

-----  
HOUSING/SINGLE FAMILY - 3.7% (2.5% OF TOTAL INVESTMENTS)

760 Tucson and Pima County Industrial Development Authority, Arizona, 6/17 at 101.00  
Joint Single Family Mortgage Revenue Bonds, Series 2007B,  
5.350%, 6/01/47 (Alternative Minimum Tax)

-----  
TAX OBLIGATION/GENERAL - 11.8% (7.9% OF TOTAL INVESTMENTS)

1,000 Maricopa County Unified School District 11, Peoria, Arizona, 7/15 at 100.00  
General Obligation Bonds, Second Series 2005, 5.000%, 7/01/20  
- FGIC Insured

1,340 Yuma & La Paz Counties Community College District, Arizona, 7/16 at 100.00  
General Obligation Bonds, Series 2006, 5.000%, 7/01/21 - NPMFG  
Insured

-----  
2,340 Total Tax Obligation/General  
-----

16 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
---------------------------	-----------------	---------------------------------

-----  
TAX OBLIGATION/LIMITED - 47.7% (31.9% OF TOTAL INVESTMENTS)

\$ 1,220	Arizona Tourism and Sports Authority, Tax Revenue Bonds, Multipurpose Stadium Facility Project, Series 2003A, 5.000%, 7/01/31 - NPMFG Insured	7/13 at 100.00
----------	---	----------------

91	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at 100.00
----	--	----------------

207	Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007, 5.700%, 7/01/27	1/17 at 100.00
-----	---	----------------

146	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at 102.00
-----	--	----------------

1,000	Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006-1, 5.000%, 8/01/22 - NPMFG Insured	8/16 at 100.00
-------	--	----------------

275	Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - NPMFG Insured	8/16 at 100.00
-----	---	----------------

1,180	Marana Municipal Property Corporation, Arizona, Revenue Bonds, Series 2003, 5.000%, 7/01/23 - AMBAC Insured	7/13 at 100.00
-------	--	----------------

528	Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26	7/16 at 100.00
-----	---	----------------

150	Marley Park Community Facilities District, City of Surprise,	7/17 at 100.00
-----	--	----------------

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Arizona, Limited Tax General Obligation Bonds, Series 2007,  
6.100%, 7/15/32

255	Merrill Ranch Community Facilities District 1, Florence, Arizona, General Obligation Bonds, Series 2008A, 7.400%, 7/15/33	7/18 at 100.00
330	Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31	7/16 at 100.00
225	Palm Valley Community Facility District 3, Goodyear, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.800%, 7/15/32	7/17 at 100.00
100	Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31	7/16 at 100.00
900	Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II, Series 2001, 5.250%, 9/15/16 - AMBAC Insured	3/12 at 100.00
680	Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured	No Opt. Call
600	San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured	7/15 at 100.00
1,000	Scottsdale Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2006, 5.000%, 7/01/24	No Opt. Call
350	Tartesso West Community Facility District, Buckeye, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.900%, 7/15/32	7/17 at 100.00
500	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at 100.00
353	Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30	7/16 at 100.00
225	Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31	7/16 at 100.00
10,315	Total Tax Obligation/Limited	

Nuveen Investments 17

NFZ | Nuveen Arizona Dividend Advantage Municipal Fund (continued)  
| Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CAL PROVISIONS (2)
---------------------------	-----------------	--------------------------------

U.S. GUARANTEED - 9.1% (6.1% OF TOTAL INVESTMENTS) (5)

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

\$	365	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)	7/10 at 101.0
	240	Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 (Pre-refunded 7/01/16) - MBIA Insured	7/16 at 100.0
	140	Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)	4/15 at 100.0
	1,000	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11)	12/11 at 101.0
-----			
	1,745	Total U.S. Guaranteed	
-----			
		UTILITIES - 31.7% (21.2% OF TOTAL INVESTMENTS)	
	1,500	Arizona Power Authority, Special Obligation Power Resource Revenue Refunding Crossover Bonds, Hoover Project, Series 2001, 5.250%, 10/01/17	No Opt. Cal
	1,000	Mesa, Arizona, Utility System Revenue Refunding Bonds, Series 2002, 5.250%, 7/01/17 - FGIC Insured	No Opt. Cal
	665	Pima County Industrial Development Authority, Arizona, Revenue Bonds, Tucson Electric Power Company, Series 2008, 5.750%, 9/01/29	1/15 at 100.0
	1,000	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - SYNCORA GTY Insured	7/15 at 100.0
	200	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at 100.0
	560	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Tender Option Bond Trust 09-9W, 17.125%, 1/01/38 (IF)	1/18 at 100.0
	235	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 1997A, 5.000%, 1/01/20	4/10 at 100.0
	1,000	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Refunding Bonds, Series 2002A, 5.250%, 1/01/18	1/12 at 101.0
-----			
	6,160	Total Utilities	
-----			
		WATER AND SEWER - 13.0% (8.7% OF TOTAL INVESTMENTS)	
	475	Goodyear, Arizona, Water and Sewer Revenue Obligations, Series 2010, 5.625%, 7/01/39	7/20 at 100.0
	225	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - NCFG Insured	7/13 at 100.0

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	1,500	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/26 - FGIC Insured	7/12 at 100.0
		Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007:	
	225	4.700%, 4/01/22	4/14 at 100.0
	260	4.900%, 4/01/32	4/17 at 100.0
	175	Yuma County Industrial Development Authority, Arizona, Exempt Revenue Bonds, Far West Water & Sewer Inc. Refunding, Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax)	12/17 at 100.0
-----			
	2,860	Total Water and Sewer	
-----			
\$	31,125	Total Long-Term Investments (cost \$31,260,370) - 146.9%	
=====			

18 Nuveen Investments

	PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----			
		SHORT-TERM INVESTMENTS - 2.4% (1.6% OF TOTAL INVESTMENTS)	
		UTILITIES - 2.4% (1.6% OF TOTAL INVESTMENTS)	
\$	500	The Industrial Development Authority of the County of Apache, Arizona, Industrial Development Revenue Bonds, 1985 Series A, Tucson Electric Power Company Springville Project, Variable Rate Demand Obligations, 0.200%, 12/01/20 (6)	4/10 at 100.0
-----			
		Total Short-Term Investments (cost \$500,000)	
-----			
		Total Investments (cost \$31,760,370) - 149.3%	
-----			
		Other Assets Less Liabilities - 0.9%	
-----			
		Preferred Shares, at Liquidation Value - (50.2)% (7)	
-----			
		Net Assets Applicable to Common Shares - 100%	
=====			

- (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



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

grade.

- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees. For fair value measurement disclosure purposes, investment categorized as Level 3. See Notes to Financial Statements, Footnote 2 - Fair Value Measurements for more information.
  - (5) 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.
  - (6) Investment has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term investment. The rate disclosed is that in effect at the end of the reporting period. This rate changes periodically based on market conditions or a specified market index.
  - (7) Preferred shares, at Liquidation Value as a percentage of Total Investments is 33.6%.
- N/R Not rated.
- (IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 19

NKR | Nuveen Arizona Dividend Advantage Municipal Fund 2  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	EDUCATION AND CIVIC ORGANIZATIONS - 6.5% (4.5% OF TOTAL INVESTMENTS)	
\$ 1,130	Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Auction Rate Securities, 0.000%, 11/01/41 (Alternative Minimum Tax) (4)	9/10 at 100.0
485	Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24	12/14 at 100.0
320	Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, Higher Education Revenue Bonds, Ana G. Mendez University System, Series 1999, 5.375%, 2/01/19	2/10 at 100.5
480	Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34	9/14 at 100.0
	University of Arizona, Certificates of Participation,	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Series 2002A:		
65	5.500%, 6/01/18 - AMBAC Insured	6/12 at 100.0
40	5.125%, 6/01/22 - AMBAC Insured	6/12 at 100.0
-----		
2,520	Total Education and Civic Organizations	
-----		
HEALTH CARE - 24.1% (16.5% OF TOTAL INVESTMENTS)		
845	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25	1/17 at 100.0
520	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 1.004%, 1/02/37	1/17 at 100.0
1,150	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38	1/18 at 100.0
600	Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20	4/14 at 100.0
400	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at 100.0
655	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42	12/17 at 100.0
1,375	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23	7/14 at 100.0
1,650	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32	7/17 at 100.0
500	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37	5/10 at 100.0
1,000	Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33	8/13 at 100.0
-----		
8,695	Total Health Care	
-----		
HOUSING/MULTIFAMILY - 3.0% (2.1% OF TOTAL INVESTMENTS)		
1,000	Maricopa County Industrial Development Authority, Arizona, GNMA Collateralized Multifamily Housing Revenue Refunding Bonds, Pine Ridge, Cambridge Court, Cove on 44th and Fountain Place Apartments, Series 2001A-1, 6.000%, 10/20/31	10/11 at 105.0
-----		
HOUSING/SINGLE FAMILY - 3.7% (2.5% OF TOTAL INVESTMENTS)		
1,245	Tucson and Pima County Industrial Development Authority, Arizona, Joint Single Family Mortgage Revenue Bonds, Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax)	6/17 at 101.0
-----		
TAX OBLIGATION/GENERAL - 20.0% (13.7% OF TOTAL INVESTMENTS)		
1,000	Maricopa County School District 6, Arizona, General Obligation	No Opt. Cal

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Refunding Bonds, Washington Elementary School, Series 2002A,  
5.375%, 7/01/16 - AGM Insured

1,165 Maricopa County Unified School District 69, Paradise Valley,  
Arizona, General Obligation Refunding Bonds, Series 2002A,  
5.250%, 7/01/14 - FGIC Insured

No Opt. Cal

20 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
TAX OBLIGATION/GENERAL (continued)		
\$ 1,405	Mesa, Arizona, General Obligation Bonds, Series 2002, 5.375%, 7/01/15 - FGIC Insured	No Opt. Cal
	Phoenix, Arizona, Various Purpose General Obligation Bonds, Series 2002B:	
1,700	5.000%, 7/01/22	7/12 at 100.0
500	5.000%, 7/01/27	7/12 at 100.0
510	Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24	7/11 at 100.0
-----		
6,280	Total Tax Obligation/General	
-----		
TAX OBLIGATION/LIMITED - 46.7% (32.0% OF TOTAL INVESTMENTS)		
Arizona State, Certificates of Participation, Series 2002A:		
750	5.000%, 11/01/17 - NPFPG Insured	5/12 at 100.0
1,000	5.000%, 11/01/18 - NPFPG Insured	5/12 at 100.0
500	5.000%, 11/01/20 - NPFPG Insured	5/12 at 100.0
128	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at 100.0
340	Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007, 5.800%, 7/01/32	1/17 at 100.0
231	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at 102.0
884	Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26	7/16 at 100.0
Maricopa County Stadium District, Arizona, Revenue Refunding Bonds, Series 2002:		
840	5.375%, 6/01/18 - AMBAC Insured	6/12 at 100.0
2,645	5.375%, 6/01/19 - AMBAC Insured	6/12 at 100.0
240	Marley Park Community Facilities District, City of Surprise, Arizona, Limited Tax General Obligation Bonds, Series 2007, 6.100%, 7/15/32	7/17 at 100.0

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

415	Merrill Ranch Community Facilities District 1, Florence, Arizona, General Obligation Bonds, Series 2008A, 7.400%, 7/15/33	7/18 at 100.0
530	Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31	7/16 at 100.0
350	Palm Valley Community Facility District 3, Goodyear, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.800%, 7/15/32	7/17 at 100.0
140	Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31	7/16 at 100.00
1,500	Phoenix Industrial Development Authority, Arizona, Government Bonds, Capitol Mall LLC II, Series 2001, 5.250%, 9/15/16 - AMBAC Insured	3/12 at 100.
1,070	Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured	No Opt. Cal
270	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24	7/12 at 100.0
960	San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured	7/15 at 100.0
1,000	Scottsdale Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Series 2006, 5.000%, 7/01/24	No Opt. Cal
555	Tartesso West Community Facility District, Buckeye, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.900%, 7/15/32	7/17 at 100.0
750	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at 100.0
558	Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30	7/16 at 100.0
350	Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31	7/16 at 100.0
640	Yuma Municipal Property Corporation, Arizona, Municipal Facilities Tax Revenue Bonds, Series 2001, 5.000%, 7/01/21 - AMBAC Insured	7/10 at 100.0
-----		
16,646	Total Tax Obligation/Limited	
-----		

