

NUVEEN ARIZONA DIVIDEND ADVANTAGE MUNICIPAL FUND 3

Form N-Q

January 27, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT
COMPANY

Investment Company Act file number 811-21157

Nuveen Arizona Dividend Advantage Municipal Fund 3
(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy
Vice President and Secretary
333 West Wacker Drive, Chicago, Illinois 60606
(Name and address of agent for service)

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

Date of fiscal year end: 2/28

Date of reporting period: 11/30/11

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

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

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)

Nuveen Arizona Dividend Advantage Municipal Fund 3 (NXE)

November 30, 2011

| Principal Amount (000) | Description (1) | Optional Call Provisions (2) | Ratings (3) | Value |
|------------------------------|--|---------------------------------------|----------------|------------|
| | Consumer Staples – 1.0% (0.7% of Total Investments) Puerto Rico, The Children’s Trust Fund, Tobacco Settlement | 5/12 at 100.00 | BBB | \$ 439,901 |
| \$ 470 | Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33 | | | |
| | Education and Civic Organizations – 18.5% (13.1% of Total Investments) | | | |
| 690 | Arizona Higher Education Loan Authority, Student Loan Revenue Bonds, Series 2007B, Auction | 3/12 at 100.00 | A | 480,219 |
| 1,250 | Rate Securities, 0.508%, 11/01/41 (Alternative Minimum Tax) (4) Arizona State University, System Revenue Bonds, Series 2005, 5.000%, 7/01/20 – AMBAC Insured | 7/15 at 100.00 | Aa3 | 1,330,863 |
| 1,130 | Energy Management Services LLC, Arizona State University, Energy Conservation Revenue Bonds, Main Campus Project, Series 2002, 5.250%, 7/01/18 – NPMG Insured | 7/12 at 100.00 | AA– | 1,154,046 |
| 520 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Refunding Series 2007, 5.000%, 5/15/31 | 5/22 at 100.00 | A– | 530,390 |
| 900 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, Midwestern University, Refunding Series 2010, 5.125%, 5/15/40 | 5/20 at 100.00 | A– | 902,430 |
| 560 | Pima County Industrial Development Authority, Arizona, Charter School Revenue Bonds, Noah | 12/14 at 100.00 | BBB– | 546,157 |
| 235 | Webster Basic Schools Inc., Series 2004, 6.000%, 12/15/24 Pima County Industrial Development Authority, Arizona, Education Revenue Bonds, Paradise | 6/19 at 100.00 | BBB– | 203,576 |
| 415 | Education Center Project, Series 2010, 6.000%, 6/01/40 Pima County Industrial Development Authority, Arizona, Educational Revenue Bonds, Valley | 7/18 at 100.00 | Baa3 | 387,722 |
| 565 | Academy Charter School Project, Series 2008, 6.500%, 7/01/38 Tucson Industrial Development Authority, Arizona, Charter School Revenue Bonds, Arizona | 9/14 at 100.00 | BB+ | 485,657 |
| 2,000 | Agribusiness and Equine Center Charter School, Series 2004A, 6.125%, 9/01/34 University of Arizona, Certificates of Participation, Series 2002B, 5.125%, 6/01/20 – AMBAC Insured | 6/12 at 100.00 | AA– | 2,037,700 |
| 8,265 | Total Education and Civic Organizations | | | 8,058,760 |

