

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3  
Form N-CSR  
January 05, 2007

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 811-10345  
-----

Nuveen 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)

Jessica R. Droeger  
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: October 31  
-----

Date of reporting period: October 31, 2006  
-----

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.

ITEM 1. REPORTS TO STOCKHOLDERS.

-----  
ANNUAL REPORT October 31, 2006  
-----

Nuveen Investments  
Municipal Closed-End Funds

NUVEEN PERFORMANCE  
PLUS MUNICIPAL  
FUND, INC.  
NPP

NUVEEN MUNICIPAL  
ADVANTAGE FUND, INC.  
NMA

NUVEEN MUNICIPAL  
MARKET OPPORTUNITY  
FUND, INC.  
NMO

NUVEEN DIVIDEND  
ADVANTAGE  
MUNICIPAL FUND  
NAD

NUVEEN DIVIDEND  
ADVANTAGE  
MUNICIPAL FUND 2  
NXZ

NUVEEN DIVIDEND  
ADVANTAGE  
MUNICIPAL FUND 3  
NZF

Photo of: Woman and man at the beach.  
Photo of: A child.

DEPENDABLE,  
TAX-FREE INCOME BECAUSE  
IT'S NOT WHAT YOU EARN,  
IT'S WHAT YOU KEEP. (R)

[LOGO]  
NUVEEN  
INVESTMENTS

Photo of: Woman  
Photo of: Woman  
Photo of: Man and child

NOW YOU CAN RECEIVE YOUR

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

NUVEEN FUND REPORTS FASTER.

-----  
NO MORE WAITING.

SIGN UP TODAY TO RECEIVE NUVEEN FUND INFORMATION BY E-MAIL.

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.

-----  
DELIVERY DIRECT TO  
YOUR E-MAIL INBOX  
-----

IT'S FAST, EASY & FREE:

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

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

if you get your Nuveen Fund dividends and statements from your financial advisor or brokerage account. OR if you get your Nuveen Fund dividends and statements directly from Nuveen.

(BE SURE TO HAVE THE ADDRESS SHEET THAT ACCOMPANIED THIS REPORT HANDY. YOU'LL NEED IT TO COMPLETE THE ENROLLMENT PROCESS.)

[LOGO]  
NUVEEN  
INVESTMENTS

Chairman's  
LETTER TO SHAREHOLDERS

Photo of Timothy R. Schwertfeger

Timothy R. Schwertfeger  
Chairman of the Board

Once again, I am pleased to report that over the twelve-month period covered by this report your Fund continued to provide you with attractive monthly tax-free income. For more details about the management strategy and performance of your Fund, please read the Portfolio Managers' Comments, the Dividend and Share Price Information, and the Performance Overview sections of this report.

For some time, I've used these letters to remind you that municipal bonds can be an important building block in a well balanced investment portfolio. In addition to providing attractive tax-free monthly income, a municipal bond investment like your Fund may help you achieve and benefit from greater portfolio diversification. Portfolio diversification is a recognized way to try to reduce some of the risk that comes with investing. For more information about this important investment strategy,

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

I encourage you to contact your personal financial advisor.

"IN ADDITION TO PROVIDING ATTRACTIVE TAX-FREE MONTHLY INCOME, A MUNICIPAL BOND INVESTMENT LIKE YOUR FUND MAY HELP YOU ACHIEVE AND BENEFIT FROM GREATER PORTFOLIO DIVERSIFICATION."

We also are pleased to be able to offer you a choice concerning how you receive your shareholder reports and other Fund information. As an alternative to mailed copies, you can sign up to receive future Fund reports and other Fund information by e-mail and the Internet. The inside front cover of this report contains information on how you can sign up.

We are grateful that you have chosen us as a partner as you pursue your financial goals, and we look forward to continuing to earn your trust in the months and years ahead. At Nuveen Investments, our mission continues to be to assist you and your financial advisor by offering investment services and products that can help you to secure your financial objectives.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger  
CHAIRMAN OF THE BOARD

December 15, 2006

Nuveen Investments Municipal Closed-End Funds  
NPP, NMA, NMO, NAD, NXZ, NZF

Portfolio Managers'  
COMMENTS

PORTFOLIO MANAGERS TOM SPALDING AND PAUL BRENNAN DISCUSS U.S. ECONOMIC AND MUNICIPAL MARKET CONDITIONS, KEY INVESTMENT STRATEGIES, AND THE ANNUAL PERFORMANCE OF THESE SIX NATIONAL FUNDS. A 30-YEAR VETERAN OF NUVEEN, TOM HAS MANAGED NXZ SINCE ITS INCEPTION IN 2001 AND NPP, NMA, NMO, AND NAD SINCE 2003. WITH 17 YEARS OF INVESTMENT EXPERIENCE, INCLUDING 15 YEARS AT NUVEEN, PAUL ASSUMED PORTFOLIO MANAGEMENT RESPONSIBILITY FOR NZF IN JULY 2006.

WHAT FACTORS AFFECTED THE U.S. ECONOMY AND MUNICIPAL MARKET DURING THE ANNUAL REPORTING PERIOD ENDED OCTOBER 31, 2006?

In response to market concerns about oil prices, inflation, and the actions of the Federal Reserve over the past 12 months, bond yields exhibited some volatility during this reporting period, with longer-term rates hitting a peak in June 2006 before falling sharply for the remainder of the period. For the period as a whole, interest rates at the shorter end of the taxable yield curve generally continued to rise, while longer rates ended the period close to where they began it or even declined. As short-term rates approached and exceeded the levels of long-term rates, the taxable yield curve became increasingly flat and subsequently inverted. Consequently, bonds with longer durations 1 generally outperformed those with shorter durations during this period.

Between November 1, 2005 and October 31, 2006, the Federal Reserve announced six increases of 0.25% each in the fed funds rate before pausing to leave monetary policy unchanged at the August-October 2006 sessions of its Open Market Committee. The increases raised the short-term target by 150 basis points, from

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

3.75% to 5.25%, its highest level since March 2001. During this same period, the yield on the benchmark 10-year U.S. Treasury note rose just four basis points to end October 2006 at 4.60%. In contrast, in the municipal market, the yield on the Bond Buyer 25 Revenue Bond Index, a widely followed measure of longer-term municipal market rates, fell to 4.78% at the end of October 2006, a decline of 43 basis points from the end of October 2005.

Economic growth over the past year reflected the fluctuations in interest rates, energy prices, and the effects of a softening housing market. After expanding at a rate of 1.8% in the fourth quarter of 2005, the U.S. gross domestic product (GDP) rebounded sharply with a 5.6% gain in the first quarter of 2006 before moderating to a pace of 2.6% in the second quarter of 2006 (all GDP numbers annualized). In the third quarter of 2006, the rate of GDP growth slowed to 2.2%, largely as the result of an 18% slump in residential investment, the largest decrease in 15 years. Despite the recent slowdown in economic

1 Duration is a measure of a bond's price sensitivity as interest rates change, with longer duration bonds displaying more sensitivity to these changes than bonds with shorter durations.

4

growth, the markets continued to keep a close eye on inflation trends. While declining energy prices contributed to a benign 1.3% year-over-year increase in the Consumer Price Index as of October 2006, the core rate (which excludes food and energy prices) rose 2.7% for the same period. In general, the jobs picture remained positive, with national unemployment at 4.4% in October 2006, down from 4.9% in October 2005, the lowest level since May 2001.

Over the 12 months ended October 2006, municipal bond issuance nationwide totaled \$367.1 billion, down 8% from the previous 12 months. This total reflected the general decrease in the supply of municipal paper during 2006. After reaching record levels in calendar year 2005, municipal supply declined during the first 10 months of 2006, with \$295.1 billion in new securities coming to market, off 12.5% from the same period in 2005. A major factor in 2006's drop was the sharp reduction in refunding volume, which fell almost 50% from last year's levels. Overall, demand for municipal bonds, especially those offering higher yields, continued to be strong and broad-based, with retail investors, institutional investors such as hedge funds and arbitrageurs, and foreign participants all taking part in the market.

WHAT KEY STRATEGIES WERE USED TO MANAGE THESE FUNDS DURING THIS REPORTING PERIOD?

As the yield curve flattened over this 12-month period, we continued to emphasize careful management of the Funds' underlying portfolios in line with our established targets. This included pursuing a disciplined approach to duration management and yield curve positioning throughout the period. As part of this approach, we focused on purchasing bonds that we believed provided attractive total return opportunities without excessive risk, emphasizing attractively priced bonds with defensive coupons in the 20- to 30-year part of the yield curve in NPP, NMA, NMO, NAD, and NXZ and in the 15- to 20-year range in NZF. For all of these Funds, our purchases of defensive coupon bonds included bonds with premium coupons 2.

We also broadened the scope of our investment performance management strategies to place additional emphasis on income strategies. As part of exploring further ways to increase the Funds' income-generating potential, we employed additional tools that helped us measure and manage interest rate risk. We also focused on

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

purchasing bonds that offered the potential for more income in a variety of ways, such as different types of

- 2 Premium coupon bonds are credits that, at the time of purchase, are trading above their par values because their coupons are higher than current coupon levels. Historically, these bonds have held their value better than current coupon bonds when interest rates rise.

5

coupons. Among the bonds we added during this period were zero coupon bonds, discount coupon bonds, and inverse floaters, all of which also added duration to our portfolios at the time of purchase. (Inverse floaters are bonds with coupons structured to move in the opposite direction of interest rates. For example, if market interest rates decline, the interest rate earned by the inverse floater will rise. An inverse floater increases the market rate risk and modified duration of the investment.)

Since late 2004, we have also been using hedging strategies, including interest rate swap agreements and futures contracts, in funds where we believed this would help support our overall investment performance strategies, especially our income strategies and our duration (interest rate risk) objectives. As discussed in previous shareholder reports, the goal of these hedging strategies is to manage the funds' durations (and price sensitivity) within a preferred range without having a negative impact on their income streams or common share dividends over the short term. In line with this objective, we deployed these strategies in NZF later in the reporting period.

Although issuance nationwide declined during this period, the reduction in issuance did not have a major impact on the implementation of this or other strategies we had planned for these Funds. Much of the new supply was highly rated and/or insured, and many of our new purchases were higher-rated credits. In NPP, NMA, NMO, NAD, and NXZ, we added some uninsured health care names, primarily dominant providers with strong management and operating histories, as well as a few selected tobacco credits. In NZF, most of our purchase activity focused on the essential services sectors.

In addition, we continued to keep the Funds well diversified geographically, looking to states with stronger issuance, including California, Texas, New York, and Florida, to find more attractive offerings as municipal issuance declined. NZF also purchased paper issued in specialty states, such as California, New York, and Ohio, which have relatively higher income tax levels. Municipal bonds issued in these specialty states are generally in great demand by in-state individual investors, which helps to support their value. These bonds also provide additional liquidity, making it easier for us to execute trades as part of implementing our strategies.

We also continued to emphasize maintaining the Funds' weightings of lower-quality bonds. However, as credit spreads continued to narrow over this period and municipal

6

issuance tightened, we generally found fewer attractively structured lower-rated credit opportunities in the market. This was especially true during the second half of this reporting period. Overall, the Funds continued to have good

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

exposure to the lower-rated credit categories.

In NPP, NMA, NMO, NAD, and NXZ, most of the cash we redeployed during this period came from called bond holdings, although we also trimmed some of our exposure to pre-refunded bonds to generate cash for new purchases. In NZF, we sold holdings with shorter durations, including pre-refunded bonds, as well as bonds with less attractive call features and credits producing lower tax-exempt income streams as part of our yield curve and income strategies.

### HOW DID THE FUNDS PERFORM?

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

### TOTAL RETURNS ON NET ASSET VALUE\*

For periods ended 10/31/06

	1-YEAR	5-YEAR	10-YEAR
NPP	7.50%	6.51%	6.75%
NMA	7.16%	7.03%	6.95%
NMO	7.49%	6.46%	6.28%
NAD	7.59%	7.50%	NA
NXZ	7.86%	8.02%	NA
NZF	7.57%	7.95%	NA
Lehman Brothers Municipal Bond Index 3	5.75%	5.05%	5.85%
Lipper General Leveraged Municipal Debt Funds Average 4	8.42%	7.00%	6.63%

\* 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.

For the 12 months ended October 31, 2006, the total returns on net asset value (NAV) for all six of the Funds in this report exceeded the return on the Lehman Brothers Municipal

3 The Lehman Brothers Municipal Bond Index is an unleveraged, unmanaged national index comprising a broad range of investment-grade municipal bonds. Results for the Lehman index do not reflect any expenses.

4 The Lipper General Leveraged Municipal Debt Funds category average is calculated using the returns of all closed-end funds in this category for

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

each period as follows: 1 year, 56; 5 years, 45; and 10 years, 39. Fund and Lipper returns assume reinvestment of dividends.

7

Bond Index. The six Funds underperformed the average return for their Lipper peer group for this period.

Factors that influenced the Funds' returns during this period included yield curve positioning and duration management, the addition of bonds purchased as part of our duration and income strategies, allocations to lower-rated credits, the use of financial leverage, and advance refunding activity. 5

As longer rates declined and the yield curve flattened over the course of this period, yield curve and duration positioning played an important role in the performance of these Funds. Overall, bonds in the Lehman Brothers Municipal Bond Index with maturities between one and four years were the most adversely impacted by changes in the interest rate environment over this period, as rates in that part of the curve rose. As a result, these bonds generally underperformed longer bonds, with issues having maturities between 17 and 22 years and those with maturities 22 years and longer achieving the best returns for the period. Yield curve positioning, or exposure to those parts of the yield curve that performed best during this period, helped the Funds' performances. In particular, NMA was not as well positioned as the other Funds in this report, with relatively less exposure to the longer part of the curve and more exposure to the shorter end, which hindered its performance. We continued to work to strengthen the yield curve positioning of all of these Funds.

As previously mentioned, in recent months we added zero coupon bonds, discount coupon bonds, and inverse floaters to our portfolios, all of which had a positive impact on the Funds' performances for this period. Zero coupon bonds, for example, typically have very long durations, all else equal, and tend to be very sensitive to changes in interest rates. With rates at the long end of the curve declining throughout much of this 12-month period, zero coupon bonds in the Lehman Brothers Municipal Bond Index performed very well, exceeding the return for the general municipal market by almost 500 basis points.

With bonds rated BBB or lower and non-rated bonds generally outperforming other credit quality sectors during this period, these Funds also benefited from their allocations of lower-quality credits. The performance of this sector was largely the result of investor demand for the higher yields typically associated with lower-quality bonds, which drove up their value and caused credit spreads to tighten. As of October 31, 2006, allocations of

5 Advance refundings, also known as pre-refundings or refinancings, occur when an issuer sells new bonds and uses the proceeds to fund principal and interest payments of older existing bonds. This process often results in lower borrowing costs for bond issuers.

8

bonds rated BBB or lower and non-rated bonds accounted for 12% of NPP's and NMO's portfolio, 15% of NAD and NZF, 19% of NMA, and 20% of NXZ, including an 8% allocation to bonds rated BB or lower, which helped to boost this Fund's annual performance.



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

Among the lower-rated holdings making positive contributions to the Funds' total returns for this period were industrial development and resource recovery bonds and health care (including hospitals) credits, which ranked as the top performing revenue sectors in the Lehman Brothers Municipal Bond Index. Bonds backed by the 1998 master tobacco settlement agreement, which are generally rated BBB, also contributed to the Funds' performances. These bonds comprised approximately 4% to 6% of the portfolios of these six Funds as of October 31, 2006.

Another factor in the annual performance of these Funds, especially relative to that of the unleveraged Lehman Brothers Municipal Bond Index, was the use of financial leverage. While leveraging can add volatility to a Fund's NAV and share price, this strategy can also provide opportunities for additional income and total return for common shareholders. Over this 12-month reporting period, the Funds' performances were positively impacted by the leveraging strategy, although not to the extent we have seen in past years. Over the long term, we firmly believe that the use of financial leverage should continue to work to the benefit of these Funds. This is demonstrated by the total return performances--both absolute and relative to the Lehman Brothers Municipal Bond Index--of all six Funds over the 5-year period and of NPP, NMA, and NMO over the 10-year period ended October 31, 2006.

We also continued to see positive contributions from advance refunding activity, which benefited these Funds through price appreciation and enhanced credit quality. While advance refundings generally enhanced performance for this 12-month period, the Funds' holdings of older, previously pre-refunded bonds tended to underperform the general municipal market, due primarily to their shorter effective maturities. Among the Funds in this report, the three older Funds--NPP, NMA, and NMO--had the largest allocations of pre-refunded bonds going into this period.

9

HOW WERE THE FUNDS POSITIONED IN TERMS OF CREDIT QUALITY AND BOND CALLS AS OF OCTOBER 31, 2006?

Maintaining strong credit quality remained an important requirement. As of October 31, 2006, all six of these Funds continued to offer excellent credit quality, with allocations of bonds rated AAA/U.S. guaranteed and AA ranging from 69% in NXZ to 79% in NMA, 83% in NAD and NZF, 84% in NPP, and 85% in NMO.

At the end of October 2006, potential call exposure for the period November 2006 through the end of 2007 ranged from 7% in NXZ and NZF and 8% in NMO to 12% in NPP, 13% in NAD, and 16% in NMA. The number of actual bond calls in all of these Funds depends largely on future market interest rates.