Nuveen Investments 21

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	TRANSPORTATION - 4.2% (2.9% OF TOTAL INVESTMENTS)	
\$ 470	Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 1998A, 5.000%, 7/01/25 - AGM Insured	7/10 at 100.0
1,000	Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B, 5.250%, 7/01/27 - FGIC Insured (Alternative Minimum Tax)	7/12 at 100.0
-----		
1,470	Total Transportation	
-----		
	U.S. GUARANTEED - 20.3% (13.9% OF TOTAL INVESTMENTS) (5)	
400	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)	7/10 at 101.0
735	Arizona Health Facilities Authority, Hospital System Revenue Bonds, Phoenix Children's Hospital, Series 2002A, 6.250%, 2/15/21 (Pre-refunded 2/15/12)	2/12 at 101.0
715	Arizona State University, System Revenue Bonds, Series 2002, 5.750%, 7/01/27 (Pre-refunded 7/01/12) - FGIC Insured	7/12 at 100.0
100	Maricopa County Unified School District 89, Dysart, Arizona, General Obligation Bonds, Series 2004B, 5.250%, 7/01/20 (Pre-refunded 7/01/14) - AGM Insured	7/14 at 100.0
375	Maricopa County Union High School District 210 Phoenix, Arizona, General Obligation Bonds, Series 2006C, 5.000%, 7/01/24 (Pre-refunded 7/01/16) - MBIA Insured	7/16 at 100.0
225	Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)	4/15 at 100.0
730	Puerto Rico Public Buildings Authority, Guaranteed Government Facilities Revenue Refunding Bonds, Series 2002D, 5.125%, 7/01/24 (Pre-refunded 7/01/12)	7/12 at 100.0
1,000	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11)	12/11 at 101.0
990	Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/01/24 (Pre-refunded 7/01/11)	7/11 at 100.0
	University of Arizona, Certificates of Participation, Series 2002A:	
685	5.500%, 6/01/18 (Pre-refunded 6/01/12) - AMBAC Insured	6/12 at 100.0
460	5.125%, 6/01/22 (Pre-refunded 6/01/12) - AMBAC Insured	6/12 at 100.0
-----		
6,415	Total U.S. Guaranteed	
-----		

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

UTILITIES - 5.8% (4.0% OF TOTAL INVESTMENTS)

665	Pima County Industrial Development Authority, Arizona, Revenue Bonds, Tucson Electric Power Company, Series 2008, 5.750%, 9/01/29	1/15 at 100.0
450	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Tender Option Bond Trust 09-9W, 17.125%, 1/01/38 (IF)	1/18 at 100.0
1,000	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37	No Opt. Cal
-----		
2,115	Total Utilities	
-----		

WATER AND SEWER - 11.5% (7.9% OF TOTAL INVESTMENTS)

500	Maricopa County Industrial Development Authority, Arizona, Water System Improvement Revenue Bonds, Chaparral City Water Company, Series 1997A, 5.400%, 12/01/22 - AMBAC Insured (Alternative Minimum Tax)	6/10 at 100.0
3600	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - NPMFG Insured	7/13 at 100.0
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Refunding Bonds, Series 2001, 5.500%, 7/01/22 - FGIC Insured	No Opt. Cal
	Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007:	
350	4.700%, 4/01/22	4/14 at 100.0
410	4.900%, 4/01/32	4/17 at 100.0

22 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	WATER AND SEWER (continued)	
\$ 1,000	Tucson, Arizona, Water System Revenue Refunding Bonds, Series 2002, 5.500%, 7/01/18 - FGIC Insured	7/12 at 102.0
275	Yuma County Industrial Development Authority, Arizona, Exempt Revenue Bonds, Far West Water & Sewer Inc. Refunding, Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax)	12/17 at 100.0
-----		
3,895	Total Water and Sewer	
-----		
\$ 50,281	Total Investments (cost \$50,212,144) - 145.8%	
=====		
	Other Assets Less Liabilities - 1.8%	
-----		
	Preferred Shares, at Liquidation Value - (47.6)% (6)	

-----  
 Net Assets Applicable to Common Shares - 100%  
 =====

- (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.
  - (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees. For fair value measurement disclosure purposes, investment categorized as Level 3. See Notes to Financial Statements, Footnote 2 - Fair Value Measurements for more information.
  - (5) 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.
  - (6) Preferred shares, at Liquidation Value as a percentage of Total Investments is 32.7%.
- N/R Not rated.
- (IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 23

NXE | Nuveen Arizona Dividend Advantage Municipal Fund 3  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	CONSUMER STAPLES - 1.1% (0.8% OF TOTAL INVESTMENTS)	
\$ 495	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100.0
-----		
	EDUCATION AND CIVIC ORGANIZATIONS - 14.9% (10.4% OF TOTAL INVESTMENTS)	
690	Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Auction Rate Securities, 0.000%,	9/10 at 100.0

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

11/01/41 (Alternative Minimum Tax) (4)

1,250	Arizona State University, System Revenue Bonds, Series 2005, 5.000%, 7/01/20 - AMBAC Insured	7/15 at 100.0
1,130	Energy Management Services LLC, Arizona State University, Energy Conservation Revenue Bonds, Main Campus Project, Series 2002, 5.250%, 7/01/18 - NPFPG Insured	7/12 at 100.0
560	Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24	12/14 at 100.0
565	Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34	9/14 at 100.0
2,000	University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 - AMBAC Insured	6/12 at 100.0
-----		
6,195	Total Education and Civic Organizations	
-----		

HEALTH CARE - 29.5% (20.6% OF TOTAL INVESTMENTS)

1,015	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007A, 5.000%, 1/01/25	1/17 at 100.0
620	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 1.004%, 1/02/37	1/17 at 100.0
2,390	Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38	1/18 at 100.0
625	Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20	4/14 at 100.0
475	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37	12/15 at 100.0
785	Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42	12/17 at 100.0
1,825	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2004A, 5.375%, 7/01/23	7/14 at 100.0
1,985	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32	7/17 at 100.0
2,000	Maricopa County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Mayo Clinic Hospital, Series 1998, 5.250%, 11/15/37	5/10 at 100.0
1,000	Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33	8/13 at 100.0
-----		
12,720	Total Health Care	



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

HOUSING/SINGLE FAMILY - 3.6% (2.5% OF TOTAL INVESTMENTS)		
1,495	Tucson and Pima County Industrial Development Authority, Arizona, Joint Single Family Mortgage Revenue Bonds, Series 2007B, 5.350%, 6/01/47 (Alternative Minimum Tax)	6/17 at 101.0
TAX OBLIGATION/GENERAL - 2.5% (1.8% OF TOTAL INVESTMENTS)		
1,000	Pinal County Unified School District 1, Florence, Arizona, General Obligation Bonds, Series 2008C, 5.250%, 7/01/28	7/18 at 100.0
TAX OBLIGATION/LIMITED - 31.5% (22.1% OF TOTAL INVESTMENTS)		
146	Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29	7/15 at 100.0
2,250	DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 - AMBAC Insured	7/13 at 100.0
24 Nuveen Investments		

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
TAX OBLIGATION/LIMITED (continued)		
	Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007:	
\$ 251	5.700%, 7/01/27	1/17 at 100.0
155	5.800%, 7/01/32	1/17 at 100.0
271	Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25	7/10 at 102.0
525	Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 - NPMFG Insured	8/16 at 100.0
1,033	Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26	7/16 at 100.0
290	Marley Park Community Facilities District, City of Surprise, Arizona, Limited Tax General Obligation Bonds, Series 2007, 6.100%, 7/15/32	7/17 at 100.0
490	Merrill Ranch Community Facilities District 1, Florence, Arizona, General Obligation Bonds, Series 2008A, 7.400%, 7/15/33	7/18 at 100.0
2,175	Mohave County, Arizona, Certificates of Participation, Series	7/14 at 100.0

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

2004, 5.250%, 7/01/19 - AMBAC Insured

640	Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31	7/16 at 100.0
425	Palm Valley Community Facility District 3, Goodyear, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.800%, 7/15/32	7/17 at 100.0
160	Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31	7/16 at 100.0
1,250	Pinal County Industrial Development Authority, Arizona, Correctional Facilities Contract Revenue Bonds, Florence West Prison LLC, Series 2002A, 5.000%, 10/01/18 - ACA Insured	No Opt. Cal
1,130	San Luis Civic Improvement Corporation, Arizona, Municipal Facilities Excise Tax Revenue Bonds, Series 2005, 5.000%, 7/01/25 - SYNCORA GTY Insured	7/15 at 100.0
665	Tartesso West Community Facility District, Buckeye, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.900%, 7/15/32	7/17 at 100.0
1,250	Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24	7/15 at 100.0
662	Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30	7/16 at 100.0
425	Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31	7/16 at 100.0

---

14,193	Total Tax Obligation/Limited	
--------	------------------------------	--

---

TRANSPORTATION - 13.9% (9.7% OF TOTAL INVESTMENTS)

	Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B:	
1,000	5.750%, 7/01/16 - FGIC Insured (Alternative Minimum Tax)	7/12 at 100.0
2,300	5.250%, 7/01/21 - FGIC Insured (Alternative Minimum Tax)	7/12 at 100.0
2,450	Tucson Airport Authority Inc., Arizona, Revenue Refunding Bonds, Series 2001B, 5.000%, 6/01/20 - AMBAC Insured (Alternative Minimum Tax)	6/11 at 100.0

---

5,750	Total Transportation	
-------	----------------------	--

---

U.S. GUARANTEED - 19.1% (13.4% OF TOTAL INVESTMENTS) (5)

300	Arizona Health Facilities Authority, Hospital Revenue Bonds, Catholic Healthcare West, Series 1999A, 6.625%, 7/01/20 (Pre-refunded 7/01/10)	7/10 at 101.0
1,000	Arizona Health Facilities Authority, Hospital System Revenue Bonds, John C. Lincoln Health Network, Series 2000, 6.875%, 12/01/20 (Pre-refunded 12/01/10)	12/10 at 102.0

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

1,575	Maricopa County Union High School District 210, Phoenix, Arizona, General Obligation Bonds, Series 2004A, 5.000%, 7/01/20 (Pre-refunded 7/01/14) - AGM Insured	7/14 at 100.0
270	Maricopa County, Arizona, Hospital Revenue Bonds, Sun Health Corporation, Series 2005, 5.000%, 4/01/16 (Pre-refunded 4/01/15)	4/15 at 100.0
1,250	Scottsdale Industrial Development Authority, Arizona, Hospital Revenue Bonds, Scottsdale Healthcare, Series 2001, 5.800%, 12/01/31 (Pre-refunded 12/01/11)	12/11 at 101.0

Nuveen Investments 25

NXE | Nuveen Arizona Dividend Advantage Municipal Fund 3 (continued)  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	U.S. GUARANTEED (5) (continued)	
\$ 2,770	Tempe, Arizona, Excise Tax Revenue Refunding Bonds, Series 2003, 5.000%, 7/01/22 (Pre-refunded 7/01/13)	7/13 at 100.0
-----		
7,165	Total U.S. Guaranteed	
-----		
	UTILITIES - 13.4% (9.4% OF TOTAL INVESTMENTS)	
1,250	Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service Company - Palo Verde Project, Series 2002A, 5.050%, 5/01/29 - AMBAC Insured	11/12 at 100.0
665	Pima County Industrial Development Authority, Arizona, Revenue Bonds, Tucson Electric Power Company, Series 2008, 5.750%, 9/01/29	1/15 at 100.0
1,660	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - SYNCORA GTY Insured	7/15 at 100.0
270	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Series 2002B, 5.000%, 1/01/22	1/13 at 100.0
775	Salt River Project Agricultural Improvement and Power District, Arizona, Electric System Revenue Bonds, Tender Option Bond Trust 09-9W, 17.125%, 1/01/38 (IF)	1/18 at 100.0
1,165	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37	No Opt. Cal
-----		
5,785	Total Utilities	
-----		
	WATER AND SEWER - 13.2% (9.3% OF TOTAL INVESTMENTS)	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

955	Goodyear, Arizona, Water and Sewer Revenue Obligations, Series 2010, 5.625%, 7/01/39	7/20 at 100.0
405	Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series 2003, 5.000%, 7/01/23 - NCFG Insured	7/13 at 100.0
1,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Wastewater System Revenue Refunding Bonds, Series 2001, 5.125%, 7/01/21 - FGIC Insured	7/11 at 100.0
2,000	Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series 2002, 5.000%, 7/01/18 - FGIC Insured	7/12 at 100.0
	Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007:	
425	4.700%, 4/01/22	4/14 at 100.0
490	4.900%, 4/01/32	4/17 at 100.0
330	Yuma County Industrial Development Authority, Arizona, Exempt Revenue Bonds, Far West Water & Sewer Inc. Refunding, Series 2007A, 6.375%, 12/01/37 (Alternative Minimum Tax)	12/17 at 100.0
-----		
5,605	Total Water and Sewer	
-----		
\$ 60,403	Total Investments (cost \$60,233,474) - 142.7%	
=====		
	Other Assets Less Liabilities - 1.0%	
-----		
	Preferred Shares, at Liquidation Value - (43.7)% (6)	
-----		
	Net Assets Applicable to Common Shares - 100%	
=====		

- (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.
- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees. For fair value measurement disclosure purposes, investment categorized as Level 3. See Notes to Financial Statements, Footnote 2 - Fair Value Measurements for more information.
- (5) 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.
- (6) Preferred Shares, at Liquidation Value a percentage of Total Investments is 30.6%.

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

N/R Not rated.

(IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

26 Nuveen Investments

NTX | Nuveen Texas Quality Income Municipal Fund  
 | Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
CONSUMER STAPLES - 1.6% (1.1% OF TOTAL INVESTMENTS)		
\$ 2,340	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100.00
EDUCATION AND CIVIC ORGANIZATIONS - 15.1% (10.2% OF TOTAL INVESTMENTS)		
1,000	Central Texas Higher Education Authority Inc., Texas, Student Loan Revenue Bonds, Auction Rate Coupon, 0.560%, 12/01/37 (4)	4/10 at 100.00
	Red River Education Finance Corporation, Texas, Revenue Bonds, Hockaday School, Series 2005:	
1,170	5.000%, 5/15/27	5/15 at 100.00
1,230	5.000%, 5/15/28	5/15 at 100.00
1,290	5.000%, 5/15/29	5/15 at 100.00
	Texas Public Finance Authority, Revenue Bonds, Texas Southern University Financing System, Series 2003:	
1,710	5.000%, 5/01/18 - FGIC Insured	5/13 at 100.00
1,795	5.000%, 5/01/19 - FGIC Insured	5/13 at 100.00
1,885	5.000%, 5/01/20 - FGIC Insured	5/13 at 100.00
1,665	Texas State University System, Financing Revenue Bonds, Series 2004, 5.000%, 3/15/24 - AGM Insured	9/14 at 100.00
2,000	Texas State University System, Financing Revenue Refunding Bonds, Series 2002, 5.000%, 3/15/20 - AGM Insured	3/12 at 100.00
2,330	Universal City Education Facilities Corporation, Texas, Revenue Bonds, Wayland Baptist University Project, Series 2001, 5.625%, 3/01/26	3/11 at 102.00
5,000	University of North Texas, Financing System Revenue Bonds, Series 2001, 5.000%, 4/15/24 - AGM Insured	4/12 at 100.00
21,075	Total Education and Civic Organizations	
ENERGY - 2.0% (1.4% OF TOTAL INVESTMENTS)		

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

3,000	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation Project, Series 1998, 5.600%, 4/01/32 (Alternative Minimum Tax)	4/10 at 100.00
-----		
HEALTH CARE - 12.6% (8.5% OF TOTAL INVESTMENTS)		
Brazoria County Health Facilities Development Corporation, Texas, Revenue Bonds, Brazosport Memorial Hospital, Series 2004:		
1,745	5.250%, 7/01/20 - RAAI Insured	7/14 at 100.00
1,835	5.250%, 7/01/21 - RAAI Insured	7/14 at 100.00
2,650	Midland County Hospital District, Texas, Hospital Revenue Bonds, Series 1992, 0.000%, 6/01/11	No Opt. Call
2,000	North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Baylor Healthcare System, Series 2001A, 5.125%, 5/15/29	5/11 at 100.00
Richardson Hospital Authority, Texas, Revenue Bonds, Richardson Regional Medical Center, Series 2004:		
2,000	5.875%, 12/01/24	12/13 at 100.00
1,000	6.000%, 12/01/34	12/13 at 100.00
2,500	Tarrant County Cultural & Educational Facilities Financing Corporation, Texas, Revenue Bonds, Tarrant County Health Resources, Series 2007B, 5.000%, 11/15/42	11/17 at 100.00
2,000	Tarrant County Cultural Education Facilities Finance Corporation, Texas, Revenue Refunding Bonds, Christus Health, Series 2008, 6.500%, 7/01/37	1/19 at 100.00
700	Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2007B, 5.000%, 7/01/37	7/17 at 100.00
2,000	Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2007, 5.000%, 7/01/33	7/17 at 100.00
-----		
18,430	Total Health Care	
-----		

Nuveen Investments 27

NTX | Nuveen Texas Quality Income Municipal Fund (continued)  
| Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
HOUSING/MULTIFAMILY - 1.4% (1.0% OF TOTAL INVESTMENTS)		
Bexar County Housing Finance Corporation, Texas, Insured Multifamily Housing Revenue Bonds, Waters at Northern Hills Apartments Project, Series 2001A:		
\$ 2,000	6.000%, 8/01/31 - NCFG Insured	8/11 at 102.00

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

750	6.050%, 8/01/36 - NPFG Insured	8/11 at 102.00
-----		
2,750	Total Housing/Multifamily	
-----		
HOUSING/SINGLE FAMILY - 3.1% (2.1% OF TOTAL INVESTMENTS)		
1,480	El Paso Housing Finance Corporation, Texas, GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A-3, 6.180%, 4/01/33	4/11 at 106.75
10	Galveston Property Finance Authority Inc., Texas, Single Family Mortgage Revenue Bonds, Series 1991A, 8.500%, 9/01/11	3/10 at 100.00
2,700	Texas Department of Housing and Community Affairs, Single Family Mortgage Bonds, Series 2002B, 5.550%, 9/01/33 - NPFG Insured (Alternative Minimum Tax)	3/12 at 100.00
-----		
4,190	Total Housing/Single Family	
-----		
LONG-TERM CARE - 1.1% (0.7% OF TOTAL INVESTMENTS)		
Bexar County, Texas, Health Facilities Development Corporation Revenue Bonds, Army Retirement Residence, Series 2007:		
1,000	5.000%, 7/01/27	7/17 at 100.00
600	5.000%, 7/01/37	7/17 at 100.00
-----		
1,600	Total Long-Term Care	
-----		
MATERIALS - 4.3% (2.9% OF TOTAL INVESTMENTS)		
3,000	Cass County Industrial Development Corporation, Texas, Environmental Improvement Revenue Bonds, International Paper Company, Series 2000A, 6.600%, 3/15/24 (Alternative Minimum Tax)	3/10 at 101.00
3,000	Guadalupe-Blanco River Authority, Texas, Sewage and Solid Waste Disposal Facility Bonds, E.I. DuPont de Nemours and Company Project, Series 1996, 6.400%, 4/01/26 (Alternative Minimum Tax)	4/10 at 100.00
-----		
6,000	Total Materials	
-----		
TAX OBLIGATION/GENERAL - 47.5% (32.1% OF TOTAL INVESTMENTS)		
1,260	Bexar County, Texas, Combined Tax and Revenue Certificates of Obligation, Series 2004, 5.000%, 6/15/19	6/14 at 100.00
2,000	Borger Independent School District, Hutchison County, Texas, General Obligation Bonds, Series 2006, 5.000%, 2/15/36	2/16 at 100.00
400	Calallen Independent School District, Nueces County, Texas, General Obligation Bonds, School Building Series 2008, 5.000%, 2/15/38	2/18 at 100.00
1,190	Canutillo Independent School District, El Paso County, Texas, General Obligation Bonds, Series 2006A, 5.000%, 8/15/22	8/15 at 100.00
325	Copperas Cove, Texas, Certificates of Obligation, Series 2003, 5.000%, 8/15/23 - MBIA Insured	8/12 at 100.00

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

2,305	Corpus Christi, Texas, Combination Tax and Municipal Hotel Occupancy Tax Revenue Certificates of Obligation, Series 2002, 5.500%, 9/01/21 - AGM Insured	9/12 at 100.00
2,595	Denton County, Texas, Permanent Improvement General Obligation Bonds, Series 2005, 5.000%, 7/15/25	7/12 at 100.00
1,750	El Paso County, Texas, Certificates of Obligation, Series 2001, 5.000%, 2/15/21 - AGM Insured	No Opt. Call
	Fort Bend County Municipal Utility District 25, Texas, General Obligation Bonds, Series 2005:	
1,330	5.000%, 10/01/26 - FGIC Insured	10/12 at 100.00
1,320	5.000%, 10/01/27 - FGIC Insured	10/12 at 100.00

28 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
TAX OBLIGATION/GENERAL (continued)		
\$ 3,615	Frisco, Texas, General Obligation Bonds, Series 2006, 5.000%, 2/15/26 - FGIC Insured	2/16 at 100.00
8,500	Grand Prairie Independent School District, Dallas County, Texas, General Obligation Bonds, Capital Appreciation Refunding Series 2009, 0.000%, 8/15/39	8/18 at 22.64
	Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003:	
2,500	5.000%, 2/15/20 - AMBAC Insured	2/13 at 100.00
2,235	5.000%, 2/15/21 - AMBAC Insured	2/13 at 100.00
5,000	Houston, Texas, General Obligation Bonds, Series 2005E, 5.000%, 3/01/23 - AMBAC Insured	3/15 at 100.00
100	Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21	2/11 at 100.00
4,900	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/45	8/14 at 17.78
1,000	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2008, 0.000%, 8/15/36	8/17 at 33.01
5,220	Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 0.000%, 8/15/21	4/10 at 48.64
365	Lone Star College System, Harris and Montgomery Counties, Texas, General Obligation Bonds, Series 2009, 5.000%, 8/15/34	8/19 at 100.00



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

1,000	Mansfield Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2004, 5.000%, 2/15/20	2/14 at 100.00
1,010	Mercedes Independent School District, Hidalgo County, Texas, General Obligation Bonds, Series 2005, 5.000%, 8/15/23	8/15 at 100.00
5,515	Midlothian Independent School District, Ellis County, Texas, General Obligation Bonds, Series 2005, 5.000%, 2/15/34	2/15 at 100.00
1,500	Montgomery County, Texas, General Obligation Bonds, Refunding Series 2008B, 5.250%, 3/01/32	3/19 at 100.00
925	Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25	8/10 at 100.00
2,000	Plano Independent School District, Collin County, Texas, General Obligation Bonds, Series 2008, 5.250%, 2/15/34	2/18 at 100.00
	Roma Independent School District, Texas, General Obligation Bonds, Series 2005:	
1,110	5.000%, 8/15/22	8/15 at 100.00
1,165	5.000%, 8/15/23 - AGM Insured	8/15 at 100.00
1,250	Southside Independent School District, Bexar County, Texas, General Obligation Bonds, Series 2004A, 5.000%, 8/15/22	8/14 at 100.00
1,140	Sunnyvale School District, Texas, General Obligation Bonds, Series 2004, 5.250%, 2/15/25	2/14 at 100.00
5,000	Texas State, General Obligation Bonds, Transportation Commission Mobility Fund, Series 2006A, 5.000%, 4/01/33 (UB)	4/17 at 100.00
1,000	Texas State, General Obligation Bonds, Transportation Commission Mobility Fund, Series 2008, 5.000%, 4/01/30 (UB)	4/18 at 100.00
1,110	Texas State, General Obligation Bonds, Water Utility, Series 2001, 5.250%, 8/01/23	8/11 at 100.00
1,500	Texas, General Obligation Refunding Bonds, Public Finance Authority, Series 2002, 5.000%, 10/01/18	10/12 at 100.00
3,025	Victoria Independent School District, Victoria County, Texas, General Obligation Bonds, Series 2007, 5.000%, 2/15/32	2/17 at 100.00

Nuveen Investments 29

NTX | Nuveen Texas Quality Income Municipal Fund (continued)  
| Portfolio of Investments January 31, 2010 (Unaudited)

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
---------------------------	-----------------	---------------------------------

---

TAX OBLIGATION/GENERAL (continued)

West Texas Independent School District, McLennan and Hill

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	Counties, General Obligation Refunding Bonds, Series 1998:		
\$	1,000	0.000%, 8/15/22	8/13 at 61.20
	1,000	0.000%, 8/15/24	8/13 at 54.88
	White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2006:		
	1,500	0.000%, 8/15/43	8/15 at 23.12
	1,500	0.000%, 8/15/44	8/15 at 21.88
	425	0.000%, 8/15/45	8/15 at 20.76
-----			
	81,585	Total Tax Obligation/General	
-----			

TAX OBLIGATION/LIMITED - 9.2% (6.2% OF TOTAL INVESTMENTS)

	7,940	Dallas Area Rapid Transit, Texas, Senior Lien Sales Tax Revenue Bonds, Series 2007, 5.000%, 12/01/36 - AMBAC Insured	12/16 at 100.00
		Harris County-Houston Sports Authority, Texas, Junior Lien Revenue Bonds, Series 2001H:	
	1,720	0.000%, 11/15/34 - NPMG Insured	11/31 at 83.17
	930	0.000%, 11/15/36 - NPMG Insured	11/31 at 73.51
	3,265	0.000%, 11/15/38 - NPMG Insured	11/31 at 64.91
		Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Bonds, Series 2001G:	
	2,250	5.250%, 11/15/22 - NPMG Insured	11/11 at 100.00
	2,475	0.000%, 11/15/41 - NPMG Insured	11/31 at 53.78
	1,470	Houston, Texas, Hotel Occupancy Tax and Special Revenue Bonds, Convention and Entertainment Project, Series 2001B, 0.000%, 9/01/32 - AMBAC Insured	No Opt. Call
	1,000	Uptown Development Authority, Texas, Tax Increment Revenue Bonds, Series 2009 (Infrastructure Improvement Facilities), 5.500%, 9/01/29	9/19 at 100.00
-----			
	21,050	Total Tax Obligation/Limited	
-----			

TRANSPORTATION - 9.2% (6.3% OF TOTAL INVESTMENTS)