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

Health Care – 28.0% (19.8% 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 100.00 | AA– | 1,060,827 |
| 620 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2007B, 1.059%, 1/02/37 | 1/17 at 100.00 | AA– | 405,716 |
| 2,390 | Arizona Health Facilities Authority, Hospital Revenue Bonds, Banner Health Systems, Series 2008D, 5.500%, 1/01/38 | 1/18 at 100.00 | AA– | 2,481,748 |
| 625 | Arizona Health Facilities Authority, Revenue Bonds, Blood Systems Inc., Series 2004, 5.000%, 4/01/20 | 4/14 at 100.00 | A | 643,913 |
| 475 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2005B, 5.000%, 12/01/37 | 12/15 at 100.00 | BBB | 409,232 |
| 785 | Glendale Industrial Development Authority, Arizona, Revenue Bonds, John C. Lincoln Health Network, Series 2007, 5.000%, 12/01/42 | 12/17 at 100.00 | BBB | 662,077 |
| 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 100.00 | A | 1,914,608 |
| 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 100.00 | A | 1,993,000 |
| 375 | Show Low Industrial Development Authority, Arizona, Hospital Revenue Bonds, Navapache Regional Medical Center, Series 2005: 5.000%, 12/01/25 – RAAI Insured | 12/15 at 100.00 | BBB+ | 356,820 |
| 315 | University Medical Center Corporation, Tucson, Arizona, Hospital Revenue Bonds, Series 2011, 6.000%, 7/01/39 | 12/15 at 100.00 | BBB+ | 288,754 |
| 1,000 | Yavapai County Industrial Development Authority, Arizona, Hospital Revenue Bonds, Yavapai Regional Medical Center, Series 2003A, 6.000%, 8/01/33 | 7/21 at 100.00 | BBB+ | 1,012,660 |
| 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 100.00 | Baa2 | 1,003,280 |
| 12,410 | Total Health Care | | | 12,232,635 |
| Tax Obligation/General – 10.7% (7.6% of Total Investments) | | | | |
| 365 | Pima County Continental Elementary School District 39, Arizona, General Obligation Bonds, Series 2011A, 2.000%, 7/01/30 – AGM Insured | 7/21 at 100.00 | AA– | 401,464 |
| 500 | Pima County Unified School District 08 Flowing Wells, Arizona, General Obligation Bonds, Series 2011B, 5.375%, 7/01/29 | 7/21 at 100.00 | A+ | 531,940 |
| 750 | Pima County Unified School District 6, Marana, Arizona, General Obligation Bonds, School Improvement Project 2010 Series 2011A, 5.000%, 7/01/25 | 7/21 at 100.00 | A+ | 793,583 |
| 1,000 | Pinal County Unified School District 1, Florence, Arizona, General Obligation Bonds, Series | 7/18 at 100.00 | A | 1,067,240 |

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

| | | | | |
|-------|---|----------------|-----|-----------|
| | 2008C, 5.250%, 7/01/28 | | | |
| 1,705 | Scottsdale, Arizona, General Obligation Bonds, Preserve Acquisition Series 1999, 5.000%, 7/01/34 | 7/21 at 100.00 | AAA | 1,865,884 |
| 4,320 | Total Tax Obligation/General Tax Obligation/Limited – 42.3% (30.0% of Total Investments) | | | 4,660,111 |
| 1,000 | Arizona State Transportation Board, Highway Revenue Bonds, Subordinate Refunding Series 2011A, 5.000%, 7/01/36 (WI/DD, Settling 12/01/11) | 7/21 at 100.00 | AA+ | 1,058,110 |
| 138 | Centerra Community Facilities District, Goodyear, Arizona, General Obligation Bonds, Series 2005, 5.500%, 7/15/29 | 7/15 at 100.00 | N/R | 115,253 |
| 2,000 | DC Ranch Community Facilities District, Scottsdale, Arizona, General Obligation Bonds, Series 2002, 5.000%, 7/15/27 – AMBAC Insured | 7/13 at 100.00 | A1 | 2,018,680 |
| | Estrella Mountain Ranch Community Facilities District, Arizona, Special Assessment Bonds, Montecito Assessment District, Series 2007: | | | |
| 248 | 5.700%, 7/01/27 | 1/17 at 100.00 | N/R | 219,835 |
| 154 | 5.800%, 7/01/32 | 1/17 at 100.00 | N/R | 130,880 |
| 232 | Estrella Mountain Ranch Community Facilities District, Goodyear, Arizona, Special Assessment Lien Bonds, Series 2001A, 7.875%, 7/01/25 | 7/12 at 100.00 | N/R | 233,895 |
| 510 | Government of Guam, Business Privilege Tax Bonds, Series 2011A, 5.000%, 1/01/31 (WI/DD, Settling 12/01/11) | 1/22 at 100.00 | A | 526,917 |
| 525 | Greater Arizona Development Authority, Infrastructure Revenue Bonds, Series 2006A, 5.000%, 8/01/23 – NPPFG Insured | 8/16 at 100.00 | AA– | 552,799 |
| 923 | Marana, Arizona, Tangerine Farms Road Improvement District Revenue Bonds, Series 2006, 4.600%, 1/01/26 | 7/16 at 100.00 | A2 | 926,258 |
| 290 | Marley Park Community Facilities District, City of Surprise, Arizona, Limited Tax General Obligation Bonds, Series 2008 (Bank Qualified), 6.100%, 7/15/32 | 7/17 at 100.00 | N/R | 255,684 |
| 490 | Merrill Ranch Community Facilities District 1, Florence, Arizona, General Obligation Bonds, Series 2008A, 7.400%, 7/15/33 | 7/18 at 100.00 | N/R | 493,396 |
| 2,175 | Mohave County, Arizona, Certificates of Participation, Series 2004, 5.250%, 7/01/19 – AMBAC Insured | 7/14 at 100.00 | N/R | 2,316,570 |
| 300 | Page, Arizona, Pledged Revenue Bonds, Refunding Series 2011, 5.000%, 7/01/26 | 7/21 at 100.00 | AA– | 325,299 |
| 640 | Palm Valley Community Facility District 3, Goodyear, Arizona, General Obligation Bonds, Series 2006, 5.300%, 7/15/31 | 7/16 at 100.00 | N/R | 515,488 |
| 425 | Palm Valley Community Facility District 3, Goodyear, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.800%, 7/15/32 | 7/17 at 100.00 | N/R | 361,131 |