10

### Dividend and Share Price INFORMATION

As previously noted, these six Funds use leverage to potentially enhance opportunities for additional income for common shareholders. The benefits of leveraging are tied in part to the short-term rates that leveraged Funds pay their MuniPreferred shareholders. During periods of low short-term rates, these Funds generally pay lower dividends to their MuniPreferred shareholders, which

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

can leave more earnings to support common share dividends. Conversely, when short-term interest rates rise, as they did during this reporting period, the Funds' borrowing costs also rise, impacting their income streams and reducing the extent of the benefits of leveraging. The Funds' income streams were also impacted as the proceeds from older, higher-yielding bonds that matured, were called, or were sold were reinvested then into bonds currently available in the market, which generally offered lower yields. These factors resulted in one monthly dividend reduction in NZF, two in NMA and NMO, and three in NPP, NAD, and NXZ over the 12-month period ended October 31, 2006.

Due to capital gains generated by normal portfolio activity, common shareholders of the following Funds received capital gains and/or net ordinary income distributions at the end of December 2005, as follows:

	LONG-TERM CAPITAL GAINS (PER SHARE)	ORDINARY INCOME (PER SHARE)
NPP	\$0.0174	\$0.0001
NMA	\$0.0116	\$0.0030
NMO	--	\$0.0036

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 October 31, 2006, all of the Funds in this report had positive UNII balances for both financial statement and tax purposes.

11

At the end of the reporting period, the Funds' share prices were trading at premiums or discounts to their NAVs as shown in the accompanying chart:

	10/31/06 PREMIUM/DISCOUNT	12-MONTH AVERAGE PREMIUM/DISCOUNT
NPP	-4.37%	-4.99%
NMA	-0.19%	-1.55%
NMO	-2.66%	-5.27%
NAD	-1.54%	-3.38%
NXZ	+3.00%	+3.46%
NZF	+2.19%	-0.92%

12

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

Nuveen Performance Plus Municipal Fund, Inc.

NPP

Performance

OVERVIEW As of October 31, 2006

-----  
[PIE CHART]

CREDIT QUALITY

(as a % of total investments)

AAA/U.S. Guaranteed	76%
AA	8%
A	4%
BBB	8%
BB or Lower	2%
N/R	2%

-----

2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE 2

[BAR CHART]

0.0745	0.0745	0.0745	0.0745	0.0705	0.0705	0.0705	0.0670	0.0670	0.0670	0.0640
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep

-----

SHARE PRICE PERFORMANCE

[LINE CHART]

Date	Weekly Closing Price
11/01/05	\$ 14.50
	\$ 14.48
	\$ 14.44
	\$ 14.45
	\$ 14.44
	\$ 14.48
	\$ 14.33
	\$ 14.09
	\$ 14.07
	\$ 13.85
	\$ 13.93
	\$ 14.01
	\$ 14.05
	\$ 14.09
	\$ 14.08
	\$ 14.06

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

\$ 14.01  
\$ 14.03  
\$ 14.18  
\$ 14.13  
\$ 14.15  
\$ 14.18  
\$ 14.20  
\$ 14.20  
\$ 14.21  
\$ 14.23  
\$ 14.29  
\$ 14.36  
\$ 14.45  
\$ 14.26  
\$ 14.20  
\$ 14.24  
\$ 14.19  
\$ 14.18  
\$ 14.14  
\$ 14.13  
\$ 14.21  
\$ 14.30  
\$ 14.38  
\$ 14.42  
\$ 14.49  
\$ 14.70  
\$ 14.70  
\$ 14.79  
\$ 14.90  
\$ 14.96  
\$ 14.91  
\$ 15.00  
\$ 15.12  
\$ 15.11  
\$ 15.11  
\$ 15.13  
\$ 15.08  
\$ 15.04  
\$ 15.06  
\$ 15.03  
\$ 15.05  
\$ 14.98  
\$ 14.99  
\$ 14.97  
\$ 15.11  
\$ 15.15  
\$ 15.22  
\$ 15.14  
\$ 15.13  
\$ 15.15  
\$ 15.08  
\$ 15.12  
\$ 15.04  
\$ 15.06  
\$ 15.02  
\$ 14.91  
\$ 14.93  
\$ 14.94  
\$ 15.01  
\$ 15.11  
\$ 15.16  
\$ 15.25

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

\$ 15.21  
\$ 15.22  
\$ 15.23  
\$ 15.24  
\$ 15.22  
\$ 15.23  
\$ 15.10  
\$ 15.00  
\$ 14.96  
\$ 14.96  
\$ 15.11  
\$ 15.04  
\$ 15.05  
\$ 15.08  
\$ 15.02  
\$ 15.18  
\$ 15.10  
\$ 15.21  
\$ 15.35  
\$ 15.45  
\$ 15.38  
\$ 15.34  
\$ 15.21  
\$ 15.14  
\$ 15.21  
\$ 15.07  
\$ 15.08  
\$ 15.13  
\$ 15.10  
\$ 14.98  
\$ 14.93  
\$ 14.87  
\$ 14.82  
\$ 14.62  
\$ 14.65  
\$ 14.64  
\$ 14.54  
\$ 14.53  
\$ 14.50  
\$ 14.44  
\$ 14.35  
\$ 14.40  
\$ 14.36  
\$ 14.43  
\$ 14.45  
\$ 14.51  
\$ 14.51  
\$ 14.53  
\$ 14.55  
\$ 14.50  
\$ 14.52  
\$ 14.55  
\$ 14.54  
\$ 14.51  
\$ 14.58  
\$ 14.40  
\$ 14.40  
\$ 14.45  
\$ 14.49  
\$ 14.39  
\$ 14.38  
\$ 14.36

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

\$ 14.34  
\$ 14.36  
\$ 14.40  
\$ 14.42  
\$ 14.45  
\$ 14.46  
\$ 14.50  
\$ 14.59  
\$ 14.62  
\$ 14.50  
\$ 14.53  
\$ 14.51  
\$ 14.51  
\$ 14.57  
\$ 14.55  
\$ 14.45  
\$ 14.38  
\$ 14.39  
\$ 14.39  
\$ 14.43  
\$ 14.35  
\$ 14.34  
\$ 14.26  
\$ 14.24  
\$ 14.25  
\$ 14.13  
\$ 14.20  
\$ 14.28  
\$ 14.28  
\$ 14.33  
\$ 14.39  
\$ 14.41  
\$ 14.46  
\$ 14.45  
\$ 14.41  
\$ 14.31  
\$ 14.30  
\$ 14.36  
\$ 14.35  
\$ 14.33  
\$ 14.40  
\$ 14.38  
\$ 14.34  
\$ 14.43  
\$ 14.47  
\$ 14.54  
\$ 14.75  
\$ 14.78  
\$ 14.82  
\$ 14.90  
\$ 14.85  
\$ 14.87  
\$ 14.85  
\$ 14.74  
\$ 14.79  
\$ 14.77  
\$ 14.82  
\$ 14.70  
\$ 14.65  
\$ 14.83  
\$ 14.88  
\$ 14.87

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

	\$ 14.91
	\$ 14.89
	\$ 14.93
	\$ 14.90
	\$ 14.98
	\$ 14.92
	\$ 14.93
	\$ 14.97
	\$ 15.00
	\$ 14.98
	\$ 14.94
	\$ 14.98
	\$ 14.96
	\$ 15.03
	\$ 15.13
	\$ 15.10
	\$ 15.11
	\$ 15.00
	\$ 14.95
	\$ 14.96
	\$ 14.94
	\$ 14.94
	\$ 14.92
	\$ 14.93
	\$ 14.95
	\$ 14.97
	\$ 14.95
	\$ 14.99
	\$ 14.97
	\$ 15.00
	\$ 15.00
	\$ 14.98
	\$ 14.97
	\$ 14.95
	\$ 14.95
	\$ 14.97
	\$ 14.93
	\$ 14.92
	\$ 14.84
	\$ 14.84
	\$ 14.70
	\$ 14.69
	\$ 14.80
	\$ 14.77
	\$ 14.81
	\$ 14.90
	\$ 14.88
	\$ 14.96
	\$ 15.04
	\$ 15.01
	\$ 15.08
	\$ 15.08
10/31/06	\$ 15.09

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

- 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.

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

2 The Fund paid shareholders capital gains and net ordinary income distributions in December 2005 of \$0.0175 per share.

### FUND SNAPSHOT

Common Share Price	\$ 15.09
Common Share Net Asset Value	\$ 15.78
Premium/(Discount) to NAV	-4.37%
Market Yield	5.09%
Taxable-Equivalent Yield 1	7.07%
Net Assets Applicable to Common Shares (\$000)	\$945,222
Average Effective Maturity on Securities (Years)	15.58
Leverage-Adjusted Duration	8.39

### AVERAGE ANNUAL TOTAL RETURN (Inception 6/22/89)

	ON SHARE PRICE	ON NAV
1-Year	10.78%	7.50%
5-Year	7.35%	6.51%
10-Year	6.57%	6.75%

### STATES (as a % of total investments)

Illinois	14.7%
California	10.0%
New York	6.6%
New Jersey	6.0%
Michigan	4.5%
Indiana	4.4%
Texas	4.4%
Florida	4.2%
Colorado	4.1%
Massachusetts	3.8%



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

Washington	3.3%
Utah	2.9%
South Carolina	2.9%
Ohio	2.4%
Pennsylvania	2.3%
Georgia	2.2%
Minnesota	2.0%
Louisiana	2.0%
Nevada	1.6%
Wisconsin	1.4%
Other	14.3%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	24.2%
Tax Obligation/Limited	15.9%
Tax Obligation/General	15.0%
Transportation	10.0%
Utilities	9.8%
Health Care	8.3%
Consumer Staples	5.5%
Other	11.3%

13

Nuveen Municipal Advantage Fund, Inc.

NMA

Performance

OVERVIEW As of October 31, 2006

FUND SNAPSHOT

Common Share Price	\$ 15.85
--------------------	----------

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

Common Share Net Asset Value	\$ 15.88
Premium/(Discount) to NAV	-0.19%
Market Yield	5.41%
Taxable-Equivalent Yield 1	7.51%
Net Assets Applicable to Common Shares (\$000)	\$683,675
Average Effective Maturity on Securities (Years)	16.15
Leverage-Adjusted Duration	8.09

AVERAGE ANNUAL TOTAL RETURN  
(Inception 12/19/89)

	ON SHARE PRICE	ON NAV
1-Year	10.68%	7.16%
5-Year	8.31%	7.03%
10-Year	7.36%	6.95%

STATES  
(as a % of total investments)

Texas	11.3%
New York	11.0%
Illinois	10.8%
Washington	9.6%
California	8.0%
Louisiana	6.2%
Colorado	4.5%
Tennessee	3.6%
Ohio	3.0%
South Carolina	2.8%
New Jersey	2.6%
Nevada	2.4%
Indiana	2.4%
Alabama	2.1%

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

Wisconsin	2.0%
North Carolina	1.7%
Oklahoma	1.5%
Other	14.5%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	28.6%
Utilities	15.1%
Transportation	10.6%
Health Care	9.9%
Tax Obligation/Limited	9.8%
Tax Obligation/General	8.1%
Consumer Staples	5.5%
Housing/Single Family	5.1%
Other	7.3%

[PIE CHART]

CREDIT QUALITY  
(as a % of total investments)

AAA/U.S. Guaranteed	71%
AA	8%
A	2%
BBB	16%
BB or Lower	3%

2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE 2

[BAR CHART]

0.0795	0.0795	0.0795	0.0795	0.0755	0.0755	0.0755	0.0715	0.0715	0.0715	0.0715
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep

SHARE PRICE PERFORMANCE

[LINE CHART]

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

Date -----	Weekly Closing Price -----
11/01/05	\$ 15.27
	\$ 15.20
	\$ 15.24
	\$ 15.20
	\$ 15.21
	\$ 15.25
	\$ 15.22
	\$ 15.19
	\$ 15.23
	\$ 15.09
	\$ 15.08
	\$ 15.08
	\$ 15.12
	\$ 15.12
	\$ 15.01
	\$ 14.99
	\$ 15.00
	\$ 15.03
	\$ 15.09
	\$ 15.13
	\$ 15.05
	\$ 15.10
	\$ 15.14
	\$ 15.12
	\$ 15.22
	\$ 15.21
	\$ 15.27
	\$ 15.45
	\$ 15.38
	\$ 15.14
	\$ 15.19
	\$ 15.07
	\$ 15.06
	\$ 14.98
	\$ 15.02
	\$ 15.03
	\$ 15.01
	\$ 15.18
	\$ 15.20
	\$ 15.18
	\$ 15.35
	\$ 15.38
	\$ 15.38
	\$ 15.42
	\$ 15.45
	\$ 15.70
	\$ 15.65
	\$ 15.70
	\$ 15.77
	\$ 15.81
	\$ 15.72
	\$ 15.43
	\$ 15.64
	\$ 15.71
	\$ 15.89
	\$ 15.92
	\$ 15.85

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

\$ 15.91  
\$ 15.95  
\$ 15.94  
\$ 15.98  
\$ 16.05  
\$ 16.02  
\$ 16.01  
\$ 16.00  
\$ 15.66  
\$ 15.63  
\$ 15.68  
\$ 15.69  
\$ 15.68  
\$ 15.79  
\$ 15.60  
\$ 15.63  
\$ 15.61  
\$ 15.77  
\$ 15.77  
\$ 15.80  
\$ 15.75  
\$ 15.95  
\$ 15.82  
\$ 15.86  
\$ 15.92  
\$ 15.93  
\$ 15.94  
\$ 15.70  
\$ 15.45  
\$ 15.38  
\$ 15.46  
\$ 15.55  
\$ 15.58  
\$ 15.49  
\$ 15.46  
\$ 15.43  
\$ 15.57  
\$ 15.52  
\$ 15.50  
\$ 15.50  
\$ 15.47  
\$ 15.49  
\$ 15.46  
\$ 15.47  
\$ 15.55  
\$ 15.49  
\$ 15.45  
\$ 15.46  
\$ 15.51  
\$ 15.53  
\$ 15.46  
\$ 15.47  
\$ 15.35  
\$ 15.25  
\$ 15.13  
\$ 15.17  
\$ 15.29  
\$ 15.15  
\$ 15.22  
\$ 15.23  
\$ 15.14  
\$ 15.15

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

\$ 15.17  
\$ 15.12  
\$ 15.17  
\$ 15.15  
\$ 15.17  
\$ 15.17  
\$ 15.24  
\$ 15.25  
\$ 15.29  
\$ 15.31  
\$ 15.33  
\$ 15.43  
\$ 15.33  
\$ 15.42  
\$ 15.30  
\$ 15.28  
\$ 15.34  
\$ 15.36  
\$ 15.29  
\$ 15.32  
\$ 15.35  
\$ 15.34  
\$ 15.36  
\$ 15.32  
\$ 15.28  
\$ 15.28  
\$ 15.35  
\$ 15.27  
\$ 15.40  
\$ 15.37  
\$ 15.31  
\$ 15.33  
\$ 15.25  
\$ 15.29  
\$ 15.25  
\$ 15.27  
\$ 15.15  
\$ 15.06  
\$ 15.05  
\$ 15.10  
\$ 15.04  
\$ 15.03  
\$ 14.90  
\$ 14.86  
\$ 14.80  
\$ 14.81  
\$ 14.81  
\$ 14.82  
\$ 14.80  
\$ 14.90  
\$ 14.99  
\$ 14.98  
\$ 14.88  
\$ 14.97  
\$ 14.90  
\$ 14.93  
\$ 14.86  
\$ 14.94  
\$ 14.87  
\$ 14.78  
\$ 14.72  
\$ 14.86

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

\$ 14.81  
\$ 14.85  
\$ 15.00  
\$ 15.01  
\$ 15.05  
\$ 15.15  
\$ 15.17  
\$ 15.18  
\$ 15.35  
\$ 15.39  
\$ 15.34  
\$ 15.40  
\$ 15.25  
\$ 15.36  
\$ 15.44  
\$ 15.50  
\$ 15.52  
\$ 15.41  
\$ 15.44  
\$ 15.46  
\$ 15.42  
\$ 15.50  
\$ 15.49  
\$ 15.46  
\$ 15.46  
\$ 15.47  
\$ 15.47  
\$ 15.59  
\$ 15.50  
\$ 15.53  
\$ 15.54  
\$ 15.60  
\$ 15.62  
\$ 15.58  
\$ 15.54  
\$ 15.56  
\$ 15.57  
\$ 15.61  
\$ 15.59  
\$ 15.42  
\$ 15.38  
\$ 15.42  
\$ 15.39  
\$ 15.46  
\$ 15.48  
\$ 15.50  
\$ 15.57  
\$ 15.58  
\$ 15.73  
\$ 15.75  
\$ 15.72  
\$ 15.72  
\$ 15.80  
\$ 15.85  
\$ 15.82  
\$ 15.87  
\$ 15.88  
\$ 15.84  
\$ 15.81  
\$ 15.67  
\$ 15.71  
\$ 15.62

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

	\$ 15.59
	\$ 15.60
	\$ 15.71
	\$ 15.72
	\$ 15.70
	\$ 15.77
	\$ 15.77
	\$ 15.85
	\$ 15.85
	\$ 15.87
	\$ 15.87
10/31/06	\$ 15.85

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

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 2005 of \$0.0146 per share.

14

Nuveen Municipal Market Opportunity Fund, Inc.