	1,000	Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 2003, 5.250%, 11/15/16 - NPMG Insured	11/13 at 100.00
	3,260	Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/22 - FGIC Insured	1/15 at 100.00
	2,600	Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax)	5/10 at 101.00
	2,000	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000A, 5.625%, 7/01/30 - AGM Insured (Alternative Minimum Tax)	7/10 at 100.00
	2,500	North Texas Thruway Authority, First Tier System Revenue Refunding Bonds, Capital Appreciation Series 2008, 0.000%, 1/01/36 - AGC Insured	No Opt. Call
	395	North Texas Thruway Authority, First Tier System Revenue	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	Refunding Bonds, Series 2008A, 5.750%, 1/01/40	1/18 at 100.00
	North Texas Thruway Authority, First Tier System Revenue Refunding Bonds, Series 2008B:	
325	5.750%, 1/01/40	1/18 at 100.00
225	5.750%, 1/01/40 - NCFG Insured	1/18 at 100.00
950	North Texas Thruway Authority, Second Tier System Revenue Refunding Bonds, Series 2008, 5.750%, 1/01/38	1/18 at 100.00
	North Texas Tollway Authority, System Revenue Bonds, Series 2009:	
100	6.100%, 1/01/28	1/19 at 100.00
2,000	6.250%, 1/01/39	1/19 at 100.00
-----		
15,355	Total Transportation	
-----		

30 Nuveen Investments

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	U.S. GUARANTEED - 16.2% (10.9% OF TOTAL INVESTMENTS) (5)	
\$ 295	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1992, 0.000%, 8/15/14 - MBIA Insured (ETM)	No Opt. Call
950	Copperas Cove, Texas, Certificates of Obligation, Series 2003, 5.000%, 8/15/23 (Pre-refunded 8/15/12) - MBIA Insured	8/12 at 100.00
	Gregg County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Good Shepherd Medical Center Project, Series 2000:	
2,000	6.875%, 10/01/20 (Pre-refunded 10/01/10) - RAAI Insured	10/10 at 101.00
3,250	6.375%, 10/01/25 (Pre-refunded 10/01/10) - RAAI Insured	10/10 at 101.00
500	Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, St. Luke's Episcopal Hospital, Series 2001A, 5.500%, 2/15/21 (Pre-refunded 8/15/11)	8/11 at 100.00
1,000	Judson Independent School District, Bexar County, Texas, General Obligation Refunding Bonds, Series 2002, 5.250%, 2/01/21 (Pre-refunded 2/01/11)	2/11 at 100.00
1,000	North Central Texas Health Facilities Development Corporation, Hospital Revenue Bonds, Presbyterian Healthcare System, Series 1996B, 5.750%, 6/01/26 - NCFG Insured (ETM)	No Opt. Call
1,075	Northside Independent School District, Bexar County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 2000, 5.875%, 8/15/25 (Pre-refunded 8/15/10)	8/10 at 100.00
2,500	Retama Development Corporation, Texas, Special Facilities Revenue Bonds, Retama Park Racetrack, Series 1993, 8.750%, 12/15/18 (Pre-refunded 12/15/17) (6)	12/17 at 100.00

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

1,750	San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds, Series 2002, 5.375%, 2/01/20 (Pre-refunded 2/01/12)	2/12 at 100.00
1,440	South Texas Community College District, General Obligation Bonds, Series 2002, 5.500%, 8/15/17 (Pre-refunded 8/15/12) - AMBAC Insured	8/12 at 100.00
3,500	Tarrant County Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Adventist Health System - Sunbelt Obligated Group, Series 2000, 6.625%, 11/15/20 (Pre-refunded 11/15/10)	11/10 at 101.00
1,000	Tyler Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Mother Frances Hospital Regional Healthcare Center, Series 2001, 6.000%, 7/01/31 (Pre-refunded 7/01/12)	7/12 at 100.00
-----		
20,260	Total U.S. Guaranteed	
-----		
UTILITIES - 12.5% (8.5% OF TOTAL INVESTMENTS)		
2,560	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 1999C, 7.700%, 3/01/32 (Alternative Minimum Tax)	4/13 at 101.00
2,400	Brazos River Authority, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999A, 5.375%, 4/01/19	4/10 at 100.50
5,000	Brownsville, Texas, Utility System Priority Revenue Bonds, Series 2005A, 5.000%, 9/01/27 - AMBAC Insured	9/15 at 100.00
2,000	Bryan, Brazos County, Texas, Electric System Revenue Bonds, Series 2009, 5.000%, 7/01/34	7/17 at 100.00
2,000	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2000, 5.750%, 2/15/15 - AMBAC Insured (Alternative Minimum Tax)	2/10 at 100.00
2,000	Lower Colorado River Authority, Texas, Revenue Bonds, Series 2008, 5.750%, 5/15/37	5/15 at 100.00
1,000	Matagorda County Navigation District 1, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999B, 5.950%, 5/01/30 (Alternative Minimum Tax)	5/10 at 100.50
1,000	Matagorda County Navigation District Number One, Texas, Pollution Control Revenue Refunding Bonds, Central Power and Light Company Project, Series 2009A, 6.300%, 11/01/29	7/19 at 102.00
-----		
17,960	Total Utilities	
-----		

Nuveen Investments 31

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
-----		
	WATER AND SEWER - 11.9% (8.1% OF TOTAL INVESTMENTS)	
	Coastal Water Authority, Texas, Contract Revenue Bonds, Houston Water Projects, Series 2004:	
\$ 1,005	5.000%, 12/15/20 - FGIC Insured	12/14 at 100.00
1,030	5.000%, 12/15/21 - FGIC Insured	12/14 at 100.00
1,000	El Paso, Texas, Water and Sewer Revenue Bonds, Refunding Series 2008C, 5.375%, 3/01/29	3/18 at 100.00
3,000	Houston, Texas, First Lien Combined Utility System Revenue Bonds, Series 2004A, 5.250%, 5/15/23 - FGIC Insured	5/14 at 100.00
3,500	Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001A, 5.500%, 12/01/17 - AGM Insured	12/11 at 100.00
	Irving, Texas, Subordinate Lien Waterworks and Sewerage Revenue Bonds, Series 2004:	
1,680	5.000%, 8/15/22 - AMBAC Insured	8/14 at 100.00
1,760	5.000%, 8/15/23 - AMBAC Insured	8/14 at 100.00
1,260	Rowlett, Rockwall and Dallas Counties, Texas, Waterworks and Sewerage System Revenue Bonds, Series 2004A, 5.000%, 3/01/22 - NPPG Insured	3/14 at 100.00
1,500	Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1999A, 5.500%, 7/15/21	7/10 at 100.00
-----		
15,735	Total Water and Sewer	
-----		
\$ 231,330	Total Investments (cost \$202,017,964) - 147.7%	
=====		
	Floating Rate Obligations - (2.8)%	
	-----	
	Other Assets Less Liabilities - 1.9%	
	-----	
	Preferred Shares, at Liquidation Value - (46.8)% (7)	
	-----	
	Net Assets Applicable to Common Shares - 100%	
	=====	

- (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.
- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board of Trustees. For fair value measurement

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

disclosure purposes, investment categorized as Level 3. See Notes to Financial Statements, Footnote 2 - Fair Value Measurements for more information.

- (5) 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.
- (6) The issuer has received a formal adverse determination from the Internal Revenue Service (the "IRS") regarding the tax-exempt status of the bonds' coupon payments. The Fund will continue to treat coupon payments as tax-exempt income until such time that it is formally determined that the interest on the bonds should be treated as taxable.
- (7) Preferred Shares, at Liquidation Value as a percentage of Total Investments is 31.7%.

N/R Not rated.

(ETM) Escrowed to maturity.

(UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction. See Notes to Financial Statements, Footnote 1 - Inverse Floating Rate Securities for more information.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

32 Nuveen Investments

| Statement of  
| Assets & Liabilities

January 31, 2010 (Unaudited)

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
-----			
ASSETS			
Investments, at value (cost \$85,048,139, \$31,760,370, \$50,212,144, \$60,233,474 and \$202,017,964, respectively)	\$ 88,429,580	\$ 31,555,283	\$ 50,862,426
Cash	362,266	35,198	441,284
Receivables:			
Interest	569,165	255,300	409,681
Investments sold	--	--	--
Other assets	11,065	4,958	8,891
-----			
Total assets	89,372,076	31,850,739	51,722,282
-----			
LIABILITIES			
Floating rate obligations	--	--	--
Payables:			
Common share dividends	246,429	85,881	151,842
Preferred share dividends	731	508	612

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Accrued expenses:			
Management fees	53,349	14,506	24,363
Other	36,532	19,047	24,334
-----			
Total liabilities	337,041	119,942	201,151
-----			
Preferred shares, at liquidation value	27,875,000	10,600,000	16,625,000
-----			
Net assets applicable to Common shares	\$ 61,160,035	\$ 21,130,797	\$ 34,896,131
=====			
Common shares outstanding	4,469,154	1,548,020	2,439,551
=====			
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 13.68	\$ 13.65	\$ 14.30
=====			
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:			
-----			
Common shares, \$.01 par value per share	\$ 44,692	\$ 15,480	\$ 24,396
Paid-in surplus	62,155,941	21,910,005	34,577,972
Undistributed (Over-distribution of) net investment income	784,193	188,390	316,185
Accumulated net realized gain (loss) from investments and derivative transactions	(5,206,232)	(777,991)	(672,704)
Net unrealized appreciation (depreciation) of investments	3,381,441	(205,087)	650,282
-----			
Net assets applicable to Common shares	\$ 61,160,035	\$ 21,130,797	\$ 34,896,131
=====			
Authorized shares:			
Common	200,000,000	Unlimited	Unlimited
Preferred	1,000,000	Unlimited	Unlimited
=====			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 33

| Statement of  
| Operations

Six Months Ended January 31, 2010  
(Unaudited)

	ARIZONA	ARIZONA	ARIZONA
	PREMIUM	DIVIDEND	DIVIDEND
	INCOME	ADVANTAGE	ADVANTAGE 2
	(NAZ)	(NFZ)	(NKR)
-----			
INVESTMENT INCOME	\$ 2,255,504	\$ 770,893	\$ 1,269,995
-----			
EXPENSES			
Management fees	292,381	101,400	168,651
Preferred shares - auction fees	21,077	8,015	12,571

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Preferred shares - dividend disbursing agent fees	5,041	5,041	5,041
Shareholders' servicing agent fees and expenses	1,659	251	219
Interest expense on floating rate obligations	--	--	--
Custodian's fees and expenses	10,704	6,019	8,046
Directors'/Trustees' fees and expenses	1,235	471	755
Professional fees	7,416	4,872	5,321
Shareholders' reports - printing and mailing expenses	12,918	5,930	8,512
Stock exchange listing fees	4,649	110	174
Investor relations expense	3,586	1,277	2,068
Other expenses	9,744	8,503	9,186
-----			
Total expenses before custodian fee credit and expense reimbursement	370,410	141,889	220,544
Custodian fee credit	(54)	(115)	(221)
Expense reimbursement	--	(15,826)	(38,915)
-----			
Net expenses	370,356	125,948	181,408
-----			
Net investment income	1,885,148	644,945	1,088,587
-----			
REALIZED AND UNREALIZED GAIN (LOSS)			
Net realized gain (loss) from investments	159,406	(28)	(47)
Change in net unrealized appreciation (depreciation) of investments	2,954,068	1,412,963	1,905,284
-----			
Net realized and unrealized gain (loss)	3,113,474	1,412,935	1,905,237
-----			
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS			
From net investment income	(60,398)	(23,349)	(36,612)
From accumulated net realized gains	--	--	--
-----			
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(60,398)	(23,349)	(36,612)
-----			
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 4,938,224	\$ 2,034,531	\$ 2,957,212
=====			

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

34 Nuveen Investments

| Statement of  
| Changes in Net Assets (Unaudited)

	ARIZONA PREMIUM INCOME (NAZ)		ARIZONA DIVIDEND ADVANTAGE (N	
	SIX MONTHS ENDED 1/31/10	YEAR ENDED 7/31/09	SIX MONTHS ENDED 1/31/10	YE END 7/31/
-----				

OPERATIONS



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Net investment income	\$ 1,885,148	\$ 3,812,672	\$ 644,945	\$ 1,299
Net realized gain (loss) from:				
Investments	159,406	(2,710,445)	(28)	(429)
Futures contracts	--	--	--	
Change in net unrealized appreciation (depreciation) of:				
Investments	2,954,068	1,955,974	1,412,963	(604)
Futures contracts	--	--	--	
Distributions to Preferred shareholders:				
From net investment income	(60,398)	(565,487)	(23,349)	(220)
From accumulated net realized gains	--	--	--	
-----				
Net increase (decrease) in net assets applicable to Common shares from operations	4,938,224	2,492,714	2,034,531	45
-----				
DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(1,532,920)	(2,846,851)	(508,524)	(976)
From accumulated net realized gains	--	--	--	
-----				
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,532,920)	(2,846,851)	(508,524)	(976)
-----				
CAPITAL SHARE TRANSACTIONS				
Common shares:				
Net proceeds from shares issued to shareholders due to reinvestment of distributions	--	12,298	--	7
Repurchased	--	--	--	(24)
-----				
Net increase in net assets applicable to Common shares from capital share transactions	--	12,298	--	(16)
-----				
Net increase (decrease) in net assets applicable to Common shares	3,405,304	(341,839)	1,526,007	(947)
Net assets applicable to Common shares at the beginning of period	57,754,731	58,096,570	19,604,790	20,552
-----				
Net assets applicable to Common shares at the end of period	\$ 61,160,035	\$ 57,754,731	\$ 21,130,797	\$ 19,604
=====				
Undistributed (Over-distribution of) net investment income at the end of period	\$ 784,193	\$ 492,363	\$ 188,390	\$ 75
=====				