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

| | | | | |
|--------|--|--------------------|---------|------------|
| 160 | Parkway Community Facilities District 1, Prescott Valley, Arizona, General Obligation Bonds, Series 2006, 5.350%, 7/15/31 | 7/16 at 100.00 | N/R | 129,709 |
| 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. Call | BBB– | 1,251,938 |
| 250 | Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue Bonds, First Subordinate Series 2010A, 5.375%, 8/01/39 | 2/20 at 100.00 | A+ | 257,813 |
| 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 100.00 | A+ | 1,169,087 |
| 2,000 | Scottsdale Municipal Property Corporation, Arizona, Excise Tax Revenue Bonds, Water & Sewer Improvements Project, Series 2010, 5.000%, 7/01/36 | No Opt. Call | AAA | 2,126,859 |
| 665 | Tartesso West Community Facility District, Buckeye, Arizona, Limited Tax General Obligation Bonds, Series 2007, 5.900%, 7/15/32 | 7/17 at 100.00 | N/R | 572,146 |
| 750 | Virgin Islands Public Finance Authority, Matching Fund Loan Notes Revenue Bonds, Senior Lien Series 2010A, 5.000%, 10/01/29 | 10/20 at 100.00 | BBB | 746,010 |
| 1,250 | Vistancia Community Facilities District, Arizona, Restricted General Obligation Bonds, Series 2005, 5.750%, 7/15/24 | 7/15 at 100.00 | A1 | 1,312,525 |
| 638 | Watson Road Community Facilities District, Arizona, Special Assessment Revenue Bonds, Series 2005, 6.000%, 7/01/30 | 7/16 at 100.00 | N/R | 538,887 |
| 425 | Westpark Community Facilities District, Buckeye, Arizona, General Obligation Tax Increment Bonds Series 2006, 5.250%, 7/15/31 | 7/16 at 100.00 | N/R | 340,098 |
| 18,568 | Total Tax Obligation/Limited Transportation – 6.0% (4.2% of Total Investments) | | | 18,495,267 |
| 300 | Phoenix Civic Improvement Corporation, Arizona, Senior Lien Airport Revenue Bonds, Series 2002B: 5.750%, 7/01/16 – FGIC Insured (Alternative Minimum Tax) | 7/12 at 100.00 | AA– | 306,393 |
| 2,300 | 5.250%, 7/01/21 – FGIC Insured (Alternative Minimum Tax) | 7/12 at 100.00 | AA– | 2,321,596 |
| 2,600 | Total Transportation U.S. Guaranteed – 9.4% (6.7% of Total Investments) (5) | | | 2,627,989 |
| 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 100.00 | AA (5) | 1,746,754 |
| 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 100.00 | N/R (5) | 306,059 |
| 2,000 | Phoenix Civic Improvement Corporation, Arizona, Junior Lien Water System Revenue Bonds, Series | 7/12 at 100.00 | AAA | 2,054,339 |