NMO

Performance

OVERVIEW As of October 31, 2006

-----  
[PIE CHART]

CREDIT QUALITY

(as a % of total municipal bonds)

AAA/U.S. Guaranteed	77%
AA	8%
A	3%
BBB	8%
BB or Lower	3%
N/R	1%

-----

2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE 2

[BAR CHART]

0.0725	0.0725	0.0725	0.0725	0.0685	0.0685	0.0685	0.0660	0.0660	0.0660	0.0660
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep



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

## SHARE PRICE PERFORMANCE

[LINE CHART]

Date -----	Weekly Closing Price -----
11/01/05	\$ 14.17
	\$ 14.18
	\$ 14.15
	\$ 14.21
	\$ 14.28
	\$ 14.26
	\$ 13.96
	\$ 13.83
	\$ 13.80
	\$ 13.53
	\$ 13.53
	\$ 13.69
	\$ 13.76
	\$ 13.65
	\$ 13.69
	\$ 13.65
	\$ 13.65
	\$ 13.64
	\$ 13.70
	\$ 13.76
	\$ 13.82
	\$ 13.86
	\$ 13.91
	\$ 13.98
	\$ 14.04
	\$ 14.01
	\$ 14.04
	\$ 14.04
	\$ 14.04
	\$ 13.77
	\$ 13.81
	\$ 13.87
	\$ 13.84
	\$ 13.82
	\$ 13.86
	\$ 13.88
	\$ 13.94
	\$ 13.97
	\$ 14.18
	\$ 14.18
	\$ 14.32
	\$ 14.47
	\$ 14.47
	\$ 14.51
	\$ 14.59
	\$ 14.72
	\$ 14.59
	\$ 14.77
	\$ 14.66
	\$ 14.60
	\$ 14.60
	\$ 14.53
	\$ 14.40

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

\$ 14.52  
\$ 14.65  
\$ 14.64  
\$ 14.59  
\$ 14.54  
\$ 14.48  
\$ 14.58  
\$ 14.59  
\$ 14.63  
\$ 14.69  
\$ 14.76  
\$ 14.72  
\$ 14.67  
\$ 14.54  
\$ 14.52  
\$ 14.51  
\$ 14.60  
\$ 14.54  
\$ 14.46  
\$ 14.47  
\$ 14.48  
\$ 14.61  
\$ 14.59  
\$ 14.67  
\$ 14.72  
\$ 14.68  
\$ 14.77  
\$ 14.79  
\$ 14.84  
\$ 14.78  
\$ 14.74  
\$ 14.64  
\$ 14.57  
\$ 14.54  
\$ 14.52  
\$ 14.53  
\$ 14.49  
\$ 14.55  
\$ 14.46  
\$ 14.50  
\$ 14.62  
\$ 14.65  
\$ 14.51  
\$ 14.55  
\$ 14.60  
\$ 14.55  
\$ 14.53  
\$ 14.50  
\$ 14.58  
\$ 14.60  
\$ 14.53  
\$ 14.65  
\$ 14.65  
\$ 14.65  
\$ 14.53  
\$ 14.43  
\$ 14.36  
\$ 14.22  
\$ 14.10  
\$ 14.04  
\$ 14.11  
\$ 13.96

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

\$ 14.10  
\$ 14.10  
\$ 14.13  
\$ 14.05  
\$ 14.12  
\$ 13.98  
\$ 14.03  
\$ 14.11  
\$ 14.09  
\$ 14.09  
\$ 14.12  
\$ 14.13  
\$ 14.15  
\$ 14.11  
\$ 14.10  
\$ 14.17  
\$ 14.15  
\$ 14.13  
\$ 14.08  
\$ 14.14  
\$ 14.24  
\$ 14.38  
\$ 14.31  
\$ 14.49  
\$ 14.34  
\$ 14.23  
\$ 14.19  
\$ 14.28  
\$ 14.22  
\$ 14.20  
\$ 14.21  
\$ 14.27  
\$ 14.34  
\$ 14.30  
\$ 14.19  
\$ 14.21  
\$ 14.13  
\$ 14.10  
\$ 14.17  
\$ 14.11  
\$ 14.00  
\$ 14.08  
\$ 14.02  
\$ 14.11  
\$ 14.05  
\$ 14.03  
\$ 14.00  
\$ 13.85  
\$ 13.85  
\$ 13.80  
\$ 13.84  
\$ 13.73  
\$ 13.76  
\$ 13.79  
\$ 13.97  
\$ 13.97  
\$ 13.94  
\$ 13.88  
\$ 13.90  
\$ 13.90  
\$ 13.89  
\$ 13.97

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

\$ 13.93  
\$ 13.89  
\$ 13.89  
\$ 13.89  
\$ 13.81  
\$ 13.84  
\$ 13.99  
\$ 13.90  
\$ 13.99  
\$ 14.10  
\$ 14.19  
\$ 14.32  
\$ 14.33  
\$ 14.41  
\$ 14.41  
\$ 14.42  
\$ 14.42  
\$ 14.41  
\$ 14.45  
\$ 14.52  
\$ 14.47  
\$ 14.43  
\$ 14.55  
\$ 14.57  
\$ 14.60  
\$ 14.61  
\$ 14.63  
\$ 14.63  
\$ 14.56  
\$ 14.59  
\$ 14.60  
\$ 14.56  
\$ 14.61  
\$ 14.64  
\$ 14.64  
\$ 14.61  
\$ 14.58  
\$ 14.49  
\$ 14.53  
\$ 14.58  
\$ 14.63  
\$ 14.63  
\$ 14.63  
\$ 14.62  
\$ 14.67  
\$ 14.67  
\$ 14.68  
\$ 14.63  
\$ 14.69  
\$ 14.90  
\$ 14.77  
\$ 14.82  
\$ 14.95  
\$ 14.90  
\$ 14.96  
\$ 14.96  
\$ 14.93  
\$ 14.95  
\$ 14.98  
\$ 14.97  
\$ 15.02  
\$ 14.93

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

	\$ 14.92
	\$ 14.81
	\$ 14.80
	\$ 14.62
	\$ 14.60
	\$ 14.55
	\$ 14.58
	\$ 14.65
	\$ 14.65
	\$ 14.75
	\$ 14.80
	\$ 14.87
	\$ 14.82
	\$ 14.90
	\$ 14.92
10/31/06	\$ 15.00

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

- 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 a net ordinary income distribution in December 2005 of \$0.0036 per share.

FUND SNAPSHOT

Common Share Price	\$ 15.00
Common Share Net Asset Value	\$ 15.41
Premium/(Discount) to NAV	-2.66%
Market Yield	5.28%
Taxable-Equivalent Yield 1	7.33%
Net Assets Applicable to Common Shares (\$000)	\$701,559
Average Effective Maturity on Securities (Years)	13.78
Leverage-Adjusted Duration	8.17

AVERAGE ANNUAL TOTAL RETURN  
(Inception 3/21/90)

	ON SHARE PRICE	ON NAV
1-Year	11.92%	7.49%
5-Year	7.06%	6.46%
10-Year	6.52%	6.28%

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

STATES

(as a % of total municipal bonds)

Texas	16.8%
Washington	11.6%
New York	9.5%
Illinois	8.1%
California	5.7%
Minnesota	5.1%
South Carolina	4.9%
New Jersey	4.1%
Colorado	3.5%
Nevada	3.0%
Georgia	3.0%
Massachusetts	2.9%
North Dakota	2.8%
Pennsylvania	2.5%
Ohio	2.0%
Other	14.5%

INDUSTRIES

(as a % of total investments)

U.S. Guaranteed	34.0%
Transportation	15.2%
Tax Obligation/General	15.1%
Tax Obligation/Limited	8.3%
Utilities	6.8%
Health Care	6.6%
Consumer Staples	5.1%
Other	8.9%

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

Nuveen Dividend Advantage Municipal Fund

NAD

Performance

OVERVIEW As of October 31, 2006

FUND SNAPSHOT

Common Share Price	\$ 15.30
Common Share Net Asset Value	\$ 15.54
Premium/(Discount) to NAV	-1.54%
Market Yield	5.41%
Taxable-Equivalent Yield 1	7.51%
Net Assets Applicable to Common Shares (\$000)	\$610,316
Average Effective Maturity on Securities (Years)	15.24
Leverage-Adjusted Duration	7.55

AVERAGE ANNUAL TOTAL RETURN  
(Inception 5/26/99)

	ON SHARE PRICE	ON NAV
1-Year	11.19%	7.59%
5-Year	6.86%	7.50%
Since Inception	6.81%	7.61%

STATES

(as a % of total investments)

Illinois	23.7%
New York	10.5%
Texas	10.4%
Washington	7.8%
Florida	5.3%
Wisconsin	4.6%

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

New Jersey	4.1%
Pennsylvania	3.3%
Louisiana	3.0%
Ohio	2.7%
Indiana	2.5%
Michigan	2.5%
Rhode Island	2.2%
California	1.9%
Massachusetts	1.6%
Other	13.9%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	19.3%
Tax Obligation/General	16.9%
Tax Obligation/Limited	15.0%
Health Care	12.6%
Transportation	11.0%
Utilities	7.2%
Consumer Staples	6.4%
Other	11.6%

[PIE CHART]

CREDIT QUALITY  
(as a % of total investment)

AAA/U.S. Guaranteed	73%
AA	10%
A	2%
BBB	7%
BB or Lower	5%
N/R	3%

2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE

[BAR CHART]



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

0.0790	0.0750	0.0750	0.0750	0.0715	0.0715	0.0715	0.0690	0.0690	0.0690	0.0690
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep

SHARE PRICE PERFORMANCE

[LINE CHART]

Date	Weekly Closing Price
11/01/05	\$ 14.56
	\$ 14.57
	\$ 14.63
	\$ 14.65
	\$ 14.64
	\$ 14.69
	\$ 14.55
	\$ 14.47
	\$ 14.48
	\$ 14.38
	\$ 14.30
	\$ 14.38
	\$ 14.39
	\$ 14.36
	\$ 14.37
	\$ 14.35
	\$ 14.38
	\$ 14.42
	\$ 14.49
	\$ 14.50
	\$ 14.56
	\$ 14.68
	\$ 14.60
	\$ 14.64
	\$ 14.60
	\$ 14.51
	\$ 14.50
	\$ 14.41
	\$ 14.37
	\$ 14.19
	\$ 14.25
	\$ 14.29
	\$ 14.22
	\$ 14.17
	\$ 14.18
	\$ 14.11
	\$ 14.20
	\$ 14.28
	\$ 14.25
	\$ 14.43
	\$ 14.56
	\$ 14.60
	\$ 14.60
	\$ 14.66
	\$ 14.77
	\$ 14.91

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

\$ 15.09  
\$ 15.13  
\$ 15.15  
\$ 15.09  
\$ 15.06  
\$ 15.09  
\$ 15.02  
\$ 15.04  
\$ 15.04  
\$ 15.01  
\$ 15.12  
\$ 15.13  
\$ 15.15  
\$ 15.14  
\$ 15.20  
\$ 15.19  
\$ 15.25  
\$ 15.22  
\$ 15.16  
\$ 15.13  
\$ 15.10  
\$ 15.17  
\$ 15.09  
\$ 15.13  
\$ 15.10  
\$ 14.94  
\$ 14.86  
\$ 14.85  
\$ 14.87  
\$ 14.90  
\$ 15.00  
\$ 15.05  
\$ 15.15  
\$ 15.16  
\$ 15.20  
\$ 15.28  
\$ 15.27  
\$ 15.24  
\$ 15.22  
\$ 15.03  
\$ 15.05  
\$ 15.07  
\$ 15.07  
\$ 15.04  
\$ 14.91  
\$ 14.77  
\$ 14.79  
\$ 14.86  
\$ 14.89  
\$ 14.83  
\$ 14.78  
\$ 14.65  
\$ 14.66  
\$ 14.67  
\$ 14.67  
\$ 14.73  
\$ 14.77  
\$ 14.79  
\$ 14.84  
\$ 14.83  
\$ 14.85  
\$ 14.75

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

\$ 14.61  
\$ 14.46  
\$ 14.44  
\$ 14.28  
\$ 14.34  
\$ 14.33  
\$ 14.30  
\$ 14.33  
\$ 14.39  
\$ 14.34  
\$ 14.37  
\$ 14.47  
\$ 14.46  
\$ 14.41  
\$ 14.36  
\$ 14.41  
\$ 14.41  
\$ 14.45  
\$ 14.54  
\$ 14.51  
\$ 14.50  
\$ 14.47  
\$ 14.52  
\$ 14.58  
\$ 14.68  
\$ 14.53  
\$ 14.51  
\$ 14.60  
\$ 14.72  
\$ 14.63  
\$ 14.62  
\$ 14.69  
\$ 14.68  
\$ 14.77  
\$ 14.74  
\$ 14.81  
\$ 14.84  
\$ 14.86  
\$ 14.87  
\$ 14.90  
\$ 14.93  
\$ 14.98  
\$ 15.02  
\$ 14.98  
\$ 14.70  
\$ 14.70  
\$ 14.71  
\$ 14.55  
\$ 14.47  
\$ 14.44  
\$ 14.39  
\$ 14.35  
\$ 14.35  
\$ 14.28  
\$ 14.24  
\$ 14.10  
\$ 14.13  
\$ 14.15  
\$ 14.12  
\$ 14.20  
\$ 14.27  
\$ 14.35

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

\$ 14.30  
\$ 14.39  
\$ 14.42  
\$ 14.45  
\$ 14.46  
\$ 14.41  
\$ 14.46  
\$ 14.47  
\$ 14.49  
\$ 14.41  
\$ 14.46  
\$ 14.41  
\$ 14.45  
\$ 14.48  
\$ 14.44  
\$ 14.43  
\$ 14.46  
\$ 14.61  
\$ 14.74  
\$ 14.81  
\$ 14.79  
\$ 14.82  
\$ 14.80  
\$ 14.85  
\$ 14.86  
\$ 14.90  
\$ 14.91  
\$ 14.69  
\$ 14.69  
\$ 14.79  
\$ 14.85  
\$ 14.89  
\$ 14.86  
\$ 14.85  
\$ 14.85  
\$ 14.84  
\$ 14.89  
\$ 14.91  
\$ 14.88  
\$ 14.90  
\$ 14.98  
\$ 15.00  
\$ 15.10  
\$ 15.07  
\$ 14.96  
\$ 15.04  
\$ 15.07  
\$ 15.14  
\$ 15.12  
\$ 15.02  
\$ 15.00  
\$ 15.01  
\$ 15.06  
\$ 15.08  
\$ 15.05  
\$ 15.17  
\$ 15.10  
\$ 15.13  
\$ 15.25  
\$ 15.24  
\$ 15.19  
\$ 15.20

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

	\$ 15.20
	\$ 15.22
	\$ 15.22
	\$ 15.25
	\$ 15.29
	\$ 15.35
	\$ 15.36
	\$ 15.36
	\$ 15.23
	\$ 15.22
	\$ 15.12
	\$ 15.12
	\$ 15.12
	\$ 15.16
	\$ 15.18
	\$ 15.13
	\$ 15.14
	\$ 15.17
	\$ 15.17
	\$ 15.24
	\$ 15.22
	\$ 15.27
10/31/06	\$ 15.30

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

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.

16

Nuveen Dividend Advantage Municipal Fund 2

NXZ

Performance

OVERVIEW As of October 31, 2006

-----  
[PIE CHART]

CREDIT QUALITY

(as a % of total municipal bonds)

AAA/U.S. Guaranteed	62%
AA	7%
A	11%
BBB	10%
BB or Lower	8%
N/R	2%

-----

2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE

[BAR CHART]

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

0.0860    0.0860    0.0860    0.0860    0.0820    0.0820    0.0820    0.0795    0.0795    0.0795    0.0765  
 -----  
 Nov        Dec        Jan        Feb        Mar        Apr        May        Jun        Jul        Aug        Sep

SHARE PRICE PERFORMANCE

[LINE CHART]

Date -----	Weekly Closing Price -----
11/01/05	\$ 15.58
	\$ 15.71
	\$ 15.74
	\$ 15.80
	\$ 15.86
	\$ 15.99
	\$ 15.96
	\$ 15.80
	\$ 15.84
	\$ 15.74
	\$ 15.68
	\$ 15.74
	\$ 15.95
	\$ 15.90
	\$ 15.95
	\$ 16.01
	\$ 15.95
	\$ 16.00
	\$ 16.15
	\$ 16.30
	\$ 16.18
	\$ 16.21
	\$ 16.03
	\$ 16.02
	\$ 16.07
	\$ 16.12
	\$ 16.30
	\$ 16.18
	\$ 16.30
	\$ 15.95
	\$ 15.84
	\$ 16.12
	\$ 15.75
	\$ 15.88
	\$ 16.09
	\$ 16.11
	\$ 16.10
	\$ 16.13
	\$ 16.40
	\$ 16.39
	\$ 16.43
	\$ 16.47
	\$ 16.47
	\$ 16.54
	\$ 16.52

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

\$ 16.55  
\$ 16.72  
\$ 16.75  
\$ 16.75  
\$ 16.57  
\$ 16.62  
\$ 16.50  
\$ 16.38  
\$ 16.53  
\$ 16.68  
\$ 16.80  
\$ 16.80  
\$ 16.82  
\$ 16.80  
\$ 16.88  
\$ 16.95  
\$ 17.20  
\$ 17.15  
\$ 17.01  
\$ 16.92  
\$ 16.75  
\$ 16.66  
\$ 16.70  
\$ 16.66  
\$ 16.13  
\$ 16.17  
\$ 16.00  
\$ 15.95  
\$ 15.95  
\$ 16.05  
\$ 16.14  
\$ 16.05  
\$ 16.15  
\$ 16.13  
\$ 16.19  
\$ 16.29  
\$ 16.30  
\$ 16.22  
\$ 16.25  
\$ 16.19  
\$ 16.19  
\$ 16.09  
\$ 16.13  
\$ 16.15  
\$ 16.15  
\$ 16.23  
\$ 16.15  
\$ 16.22  
\$ 16.38  
\$ 16.32  
\$ 16.38  
\$ 16.29  
\$ 16.27  
\$ 16.60  
\$ 16.55  
\$ 16.60  
\$ 16.56  
\$ 16.62  
\$ 16.56  
\$ 16.62  
\$ 16.68  
\$ 16.62