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 35

| Statement of  
| Changes in Net Assets (Unaudited) (continued)

ARIZONA  
DIVIDEND ADVANTAGE 3 (NX)

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	SIX MONTHS ENDED 1/31/10	YE END 7/31/09
-----		
OPERATIONS		
Net investment income	\$ 1,318,175	\$ 2,685,300
Net realized gain (loss) from:		
Investments	11,761	(323,300)
Futures contracts	--	
Change in net unrealized appreciation (depreciation) of:		
Investments	2,749,657	(880,000)
Futures contracts	--	
Distributions to Preferred shareholders:		
From net investment income	(40,349)	(412,400)
From accumulated net realized gains	--	
-----		
Net increase (decrease) in net assets applicable to Common shares from operations	4,039,244	1,069,400
-----		
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(1,089,974)	(2,005,800)
From accumulated net realized gains	--	
-----		
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(1,089,974)	(2,005,800)
-----		
CAPITAL SHARE TRANSACTIONS		
Common shares:		
Net proceeds from shares issued to shareholders due to reinvestment of distributions	--	
Repurchased	--	(15,300)
-----		
Net increase in net assets applicable to Common shares from capital share transactions	--	(15,300)
-----		
Net increase (decrease) in net assets applicable to Common shares	2,949,270	(951,700)
Net assets applicable to Common shares at the beginning of period	39,128,820	40,080,500
-----		
Net assets applicable to Common shares at the end of period	\$ 42,078,090	\$ 39,128,800
=====		
Undistributed (Over-distribution of) net investment income at the end of period	\$ 344,885	\$ 157,000
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

36 Nuveen Investments

| Notes to  
| Financial Statements(Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The funds covered in this report and their corresponding Common share stock

## Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

exchange symbols are Nuveen Arizona Premium Income Municipal Fund, Inc. (NAZ), Nuveen Arizona Dividend Advantage Municipal Fund (NFZ), Nuveen Arizona Dividend Advantage Municipal Fund 2 (NKR), Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE) and Nuveen Texas Quality Income Municipal Fund (NTX) (collectively, the "Funds"). Common shares of Arizona Premium Income (NAZ) and Texas Quality Income (NTX) are traded on the New York Stock Exchange (NYSE) while Common shares of Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) are traded on the NYSE Amex. The Funds are registered under the Investment Company Act of 1940, as amended, as closed-end management investment companies.

Each Fund seeks to provide current income exempt from both regular federal and designated state income taxes by investing primarily in a portfolio of municipal obligations issued by state and local government authorities within a single state or certain U.S. territories.

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification(TM) (the "Codification") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Codification supersedes existing non-grandfathered, non-SEC accounting and reporting standards. The Codification did not change GAAP but rather organized it into a hierarchy where all guidance within the Codification carries an equal level of authority. The Codification became effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification did not have a material effect on the Funds' financial statements.

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with US generally accepted accounting principles.

### INVESTMENT VALUATION

The prices of municipal bonds in each Fund's investment portfolio are provided by a pricing service approved by the Fund's Board of Directors/Trustees. Futures contracts are valued using the closing settlement price, or, in the absence of such a price, at the mean of the bid and asked prices. When market price quotes are not readily available (which is usually the case for municipal securities), the pricing service or, in the absence of a pricing service for a particular investment or derivative instrument, the Board of Directors/Trustees of the Fund, or its designee, may establish fair value using a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. Temporary investments in securities that have variable rate and demand features qualifying them as short-term investments are valued at amortized cost, which approximates value.

### INVESTMENT TRANSACTIONS

Investment transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At January 31, 2010, there were no such outstanding purchase commitments in any of the Funds.

### INVESTMENT INCOME

Interest income, which includes the amortization of premiums and accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Investment income also includes paydown gains and losses, if any.

INCOME TAXES

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all of its net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions which will enable interest from municipal securities, which is exempt from regular federal and designated state income taxes, to retain such tax-exempt status when distributed to shareholders of the Funds. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal taxation.

Nuveen Investments 37

| Notes to  
| Financial Statements (Unaudited) (continued)

For all open tax years and all major taxing jurisdictions, management of the Funds has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

DIVIDENDS AND DISTRIBUTIONS TO COMMON SHAREHOLDERS

Dividends from tax-exempt net investment income are declared monthly. Net realized capital gains and/or market discount from investment transactions, if any, are distributed to shareholders at least annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Distributions to Common shareholders of tax-exempt net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from US generally accepted accounting principles.

PREFERRED SHARES

The Funds have issued and outstanding Preferred shares, \$25,000 stated value per share, as a means of effecting financial leverage. Each Fund's Preferred shares are issued in one or more Series. The dividend rate paid by the Funds on each Series is determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and is payable at the end of each rate period. As of January 31, 2010, the number of Preferred shares outstanding, by Series and in total, for each Fund is as follows:

ARIZONA	ARIZONA	ARIZONA	ARIZONA	TEXAS
PREMIUM	DIVIDEND	DIVIDEND	DIVIDEND	QUALITY

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	INCOME (NAZ)	ADVANTAGE (NFZ)	ADVANTAGE 2 (NKR)	ADVANTAGE 3 (NXE)	INCOME (NTX)
-----					
Number of shares:					
Series M	--	--	--	736	716
Series T	--	424	--	--	--
Series W	--	--	665	--	--
Series TH	1,115	--	--	--	1,886
-----					
Total	1,115	424	665	736	2,602
=====					

Beginning in February 2008, more shares for sale were submitted in the regularly scheduled auctions for the Preferred shares issued by the Funds than there were offers to buy. This meant that these auctions "failed to clear," and that many Preferred shareholders who wanted to sell their shares in these auctions were unable to do so. Preferred shareholders unable to sell their shares received distributions at the "maximum rate" applicable to failed auctions as calculated in accordance with the pre-established terms of the Preferred shares.

These developments have generally not affected the portfolio management or investment policies of the Funds. However, one continuing implication of these auction failures for Common shareholders is that the Funds' cost of leverage likely has been incrementally higher at times, than it otherwise might have been had the auctions continued to be successful. As a result, the Funds' future Common share earnings may likely have been incrementally lower than they otherwise might have been. As of January 31, 2010, the aggregate amount of outstanding Preferred shares redeemed by each Fund is as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDE ADVANTAGE (NKR)
-----			
Preferred shares redeemed, at liquidation value	\$2,125,000	\$1,400,000	\$1,875,000
=====			

INVERSE FLOATING RATE SECURITIES

Each Fund is authorized to invest in inverse floating rate securities. An inverse floating rate security is created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. In turn, this trust (a) issues floating rate certificates, in face amounts equal to some fraction of the deposited bond's par amount or market value, that typically pay short-term tax-exempt interest rates to third parties, and (b) issues to a long-term investor (such as one of the Funds) an inverse floating rate certificate (sometimes referred to as an "inverse floater") that represents all remaining or residual interest in the trust. The income received by the inverse floater holder varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the inverse floater holder bears substantially all of the underlying bond's downside investment risk and also benefits disproportionately from any potential appreciation of the underlying bond's value. The price of an inverse floating rate security will be more volatile than that of the underlying bond because the interest rate is dependent on not only the fixed coupon rate of the

underlying bond but also on the short-term interest paid on the floating rate certificates, and because the inverse floating rate security essentially bears the risk of loss of the greater face value of the underlying bond.

A Fund may purchase an inverse floating rate security in a secondary market transaction without first owning the underlying bond (referred to as an "externally-deposited inverse floater"), or instead by first selling a fixed-rate bond to a broker-dealer for deposit into the special purpose trust and receiving in turn the residual interest in the trust (referred to as a "self-deposited inverse floater"). The inverse floater held by a Fund gives the Fund the right (a) to cause the holders of the floating rate certificates to tender their notes at par, and (b) to have the broker transfer the fixed-rate bond held by the trust to the Fund, thereby collapsing the trust. An investment in an externally-deposited inverse floater is identified in the Portfolio of Investments as "(IF) - Inverse floating rate investment." An investment in a self-deposited inverse floater is accounted for as a financing transaction. In such instances, a fixed-rate bond deposited into a special purpose trust is identified in the Portfolio of Investments as "(UB) - Underlying bond of an inverse floating rate trust reflected as a financing transaction," with the Fund accounting for the short-term floating rate certificates issued by the trust as "Floating rate obligations" on the Statement of Assets and Liabilities. In addition, the Fund reflects in Investment Income the entire earnings of the underlying bond and recognizes the related interest paid to the holders of the short-term floating rate certificates as "Interest expense on floating rate obligations" on the Statement of Operations.

During the six months ended January 31, 2010, each Fund invested in externally-deposited inverse floaters and/or self-deposited inverse floaters.

Each Fund may also enter into shortfall and forbearance agreements (sometimes referred to as a "recourse trust" or "credit recovery swap") (such agreements referred to herein as "Recourse Trusts") with a broker-dealer by which a Fund agrees to reimburse the broker-dealer, in certain circumstances, for the difference between the liquidation value of the fixed-rate bond held by the trust and the liquidation value of the floating rate certificates issued by the trust plus any shortfalls in interest cash flows. Under these agreements, a Fund's potential exposure to losses related to or on inverse floaters may increase beyond the value of a Fund's inverse floater investments as a Fund may potentially be liable to fulfill all amounts owed to holders of the floating rate certificates. At period end, any such shortfall is recognized as "Unrealized depreciation on Recourse Trusts" on the Statement of Assets and Liabilities.

At January 31, 2010, the Funds were not invested in externally-deposited Recourse Trusts.

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)
-----			
Maximum exposure to Recourse Trusts	\$ --	\$ --	\$ --
=====			

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

The average floating rate obligations outstanding and average annual interest rate and fees related to self-deposited inverse floaters during the six months ended January 31, 2010, were as follows:

	TEXAS QUALITY INCOME (NTX)
Average floating rate obligations outstanding	\$3,960,000
Average annual interest rate and fees	0.52%

FUTURES CONTRACTS

Each Fund is subject to interest rate risk in the normal course of pursuing its investment objectives and is authorized to invest in futures contracts in attempt to manage such risk. Upon entering into a futures contract, a Fund is required to deposit with the broker an amount of cash or liquid securities equal to a specified percentage of the contract amount. This is known as the "initial margin." Cash held by the broker to cover initial margin requirements on open futures contracts, if any, is recognized as "Deposits with brokers for open futures contracts" on the Statement of Assets and Liabilities. Subsequent payments ("variation margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract. Variation margin is recognized as a receivable or payable for "Variation margin on futures contracts" on the Statement of Assets and Liabilities, when applicable.

During the period the futures contract is open, changes in the value of the contract are recorded as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in market value of the contract and is recognized as "Change in net unrealized appreciation (depreciation) of futures contracts" on the Statement of Operations. When the contract is closed or expired, a Fund records a realized gain or loss equal to the difference between the value of the contract on the closing date and value of the contract when originally entered into and is recognized as "Net realized gain (loss) from futures contracts" on the Statement of Operations.

Nuveen Investments 39

| Notes to  
| Financial Statements (Unaudited) (continued)

Risks of investments in futures contracts include the possible adverse movement of the securities or indices underlying the contracts, the possibility that there may not be a liquid secondary market for the contracts and/or that a change in the value of the contract may not correlate with a change in the value of the underlying securities or indices. The Funds did not invest in futures contracts during the six months ended January 31, 2010.

MARKET AND COUNTERPARTY CREDIT RISK

In the normal course of business each Fund may invest in financial instruments and enter into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the other party to the transaction to perform (counterparty credit risk). The potential loss could exceed the value of the financial assets recorded on the financial statements. Financial assets, which potentially expose each Fund to counterparty credit risk, consist principally of cash due from counterparties on forward, option and swap transactions. The extent of each Fund's exposure to counterparty credit

risk in respect to these financial assets approximates their carrying value as recorded on the Statement of Assets and Liabilities. Futures contracts expose a Fund to minimal counterparty credit risk as they are exchange traded and the exchange's clearinghouse, which is counterparty to all exchange traded futures, guarantees the futures contracts against default.

Each Fund helps manage counterparty credit risk by entering into agreements only with counterparties Nuveen Asset Management (the "Adviser"), a wholly-owned subsidiary of Nuveen Investments, Inc. ("Nuveen"), believes have the financial resources to honor their obligations and by having the Adviser monitor the financial stability of the counterparties. Additionally, counterparties may be required to pledge collateral daily (based on the daily valuation of the financial asset) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when each Fund has an unrealized loss, the Funds have instructed the custodian to pledge assets of the Funds as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the valuations fluctuate, either up or down, by at least the predetermined threshold amount.