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

| | | | | |
|-----------|--|-----------------|------|--------------|
| | 2002, 5.000%, 7/01/18 (Pre-refunded 7/01/12) – FGIC Insured | | | |
| 3,845 | Total U.S. Guaranteed | | | 4,107,152 |
| | Utilities – 16.9% (12.0% of Total Investments) | | | |
| 1,200 | Maricopa County Pollution Control Corporation, Arizona, Pollution Control Revenue Refunding | 6/20 at 100.00 | A1 | 1,256,244 |
| | Bonds, Southern California Edison Company, Series 2000A, 5.000%, 6/01/35 | | | |
| 1,250 | Maricopa County Pollution Control Corporation, Arizona, Revenue Bonds, Arizona Public Service | 11/12 at 100.00 | BBB | 1,253,450 |
| | Company – Palo Verde Project, Series 2002A, 5.050%, 5/01/29 – AMBAC Insured | | | |
| 665 | Pima County Industrial Development Authority, Arizona, Revenue Bonds, Tucson Electric Power | 1/15 at 100.00 | BBB– | 678,267 |
| | Company, Refunding Series 2008, 5.750%, 9/01/29 | | | |
| 500 | Pinal County Electrical District 3, Arizona, Electric System Revenue Bonds, Refunding Series | 7/21 at 100.00 | A | 511,510 |
| | 2011, 5.250%, 7/01/36 | | | |
| 1,660 | Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 – SYNCORA GTY Insured | 7/15 at 100.00 | A3 | 1,686,859 |
| 775 | Salt River Project Agricultural Improvement and Power District, Arizona, Electric System | 1/18 at 100.00 | Aa1 | 916,174 |
| | Revenue Bonds, Tender Option Bond Trust 09-9W, 18.060%, 1/01/38 (IF) (6) | | | |
| 1,165 | Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Citigroup Energy Inc | No Opt. Call | A | 1,071,614 |
| | Prepay Contract Obligations, Series 2007, 5.000%, 12/01/37 | | | |
| 7,215 | Total Utilities | | | 7,374,118 |
| | Water and Sewer – 8.3% (5.9% of Total Investments) | | | |
| 955 | Goodyear, Arizona, Water and Sewer Revenue Obligations, Series 2010, 5.625%, 7/01/39 | 7/20 at 100.00 | A+ | 983,106 |
| 405 | Oro Valley Municipal Property Corporation, Arizona, Senior Lien Water Revenue Bonds, Series | 7/13 at 100.00 | AA– | 415,449 |
| | 2003, 5.000%, 7/01/23 – NPFG Insured | | | |
| 750 | Puerto Rico Aqueduct and Sewerage Authority, Revenue Bonds, Senior Lien Series 2008A, | 7/18 at 100.00 | Baa2 | 778,193 |
| | 6.000%, 7/01/38 | | | |
| | Surprise Municipal Property Corporation, Arizona, Wastewater System Revenue Bonds, Series 2007: | | | |
| 425 | 4.700%, 4/01/22 | 4/14 at 100.00 | N/R | 427,627 |
| 490 | 4.900%, 4/01/32 | 4/17 at 100.00 | N/R | 464,172 |
| 615 | 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 100.00 | N/R | 557,657 |
| 3,640 | Total Water and Sewer | | | 3,626,204 |
| \$ 61,333 | Total Investments (cost \$60,603,293) – 141.1% | | | 61,622,137 |
| | MuniFund Term Preferred Shares, at Liquidation Value – (47.7)% (7) | | | (20,846,000) |
| | Other Assets Less Liabilities – 6.6% | | | 2,881,089 |

Net Assets Applicable to Common Shares – 100%

\$ 43,657,226

Fair Value Measurements

Fair value is defined as the price that the Fund would receive upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The three-tier hierarchy of inputs is 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 methodologies used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the Fund's fair value measurements as of November 30, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------|---------|--------------|-----------|--------------|
| Investments: | | | | |
| Municipal Bonds | \$ — | \$61,141,918 | \$480,219 | \$61,622,137 |

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

| | Level 3 Municipal Bonds |
|--|----------------------------|
| Balance at the beginning of period | \$515,499 |
| Gains (losses): | |
| Net realized gains (losses) | — |
| Net change in unrealized appreciation (depreciation) | (35,280) |
| Purchases at cost | — |
| Sales at proceeds | — |
| Net discounts (premiums) | — |
| Transfers in to | — |
| Transfers out of | — |
| Balance at the end of period | \$480,219 |

During the period ended November 30, 2011, the Fund recognized no significant transfers to or from Level 1, Level 2 or Level 3.

Income Tax Information

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

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 value of the Fund.

At November 30, 2011, the cost of investments was \$60,562,237.

Gross unrealized appreciation and gross unrealized depreciation of investments at November 30, 2011, were as follows:

| | |
|---|--------------|
| Gross unrealized: | |
| Appreciation | \$ 2,251,128 |
| Depreciation | (1,191,228) |
| Net unrealized appreciation (depreciation) of investments | \$ 1,059,900 |

- (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.
Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc.
- (3) ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.
- (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.
- (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. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities.
- (6) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in inverse floating rate transactions.
- (7) MuniFund Term Preferred Shares, at Liquidation Value as a percentage of Total Investments is 33.8%.
- N/R Not rated.
- WI/DD Purchased on a when-issued or delayed delivery basis.
- (IF) Inverse floating rate investment.

Item 2. Controls and Procedures.

- a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

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

SIGNATURES

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

(Registrant) Nuveen Arizona Dividend Advantage Municipal Fund 3

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

Date January 27, 2012

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 January 27, 2012

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

Date January 27, 2012