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

\$ 16.65  
\$ 16.60  
\$ 16.40  
\$ 16.30  
\$ 16.16  
\$ 16.15  
\$ 16.08  
\$ 16.09  
\$ 16.19  
\$ 16.19  
\$ 16.15  
\$ 16.13  
\$ 16.36  
\$ 16.22  
\$ 16.05  
\$ 16.14  
\$ 16.20  
\$ 16.20  
\$ 16.28  
\$ 16.40  
\$ 16.33  
\$ 16.52  
\$ 16.53  
\$ 16.48  
\$ 16.48  
\$ 16.49  
\$ 16.26  
\$ 16.47  
\$ 16.41  
\$ 16.45  
\$ 16.42  
\$ 16.34  
\$ 16.39  
\$ 16.42  
\$ 16.35  
\$ 16.34  
\$ 16.43  
\$ 16.45  
\$ 16.26  
\$ 16.40  
\$ 16.35  
\$ 16.38  
\$ 16.32  
\$ 16.32  
\$ 16.45  
\$ 16.42  
\$ 16.38  
\$ 16.25  
\$ 16.20  
\$ 16.25  
\$ 16.26  
\$ 16.32  
\$ 16.23  
\$ 16.18  
\$ 16.24  
\$ 16.09  
\$ 16.01  
\$ 16.04  
\$ 16.21  
\$ 15.95  
\$ 16.11  
\$ 16.07



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

\$ 16.08  
\$ 16.07  
\$ 16.07  
\$ 16.20  
\$ 16.20  
\$ 16.07  
\$ 16.03  
\$ 16.03  
\$ 16.06  
\$ 16.09  
\$ 16.00  
\$ 16.06  
\$ 16.19  
\$ 16.11  
\$ 16.14  
\$ 16.14  
\$ 16.23  
\$ 16.27  
\$ 16.27  
\$ 16.36  
\$ 16.41  
\$ 16.41  
\$ 16.39  
\$ 16.52  
\$ 16.42  
\$ 16.29  
\$ 16.29  
\$ 16.38  
\$ 16.32  
\$ 16.40  
\$ 16.45  
\$ 16.62  
\$ 16.59  
\$ 16.62  
\$ 16.64  
\$ 16.77  
\$ 16.79  
\$ 16.83  
\$ 16.83  
\$ 16.91  
\$ 17.00  
\$ 16.95  
\$ 16.96  
\$ 17.05  
\$ 16.99  
\$ 16.80  
\$ 16.74  
\$ 16.79  
\$ 16.78  
\$ 16.82  
\$ 16.75  
\$ 16.71  
\$ 16.68  
\$ 16.70  
\$ 16.72  
\$ 16.76  
\$ 16.78  
\$ 16.74  
\$ 16.76  
\$ 16.74  
\$ 16.76  
\$ 16.74

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

	\$ 16.69
	\$ 16.69
	\$ 16.73
	\$ 16.63
	\$ 16.70
	\$ 16.66
	\$ 16.74
	\$ 16.68
	\$ 16.65
	\$ 16.47
	\$ 16.50
	\$ 16.38
	\$ 16.32
	\$ 16.35
	\$ 16.34
	\$ 16.32
	\$ 16.35
	\$ 16.39
	\$ 16.37
	\$ 16.40
	\$ 16.47
	\$ 16.52
	\$ 16.55
10/31/06	\$ 16.50

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

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.

FUND SNAPSHOT

Common Share Price	\$ 16.50
Common Share Net Asset Value	\$ 16.02
Premium/(Discount) to NAV	3.00%
Market Yield	5.56%
Taxable-Equivalent Yield 1	7.72%
Net Assets Applicable to Common Shares (\$000)	\$470,189
Average Effective Maturity on Securities (Years)	19.75
Leverage-Adjusted Duration	6.33

AVERAGE ANNUAL TOTAL RETURN  
(Inception 3/27/01)

	ON SHARE PRICE	ON NAV
--	----------------	--------

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

1-Year	11.95%	7.86%
5-Year	8.92%	8.02%
Since Inception	8.45%	8.69%

STATES  
(as a % of total municipal bonds)

Texas	17.1%
Michigan	9.7%
Illinois	7.6%
California	7.5%
Colorado	4.6%
New York	4.5%
New Mexico	3.6%
Washington	3.5%
Florida	3.4%
Missouri	3.3%
Indiana	3.3%
Louisiana	3.1%
Alabama	2.9%
Massachusetts	2.8%
Nevada	2.8%
Kansas	2.7%
Oregon	2.6%
Other	15.0%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	21.4%
Health Care	17.2%
Tax Obligation/Limited	16.0%
Transportation	14.3%
Utilities	7.0%

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

Tax Obligation/General	5.9%
Consumer Staples	5.1%
Other	13.1%

17

Nuveen Dividend Advantage Municipal Fund 3

NZF

Performance

OVERVIEW As of October 31, 2006

FUND SNAPSHOT

Common Share Price	\$ 15.88
Common Share Net Asset Value	\$ 15.54
Premium/(Discount) to NAV	2.19%
Market Yield	5.52%
Taxable-Equivalent Yield 1	7.67%
Net Assets Applicable to Common Shares (\$000)	\$626,836
Average Effective Maturity on Securities (Years)	16.88
Leverage-Adjusted Duration	7.14

AVERAGE ANNUAL TOTAL RETURN  
(Inception 9/25/01)

	ON SHARE PRICE	ON NAV
1-Year	16.90%	7.57%
5-Year	7.80%	7.95%
Since Inception	7.74%	7.99%

STATES

(as a % of total municipal bonds)

Texas	12.6%
-------	-------

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

Illinois	12.0%
Washington	10.4%
California	7.7%
Michigan	6.2%
Nevada	5.2%
Iowa	3.9%
Indiana	3.9%
Colorado	3.5%
New York	3.2%
Wisconsin	3.0%
New Jersey	2.5%
Louisiana	2.3%
Kentucky	2.1%
Alaska	1.8%
Missouri	1.7%
Oregon	1.7%
Maryland	1.5%
Other	14.8%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	20.5%
Transportation	16.1%
Health Care	16.0%
Tax Obligation/General	9.5%
Utilities	6.6%
Water and Sewer	6.6%
Education and Civic Organizations	5.6%
Tax Obligation/Limited	5.5%
Other	13.6%

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

[PIE CHART]

## CREDIT QUALITY

(as a % of total municipal bonds)

AAA/U.S. Guaranteed	74%
AA	9%
A	2%
BBB	7%
BB or Lower	3%
N/R	5%

## 2005-2006 MONTHLY TAX-FREE DIVIDENDS PER SHARE

[BAR CHART]

0.0770	0.0770	0.0770	0.0770	0.0770	0.0770	0.0770	0.0730	0.0730	0.0730	0.0730
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep

## SHARE PRICE PERFORMANCE

[LINE CHART]

Date	Weekly Closing Price
11/01/05	\$ 14.50
	\$ 14.52
	\$ 14.52
	\$ 14.55
	\$ 14.66
	\$ 14.61
	\$ 14.67
	\$ 14.53
	\$ 14.53
	\$ 14.49
	\$ 14.37
	\$ 14.54
	\$ 14.45
	\$ 14.50
	\$ 14.41
	\$ 14.43
	\$ 14.44
	\$ 14.42
	\$ 14.54
	\$ 14.52
	\$ 14.43
	\$ 14.46
	\$ 14.48
	\$ 14.55
	\$ 14.61
	\$ 14.48
	\$ 14.50
	\$ 14.66

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

\$ 14.69  
\$ 14.46  
\$ 14.47  
\$ 14.40  
\$ 14.40  
\$ 14.39  
\$ 14.41  
\$ 14.42  
\$ 14.49  
\$ 14.61  
\$ 14.52  
\$ 14.71  
\$ 14.82  
\$ 14.91  
\$ 14.91  
\$ 14.99  
\$ 15.01  
\$ 15.15  
\$ 15.30  
\$ 15.30  
\$ 15.40  
\$ 15.25  
\$ 15.35  
\$ 15.26  
\$ 15.20  
\$ 15.16  
\$ 15.24  
\$ 15.28  
\$ 15.29  
\$ 15.38  
\$ 15.38  
\$ 15.31  
\$ 15.37  
\$ 15.40  
\$ 15.49  
\$ 15.45  
\$ 15.40  
\$ 15.38  
\$ 15.37  
\$ 15.40  
\$ 15.40  
\$ 15.41  
\$ 15.43  
\$ 15.35  
\$ 15.32  
\$ 15.33  
\$ 15.40  
\$ 15.35  
\$ 15.34  
\$ 15.15  
\$ 15.10  
\$ 15.15  
\$ 15.20  
\$ 15.21  
\$ 15.24  
\$ 15.15  
\$ 15.13  
\$ 15.17  
\$ 15.10  
\$ 15.12  
\$ 15.13  
\$ 15.19

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

\$ 15.17  
\$ 15.19  
\$ 15.30  
\$ 15.34  
\$ 15.32  
\$ 15.33  
\$ 15.29  
\$ 15.35  
\$ 15.49  
\$ 15.45  
\$ 15.48  
\$ 15.45  
\$ 15.40  
\$ 15.28  
\$ 15.26  
\$ 15.35  
\$ 15.35  
\$ 15.40  
\$ 15.38  
\$ 15.32  
\$ 15.26  
\$ 15.29  
\$ 15.20  
\$ 15.25  
\$ 15.02  
\$ 15.08  
\$ 15.09  
\$ 15.05  
\$ 14.95  
\$ 15.00  
\$ 15.03  
\$ 15.00  
\$ 15.15  
\$ 15.10  
\$ 15.10  
\$ 15.30  
\$ 15.32  
\$ 15.37  
\$ 15.42  
\$ 15.47  
\$ 15.41  
\$ 15.42  
\$ 15.46  
\$ 15.40  
\$ 15.40  
\$ 15.58  
\$ 15.52  
\$ 15.37  
\$ 15.34  
\$ 15.42  
\$ 15.39  
\$ 15.40  
\$ 15.37  
\$ 15.39  
\$ 15.50  
\$ 15.42  
\$ 15.50  
\$ 15.57  
\$ 15.56  
\$ 15.43  
\$ 15.40  
\$ 15.40



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

\$ 15.38  
\$ 15.35  
\$ 15.39  
\$ 15.15  
\$ 15.12  
\$ 15.09  
\$ 15.10  
\$ 15.03  
\$ 15.01  
\$ 15.02  
\$ 14.83  
\$ 14.79  
\$ 14.75  
\$ 14.55  
\$ 14.50  
\$ 14.65  
\$ 14.69  
\$ 14.82  
\$ 14.81  
\$ 14.90  
\$ 14.93  
\$ 14.92  
\$ 14.94  
\$ 14.85  
\$ 14.84  
\$ 14.88  
\$ 14.91  
\$ 14.91  
\$ 14.91  
\$ 14.91  
\$ 14.95  
\$ 15.03  
\$ 15.01  
\$ 15.10  
\$ 15.12  
\$ 15.30  
\$ 15.34  
\$ 15.36  
\$ 15.43  
\$ 15.36  
\$ 15.39  
\$ 15.28  
\$ 15.28  
\$ 15.25  
\$ 15.33  
\$ 15.24  
\$ 15.17  
\$ 15.24  
\$ 15.25  
\$ 15.30  
\$ 15.36  
\$ 15.36  
\$ 15.34  
\$ 15.36  
\$ 15.38  
\$ 15.37  
\$ 15.39  
\$ 15.43  
\$ 15.43  
\$ 15.46  
\$ 15.40  
\$ 15.40

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

	\$ 15.40
	\$ 15.43
	\$ 15.47
	\$ 15.54
	\$ 15.56
	\$ 15.53
	\$ 15.48
	\$ 15.56
	\$ 15.53
	\$ 15.55
	\$ 15.67
	\$ 15.65
	\$ 15.64
	\$ 15.67
	\$ 15.72
	\$ 15.73
	\$ 15.76
	\$ 15.74
	\$ 15.74
	\$ 15.78
	\$ 15.70
	\$ 15.80
	\$ 15.79
	\$ 15.82
	\$ 15.78
	\$ 15.82
	\$ 15.65
	\$ 15.71
	\$ 15.55
	\$ 15.52
	\$ 15.53
	\$ 15.56
	\$ 15.72
	\$ 15.68
	\$ 15.70
	\$ 15.63
	\$ 15.75
	\$ 15.80
	\$ 15.83
	\$ 15.80
10/31/06	\$ 15.88

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE RESULTS.

- 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.

18

Shareholder  
MEETING REPORT

The Annual Shareholder Meeting was held on August 1, 2006, at The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60675.

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

	NPP		NMA	
	Common and MuniPreferred shares voting together as a class	MuniPreferred shares voting together as a class	Common and MuniPreferred shares voting together as a class	MuniPreferred shares voting together as a class
Robert P. Bremner				
For	52,507,004	--	34,217,676	
Withhold	510,531	--	221,265	
Total	53,017,535	--	34,438,941	
Lawrence H. Brown				
For	52,488,387	--	34,224,946	
Withhold	529,148	--	213,995	
Total	53,017,535	--	34,438,941	
Jack B. Evans				
For	52,505,508	--	34,207,335	
Withhold	512,027	--	231,606	
Total	53,017,535	--	34,438,941	
William C. Hunter				
For	52,510,395	--	34,214,420	
Withhold	507,140	--	224,521	
Total	53,017,535	--	34,438,941	
David J. Kundert				
For	52,511,866	--	34,211,931	
Withhold	505,669	--	227,010	
Total	53,017,535	--	34,438,941	
William J. Schneider				
For	--	16,963	--	12,4
Withhold	--	1	--	
Total	--	16,964	--	12,4
Timothy R. Schwertfeger				
For	--	16,960	--	12,4
Withhold	--	4	--	
Total	--	16,964	--	12,4
Judith M. Stockdale				
For	52,517,699	--	34,239,485	
Withhold	499,836	--	199,456	
Total	53,017,535	--	34,438,941	
Eugene S. Sunshine				
For	52,505,605	--	34,217,653	
Withhold	511,930	--	221,288	

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

Total	53,017,535	--	34,438,941
-------	------------	----	------------

19

Shareholder  
MEETING REPORT (continued)

	NAD		NXZ	
	Common and MuniPreferred shares voting together as a class	MuniPreferred shares voting together as a class	Common and MuniPreferred shares voting together as a class	MuniPreferred shares voting together as a class
Robert P. Bremner				
For	37,392,215	--	28,036,570	
Withhold	289,959	--	108,803	
Total	37,682,174	--	28,145,373	
Lawrence H. Brown				
For	37,375,705	--	28,031,579	
Withhold	306,469	--	113,794	
Total	37,682,174	--	28,145,373	
Jack B. Evans				
For	37,389,171	--	28,043,178	
Withhold	293,003	--	102,195	
Total	37,682,174	--	28,145,373	
William C. Hunter				
For	37,391,817	--	28,045,340	
Withhold	290,357	--	100,033	
Total	37,682,174	--	28,145,373	
David J. Kundert				
For	37,387,918	--	28,045,340	
Withhold	294,256	--	100,033	
Total	37,682,174	--	28,145,373	
William J. Schneider				
For	--	11,080	--	8,3
Withhold	--	32	--	
Total	--	11,112	--	8,3

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

Timothy R. Schwertfeger				
For	--	11,083	--	8,3
Withhold	--	29	--	
<hr style="border-top: 1px dashed black;"/>				
Total	--	11,112	--	8,3
<hr style="border-top: 3px double black;"/>				
Judith M. Stockdale				
For	37,398,427	--	28,034,169	
Withhold	283,747	--	111,204	
<hr style="border-top: 1px dashed black;"/>				
Total	37,682,174	--	28,145,373	
<hr style="border-top: 3px double black;"/>				
Eugene S. Sunshine				
For	37,393,127	--	28,043,432	
Withhold	289,047	--	101,941	
<hr style="border-top: 1px dashed black;"/>				
Total	37,682,174	--	28,145,373	
<hr style="border-top: 3px double black;"/>				

20

Report of  
 INDEPENDENT REGISTERED  
 PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS, TRUSTEES AND SHAREHOLDERS  
 NUVEEN PERFORMANCE PLUS MUNICIPAL FUND, INC.  
 NUVEEN MUNICIPAL ADVANTAGE FUND, INC.  
 NUVEEN MUNICIPAL MARKET OPPORTUNITY FUND, INC.  
 NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND  
 NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 2  
 NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of Nuveen Performance Plus Municipal Fund, Inc., Nuveen Municipal Advantage Fund, Inc., Nuveen Municipal Market Opportunity Fund, Inc., Nuveen Dividend Advantage Municipal Fund, Nuveen Dividend Advantage Municipal Fund 2 and Nuveen Dividend Advantage Municipal Fund 3 (the "Funds") as of October 31, 2006, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Funds' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

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

statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2006, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of Nuveen Performance Plus Municipal Fund, Inc., Nuveen Municipal Advantage Fund, Inc., Nuveen Municipal Market Opportunity Fund, Inc., Nuveen Dividend Advantage Municipal Fund, Nuveen Dividend Advantage Municipal Fund 2 and Nuveen Dividend Advantage Municipal Fund 3 at October 31, 2006, the results of their operations for the year then ended, changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Chicago, Illinois  
December 14, 2006

21

Nuveen Performance Plus Municipal Fund, Inc. (NPP)