#### ZERO COUPON SECURITIES

Each Fund is authorized to invest in zero coupon securities. A zero coupon security does not pay a regular interest coupon to its holders during the life of the security. Tax-exempt income to the holder of the security comes from accretion of the difference between the original purchase price of the security at issuance and the par value of the security at maturity and is effectively paid at maturity. Such securities are included in the Portfolios of Investments with a 0.000% coupon rate in their description. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

#### CUSTODIAN FEE CREDIT

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by net credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days on which a Fund overdraws its account at the custodian bank.

#### INDEMNIFICATIONS

Under the Funds' organizational documents, their officers and directors/trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnifications to other parties. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

2. FAIR VALUE MEASUREMENTS

In determining the value of each Fund's investments, various inputs are used. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of each Fund's fair value measurements as of January 31, 2010:

ARIZONA PREMIUM INCOME (NAZ)	LEVEL 1	LEVEL 2	LEVEL 3	TOT
Investments:				
Municipal Bonds*	\$ --	\$ 86,209,605	\$2,219,975	\$ 88,429,5
ARIZONA DIVIDEND ADVANTAGE (NFZ)	LEVEL 1	LEVEL 2	LEVEL 3	TOT
Investments:				
Municipal Bonds*	\$ --	\$ 30,806,646	\$248,637	\$ 31,055,2
Short-Term Investments	--	500,000	--	500,0
Total	\$ --	\$ 31,306,646	\$ 248,637	\$ 31,555,2
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)	LEVEL 1	LEVEL 2	LEVEL 3	TOT
Investments:				
Municipal Bonds*	\$ --	\$ 49,858,997	\$1,003,429	\$ 50,862,4
ARIZONA DIVIDEND ADVANTAGE 3 (NXE)	LEVEL 1	LEVEL 2	LEVEL 3	TOT
Investments:				
Municipal Bonds*	\$ --	\$ 59,452,173	\$ 612,713	\$ 60,064,8
TEXAS QUALITY INCOME (NTX)	LEVEL 1	LEVEL 2	LEVEL 3	TOT
Investments:				
Municipal Bonds*	\$ --	\$204,436,631	\$ 954,353	\$205,390,9

\* Refer to the Fund's Portfolio of Investments for industry breakdown of Municipal Bonds classified as Level 3.

The following is a reconciliation of each Fund's Level 3 investments held at the beginning and end of the measurement period:

ARIZONA                      ARIZONA                      ARIZON  
PREMIUM                      DIVIDEND                      DIVIDEN

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	INCOME (NAZ) LEVEL 3 MUNICIPAL BONDS	ADVANTAGE (NFZ) LEVEL 3 MUNICIPAL BONDS	ADVANTAGE (NKR) LEVEL MUNICIPAL BOND
Balance at beginning of period	\$1,978,300	\$ 221,570	\$ 894,19
Gains (losses):			
Net realized gains (losses)	--	--	--
Net change in unrealized appreciation (depreciation)	241,675	27,067	109,23
Net purchases at cost (sales at proceeds)	--	--	--
Net discounts (premiums)	--	--	--
Net transfers in to (out of) at end of period fair value	--	--	--
Balance at end of period	\$2,219,975	\$ 248,637	\$1,003,42

"Change in net unrealized appreciation (depreciation) of investments" presented on the Statement of Operations includes net appreciation (depreciation) related to securities classified as Level 3 at period end as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	ARIZONA DIVIDEND ADVANTAGE (NKR)
Level 3 net appreciation (depreciation)	\$ 241,675	\$ 27,067	\$ 109,23

Nuveen Investments 41

| Notes to  
| Financial Statements (Unaudited) (continued)

3. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Funds record derivative instruments at fair value, with changes in fair value recognized on the Statement of Operations, when applicable. Even though the Funds' investments in derivatives may represent economic hedges, they are considered to be non-hedge transactions for financial reporting purposes. The Funds did not invest in derivative instruments during the six months ended January 31, 2010.

4. FUND SHARES

COMMON SHARES

Transactions in Common shares were as follows:

ARIZONA PREMIUM INCOME (NAZ)	ARIZONA ADVANTAGE
---------------------------------	----------------------

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	SIX MONTHS ENDED 1/31/10	YEAR ENDED 7/31/09	SIX MONTH ENDED 1/31/10
-----			
Common shares:			
Issued to shareholders due to reinvestment of distributions	--	944	--
Repurchased	--	--	--
-----			
Weighted average Common share:			
Price per share repurchased	--	--	--
Discount per share repurchased	--	--	--
=====			

	ARIZONA ADVANTAGE		
	-----		
	SIX MONTH ENDED 1/31/10	YEAR ENDED 7/31/09	SIX MONTH ENDED 1/31/10
-----			
Common shares:			
Issued to shareholders due to reinvestment of distributions	--	944	--
Repurchased	--	--	--
-----			
Weighted average Common share:			
Price per share repurchased	--	--	--
Discount per share repurchased	--	--	--
=====			

PREFERRED SHARES

Transactions in Preferred shares were as follows:

	ARIZONA PREMIUM INCOME (NAZ)				
	SIX MONTHS ENDED 1/31/10		YEAR ENDED 7/31/09		SIX MONTH ENDED 1/31/10
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES
-----					
Preferred shares redeemed:					
Series T	--	\$ --	--	\$ --	--
-----					

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Series TH	--	--	85	2,125,000
Total	--	\$ --	85	\$2,125,000

42 Nuveen Investments

	ARIZONA DIVIDEND ADVANTAGE 2 (NKR)				SHA
	SIX MONTHS ENDED 1/31/10		YEAR ENDED 7/31/09		
	SHARES	AMOUNT	SHARES	AMOUNT	
Preferred shares redeemed:					
Series M	--	\$--	--	\$ --	
Series W	--	--	75	1,875,000	
Total	--	\$--	75	\$1,875,000	

Preferred shares redeemed:	
Series M	
Series TH	
Total	

5. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments) during the six months ended January 31, 2010, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	D ADVA

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Purchases	\$3,866,010	\$2,260,457	\$1,
Sales and maturities	3,370,410	27,060	

6. 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 securities reflected as financing transactions, if any. 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 values of the Funds.

At January 31, 2010, the cost of investments was as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	AR DIV ADVANT
Cost of investments	\$84,992,286	\$31,747,766	\$50,19

Nuveen Investments 43

| Notes to  
| Financial Statements (Unaudited) (continued)

Gross unrealized appreciation and gross unrealized depreciation of investments at January 31, 2010, were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	A DI ADVAN
Gross unrealized:			
Appreciation	\$ 4,534,006	\$ 951,837	\$ 2,1
Depreciation	(1,096,712)	(1,144,320)	(1,4
Net unrealized appreciation (depreciation) of investments	\$ 3,437,294	\$ (192,483)	\$ 6

The tax components of undistributed net tax-exempt income, net ordinary income and net long-term capital gains at July 31, 2009, the Funds' last tax year end,

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

were as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	A DI ADVAN
Undistributed net tax-exempt income *	\$670,156	\$147,439	\$2
Undistributed net ordinary income **	--	11	
Undistributed net long-term capital gains	--	--	

\* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on July 1, 2009, paid on August 3, 2009.

\*\* Net ordinary income consists of taxable market discount income and net short-term capital gains, if any.

The tax character of distributions paid during the Funds' last tax year ended July 31, 2009, was designated for purposes of the dividends paid deduction as follows:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	A DI ADVAN
Distributions from net tax-exempt income	\$3,419,031	\$1,198,865	\$2,0
Distributions from net ordinary income**	--	--	
Distributions from net long-term capital gains	--	--	

\*\* Net ordinary income consists of taxable market discount income and net short-term capital gains, if any.

At July 31, 2009, the Funds' last tax year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

Expiration:	ARIZONA PREMIUM INCOME (NAZ)	A DI ADV
July 31, 2011	\$ 359,724	\$
July 31, 2012	1,553,627	
July 31, 2013	--	
July 31, 2014	--	
July 31, 2016	562,384	2

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

July 31, 2017	323,876	2
Total	\$2,799,611	\$4

The Funds have elected to defer net realized losses from investments incurred from November 1, 2008 through July 31, 2009, the Funds' last tax year end, ("post-October losses") in accordance with federal income tax regulations. Post-October losses are treated as having arisen on the first day of the current fiscal year:

	ARIZONA PREMIUM INCOME (NAZ)	ARIZONA DIVIDEND ADVANTAGE (NFZ)	A DI ADVAN
Post-October capital losses	\$2,566,026	\$321,087	\$2

44 Nuveen Investments

7. MANAGEMENT FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Each Fund's management fee is separated into two components - a fund-level fee, based only on the amount of assets within each individual Fund, and a complex-level fee, based on the aggregate amount of all fund assets managed by the Adviser. This pricing structure enables each Fund's shareholders to benefit from growth in the assets within their respective Fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee for each Fund, payable monthly, is calculated according to the following schedule:

AVERAGE DAILY NET ASSETS*	ARIZONA PREMIUM INCOME (NAZ) TEXAS QUALITY INCOME (NTX) FUND-LEVEL FEE RATE
For the first \$125 million	.4500%
For the next \$125 million	.4375
For the next \$250 million	.4250
For the next \$500 million	.4125
For the next \$1 billion	.4000
For the next \$3 billion	.3875
For net assets over \$5 billion	.3750

AVERAGE DAILY NET ASSETS*	ARIZONA DIVIDEND ADVANTAGE (NFZ) ARIZONA DIVIDEND ADVANTAGE 2 (NKR) ARIZONA DIVIDEND ADVANTAGE 3 (NXE) FUND-LEVEL FEE RATE
For the first \$125 million	.4500%
For the next \$125 million	.4375

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

For the next \$250 million	.4250
For the next \$500 million	.4125
For the next \$1 billion	.4000
For net assets over \$2 billion	.3750

The annual complex-level fee for each Fund, payable monthly, is calculated according to the following schedule:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL*	EFFECTIVE RATE AT BREAKPOINT LEVEL
\$55 billion	.2000%
\$56 billion	.1996
\$57 billion	.1989
\$60 billion	.1961
\$63 billion	.1931
\$66 billion	.1900
\$71 billion	.1851
\$76 billion	.1806
\$80 billion	.1773
\$91 billion	.1691
\$125 billion	.1599
\$200 billion	.1505
\$250 billion	.1469
\$300 billion	.1445

\* The complex-level fee component of the management fee for the funds is calculated based upon the aggregate daily managed assets of all Nuveen funds, with such daily managed assets defined separately for each fund in its management agreement, but excluding assets attributable to investments in other Nuveen funds. For the complex-level and fund-level fees, daily managed assets include assets managed by the Adviser that are attributable to financial leverage. For these purposes, financial leverage includes the funds' use of preferred stock and borrowings and investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust's issuance of floating rate securities, subject to an agreement by the Adviser to limit the amount of such assets for determining managed assets in certain circumstances. As of January 31, 2010, the complex-level fee rate was .1881%.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Funds pay no compensation directly to those of its directors/trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of Directors/Trustees has adopted a deferred compensation plan for independent directors/trustees that enables directors/trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen advised funds.

Nuveen Investments 45



Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

For the first ten years of Arizona Dividend Advantage's (NFZ) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING JANUARY 31,		YEAR ENDING JANUARY 31,	
2001*	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

\* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage (NFZ) for any portion of its fees and expenses beyond January 31, 2011.

For the first ten years of Arizona Dividend Advantage 2's (NKR) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING MARCH 31,		YEAR ENDING MARCH 31,	
2002*	.30%	2008	.25%
2003	.30	2009	.20
2004	.30	2010	.15
2005	.30	2011	.10
2006	.30	2012	.05
2007	.30		

\* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage 2 (NKR) for any portion of its fees and expenses beyond March 31, 2012.

For the first eight years of Arizona Dividend Advantage 3's (NXE) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily net assets, for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING SEPTEMBER 30,		YEAR ENDING SEPTEMBER 30,	
2002*	.32%	2007	.32%
2003	.32	2008	.24
2004	.32	2009	.16
2005	.32	2010	.08
2006	.32		

\* From the commencement of operations.

The Adviser has not agreed to reimburse Arizona Dividend Advantage 3 (NXE) for any portion of its fees and expenses beyond September 30, 2010.

8. NEW ACCOUNTING PRONOUNCEMENTS

ACCOUNTING FOR TRANSFERS OF FINANCIAL ASSETS

During June 2009, the FASB issued changes to the authoritative guidance under GAAP on accounting for transfers of financial assets. The objective of this guidance is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and transferor's continuing involvement, if any, in transferred financial assets.

This guidance is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions of this guidance must be applied to transfers occurring on or after the effective date. Additionally, the disclosure provisions of this guidance should be applied to transfers that occurred both before and after the effective date of this guidance. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and disclosures, if any.