Portfolio of  
INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
ALABAMA - 1.1% (0.7% OF TOTAL INVESTMENTS)		
Jefferson County, Alabama, Sewer Revenue Refunding Warrants, Series 1997A:		
\$ 3,640	5.625%, 2/01/22 (Pre-refunded 2/01/07) - FGIC Insured	2/07 at 101
3,820	5.375%, 2/01/27 (Pre-refunded 2/01/07) - FGIC Insured	2/07 at 100
Jefferson County, Alabama, Sewer Revenue Refunding Warrants, Series 1997A:		
1,435	5.625%, 2/01/22 - FGIC Insured	2/07 at 101
1,505	5.375%, 2/01/27 - FGIC Insured	2/07 at 100
-----		
10,400	Total Alabama	
-----		
ARIZONA - 1.3% (0.9% OF TOTAL INVESTMENTS)		
1,000	Arizona State Transportation Board, Highway Revenue Bonds, Series 2002B, 5.250%, 7/01/22 (Pre-refunded 7/01/12)	7/12 at 100

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

	Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B:		
5,365	5.750%, 7/01/15 - FGIC Insured (Alternative Minimum Tax)		7/12 at 100
5,055	5.750%, 7/01/16 - FGIC Insured (Alternative Minimum Tax)		7/12 at 100
-----			
11,420	Total Arizona		
-----			
	ARKANSAS - 0.7% (0.5% OF TOTAL INVESTMENTS)		
5,080	Independence County, Arkansas, Hydroelectric Power Revenue Bonds, Series 2003, 5.350%, 5/01/28 - ACA Insured		5/13 at 100
1,000	Washington County, Arkansas, Hospital Revenue Bonds, Washington Regional Medical Center, Series 2005A, 5.000%, 2/01/35		2/15 at 100
-----			
6,080	Total Arkansas		
-----			
	CALIFORNIA - 14.9% (10.0% OF TOTAL INVESTMENTS)		
3,500	Alameda Corridor Transportation Authority, California, Subordinate Lien Revenue Bonds, Series 2004A, 0.000%, 10/01/25 - AMBAC Insured		10/17 at 100
11,000	Anaheim Public Finance Authority, California, Subordinate Lease Revenue Bonds, Public Improvement Project, Series 1997C, 0.000%, 9/01/20 - FSA Insured		No Opt. C
	California Department of Water Resources, Power Supply Revenue Bonds, Series 2002A:		
4,000	6.000%, 5/01/15 (Pre-refunded 5/01/12)		5/12 at 101
3,175	5.375%, 5/01/22 (Pre-refunded 5/01/12)		5/12 at 101
3,365	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/33		3/13 at 100
	California Health Facilities Financing Authority, Revenue Bonds, Kaiser Permanente System, Series 2006:		
5,000	5.000%, 4/01/37		4/16 at 100
7,000	5.250%, 4/01/39		4/16 at 100
2,380	California Infrastructure Economic Development Bank, Revenue Bonds, J. David Gladstone Institutes, Series 2001, 5.250%, 10/01/34		10/11 at 101
5,300	California, General Obligation Bonds, Series 2004, 5.100%, 2/01/34		2/09 at 100
5,000	California, General Obligation Bonds, Series 2005, 5.000%, 3/01/31		3/16 at 100
6,435	California, General Obligation Refunding Bonds, Series 2002, 6.000%, 4/01/16 - AMBAC Insured		No Opt. C
5,000	Coast Community College District, Orange County, California, General Obligation Bonds, Series 2006C, 0.000%, 8/01/32 - FSA Insured		8/18 at 100
2,990	East Bay Municipal Utility District, Alameda and Contra Costa Counties, California, Water System Subordinated Revenue Refunding Bonds, Series 1996, 4.750%, 6/01/21 - FGIC Insured		6/21 at 100

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

22

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
CALIFORNIA (continued)		
\$ 10,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39	6/13 at 100
8,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2005A, 5.000%, 6/01/45	6/15 at 100
1,000	Mt. Diablo Hospital District, California, Insured Hospital Revenue Bonds, Series 1993A, 5.125%, 12/01/23 - AMBAC Insured (ETM)	12/06 at 100
13,450	Ontario Redevelopment Financing Authority, San Bernardino County, California, Revenue Refunding Bonds, Redevelopment Project 1, Series 1995, 7.200%, 8/01/17 - MBIA Insured	No Opt. C
14,535	Palmdale Community Redevelopment Agency, California, Residential Mortgage Revenue Refunding Bonds, Series 1991A, 7.150%, 2/01/10 (ETM)	No Opt. C
2,325	Palmdale Community Redevelopment Agency, California, Restructured Single Family Mortgage Revenue Bonds, Series 1986D, 8.000%, 4/01/16 (Alternative Minimum Tax) (ETM)	No Opt. C
2,000	San Francisco Airports Commission, California, Revenue Bonds, San Francisco International Airport, Second Series 1999, Issue 23B, 5.125%, 5/01/30 - FGIC Insured	5/09 at 101
2,000	San Francisco Airports Commission, California, Revenue Refunding Bonds, San Francisco International Airport, Second Series 2001, Issue 27B, 5.125%, 5/01/26 - FGIC Insured	5/11 at 100
3,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 - MBIA Insured	No Opt. C
15,745	Walnut Valley Unified School District, Los Angeles County, California, General Obligation Refunding Bonds, Series 1997A, 7.200%, 2/01/16 - MBIA Insured	8/11 at 103
-----		
136,200	Total California	
-----		

COLORADO - 6.2% (4.1% OF TOTAL INVESTMENTS)



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

5,240	Adams 12 Five Star Schools, Adams County, Colorado, General Obligation Bonds, Series 2005, 5.000%, 12/15/24 - FSA Insured	12/15 at 100
3,000	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Peak-to-Peak Charter School, Series 2004, 5.250%, 8/15/34 - XLCA Insured	8/14 at 100
5,860	Colorado Health Facilities Authority, Revenue Refunding Bonds, Catholic Health Initiatives, Series 2001, 5.250%, 9/01/21 (Pre-refunded 9/01/11)	9/11 at 100
7,575	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1997E, 5.250%, 11/15/23 - MBIA Insured	11/07 at 101
20,000	Denver Convention Center Hotel Authority, Colorado, Senior Revenue Bonds, Convention Center Hotel, Series 2003A, 5.000%, 12/01/33 (Pre-refunded 12/01/13) - XLCA Insured	12/13 at 100
10,615	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 1997B, 0.000%, 9/01/21 - MBIA Insured	No Opt. C
10,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/32 - MBIA Insured	No Opt. C
755	Jefferson County School District R1, Colorado, General Obligation Bonds, Series 2004, 5.000%, 12/15/22 - FSA Insured	12/14 at 100
4,125	Municipal Subdistrict Northern Colorado Water District, Revenue Bonds, Series 1997G, 5.250%, 12/01/15 - AMBAC Insured	12/07 at 101
-----		
67,170	Total Colorado	
-----		
DISTRICT OF COLUMBIA - 2.0% (1.3% OF TOTAL INVESTMENTS)		
6,110	District of Columbia Tobacco Settlement Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2001, 6.250%, 5/15/24	5/11 at 101
5,590	District of Columbia, General Obligation Bonds, Series 1999B, 5.500%, 6/01/13 - FSA Insured	6/09 at 101
6,000	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 1998, 5.250%, 10/01/10 - AMBAC Insured	10/08 at 101
-----		
17,700	Total District of Columbia	
-----		

23

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	FLORIDA - 6.3% (4.2% OF TOTAL INVESTMENTS)	
	Broward County Housing Finance Authority, Florida, Multifamily Housing Revenue Bonds, Venice Homes Apartments, Series 2001A:	
\$ 1,545	5.700%, 1/01/32 - FSA Insured (Alternative Minimum Tax)	7/11 at 100
1,805	5.800%, 1/01/36 - FSA Insured (Alternative Minimum Tax)	7/11 at 100
5,300	Escambia County Health Facilities Authority, Florida, Revenue Bonds, Ascension Health Credit Group, Series 2003A, 5.250%, 11/15/14	No Opt. C
2,360	Florida Housing Finance Corporation, Homeowner Mortgage Revenue Bonds, Series 2000-11, 5.850%, 1/01/22 - FSA Insured (Alternative Minimum Tax)	1/10 at 100
10,050	Florida State Board of Education, Full Faith and Credit Public Education Capital Outlay Refunding Bonds, Series 1999D, 5.750%, 6/01/22	6/10 at 101
7,000	Hillsborough County Aviation Authority, Florida, Revenue Bonds, Tampa International Airport, Series 2003A, 5.250%, 10/01/17 - MBIA Insured (Alternative Minimum Tax)	10/13 at 100
10,000	JEA, Florida, Electric System Revenue Bonds, Series 2006-3A, 5.000%, 10/01/41 - FSA Insured	4/15 at 100
10,750	Martin County Industrial Development Authority, Florida, Industrial Development Revenue Bonds, Indiantown Cogeneration LP, Series 1994A, 7.875%, 12/15/25 (Alternative Minimum Tax)	12/06 at 100
2,570	Miami-Dade County Housing Finance Authority, Florida, Multifamily Mortgage Revenue Bonds, Country Club Villas II Project, Series 2001-1A, 5.850%, 1/01/37 - FSA Insured (Alternative Minimum Tax)	6/11 at 100
3,500	Miami-Dade County, Florida, Aviation Revenue Bonds, Miami International Airport, Series 2005A, 5.000%, 10/01/37 - XLCA Insured (Alternative Minimum Tax)	10/15 at 100
1,700	Miami-Dade County, Florida, Beacon Tradeport Community Development District, Special Assessment Bonds, Commercial Project, Series 2002A, 5.625%, 5/01/32 - RAAI Insured	5/12 at 102
56,580	Total Florida	
-----		
	GEORGIA - 3.1% (2.2% OF TOTAL INVESTMENTS)	
4,920	Atlanta, Georgia, Airport General Revenue Refunding Bonds, Series 2000A, 5.600%, 1/01/30 (Pre-refunded 1/01/10) - FGIC Insured	1/10 at 101
5,000	Atlanta, Georgia, Water and Wastewater Revenue Bonds, Series 1999A, 5.500%, 11/01/22 - FGIC Insured	No Opt. C
2,000	George L. Smith II World Congress Center Authority, Atlanta, Georgia, Revenue Refunding Bonds, Domed Stadium Project, Series 2000, 5.500%, 7/01/20 - MBIA Insured (Alternative Minimum Tax)	7/10 at 101

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

15,000	Private Colleges and Universities Authority, Georgia, Revenue Bonds, Emory University, Series 1999A, 5.500%, 11/01/25 (Pre-refunded 11/01/09)	11/09 at 101
26,920	Total Georgia	
-----		
IDAHO - 0.1% (0.1% OF TOTAL INVESTMENTS)		
665	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000D, 6.200%, 7/01/14 (Alternative Minimum Tax)	1/10 at 100
395	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000G-2, 5.950%, 7/01/25 (Alternative Minimum Tax)	7/10 at 100
1,060	Total Idaho	
-----		
ILLINOIS - 21.9% (14.7% OF TOTAL INVESTMENTS)		
10,000	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1998B-1, 0.000%, 12/01/19 - FGIC Insured	No Opt. C
10,000	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1999A, 0.000%, 12/01/20 - FGIC Insured	No Opt. C
Chicago, Illinois, General Obligation Bonds, City Colleges, Series 1999:		
32,170	0.000%, 1/01/21 - FGIC Insured	No Opt. C
32,670	0.000%, 1/01/22 - FGIC Insured	No Opt. C
3,000	Chicago, Illinois, General Obligation Bonds, Library Projects, Series 1997, 5.750%, 1/01/17 (Pre-refunded 1/01/08) - FGIC Insured	1/08 at 102
9,145	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 1996A, 5.500%, 1/01/29 - MBIA Insured	1/07 at 101

24

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
ILLINOIS (continued)		
\$ 1,665	Chicago, Illinois, Third Lien General Airport Revenue Bonds, O'Hare International Airport, Series 2005A, 5.000%, 1/01/33 - FGIC Insured	1/16 at 100
	DuPage County Forest Preserve District, Illinois, General Obligation Bonds, Series 2000:	

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

8,000	0.000%, 11/01/18	No Opt. C
15,285	0.000%, 11/01/19	No Opt. C
4,000	Illinois Health Facilities Authority, FHA-Insured Mortgage Revenue Refunding Bonds, Sinai Health System, Series 2003, 5.150%, 2/15/37	8/13 at 100
1,090	Illinois Health Facilities Authority, Revenue Bonds, Lake Forest Hospital, Series 2002A, 5.750%, 7/01/29	7/12 at 100
3,000	Illinois Health Facilities Authority, Revenue Bonds, Lake Forest Hospital, Series 2003, 6.000%, 7/01/33	7/13 at 100
4,580	Illinois Health Facilities Authority, Revenue Bonds, Midwest Care Center IX Inc., Series 2000, 6.250%, 8/20/35	8/10 at 102
2,645	Illinois Health Facilities Authority, Revenue Bonds, Silver Cross Hospital and Medical Centers, Series 1999, 5.250%, 8/15/15 (Mandatory put 4/01/08)	8/09 at 101
7,250	Kane, Kendall, LaSalle, and Will Counties, Illinois, Community College District 516, General Obligation Bonds, Series 2005E, 0.000%, 12/15/24 - FGIC Insured	12/13 at 57
5,000	Kane, McHenry, Cook and DeKalb Counties Community Unit School District 300, Carpentersville, Illinois, General Obligation Bonds, Series 2000, 5.500%, 12/01/19 (Pre-refunded 12/01/11) - MBIA Insured	12/11 at 100
3,700	Libertyville, Illinois, Affordable Housing Revenue Bonds, Liberty Towers Project, Series 1999A, 7.000%, 11/01/29 (Alternative Minimum Tax)	11/09 at 100
6,000	McHenry County Conservation District, Illinois, General Obligation Bonds, Series 2001A, 5.625%, 2/01/21 (Pre-refunded 2/01/11) - FGIC Insured	2/11 at 100
5,000	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 2002A, 5.250%, 6/15/42 - MBIA Insured	6/12 at 101
10,650	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Hospitality Facility, Series 1996A, 7.000%, 7/01/26 (ETM)	No Opt. C
	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1996A:	
9,400	0.000%, 12/15/18 - MBIA Insured	No Opt. C
16,570	0.000%, 12/15/20 - MBIA Insured	No Opt. C
23,550	0.000%, 12/15/22 - MBIA Insured	No Opt. C
13,000	0.000%, 12/15/24 - MBIA Insured	No Opt. C
5,100	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1998A, 5.500%, 12/15/23 - FGIC Insured	No Opt. C
5,180	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1998A, 5.500%, 12/15/23 - FGIC Insured (ETM)	No Opt. C
17,865	Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, General Obligation Bonds,	No Opt. C

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

Series 1999, 5.750%, 6/01/23 - FSA Insured

6,090	Sherman, Illinois, GNMA Mortgage Revenue Refunding Bonds, Villa Vianney, Series 1999A, 6.450%, 10/01/29	10/09 at 102
10,000	Will County Community High School District 210 Lincoln-Way, Illinois, General Obligation Bonds, Series 2006, 0.000%, 1/01/23 - FSA Insured	No Opt. C
281,605	Total Illinois	

INDIANA - 6.6% (4.4% OF TOTAL INVESTMENTS)

2,465	Danville Multi-School Building Corporation, Indiana, First Mortgage Refunding Bonds, Series 2001, 5.250%, 7/15/18 - AMBAC Insured	7/11 at 100
14,000	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Clarian Health Obligated Group, Series 2000A, 5.500%, 2/15/30 (Pre-refunded 8/15/10) - MBIA Insured	8/10 at 101
2,500	Indiana Health Facility Financing Authority, Hospital Revenue Refunding Bonds, Columbus Regional Hospital, Series 1993, 7.000%, 8/15/15 - FSA Insured	No Opt. C

25

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
	INDIANA (continued)	
	Indiana Health Facility Financing Authority, Revenue Bonds, Ancilla Systems Inc. Obligated Group, Series 1997:	
\$ 15,380	5.250%, 7/01/17 - MBIA Insured (ETM)	7/07 at 101
4,320	5.250%, 7/01/22 - MBIA Insured (ETM)	7/07 at 101
2,250	5.250%, 7/01/22 - MBIA Insured (ETM)	7/07 at 101
2,000	Indiana Health Facility Financing Authority, Revenue Bonds, Community Hospitals of Indiana, Series 2005A, 5.000%, 5/01/35 - AMBAC Insured	5/15 at 100
6,715	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2000, 5.375%, 12/01/25	12/10 at 100
1,285	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2000, 5.375%, 12/01/25 (Pre-refunded 12/01/10)	12/10 at 100