FAIR VALUE MEASUREMENTS

On January 21, 2010, FASB issued changes to the authoritative guidance under GAAP for fair value measurements. The objective of which is to provide guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the amendment requires reporting entities to disclose i) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements, for both Level 2 and Level 3 positions, ii) transfers between all levels (including Level 1 and Level 2) on a gross basis (i.e., transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfer and iii) purchases, sales, issuances and settlements in the Level 3 rollforward must be shown

46 Nuveen Investments

on a gross basis rather than as one net number. The effective date of the amendment is for interim and annual periods beginning after December 15, 2009, however, the requirement to provide the Level 3 activity for purchases, sales, issuances and settlements on a gross basis will be effective for interim and annual periods beginning after December 15, 2010. At this time the Funds are evaluating the implications of this guidance and the impact it will have to the financial statement amounts and footnote disclosures, if any.

9. SUBSEQUENT EVENTS

DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on March 1, 2010, to shareholders of record on February 15, 2010, as follows:

ARIZONA	ARIZONA	ARIZONA	ARIZONA	TE
PREMIUM	DIVIDEND	DIVIDEND	DIVIDEND	QUAL
INCOME	ADVANTAGE	ADVANTAGE 2	ADVANTAGE 3	INC

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	(NAZ)	(NFZ)	(NKR)	(NXE)	( )
Dividend per share	\$0.059	\$ 0.057	\$ 0.064	\$ 0.062	\$ 0.

MUNIFUND TERM PREFERRED SHARES

Subsequent to the reporting period, Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) filed with the Securities and Exchange Commission (the "SEC") registration statements seeking to register MuniFund Term Preferred shares ("MTP"). These registration statements, declared effective by the SEC, enables the Funds to issue to the public shares of MTP to refinance all or a portion of their Preferred shares. The issuance of MTP by Arizona Dividend Advantage (NFZ), Arizona Dividend Advantage 2 (NKR) and Arizona Dividend Advantage 3 (NXE) is subject to market conditions. There is no assurance that MTP will be issued.

Nuveen Investments 47

| Financial  
| Highlights(Unaudited)

Selected data for a Common share outstanding throughout each period:

INVESTMENT OPERATIONS						
BEGINNING COMMON SHARE	NET INVESTMENT INCOME	NET REALIZED/ UNREALIZED GAIN (LOSS)	DISTRIBUTIONS FROM NET INVESTMENT INCOME TO PREFERRED SHARE-HOLDERS+	DISTRIBUTIONS FROM CAPITAL GAINS TO PREFERRED SHARE-HOLDERS+	TOTAL	
ARIZONA PREMIUM INCOME (NAZ)						
Year Ended 7/31:						
2010 (b)	\$12.92	\$.42	\$ .69	\$ (.01)	\$ --	\$1.1
2009	13.00	.85	(.16)	(.13)	--	.5
2008	14.00	.88	(1.05)	(.22)	--	(.3)
2007	14.10	.83	(.10)	(.22)	--	.5
2006	14.53	.83	(.39)	(.18)	--	.2
2005	14.04	.86	.56	(.09)	--	1.3
ARIZONA DIVIDEND ADVANTAGE (NFZ)						
Year Ended 7/31:						
2010 (b)	12.66	.42	.92	(.02)	--	1.3
2009	13.26	.84	(.67)	(.14)	--	.0
2008	14.48	.91	(1.23)	(.25)	--***	(.5)
2007	14.77	.91	(.17)	(.24)	(.02)	.4
2006	15.37	.93	(.40)	(.20)	(.01)	.3
2005	15.00	.97	.46	(.10)	--	1.3

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	PREFERRED SHARES AT END OF PERIOD				
	ENDING COMMON SHARE		AGGREGATE	LIQUIDATION	ASSET
	NET ASSET VALUE	ENDING MARKET VALUE	AMOUNT OUTSTANDING (000)	AND MARKET VALUE PER SHARE	COVERAGE PER SHARE
=====					
ARIZONA PREMIUM INCOME (NAZ)					
-----					
Year Ended 7/31:					
2010 (b)	\$13.68	\$13.84	\$27,875	\$25,000	\$79,852
2009	12.92	12.29	27,875	25,000	76,798
2008	13.00	13.35	30,000	25,000	73,414
2007	14.00	13.07	30,000	25,000	77,111
2006	14.10	13.69	30,000	25,000	77,520
2005	14.53	15.22	30,000	25,000	79,019
=====					
ARIZONA DIVIDEND ADVANTAGE (NFZ)					
-----					
Year Ended 7/31:					
2010 (b)	13.65	12.27	10,600	25,000	74,837
2009	12.66	12.14	10,600	25,000	71,238
2008	13.26	13.70	12,000	25,000	67,817
2007	14.48	13.35	12,000	25,000	71,748
2006	14.77	15.90	12,000	25,000	72,628
2005	15.37	16.08	12,000	25,000	74,485
=====					

48 Nuveen Investments

	RATIOS/SUPPLEMENTAL DATA					
	TOTAL RETURNS			RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES BEFORE REIMBURSEMENT++		
	BASED ON MARKET VALUE*	BASED ON COMMON SHARE NET ASSET VALUE*	ENDING NET ASSETS APPLICABLE TO COMMON SHARES (000)	EXPENSES INCLUDING INTEREST (a)	EXPENSES EXCLUDING INTEREST	INVESTMENT INCOME
=====						
ARIZONA PREMIUM INCOME (NAZ)						
-----						
Year Ended 7/31:						
2010 (b)	15.57%	8.56%	\$61,160	1.21%****	1.21%****	6
2009	(2.61)	4.73	57,755	1.33	1.33	7
2008	7.10	(2.87)	58,097	1.40	1.26	6
2007	(.22)	3.62	62,534	1.32	1.24	5
2006	(5.62)	1.84	63,024	1.21	1.21	5
2005	5.17	9.69	64,822	1.20	1.20	5
=====						

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

ARIZONA DIVIDEND ADVANTAGE (NFZ)

Year Ended 7/31:

2010 (b)	3.74	10.46	21,131	1.35****	1.35****	6
2009	(6.12)	.58	19,605	1.51	1.51	6
2008	7.72	(4.09)	20,552	1.58	1.44	6
2007	(11.63)	3.24	22,439	1.48	1.38	5
2006	4.54	2.14	22,862	1.36	1.36	5
2005	10.88	9.04	23,753	1.34	1.34	5

RATIOS/SUPPLEMENTAL DATA

RATIOS TO AVERAGE NET ASSETS  
APPLICABLE TO COMMON SHARES  
AFTER REIMBURSEMENT\*\*\*

EXPENSES INCLUDING INTEREST (a)	EXPENSES EXCLUDING INTEREST	NET INVESTMENT INCOME	PORTFOLIO TURNOVER RATE
---------------------------------------	-----------------------------------	-----------------------------	-------------------------------

ARIZONA PREMIUM INCOME (NAZ)

Year Ended 7/31:

2010 (b)	1.21%****	1.21%****	6.14%****	4%
2009	1.34	1.34	7.00	25
2008	1.40	1.26	6.42	21
2007	1.32	1.23	5.82	13
2006	1.21	1.21	5.82	22
2005	1.20	1.20	5.91	17

ARIZONA DIVIDEND ADVANTAGE (NFZ)

Year Ended 7/31:

2010 (b)	1.20****	1.20****	6.15****	---****
2009	1.30	1.30	6.91	6
2008	1.31	1.16	6.42	10
2007	1.14	1.04	6.08	19
2006	.94	.94	6.21	24
2005	.89	.89	6.26	18

\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

\*\* After expense reimbursement from the Adviser, where applicable. Expense ratios do not reflect the reduction of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable.

\*\*\* Rounds to less than \$.01 per share.

\*\*\*\* Annualized.

\*\*\*\*\* Calculates to less than 1%.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; Net Investment Income ratios reflect income earned and expenses incurred on assets attributable to Preferred shares.

(a) The expense ratios in the above table reflect, among other things, the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, as described in Footnote 1 - Inverse Floating Rate Securities.

(b) For the six months ended January 31, 2010.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 49

| Financial  
| Highlights (Unaudited) (continued)

Selected data for a Common share outstanding throughout each period:

	INVESTMENT OPERATIONS						TOTAL
	BEGINNING COMMON SHARE NET ASSET VALUE	NET INVESTMENT INCOME	NET REALIZED/ UNREALIZED GAIN (LOSS)	DISTRIBUTIONS FROM NET INVESTMENT INCOME TO PREFERRED SHARE-HOLDERS+	DISTRIBUTIONS FROM CAPITAL GAINS TO PREFERRED SHARE-HOLDERS+		
=====							
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)							
-----							
Year Ended 7/31:							
2010 (b)	\$13.46	\$.45	\$ .78	\$ (.02)	\$ --		\$1.2
2009	13.66	.93	(.29)	(.14)	--		.5
2008	14.76	.96	(1.03)	(.24)	(.02)		(.3
2007	15.00	.97	(.18)	(.24)	(.01)		.5
2006	15.56	.96	(.37)	(.20)	(.01)		.3
2005	15.10	.97	.59	(.11)	(.01)		1.4

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

Year Ended 7/31:

2010 (b)	12.76	.43	.90	(.01)	--	1.3
2009	13.07	.88	(.41)	(.13)	--	.3
2008	14.20	.91	(1.15)	(.24)	--	(.4
2007	14.32	.90	(.10)	(.25)	--	.5
2006	14.62	.88	(.26)	(.19)	--	.4
2005	14.01	.89	.62	(.10)	--	1.4

PREFERRED SHARES AT END OF PERIOD

ENDING COMMON SHARE NET VALUE	ENDING MARKET VALUE	AGGREGATE AMOUNT OUTSTANDING (000)	LIQUIDATION AND MARKET VALUE PER SHARE	ASSET COVERAGE PER SHARE
-------------------------------	---------------------	------------------------------------	--	--------------------------

ARIZONA DIVIDEND ADVANTAGE 2 (NKR)

Year Ended 7/31:

2010 (b)	\$14.30	\$13.18	\$16,625	\$25,000	\$77,475
2009	13.46	12.52	16,625	25,000	74,367
2008	13.66	14.00	18,500	25,000	70,015
2007	14.76	15.27	18,500	25,000	73,616
2006	15.00	15.37	18,500	25,000	74,277
2005	15.56	16.19	18,500	25,000	75,952

ARIZONA DIVIDEND ADVANTAGE 3 (NXE)

Year Ended 7/31:

2010 (b)	13.72	12.65	18,400	25,000	82,171
2009	12.76	11.73	18,400	25,000	78,164
2008	13.07	13.30	22,000	25,000	70,546
2007	14.20	13.44	22,000	25,000	74,490
2006	14.32	13.52	22,000	25,000	74,902
2005	14.62	14.48	22,000	25,000	75,942

50 Nuveen Investments

RATIOS/SUPPLEMENTAL DATA

TOTAL RETURNS			RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES BEFORE REIMBURSEMENT++			
BASED ON MARKET	BASED ON SHARE NET ASSET	BASED ON COMMON SHARE NET ASSET	ENDING NET ASSETS APPLICABLE TO COMMON	EXPENSES INCLUDING	EXPENSES EXCLUDING	INVESTMENT

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	VALUE*	VALUE*	SHARES (000)	INTEREST (a)	INTEREST	INC
=====						
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)						
-----						
Year Ended 7/31:						
2010 (b)	8.22%	9.00%	\$34,896	1.27%***	1.27%***	6
2009	(4.99)	4.09	32,829	1.40	1.40	6
2008	(3.16)	(2.38)	33,311	1.49	1.34	6
2007	4.52	3.59	35,976	1.39	1.29	5
2006	.82	2.49	36,465	1.28	1.28	5
2005	16.30	9.74	37,704	1.27	1.27	5

=====						
ARIZONA DIVIDEND ADVANTAGE 3 (NXE)						
-----						
Year Ended 7/31:						
2010 (b)	10.90	10.35	42,078	1.22***	1.22***	6
2009	(6.18)	3.08	39,129	1.37	1.37	6
2008	3.96	(3.48)	40,081	1.46	1.30	6
2007	4.21	3.81	43,552	1.36	1.26	5
2006	(1.80)	3.03	43,913	1.26	1.26	5
2005	15.11	10.21	44,829	1.25	1.25	5

RATIOS/SUPPLEMENTAL DATA

RATIOS TO AVERAGE NET ASSETS  
 APPLICABLE TO COMMON SHARES  
 AFTER REIMBURSEMENT\*\*\*

	EXPENSES INCLUDING INTEREST (a)	EXPENSES EXCLUDING INTEREST	NET INVESTMENT INCOME	PORTFOLIO TURNOVER RATE
=====				
ARIZONA DIVIDEND ADVANTAGE 2 (NKR)				
-----				
Year Ended 7/31:				
2010 (b)	1.05%***	1.05%***	6.26%***	--%****
2009	1.11	1.11	7.22	5
2008	1.13	.98	6.68	15
2007	.96	.86	6.35	14
2006	.83	.83	6.33	11
2005	.83	.83	6.21	11

=====				
ARIZONA DIVIDEND ADVANTAGE 3 (NXE)				
-----				
Year Ended 7/31:				
2010 (b)	1.07***	1.07***	6.30***	2
2009	1.09	1.09	7.25	9
2008	1.08	.92	6.55	16
2007	.88	.78	6.16	15
2006	.79	.79	6.11	12
2005	.78	.78	6.10	15

\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and



reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

\*\* After expense reimbursement from the Adviser, where applicable. Expense ratios do not reflect the reduction of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable.

\*\*\* Annualized.

\*\*\*\* Calculates to less than 1%.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; Net Investment Income ratios reflect income earned and expenses incurred on assets attributable to Preferred shares.

(a) The expense ratios in the above table reflect, among other things, the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, as described in Footnote 1 - Inverse Floating Rate Securities.

(b) For the six months ended January 31, 2010.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 51

| Financial  
| Highlights (Unaudited) (continued)

Selected data for a Common share outstanding throughout each period:

INVESTMENT OPERATIONS					
BEGINNING COMMON SHARE NET ASSET	NET INVESTMENT	NET REALIZED/ UNREALIZED	DISTRIBUTIONS	DISTRIBUTIONS	
			FROM NET INVESTMENT INCOME TO PREFERRED SHARE-	FROM CAPITAL GAINS TO PREFERRED SHARE-	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

	VALUE	INCOME	GAIN (LOSS)	HOLDERS+	HOLDERS+	TOTAL
=====						
TEXAS QUALITY INCOME (NTX)						
-----						
Year Ended 7/31:						
2010 (b)	\$13.84	\$ .47	\$ .72	\$(.01)	\$ ---***	\$1.18
2009	13.98	.94	(.17)	(.13)	(.02)	.62
2008	14.87	.94	(.83)	(.23)	(.02)	(.14)
2007	15.06	.95	(.11)	(.25)	(.01)	.58
2006	15.46	.96	(.32)	(.22)	--	.42
2005	15.12	1.00	.41	(.13)	--	1.28

PREFERRED SHARES AT END OF PERIOD					
ENDING COMMON SHARE NET ASSET VALUE		ENDING MARKET VALUE	AGGREGATE AMOUNT OUTSTANDING (000)	LIQUIDATION AND MARKET VALUE PER SHARE	ASSET COVERAGE PER SHARE
-----					
TEXAS QUALITY INCOME (NTX)					
-----					
Year Ended 7/31:					
2010 (b)	\$14.61	\$15.23	\$65,050	\$25,000	\$78,434
2009	13.84	14.78	65,050	25,000	75,543
2008	13.98	12.46	69,000	25,000	73,084
2007	14.87	13.89	69,000	25,000	76,173
2006	15.06	14.71	69,000	25,000	76,815
2005	15.46	16.19	69,000	25,000	78,159

52 Nuveen Investments

RATIOS/SUPPLEMENTAL DATA						
TOTAL RETURNS			RATIOS TO AVERAGE NET ASSETS APPLICABLE TO COMMON SHARES BEFORE REIMBURSEMENT++			
BASED ON MARKET VALUE*	BASED ON SHARE NET ASSET VALUE*	BASED ON COMMON SHARE NET ASSET VALUE*	ENDING NET ASSETS APPLICABLE TO COMMON SHARES (000)	EXPENSES INCLUDING INTEREST (a)	EXPENSES EXCLUDING INTEREST	INVE
-----						
TEXAS QUALITY INCOME (NTX)						
-----						
Year Ended 7/31:						
2010 (b)	5.97%	8.58%	\$139,034	1.18%****	1.17%****	
2009	25.98	4.80	131,513	1.27	1.26	

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

2008	(5.16)	(1.04)	132,713	1.26	1.21
2007	(.52)	3.82	141,238	1.24	1.18
2006	(4.03)	2.77	143,009	1.19	1.19
2005	17.83	8.61	146,718	1.18	1.18

RATIOS/SUPPLEMENTAL DATA

RATIOS TO AVERAGE NET ASSETS  
 APPLICABLE TO COMMON SHARES  
 AFTER REIMBURSEMENT+++

EXPENSES INCLUDING INTEREST (a)	EXPENSES EXCLUDING INTEREST	NET INVESTMENT INCOME	PORTFOLIO TURNOVER RATE
---------------------------------------	-----------------------------------	-----------------------------	-------------------------------

TEXAS QUALITY INCOME (NTX)

Year Ended 7/31:

2010 (b)	1.18%****	1.17%****	6.45%****	3%
2009	1.26	1.26	7.07	10
2008	1.26	1.21	6.46	8
2007	1.24	1.18	6.24	9
2006	1.20	1.20	6.31	13
2005	1.18	1.18	6.42	14

\* Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

\*\* After expense reimbursement from the Adviser, where applicable. Expense ratios do not reflect the reduction of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable.

\*\*\* Rounds to less than \$.01 per share.

\*\*\*\* Annualized.

+ The amounts shown are based on Common share equivalents.

- ++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; Net Investment Income ratios reflect income earned and expenses incurred on assets attributable to Preferred shares.
- (a) The expense ratios in the above table reflect, among other things, the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, as described in Footnote 1 - Inverse Floating Rate Securities.
- (b) For the six months ended January 31, 2010.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Nuveen Investments 53

Reinvest Automatically,  
Easily and Conveniently

Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

#### NUVEEN CLOSED-END FUNDS AUTOMATIC REINVESTMENT PLAN

Your Nuveen Closed-End Fund allows you to conveniently reinvest dividends and/or capital gains distributions in additional Fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of tax-free compounding. Just like dividends or distributions in cash, there may be times when income or capital gains taxes may be payable on dividends or distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

#### EASY AND CONVENIENT

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

#### HOW SHARES ARE PURCHASED

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase

before purchases are completed, the average purchase price

54 Nuveen Investments

per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the dividend or distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

#### FLEXIBLE

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

#### CALL TODAY TO START REINVESTING DIVIDENDS AND/OR DISTRIBUTIONS

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Nuveen Investments 55

#### Glossary of Terms Used in this Report

- o AUCTION RATE BOND: An auction rate bond is a security whose interest payments are adjusted periodically through an auction process, which process typically also serves as a means for buying and selling the bond. Auctions that fail to attract enough buyers for all the shares offered for sale are deemed to have "failed," with current holders receiving a formula-based interest rate until the next scheduled auction.
- o AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.
- o AVERAGE EFFECTIVE MATURITY: The average of the number of years to maturity of the bonds in a Fund's portfolio, computed by weighting each bond's time to maturity (the date the security comes due) by the market value of the security. This figure does not account for the likelihood of prepayments or the exercise of call provisions unless an escrow account has been established

to redeem the bond before maturity. The market value weighting for an investment in an inverse floating rate security is the value of the portfolio's residual interest in the inverse floating rate trust, and does not include the value of the floating rate securities issued by the trust.

- o INVERSE FLOATERS: Inverse floating rate securities, also known as inverse floaters, are created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. This trust, in turn, (a) issues floating rate certificates typically paying short-term tax-exempt interest rates to third parties in amounts equal to some fraction of the deposited bond's par amount or market value, and (b) issues an inverse floating rate certificate (sometimes referred to as an "inverse floater") to an investor (such as a Fund) interested in gaining investment exposure to a long-term municipal bond. The income received by the holder of the inverse floater varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the holder of the inverse floater bears substantially all of the underlying bond's downside investment risk. The holder of the inverse floater typically also benefits disproportionately from any potential appreciation of the underlying bond's value. Hence, an inverse floater essentially represents an investment in the underlying bond on a leveraged basis.

#### 56 Nuveen Investments

- o LEVERAGE-ADJUSTED DURATION: Duration is a measure of the expected period over which a bond's principal and interest will be paid, and consequently is a measure of the sensitivity of a bond's or bond Fund's value to changes when market interest rates change. Generally, the longer a bond's or Fund's duration, the more the price of the bond or Fund will change as interest rates change. Leverage-adjusted duration takes into account the leveraging process for a Fund and therefore is longer than the duration of the Fund's portfolio of bonds.
- o MARKET YIELD (ALSO KNOWN AS DIVIDEND YIELD OR CURRENT YIELD): An investment's current annualized dividend divided by its current market price.
- o NET ASSET VALUE (NAV): A Fund's NAV per common share is calculated by subtracting the liabilities of the Fund (including any Preferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of common shares outstanding. Fund NAVs are calculated at the end of each business day.
- o PRE-REFUNDING: Pre-refunding, also known as advanced refundings or refinancings, is a procedure used by state and local governments to refinance municipal bonds to lower interest expenses. The issuer sells new bonds with a lower yield and uses the proceeds to buy U.S. Treasury securities, the interest from which is used to make payments on the higher-yielding bonds. Because of this collateral, pre-refunding generally raises a bond's credit rating and thus its value.
- o TAXABLE-EQUIVALENT YIELD: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.
- o ZERO COUPON BOND: A zero coupon bond does not pay a regular interest coupon to its holders during the life of the bond. Tax-exempt income to the holder of the bond comes from accretion of the difference between the original purchase price of the bond at issuance and the par value of the bond at maturity and is effectively paid at maturity. The market prices of zero coupon bonds generally are more volatile than the market prices of bonds that pay interest periodically.

Notes

58 Nuveen Investments

Notes

Notes

60 Nuveen Investments

Other Useful Information

BOARD OF  
DIRECTORS/TRUSTEES  
John P. Amboian  
Robert P. Bremner  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Judith M. Stockdale  
Carole E. Stone  
Terence J. Toth

FUND MANAGER  
Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

CUSTODIAN  
State Street Bank & Trust  
Company  
Boston, MA

TRANSFER AGENT AND  
SHAREHOLDER SERVICES  
State Street Bank & Trust  
Company  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071  
(800) 257-8787

LEGAL COUNSEL  
Chapman and Cutler LLP  
Chicago, IL

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

## Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

Ernst & Young LLP  
Chicago, IL

### QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

You may obtain (i) each Fund's quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the twelve-month period ended June 30, 2009, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at [www.nuveen.com](http://www.nuveen.com).

You may also obtain this and other Fund information directly from the Securities and Exchange Commission ("SEC"). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at (202) 942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public References Section at 100 F Street NE, Washington, D.C. 20549.

### CEO CERTIFICATION DISCLOSURE

Each Fund's Chief Executive Officer has submitted to the New York Stock Exchange ("NYSE") the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the SEC the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

### COMMON AND PREFERRED SHARE INFORMATION

Each Fund intends to repurchase and/or redeem shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. During the period covered by this report, the Funds did not repurchase and/or redeemed shares of their common and/or preferred stock. Any future repurchases and/or redemptions will be reported to shareholders in the next annual or semi-annual report.

Nuveen Investments 61

Nuveen Investments:  
Serving Investors for Generations

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions through continued adherence to proven, longterm investing principles. Today, we offer a range of high quality equity and fixed-income solutions designed to be integral components of a well-diversified core portfolio.

### FOCUSED ON MEETING INVESTOR NEEDS.

Nuveen Investments is a global investment management firm that seeks to help secure the long-term goals of institutions and high net worth investors as well as the consultants and financial advisors who serve them. We market our growing range of specialized investment solutions under the high-quality brands of HydePark, NWQ, Nuveen, Santa Barbara, Symphony, Tradewinds and Winslow Capital. In total, Nuveen Investments managed approximately \$145 billion of assets on December 31, 2009.



FIND OUT HOW WE CAN HELP YOU.

To learn more about how the products and services of Nuveen Investments may be able to help you meet your financial goals, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest. Investors should consider the investment objective and policies, risk considerations, charges and expenses of any investment carefully. Where applicable, be sure to obtain a prospectus, which contains this and other relevant information. To obtain a prospectus, please contact your securities representative or NUVEEN INVESTMENTS, 333 W. WACKER DR., CHICAGO, IL 60606. Please read the prospectus carefully before you invest or send money.

Learn more about Nuveen Funds at: [WWW.NUVEEN.COM/CEF](http://WWW.NUVEEN.COM/CEF)

- o Share prices
- o Fund details
- o Daily financial news
- o Investor education
- o Interactive planning tools

Distributed by  
Nuveen Investments, LLC  
333 West Wacker Drive  
Chicago, IL 60606  
[www.nuveen.com](http://www.nuveen.com)

ESA-A-0110D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

(a) See Portfolio of Investments in Item 1.

(b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

## Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors or Trustees implemented after the registrant last provided disclosure in response to this Item.

### ITEM 11. 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 Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (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 second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable to this filing.

(a)(2) 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)) in the exact form set forth below: See Ex-99.CERT attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of

Edgar Filing: NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3 - Form N-CSRS

that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: See Ex-99.906 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 Arizona Dividend Advantage Municipal Fund 3  
-----

By (Signature and Title) /s/ Kevin J. McCarthy  
-----

Kevin J. McCarthy  
(Vice President and Secretary)

Date: April 9, 2010  
-----

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: April 9, 2010  
-----

By (Signature and Title) /s/ Stephen D. Foy  
-----

Stephen D. Foy  
Vice President and Controller  
(principal financial officer)

Date: April 9, 2010  
-----