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

3,105	Indiana University, Student Fee Revenue Bonds, Series 20030, 5.250%, 8/01/20 - FGIC Insured	8/13 at 100
1,000	Marion County Convention and Recreational Facilities Authority, Indiana, Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2001A, 5.000%, 6/01/21 - MBIA Insured	6/11 at 100
2,395	Shelbyville Central Renovation School Building Corporation, Indiana, First Mortgage Bonds, Series 2005, 4.375%, 7/15/26 - MBIA Insured	7/15 at 100
1,800	Sunman Dearborn High School Building Corporation, Indiana, First Mortgage Bonds, Series 2005, 5.000%, 7/15/25 - MBIA Insured	1/15 at 100
59,215	Total Indiana	
-----		
IOWA - 0.7% (0.5% OF TOTAL INVESTMENTS)		
1,500	Iowa Finance Authority, Health Facility Revenue Bonds, Care Initiatives Project, Series 2006A, 5.500%, 7/01/21	7/16 at 100
5,000	Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B, 5.600%, 6/01/35 (Pre-refunded 6/01/11)	6/11 at 101
6,500	Total Iowa	
-----		
KANSAS - 1.3% (0.9% OF TOTAL INVESTMENTS)		
3,790	Kansas Department of Transportation, Highway Revenue Bonds, Series 2004A, 5.000%, 3/01/23	3/14 at 100
5,790	Sedgwick County Unified School District 259, Wichita, Kansas, General Obligation Bonds, Series 2000, 3.500%, 9/01/17	9/10 at 100
3,200	Wyandotte County Unified School District 500, Kansas, General Obligation Bonds, Series 2001, 4.000%, 9/01/21 - FSA Insured	9/11 at 100
12,780	Total Kansas	
-----		
KENTUCKY - 0.4% (0.3% OF TOTAL INVESTMENTS)		
3,700	Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 1997A, 6.250%, 5/15/26 (Pre-refunded 5/15/07) - MBIA Insured	5/07 at 101
-----		
LOUISIANA - 3.0% (2.0% OF TOTAL INVESTMENTS)		
1,020	East Baton Rouge Mortgage Finance Authority, Louisiana, GNMA/FNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Refunding Bonds, Series 1997B-1, 5.750%, 10/01/26	10/07 at 102
4,000	Lafayette City and Parish, Louisiana, Utilities Revenue Bonds, Series 2004, 5.250%, 11/01/25 - MBIA Insured	11/14 at 100
4,650	Louisiana Public Facilities Authority, Revenue Bonds, Baton Rouge General Hospital, Series 2004, 5.250%, 7/01/33 - MBIA Insured	7/14 at 100

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

	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B:		
10,000	5.500%, 5/15/30		5/11 at 101
6,680	5.875%, 5/15/39		5/11 at 101
-----			
26,350	Total Louisiana		
-----			
	MAINE - 0.6% (0.4% OF TOTAL INVESTMENTS)		
5,680	Portland, Maine, Airport Revenue Bonds, Series 2003A, 5.000%, 7/01/32 - FSA Insured		7/13 at 100

26

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
	MARYLAND - 1.7% (1.1% OF TOTAL INVESTMENTS)	
\$ 7,720	Maryland Transportation Authority, Airport Parking Revenue Bonds, Baltimore-Washington International Airport Passenger Facility, Series 2002B, 5.125%, 3/01/20 - AMBAC Insured (Alternative Minimum Tax)	3/12 at 101
7,090	Takoma Park, Maryland, Hospital Facilities Revenue Refunding and Improvement Bonds, Washington Adventist Hospital, Series 1995, 6.500%, 9/01/12 - FSA Insured (ETM)	No Opt. C
-----		
14,810	Total Maryland	
-----		
	MASSACHUSETTS - 5.7% (3.8% OF TOTAL INVESTMENTS)	
	Massachusetts Development Finance Authority, Revenue Bonds, 100 Cambridge Street Redevelopment, M/SRBC Project, Series 2002A:	
4,000	5.125%, 8/01/28 - MBIA Insured	2/12 at 100
5,625	5.125%, 2/01/34 - MBIA Insured	2/12 at 100
1,190	Massachusetts Educational Finance Authority, Student Loan Revenue Refunding Bonds, Series 2000G, 5.700%, 12/01/11 - MBIA Insured (Alternative Minimum Tax)	12/09 at 101
8,730	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Berkshire Health System, Series 2005F, 5.000%, 10/01/19 - AGC Insured	10/15 at 100
1,530	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Southcoast Health System Obligated Group, Series 1998A, 4.750%, 7/01/27 - MBIA Insured	7/08 at 101
5,745	Massachusetts Industrial Finance Agency, Resource Recovery Revenue	12/08 at 102

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

	Refunding Bonds, Ogden Haverhill Project, Series 1998A, 5.600%, 12/01/19 (Alternative Minimum Tax)	
10,150	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured	1/07 at 102
890	Massachusetts, General Obligation Bonds, Consolidated Loan, Series 2002C, 5.250%, 11/01/30 (Pre-refunded 11/01/12)	11/12 at 100
	Massachusetts, General Obligation Bonds, Consolidated Loan, Series 2002E:	
1,255	5.250%, 1/01/22 (Pre-refunded 1/01/13) - FGIC Insured	1/13 at 100
3,745	5.250%, 1/01/22 (Pre-refunded 1/01/13) - FGIC Insured	1/13 at 100
8,500	Route 3 North Transportation Improvements Association, Massachusetts, Lease Revenue Bonds, Series 2000, 5.375%, 6/15/33 (Pre-refunded 6/15/10) - MBIA Insured	6/10 at 100
-----		
51,360	Total Massachusetts	
-----		
	MICHIGAN - 6.7% (4.5% OF TOTAL INVESTMENTS)	
17,000	Birmingham City School District, Oakland County, Michigan, School Building and Site Bonds, Series 1998, 4.750%, 11/01/24 - FSA Insured	11/07 at 100
5,000	Detroit, Michigan, Second Lien Sewerage Disposal System Revenue Bonds, Series 2005A, 5.000%, 7/01/35 - MBIA Insured	7/15 at 100
3,000	Detroit, Michigan, Senior Lien Water Supply System Revenue Bonds, Series 1997A, 5.000%, 7/01/21 (Pre-refunded 7/01/07) - MBIA Insured	7/07 at 101
4,030	Hancock Hospital Finance Authority, Michigan, FHA-Insured Mortgage Hospital Revenue Bonds, Portage Health System Inc., Series 1998, 5.450%, 8/01/47 - MBIA Insured	8/08 at 100
1,500	Michigan State Building Authority, Revenue Bonds, Facilities Program, Series 2001I, 5.000%, 10/15/24	10/11 at 100
5,000	Michigan State Building Authority, Revenue Refunding Bonds, Facilities Program, Series 2003II, 5.000%, 10/15/29 - MBIA Insured	10/13 at 100
7,115	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Henry Ford Health System, Series 2003A, 5.500%, 3/01/16 (Pre-refunded 3/01/13)	3/13 at 100
5,000	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sisters of Mercy Health Corporation, Series 1993P, 5.375%, 8/15/14 - MBIA Insured (ETM)	No Opt. C
3,000	Michigan Strategic Fund, Collateralized Limited Obligation Pollution Control Revenue Refunding Bonds, Detroit Edison Company, Series 1999A, 5.550%, 9/01/29 - MBIA Insured (Alternative Minimum Tax)	9/09 at 102



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

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
MICHIGAN (continued)		
\$ 10,000	Wayne County, Michigan, Airport Revenue Bonds, Detroit Metropolitan Wayne County Airport, Series 1998A, 5.375%, 12/01/16 - MBIA Insured (Alternative Minimum Tax)	12/08 at 101
60,645	Total Michigan	
MINNESOTA - 3.0% (2.0% OF TOTAL INVESTMENTS)		
3,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Subordinate Airport Revenue Bonds, Series 2001C, 5.250%, 1/01/26 - FGIC Insured	1/11 at 100
20,165	St. Paul Housing and Redevelopment Authority, Minnesota, Sales Tax Revenue Refunding Bonds, Civic Center Project, Series 1996, 7.100%, 11/01/23 - FSA Insured	11/15 at 103
23,165	Total Minnesota	
MISSISSIPPI - 1.3% (0.9% OF TOTAL INVESTMENTS)		
9,750	Mississippi Business Finance Corporation, Pollution Control Revenue Refunding Bonds, System Energy Resources Inc. Project, Series 1998, 5.875%, 4/01/22	4/07 at 100
2,475	Mississippi Hospital Equipment and Facilities Authority, Revenue Bonds, Baptist Memorial Healthcare, Series 2004B-1, 5.000%, 9/01/24	9/14 at 100
12,225	Total Mississippi	
MISSOURI - 1.6% (1.1% OF TOTAL INVESTMENTS)		
6,350	Kansas City, Missouri, Airport Revenue Bonds, General Improvement Projects, Series 2003B, 5.250%, 9/01/17 - FGIC Insured	9/12 at 100
1,845	Missouri Health and Educational Facilities Authority, Revenue Bonds, BJC Health System, Series 2003, 5.250%, 5/15/18	5/13 at 100
3,815	Missouri Health and Educational Facilities Authority, Revenue Bonds, SSM Healthcare System, Series 2001A, 5.250%, 6/01/28 (Pre-refunded 6/01/11) - AMBAC Insured	6/11 at 101

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

2,000	Missouri-Illinois Metropolitan District Bi-State Development Agency, Mass Transit Sales Tax Appropriation Bonds, Metrolink Cross County Extension Project, Series 2002B, 5.000%, 10/01/32 - FSA Insured	10/13 at 100
<hr/>		
14,010	Total Missouri	
<hr/>		
MONTANA - 0.7% (0.4% OF TOTAL INVESTMENTS)		
610	Montana Board of Housing, Single Family Mortgage Bonds, Series 1997A-1, 6.150%, 6/01/30 (Alternative Minimum Tax)	6/07 at 101
740	Montana Board of Housing, Single Family Mortgage Bonds, Series 2000A-2, 6.450%, 6/01/29 (Alternative Minimum Tax)	12/09 at 100
4,795	Montana Higher Education Student Assistance Corporation, Student Loan Revenue Bonds, Subordinate Series 1998B, 5.500%, 12/01/31 (Alternative Minimum Tax)	12/08 at 101
<hr/>		
6,145	Total Montana	
<hr/>		
NEBRASKA - 0.1% (0.1% OF TOTAL INVESTMENTS)		
1,430	Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2000E, 5.850%, 9/01/20 (Alternative Minimum Tax)	9/10 at 100
<hr/>		
NEVADA - 2.4% (1.6% OF TOTAL INVESTMENTS)		
10,900	Clark County School District, Nevada, General Obligation Bonds, Series 2002C, 5.500%, 6/15/19 (Pre-refunded 6/15/12) - MBIA Insured	6/12 at 100
5,000	Clark County, Nevada, General Obligation Bank Bonds, Southern Nevada Water Authority Loan, Series 2001, 5.300%, 6/01/19 (Pre-refunded 6/01/11) - FGIC Insured	6/11 at 100
4,980	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
<hr/>		
20,880	Total Nevada	
<hr/>		
NEW HAMPSHIRE - 1.5% (1.0% OF TOTAL INVESTMENTS)		
3,265	New Hampshire Health and Education Facilities Authority, Revenue Bonds, Southern New Hampshire University, Series 2005, 5.000%, 1/01/30 - ACA Insured	1/15 at 100

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
NEW HAMPSHIRE (continued)		
	New Hampshire Housing Finance Authority, FHLMC Multifamily Housing Remarketed Revenue Bonds, Countryside LP, Series 1994:	
\$ 3,725	6.000%, 7/01/18 (Alternative Minimum Tax)	7/10 at 101
6,945	6.100%, 7/01/24 (Alternative Minimum Tax)	7/10 at 101
13,935	Total New Hampshire	
NEW JERSEY - 8.9% (6.0% OF TOTAL INVESTMENTS)		
3,000	New Jersey Economic Development Authority, Transportation Sublease Revenue Bonds, Light Rail Transit System, Series 1999A, 5.250%, 5/01/17 (Pre-refunded 5/01/09) - FSA Insured	5/09 at 100
2,490	New Jersey Higher Education Assistance Authority, Student Loan Revenue Bonds, Series 2000A, 6.000%, 6/01/13 - MBIA Insured (Alternative Minimum Tax)	6/10 at 101
8,750	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 1996B, 5.250%, 6/15/16 (Pre-refunded 6/15/07)	6/07 at 102
4,500	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2001C, 5.500%, 12/15/18 - FSA Insured	No Opt. C
9,250	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2003C, 5.500%, 6/15/23 (Pre-refunded 6/15/13)	6/13 at 100
	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C:	
35,000	0.000%, 12/15/29 - FSA Insured	No Opt. C
10,000	0.000%, 12/15/30 - FGIC Insured	No Opt. C
10,000	New Jersey Turnpike Authority, Revenue Bonds, Series 2003A, 5.000%, 1/01/20 - FSA Insured	7/13 at 100
13,470	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 5.750%, 6/01/32	6/12 at 100
4,450	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003, 6.750%, 6/01/39	6/13 at 100
	West Deptford Township, Gloucester County, New Jersey, General Obligation Bonds, Series 2000:	
3,150	5.500%, 9/01/21 (Pre-refunded 9/01/10) - FGIC Insured	9/10 at 100
3,335	5.500%, 9/01/22 (Pre-refunded 9/01/10) - FGIC Insured	9/10 at 100
107,395	Total New Jersey	
NEW YORK - 9.9% (6.6% OF TOTAL INVESTMENTS)		
5,500	Dormitory Authority of the State of New York, FHA-Insured Mortgage Revenue Bonds, Kaleida Health, Series 2004, 5.050%, 2/15/25	2/14 at 100

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

35	Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1996B, 5.375%, 2/15/26 - MBIA Insured	2/08 at 100
2,070	Dormitory Authority of the State of New York, Insured Revenue Bonds, 853 Schools Program, Gateway-Longview Inc., Series 1998A, 5.500%, 7/01/18 - AMBAC Insured	7/08 at 101
2,250	Dormitory Authority of the State of New York, Lease Revenue Bonds, State University Dormitory Facilities, Series 1999C, 5.500%, 7/01/29 (Pre-refunded 7/01/09) - MBIA Insured	7/09 at 101
	Dormitory Authority of the State of New York, Revenue Bonds, Marymount Manhattan College, Series 1999:	
1,580	6.375%, 7/01/13 - RAAI Insured	7/09 at 101
9,235	6.125%, 7/01/21 - RAAI Insured	7/09 at 101
1,500	Dormitory Authority of the State of New York, Revenue Bonds, St. Barnabas Hospital, Series 1997, 5.450%, 8/01/35 - AMBAC Insured	8/07 at 101
3,000	Dormitory Authority of the State of New York, Third General Resolution Consolidated Revenue Bonds, City University System, Series 1997-1, 5.375%, 7/01/24 (Pre-refunded 1/01/08) - FSA Insured	1/08 at 102
17,000	Dormitory Authority of the State of New York, Third General Resolution Consolidated Revenue Bonds, City University System, Series 1999-1, 5.500%, 7/01/29 (Pre-refunded 7/01/09) - FSA Insured	7/09 at 101
1,500	Hempstead Industrial Development Agency, New York, Resource Recovery Revenue Refunding Bonds, American Ref-Fuel Company of Hempstead LP, Series 2001, 5.000%, 12/01/10 (Mandatory put 6/01/10)	12/10 at 100

29

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
	NEW YORK (continued)	
\$ 13,220	Metropolitan Transportation Authority, New York, Dedicated Tax Fund Bonds, Series 2002A, 5.500%, 11/15/26 - FSA Insured	11/12 at 100
1,380	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 1997A, 5.500%,	9/07 at 100

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

6/15/24 - MBIA Insured

10,000	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2000A, 5.750%, 6/15/30 (Pre-refunded 6/15/09)	6/09 at 101
7,810	New York City Transitional Finance Authority, New York, Future Tax Secured Bonds, Fiscal Series 2000A, 5.750%, 8/15/24 (Pre-refunded 8/15/09)	8/09 at 101
5	New York City, New York, General Obligation Bonds, Fiscal Series 1987D, 8.500%, 8/01/08	2/07 at 100
6,300	New York City, New York, General Obligation Bonds, Fiscal Series 2000A, 6.250%, 5/15/26 - FSA Insured	5/10 at 101
3,000	New York State Energy Research and Development Authority, Pollution Control Revenue Bonds, Rochester Gas and Electric Corporation, Series 1998A, 5.950%, 9/01/33 - MBIA Insured (Alternative Minimum Tax)	9/08 at 102
2,320	New York State Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed and State Contingency Contract-Backed Bonds, Series 2003A-1, 5.500%, 6/01/16	6/10 at 100
87,705	Total New York	

NORTH CAROLINA - 0.8% (0.5% OF TOTAL INVESTMENTS)

4,900	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 5.000%, 1/15/45	1/15 at 100
2,000	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 1998A, 5.000%, 1/01/20 - MBIA Insured	1/08 at 102
6,900	Total North Carolina	

OHIO - 3.6% (2.4% OF TOTAL INVESTMENTS)

7,500	Cleveland, Ohio, Airport System Revenue Bonds, Series 2000A, 5.000%, 1/01/31 - FSA Insured	1/10 at 101
3,650	Montgomery County, Ohio, Revenue Bonds, Catholic Health Initiatives, Series 2004A, 5.000%, 5/01/30	5/14 at 100
2,125	Ohio Housing Finance Agency, GNMA Mortgage-Backed Securities Program Residential Mortgage Revenue Bonds, Series 1999C, 5.750%, 9/01/30 (Alternative Minimum Tax)	7/09 at 100
6,400	Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998A, 5.875%, 9/01/20 (Alternative Minimum Tax)	9/08 at 102
13,300	Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998B, 6.625%, 9/01/20 (Alternative Minimum Tax)	9/09 at 102
32,975	Total Ohio	

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

OKLAHOMA - 0.3% (0.2% OF TOTAL INVESTMENTS)

3,400	Tulsa Municipal Airport Trust, Oklahoma, Revenue Refunding Bonds, American Airlines Inc., Series 2000B, 6.000%, 6/01/35 (Mandatory put 12/01/08) (Alternative Minimum Tax)	6/09 at 100
-------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

OREGON - 1.0% (0.7% OF TOTAL INVESTMENTS)

9,150	Port of St. Helens, Oregon, Pollution Control Revenue Bonds, Portland General Electric Company, Series 1985B, 4.800%, 6/01/10	No Opt. C
-------	----------------------------------------------------------------------------------------------------------------------------------	-----------

PENNSYLVANIA - 3.4% (2.3% OF TOTAL INVESTMENTS)

Bethlehem Authority, Northampton and Lehigh Counties, Pennsylvania, Guaranteed Water Revenue Bonds, Series 1998:		
3,125	0.000%, 5/15/22 - FSA Insured	No Opt. C
3,125	0.000%, 5/15/23 - FSA Insured	No Opt. C
3,135	0.000%, 5/15/24 - FSA Insured	No Opt. C
3,155	0.000%, 5/15/26 - FSA Insured	No Opt. C
4,145	0.000%, 11/15/26 - FSA Insured	No Opt. C
2,800	0.000%, 5/15/28 - FSA Insured	No Opt. C
3,000	0.000%, 11/15/28 - FSA Insured	No Opt. C

30

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
PENNSYLVANIA (continued)		
\$ 3,415	Carbon County Industrial Development Authority, Pennsylvania, Resource Recovery Revenue Refunding Bonds, Panther Creek Partners Project, Series 2000, 6.650%, 5/01/10 (Alternative Minimum Tax)	No Opt. C
11,000	Delaware County Authority, Pennsylvania, Revenue Bonds, Catholic Health East, Series 1998A, 4.875%, 11/15/18 - AMBAC Insured	11/08 at 102
Pennsylvania Economic Development Financing Authority, Senior Lien Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994A:		
2,100	6.400%, 1/01/09 (Alternative Minimum Tax)	1/07 at 100
4,500	6.500%, 1/01/13 (Alternative Minimum Tax)	1/07 at 100
25	Pennsylvania Economic Development Financing Authority, Senior Lien Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994B, 6.750%, 1/01/07 (Alternative Minimum Tax) (ETM)	No Opt. C
600	Pennsylvania Economic Development Financing Authority, Subordinate Resource Recovery Revenue Bonds, Northampton Generating Project,	1/07 at 100

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

Series 1994C, 6.875%, 1/01/11 (Alternative Minimum Tax)

44,125	Total Pennsylvania	
-----		
PUERTO RICO - 0.1% (0.1% OF TOTAL INVESTMENTS)		
1,250	Puerto Rico Highway and Transportation Authority, Highway Revenue Bonds, Series 2000B, 5.875%, 7/01/21 (Pre-refunded 7/01/10) - MBIA Insured	7/10 at 101
-----		
RHODE ISLAND - 1.2% (0.8% OF TOTAL INVESTMENTS)		
2,000	Kent County Water Authority, Rhode Island, General Revenue Bonds, Series 2002A, 5.000%, 7/15/23 - MBIA Insured	7/12 at 100
1,260	Rhode Island Health and Educational Building Corporation, Revenue Refunding Bonds, Salve Regina University, Series 2002: 5.250%, 3/15/17 - RAAI Insured	3/12 at 101
1,080	5.250%, 3/15/18 - RAAI Insured	3/12 at 101
7,000	Rhode Island Housing and Mortgage Finance Corporation, Homeownership Opportunity Bond Program, Series 50A, 4.650%, 10/01/34	10/14 at 100
11,340	Total Rhode Island	
-----		
SOUTH CAROLINA - 4.2% (2.9% OF TOTAL INVESTMENTS)		
2,625	Medical University Hospital Authority, South Carolina, FHA-Insured Mortgage Revenue Bonds, Series 2004A, 5.250%, 2/15/25 - MBIA Insured	8/14 at 100
22,855	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Bonds, Series 2004A-2, 0.000%, 1/01/31 - AMBAC Insured	No Opt. C
6,925	South Carolina, General Obligation Bonds, Series 1999A, 4.000%, 10/01/14	10/09 at 101
21,000	Tobacco Settlement Revenue Management Authority, South Carolina, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 6.000%, 5/15/22	5/11 at 101
53,405	Total South Carolina	
-----		
TENNESSEE - 1.3% (0.9% OF TOTAL INVESTMENTS)		
2,860	Johnson City Health and Educational Facilities Board, Tennessee, Hospital Revenue Refunding and Improvement Bonds, Johnson City Medical Center, Series 1998C, 5.125%, 7/01/25 (Pre-refunded 7/01/23) - MBIA Insured	7/23 at 100
1,700	Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 1999D, 6.000%, 3/01/24 - AMBAC Insured (Alternative Minimum Tax)	3/10 at 101
6,000	Metropolitan Government of Nashville-Davidson County Health and Educational Facilities Board, Tennessee, Revenue Refunding and Improvement Bonds, Meharry Medical College, Series 1996,	12/17 at 100

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

6.000%, 12/01/19 - AMBAC Insured

175	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2000-1, 6.375%, 7/01/25 (Alternative Minimum Tax)	7/10 at 101
-----		
10,735	Total Tennessee	
-----		

31

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	TEXAS - 6.5% (4.4% OF TOTAL INVESTMENTS)	
\$ 3,975	Bell County Health Facilities Development Corporation, Texas, Revenue Bonds, Scott and White Memorial Hospital and Scott, Sherwood and Brindley Foundation, Series 2000A, 6.125%, 8/15/23 (Pre-refunded 2/15/10) - MBIA Insured	2/10 at 101
5,000	Bexar Metropolitan Water District, Texas, Waterworks System Revenue Bonds, Series 2006, 5.000%, 5/01/35 - MBIA Insured	5/16 at 100
	Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005:	
4,000	5.000%, 1/01/35 - FGIC Insured	1/15 at 100
3,000	5.000%, 1/01/45 - FGIC Insured	1/15 at 100
1,000	Fort Worth, Texas, Water and Sewerage Revenue Bonds, Series 1998, 5.250%, 2/15/15 (Pre-refunded 2/15/08)	2/08 at 100
1,000	Harlingen Independent School District, Cameron County, Texas, Unlimited Tax School Building Bonds, Series 1999, 5.650%, 8/15/29 (Pre-refunded 8/15/09)	8/09 at 100
1,625	Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, Christus Health, Series 1999A, 5.375%, 7/01/24 (Pre-refunded 7/01/09) - MBIA Insured	7/09 at 101
4,000	Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003, 5.000%, 2/15/27 - AMBAC Insured	2/13 at 100
3,885	Houston Independent School District, Public Facility Corporation, Harris County, Texas, Lease Revenue Bonds, Cesar E. Chavez High School, Series 1998A, 0.000%, 9/15/19 - AMBAC Insured	No Opt. C
33,855	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/40	8/14 at 23



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

	Leander Independent School District, Williamson and Travis Counties, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1998:		
4,930	0.000%, 8/15/20		2/07 at 47
3,705	0.000%, 8/15/22		2/07 at 42
285	Lubbock Housing Finance Corporation, Texas, GNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Refunding Bonds, Series 1997A, 6.125%, 12/01/17		6/07 at 102
3,480	Pearland, Texas, General Obligation Bonds, Series 2002, 5.000%, 3/01/27 - FGIC Insured		3/12 at 100
6,835	San Antonio, Texas, Electric and Gas System Revenue Refunding Bonds, New Series 1998A, 4.500%, 2/01/21		2/09 at 100
6,000	Spring Branch Independent School District, Harris County, Texas, Limited Tax Schoolhouse and Refunding Bonds, Series 2001, 5.125%, 2/01/26		2/11 at 100
4,000	Tarrant Regional Water District, Texas, Water Revenue Refunding and Improvement Bonds, Series 1999, 5.000%, 3/01/22 - FSA Insured		3/13 at 100
1,740	Texas, General Obligation Bonds, Water Financial Assistance, State Participation Program, Series 1999C, 5.500%, 8/01/29 - MBIA Insured		8/09 at 100
1,690	Webb County, Laredo, Texas, Combination Tax and Sewer System, Revenue Certificates of Obligation, Series 1998A, 4.500%, 2/15/18 - MBIA Insured		2/08 at 100
-----			
94,005	Total Texas		
-----			
	UTAH - 4.3% (2.9% OF TOTAL INVESTMENTS)		
3,315	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series 1997B, 5.750%, 7/01/19 (Pre-refunded 7/01/07) - MBIA Insured		7/07 at 102
6,685	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series 1997B, 5.750%, 7/01/19 - MBIA Insured		7/07 at 102
	Utah County, Utah, Hospital Revenue Bonds, IHC Health Services Inc., Series 1997:		
12,885	5.250%, 8/15/21 - MBIA Insured (ETM)		8/07 at 101
3,900	5.250%, 8/15/26 - MBIA Insured (ETM)		8/07 at 101
3,455	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2002A-1, 5.300%, 7/01/18 (Alternative Minimum Tax)		1/12 at 100
20	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000B, 6.250%, 7/01/22 (Alternative Minimum Tax)		1/10 at 100

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	UTAH (continued)	
\$ 1,650	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000D-1, 6.050%, 7/01/14 (Alternative Minimum Tax)	7/10 at 100
665	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000E-1, Class II, 6.150%, 1/01/27 (Alternative Minimum Tax)	7/10 at 100
1,995	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000E-1, Class III, 6.000%, 1/01/15 (Alternative Minimum Tax)	7/10 at 100
940	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2001A-2, 5.650%, 7/01/27 (Alternative Minimum Tax)	7/11 at 100
740	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2001B-1, 5.750%, 7/01/19 (Alternative Minimum Tax)	1/11 at 100
3,000	Utah Water Finance Agency, Revenue Bonds, Pooled Loan Financing Program, Series 2002C, 5.250%, 10/01/28 - AMBAC Insured	10/12 at 100
-----		
39,250	Total Utah	
-----		
	VIRGIN ISLANDS - 0.8% (0.5% OF TOTAL INVESTMENTS)	
4,700	Virgin Islands Public Finance Authority, Gross Receipts Taxes Loan Note, Series 2003, 5.000%, 10/01/33 - RAAI Insured	10/14 at 100
2,500	Virgin Islands Public Finance Authority, Revenue Bonds, Refinery Project - Hovensa LLC, Series 2003, 6.125%, 7/01/22 (Alternative Minimum Tax)	1/14 at 100
-----		
7,200	Total Virgin Islands	
-----		
	WASHINGTON - 5.0% (3.3% OF TOTAL INVESTMENTS)	
12,235	Chelan County Public Utility District 1, Washington, Columbia River-Rock Island Hydro-Electric System Revenue Refunding Bonds, Series 1997A, 0.000%, 6/01/26 - MBIA Insured	No Opt. C
3,100	Cowlitz County Public Utilities District 1, Washington, Electric Production Revenue Bonds, Series 2004, 5.000%, 9/01/28 - FGIC Insured	9/14 at 100
5,000	Energy Northwest, Washington, Electric Revenue Refunding Bonds, Nuclear Project 1, Series 2003A, 5.500%, 7/01/16	7/13 at 100
10,000	Washington State Healthcare Facilities Authority, Revenue Bonds, Providence Health Care Services, Series 2006A, 4.625%, 10/01/34 - FGIC Insured	10/16 at 100
4,685	Washington State Healthcare Facilities Authority, Revenue Bonds, Providence Services, Series 1999, 5.375%, 12/01/19	12/09 at 101

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

(Pre-refunded 12/01/09) - MBIA Insured

5,000	Washington State Housing Finance Commission, Non-Profit Housing Revenue Bonds, Kline Galland Center, Series 1999, 6.000%, 7/01/29 - RAAI Insured	7/09 at 101
12,000	Washington, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2001D, 5.250%, 1/01/26	1/11 at 100
-----		
52,020	Total Washington	
-----		
WEST VIRGINIA - 0.5% (0.4% OF TOTAL INVESTMENTS)		
5,000	Mason County, West Virginia, Pollution Control Revenue Bonds, Appalachian Power Company, Series 2003L, 5.500%, 10/01/22	10/11 at 100
-----		

33

Nuveen Performance Plus Municipal Fund, Inc. (NPP) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
WISCONSIN - 2.1% (1.4% OF TOTAL INVESTMENTS)		
\$ 11,620	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Marshfield Clinic, Series 1999, 6.250%, 2/15/29 - RAAI Insured	2/10 at 101
7,490	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Millennium Housing Foundation Inc., Series 1998, 6.100%, 1/01/28	7/08 at 103
-----		
19,110	Total Wisconsin	
-----		
\$ 1,532,930	Total Investments (cost \$1,303,450,908) - 148.8%	
-----		
Other Assets Less Liabilities - 1.9%		
-----		
Preferred Shares, at Liquidation Value - (50.7)%		
-----		
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.

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

- (2) Optional Call Provisions (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

N/R Not rated.

(ETM) Escrowed to maturity.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

34

Nuveen Municipal Advantage Fund, Inc. (NMA)

Portfolio of  
INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
ALABAMA - 3.1% (2.1% OF TOTAL INVESTMENTS)		
\$ 10,000	Jefferson County, Alabama, Sewer Revenue Capital Improvement Warrants, Series 1999A, 5.375%, 2/01/36 (Pre-refunded 2/01/09) - FGIC Insured	2/09 at 101
5,075	Lauderdale County and Florence Healthcare Authority, Alabama, Revenue Bonds, Coffee Health Group, Series 1999A, 5.250%, 7/01/24 - MBIA Insured	7/09 at 101
5,155	Phenix City Industrial Development Board, Alabama, Environmental Improvement Revenue Bonds, MeadWestvaco Corporation, Series 2002A, 6.350%, 5/15/35 (Alternative Minimum Tax)	5/12 at 100
20,230	Total Alabama	
ALASKA - 0.4% (0.3% OF TOTAL INVESTMENTS)		
Alaska Housing Finance Corporation, General Housing Purpose Bonds, Series 2005A:		
1,125	5.250%, 12/01/34 - FGIC Insured	12/14 at 100
1,280	5.250%, 12/01/41 - FGIC Insured	12/14 at 100

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

2,405	Total Alaska	
ARIZONA - 0.7% (0.5% OF TOTAL INVESTMENTS)		
5,000	Maricopa County Pollution Control Corporation, Arizona, Remarketed Revenue Refunding Bonds, Public Service Company of New Mexico, Series 1992A, 5.750%, 11/01/22	11/06 at 101
CALIFORNIA - 11.8% (8.0% OF TOTAL INVESTMENTS)		
2,500	Alameda Corridor Transportation Authority, California, Subordinate Lien Revenue Bonds, Series 2004A, 0.000%, 10/01/25 - AMBAC Insured	10/17 at 100
4,070	Calexico Unified School District, Imperial County, California, General Obligation Bonds, Series 2005B: 0.000%, 8/01/32 - FGIC Insured	No Opt. C
6,410	0.000%, 8/01/34 - FGIC Insured	No Opt. C
3,000	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/33	3/13 at 100
7,500	California State Public Works Board, Lease Revenue Bonds, Department of Mental Health, Coalinga State Hospital, Series 2004A, 5.125%, 6/01/29	6/14 at 100
9,955	Capistrano Unified School District, Orange County, California, Special Tax Bonds, Community Facilities District, Series 2005, 0.000%, 9/01/31 - FGIC Insured	No Opt. C
3,800	Colton Joint Unified School District, San Bernardino County, California, General Obligation Bonds, Series 2006C: 0.000%, 2/01/33 - FGIC Insured	2/15 at 38
3,795	0.000%, 2/01/37 - FGIC Insured	No Opt. C
7,535	Contra Costa County, California, GNMA Mortgage-Backed Securities Program Home Mortgage Revenue Bonds, Series 1989, 7.750%, 5/01/22 (Alternative Minimum Tax) (ETM)	No Opt. C
8,145	Cupertino Union School District, Santa Clara County, California, General Obligation Bonds, Series 2003B, 0.000%, 8/01/25 - FGIC Insured	8/13 at 55
2,990	East Bay Municipal Utility District, Alameda and Contra Costa Counties, California, Water System Subordinated Revenue Refunding Bonds, Series 1996, 4.750%, 6/01/21 - FGIC Insured	6/21 at 100
2,000	Folsom Cordova Unified School District, Sacramento County, California, General Obligation Bonds, School Facilities Improvement District 1, Series 2004B, 0.000%, 10/01/28 - MBIA Insured	No Opt. C
3,360	Folsom Cordova Unified School District, Sacramento County, California, General Obligation Bonds, School Facilities Improvement District 2, Series 2002A, 0.000%, 7/01/27 - MBIA Insured	No Opt. C
2,315	Gateway Unified School District, California, General Obligation	No Opt. C

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

Bonds, Series 2004B, 0.000%, 8/01/32 - FGIC Insured

35

Nuveen Municipal Advantage Fund, Inc. (NMA) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	CALIFORNIA (continued)	
\$ 3,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2005A, 0.000%, 6/01/26 - FSA Insured	No Opt. C
1,275	Madera Unified School District, Madera County, California, General Obligation Bonds, Series 2002, 5.250%, 8/01/23 - FSA Insured	8/12 at 100
7,735	North Orange County Community College District, California, General Obligation Bonds, Series 2003B: 0.000%, 8/01/25 - FGIC Insured	No Opt. C
4,000	0.000%, 8/01/26 - FGIC Insured	No Opt. C
5,000	Palmdale Community Redevelopment Agency, California, Residential Mortgage Revenue Refunding Bonds, Series 1991B, 7.375%, 2/01/12 (ETM)	No Opt. C
5,000	Palmdale Community Redevelopment Agency, California, Single Family Restructured Mortgage Revenue Bonds, Series 1986A, 8.000%, 3/01/16 (Alternative Minimum Tax) (ETM)	No Opt. C
9,315	Perris, California, GNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Bonds, Series 1989A, 7.600%, 1/01/23 (Alternative Minimum Tax) (ETM)	No Opt. C
23,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 - MBIA Insured	No Opt. C
7,250	San Jose-Evergreen Community College District, Santa Clara County, California, General Obligation Bonds, Series 2005A, 0.000%, 9/01/29 - MBIA Insured	9/15 at 100
-----		
132,950	Total California	
-----		
	COLORADO - 6.6% (4.5% OF TOTAL INVESTMENTS)	
8,350	Colorado Health Facilities Authority, Remarketed Revenue Bonds, Kaiser Permanente System, Series 1994A, 5.350%, 11/01/16 (ETM)	1/07 at 102

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

9,440	Colorado Health Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 2006A, 4.500%, 9/01/38 (WI/DD, Settling 11/09/06)	9/16 at 100
4,335	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006, 7.281%, 11/15/25 - FGIC Insured (IF)	11/16 at 100
2,000	Denver Convention Center Hotel Authority, Colorado, Senior Revenue Bonds, Convention Center Hotel, Series 2006, 4.750%, 12/01/35 - XLCA Insured	11/16 at 100
	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 1997B:	
2,650	0.000%, 9/01/16 - MBIA Insured	No Opt. C
8,160	0.000%, 9/01/26 - MBIA Insured	No Opt. C
1,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000A, 5.750%, 9/01/35 (Pre-refunded 9/01/10) - MBIA Insured	9/10 at 102
	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B:	
7,500	0.000%, 9/01/29 - MBIA Insured	No Opt. C
10,000	0.000%, 9/01/32 - MBIA Insured	No Opt. C
	Platte River Power Authority, Colorado, Power Revenue Refunding Bonds, Series 2002EE:	
2,000	5.375%, 6/01/17	6/12 at 100
5,000	5.375%, 6/01/18	6/12 at 100
<hr/>		
60,435	Total Colorado	
<hr/>		
	DISTRICT OF COLUMBIA - 0.4% (0.2% OF TOTAL INVESTMENTS)	
1,725	District of Columbia Housing Finance Agency, GNMA/FNMA Single Family Mortgage Revenue Bonds, Series 1997B, 5.900%, 12/01/28 (Alternative Minimum Tax)	6/07 at 102
<hr/>		
	FLORIDA - 1.9% (1.3% OF TOTAL INVESTMENTS)	
2,770	Florida Housing Finance Corporation, Housing Revenue Bonds, Stratford Point Apartments, Series 20000-1, 5.850%, 12/01/31 - FSA Insured (Alternative Minimum Tax)	12/10 at 100
10,130	Tampa, Florida, Healthcare System Revenue Bonds, Allegany Health System - St. Mary's Hospital, Series 1993, 5.125%, 12/01/23 - MBIA Insured (ETM)	12/06 at 100
<hr/>		
12,900	Total Florida	
<hr/>		

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	GEORGIA - 0.6% (0.4% OF TOTAL INVESTMENTS)	
\$ 4,000	Augusta, Georgia, Water and Sewerage Revenue Bonds, Series 2004, 5.250%, 10/01/39 - FSA Insured	10/14 at 100
-----		
	HAWAII - 0.4% (0.3% OF TOTAL INVESTMENTS)	
2,215	Hawaii Housing and Community Development Corporation, GNMA Collateralized Multifamily Housing Revenue Bonds, Sunset Villas, Series 2000, 5.700%, 7/20/31	7/10 at 102
705	Hawaii Housing Finance and Development Corporation, Single Family Mortgage Purchase Revenue Bonds, Series 1997A, 5.750%, 7/01/30 (Alternative Minimum Tax)	7/07 at 102
-----		
2,920	Total Hawaii	
-----		
	ILLINOIS - 15.9% (10.8% OF TOTAL INVESTMENTS)	
12,500	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1997A, 5.250%, 12/01/27 - AMBAC Insured	12/07 at 102
4,000	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1997, 5.750%, 12/01/20 (Pre-refunded 12/01/07) - AMBAC Insured	12/07 at 102
2,175	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1998B-1, 0.000%, 12/01/28 - FGIC Insured	No Opt. C
2,250	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1999A, 0.000%, 12/01/31 - FGIC Insured	No Opt. C
5,865	Chicago, Illinois, General Obligation Bonds, Neighborhoods Alive 21 Program, Series 2000A, 6.500%, 1/01/35 (Pre-refunded 7/01/10) - FGIC Insured	7/10 at 101
5,000	Chicago, Illinois, Second Lien Passenger Facility Charge Revenue Bonds, O'Hare International Airport, Series 2001A, 5.375%, 1/01/32 - AMBAC Insured (Alternative Minimum Tax)	1/11 at 101
5,000	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 1997, 5.250%, 1/01/28 (Pre-refunded 1/01/08) - AMBAC Insured	1/08 at 102
6,000	Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2002, 5.750%, 5/15/22	5/12 at 100
6,165	Illinois Health Facilities Authority, Revenue Bonds, Sarah Bush Lincoln Health Center, Series 1996B, 5.750%, 2/15/22	2/07 at 102
4,210	Illinois Health Facilities Authority, Revenue Bonds, Victory Health Services, Series 1997A, 5.375%, 8/15/16	8/07 at 101



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

(Pre-refunded 8/15/07)

10,740	Lake and McHenry Counties Community Unit School District 118, Wauconda, Illinois, General Obligation Bonds, Series 2005B, 0.000%, 1/01/23 - FSA Insured	1/15 at 66
	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1999A:	
13,455	5.500%, 12/15/24 - FGIC Insured	12/09 at 101
10,430	5.250%, 12/15/28 - FGIC Insured	12/09 at 101
3,175	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 2002A, 0.000%, 6/15/41 - MBIA Insured	No Opt. C
6,000	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1996A, 0.000%, 6/15/24 - MBIA Insured	No Opt. C
4,600	Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, General Obligation Bonds, Series 1990A, 7.200%, 11/01/20 - AMBAC Insured	No Opt. C
1,940	University of Illinois, Auxiliary Facilities Systems Revenue Bonds, Series 2003A, 5.000%, 4/01/23 - AMBAC Insured	4/13 at 100
7,500	Valley View Public Schools, Community Unit School District 365U of Will County, Illinois, General Obligation Bonds, Series 2005, 0.000%, 11/01/25 - MBIA Insured	No Opt. C
23,125	Will County Community High School District 210 Lincoln-Way, Illinois, General Obligation Bonds, Series 2006, 0.000%, 1/01/24 - FSA Insured	No Opt. C
134,130	Total Illinois	

INDIANA - 3.5% (2.4% OF TOTAL INVESTMENTS)

5,205	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Clarian Health Obligated Group, Series 2000A, 5.500%, 2/15/30 (Pre-refunded 8/15/10) - MBIA Insured	8/10 at 101
-------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

37

Nuveen Municipal Advantage Fund, Inc. (NMA) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CASH PROVISIONS
------------------------	-----------------	--------------------------

INDIANA (continued)

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

\$	9,000	Indiana Health Facility Financing Authority, Hospital Revenue Refunding and Improvement Bonds, Community Hospitals of Indiana, Series 1995, 5.700%, 5/15/22 - MBIA Insured	11/06 at 102
	6,075	LaGrange County Jail Building Corporation, Indiana, First Mortgage Jail Bonds, Series 1998, 5.400%, 10/01/21 (Pre-refunded 10/01/09)	10/09 at 101
	2,725	St. Joseph County Hospital Authority, Indiana, Revenue Bonds, Madison Center Inc., Series 1999, 5.450%, 2/15/12	2/09 at 102
-----			
	23,005	Total Indiana	
-----			
KANSAS - 1.8% (1.2% OF TOTAL INVESTMENTS)			
	5,000	Burlington, Kansas, Environmental Improvement Revenue Bonds, Kansas City Power and Light Company Project, Series 1998A, 4.750%, 9/01/15 (Mandatory put 10/01/07)	9/15 at 100
	4,935	Kansas Department of Transportation, Highway Revenue Bonds, Series 2004A, 5.000%, 3/01/22	3/14 at 100
	1,750	Wamego, Kansas, Pollution Control Revenue Bonds, Kansas Gas and Electric Company, Series 2004, 5.300%, 6/01/31 - MBIA Insured	6/14 at 100
-----			
	11,685	Total Kansas	
-----			
KENTUCKY - 1.6% (1.1% OF TOTAL INVESTMENTS)			
	5,500	Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 1997A, 5.250%, 5/15/27 - MBIA Insured	5/07 at 101
	4,950	Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 1997B, 5.200%, 5/15/25 - MBIA Insured	11/07 at 101
-----			
	10,450	Total Kentucky	
-----			
LOUISIANA - 9.1% (6.2% OF TOTAL INVESTMENTS)			
	13,500	DeSoto Parish, Louisiana, Pollution Control Revenue Refunding Bonds, Cleco Utility Group Inc. Project, Series 1999, 5.875%, 9/01/29 - AMBAC Insured	9/09 at 102
	8,720	Louisiana Public Facilities Authority, Extended Care Facilities Revenue Bonds, Comm-Care Corporation Project, Series 1994, 11.000%, 2/01/14	No Opt. C
	6,650	Louisiana Public Facilities Authority, Revenue Bonds, Baton Rouge General Hospital, Series 2004, 5.250%, 7/01/33 - MBIA Insured	7/14 at 100
	6,925	Louisiana State, Gasoline Tax Revenue Bonds, Series 2006, Residuals 660-1, 5.850%, 5/01/41 (WI/DD, Settling 11/02/06) - FGIC Insured (IF)	5/16 at 100
	3,335	Louisiana State, Gasoline Tax Revenue Bonds, Series 2006, Residuals 660-2, 7.348%, 5/01/41 (WI/DD, Settling 11/02/06) -	5/16 at 100

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

FGIC Insured (IF)

	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B:		
6,000	5.500%, 5/15/30		5/11 at 101
11,750	5.875%, 5/15/39		5/11 at 101
-----			
56,880	Total Louisiana		
-----			

MASSACHUSETTS - 1.1% (0.8% OF TOTAL INVESTMENTS)

1,750	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, UMass Memorial Healthcare, Series 1998A, 5.000%, 7/01/28 - AMBAC Insured		1/09 at 101
830	Massachusetts Housing Finance Agency, Single Family Housing Revenue Bonds, Series 77, 5.950%, 6/01/25 - FSA Insured (Alternative Minimum Tax)		12/09 at 100
5,000	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured		1/07 at 102
-----			
7,580	Total Massachusetts		
-----			

MICHIGAN - 1.7% (1.1% OF TOTAL INVESTMENTS)

	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A:		
4,995	5.250%, 8/15/23		8/08 at 101
3,000	5.250%, 8/15/28		8/08 at 101

38

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL PROVISIONS
-----		
	MICHIGAN (continued)	
\$ 3,275	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Detroit Medical Center Obligated Group, Series 1993A, 6.500%, 8/15/18	2/07 at 100
-----		
11,270	Total Michigan	
-----		

MINNESOTA - 1.5% (1.0% OF TOTAL INVESTMENTS)

5,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Subordinate Airport Revenue Bonds, Series 2001C, 5.250%, 1/01/32 - FGIC Insured	1/11 at 100
-------	---------------------------------------------------------------------------------------------------------------------------------------------------	-------------

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

3,030	Minnesota Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2000C, 5.550%, 7/01/24 (Alternative Minimum Tax)	7/09 at 100
2,025	Minnesota Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2000J, 5.400%, 1/01/23 (Alternative Minimum Tax)	1/10 at 100
<hr/>		
10,055	Total Minnesota	
<hr/>		
MISSOURI - 0.9% (0.6% OF TOTAL INVESTMENTS)		
11,705	Kansas City Municipal Assistance Corporation, Missouri, Leasehold Revenue Bonds, Series 2004B-1, 0.000%, 4/15/29 - AMBAC Insured	No Opt. C
200	Missouri Housing Development Commission, Single Family Mortgage Revenue Bonds, Homeownership Loan Program, Series 2000A-1, 7.500%, 3/01/31 (Alternative Minimum Tax)	9/09 at 102
1,500	Missouri-Illinois Metropolitan District Bi-State Development Agency, Mass Transit Sales Tax Appropriation Bonds, Metrolink Cross County Extension Project, Series 2002B, 5.000%, 10/01/32 - FSA Insured	10/13 at 100
<hr/>		
13,405	Total Missouri	
<hr/>		
MONTANA - 1.0% (0.7% OF TOTAL INVESTMENTS)		
6,920	Montana Board of Housing, Single Family Mortgage Bonds, Series 1997A-1, 6.050%, 12/01/37	6/07 at 101
<hr/>		
NEVADA - 3.6% (2.4% OF TOTAL INVESTMENTS)		
7,310	Clark County, Nevada, Limited Tax General Obligation Bank Bonds, Series 2000, 5.500%, 7/01/19 (Pre-refunded 7/01/10)	7/10 at 100
7,500	Clark County, Nevada, Subordinate Lien Airport Revenue Bonds, Series 1999A, 6.000%, 7/01/29 (Pre-refunded 7/01/10) - MBIA Insured	7/10 at 101
7,910	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
430	Nevada Housing Division, Single Family Mortgage Bonds, Senior Series 1997C-2, 5.750%, 4/01/29 (Alternative Minimum Tax)	4/07 at 102
<hr/>		
23,150	Total Nevada	
<hr/>		
NEW JERSEY - 3.9% (2.6% OF TOTAL INVESTMENTS)		
15,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/30 - FGIC Insured	No Opt. C
Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002:		
14,690	5.750%, 6/01/32	6/12 at 100
5,050	6.125%, 6/01/42	6/12 at 100
<hr/>		

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

34,740 Total New Jersey

NEW MEXICO - 1.1% (0.7% OF TOTAL INVESTMENTS)

7,500 Farmington, New Mexico, Pollution Control Revenue Refunding Bonds, 4/07 at 100  
Public Service Company of New Mexico - San Juan Project,  
Series 1997B, 5.800%, 4/01/22

NEW YORK - 16.2% (11.0% OF TOTAL INVESTMENTS)

4,395 Dormitory Authority of the State of New York, Revenue Bonds, 2/07 at 102  
Mental Health Services Facilities Improvements, Series 1997B,  
5.625%, 2/15/21

2,965 Dormitory Authority of the State of New York, Revenue Bonds, 2/07 at 102  
Mental Health Services Facilities Improvements, Series 1997B,  
5.625%, 2/15/21 (Pre-refunded 2/15/07)

39

Nuveen Municipal Advantage Fund, Inc. (NMA) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
NEW YORK (continued)		
\$ 3,655	Dormitory Authority of the State of New York, Revenue Bonds, State University Educational Facilities, Series 1997, 5.125%, 5/15/27 (Pre-refunded 5/15/08)	5/08 at 101
7,000	Metropolitan Transportation Authority, New York, State Service Contract Refunding Bonds, Series 2002A, 5.125%, 1/01/29	7/12 at 100
	Nassau County, New York, General Obligation Improvement Bonds, Series 2000F:	
3,980	7.000%, 3/01/11 (Pre-refunded 3/01/10) - FSA Insured	3/10 at 100
4,070	7.000%, 3/01/12 (Pre-refunded 3/01/10) - FSA Insured	3/10 at 100
3,925	7.000%, 3/01/15 (Pre-refunded 3/01/10) - FSA Insured	3/10 at 100
4,975	New York City Industrial Development Agency, New York, Special Facilities Revenue Bonds, British Airways PLC, Series 1998, 5.250%, 12/01/32 (Alternative Minimum Tax)	12/08 at 102
3,000	New York City Industrial Development Agency, New York, Special Facilities Revenue Bonds, British Airways PLC, Series 2002, 7.625%, 12/01/32 (Alternative Minimum Tax)	12/12 at 101
5,000	New York City Municipal Water Finance Authority, New York, Water	6/07 at 101

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

	and Sewerage System Revenue Bonds, Fiscal Series 1997B, 5.750%, 6/15/29 (Pre-refunded 6/15/07) - FGIC Insured	
9,850	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2000A, 5.750%, 6/15/31 (Pre-refunded 6/15/09) - FGIC Insured	6/09 at 101
10,000	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2005B, 5.000%, 6/15/36 - FSA Insured	12/14 at 100
10,000	New York City Transitional Finance Authority, New York, Future Tax Secured Bonds, Fiscal Series 2000B, 6.000%, 11/15/29 (Pre-refunded 5/15/10)	5/10 at 101
10,000	New York City, New York, General Obligation Bonds, Fiscal Series 1997G, 6.000%, 10/15/26 (Pre-refunded 10/15/07)	10/07 at 101
7,435	New York City, New York, General Obligation Bonds, Fiscal Series 2000A, 5.750%, 5/15/20 (Pre-refunded 5/15/10)	5/10 at 101
9,025	New York State Mortgage Agency, Homeowner Mortgage Revenue Bonds, Series 94, 5.800%, 10/01/20 (Alternative Minimum Tax)	4/10 at 100
5,000	New York State Urban Development Corporation, Service Contract Revenue Bonds, Correctional Facilities, Series 1999C, 6.000%, 1/01/29 (Pre-refunded 1/01/09) - AMBAC Insured	1/09 at 101
<hr/>		
104,275	Total New York	
<hr/>		
	NORTH CAROLINA - 2.6% (1.7% OF TOTAL INVESTMENTS)	
1,175	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 10A, 5.400%, 7/01/32 - AMBAC Insured (Alternative Minimum Tax)	7/10 at 100
6,720	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 7A, 6.250%, 1/01/29 (Alternative Minimum Tax)	7/09 at 100
3,860	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 8A, 5.950%, 1/01/27 (Alternative Minimum Tax)	1/10 at 100
5,265	North Carolina Housing Finance Agency, Home Ownership Revenue Bonds, 1998 Trust Agreement, Series 9A, 5.875%, 7/01/31 (Alternative Minimum Tax)	1/10 at 100
<hr/>		
17,020	Total North Carolina	
<hr/>		
	NORTH DAKOTA - 0.7% (0.5% OF TOTAL INVESTMENTS)	
2,190	North Dakota Housing Finance Agency, Home Mortgage Finance Program Bonds, Series 1998B, 5.500%, 7/01/29 - MBIA Insured (Alternative Minimum Tax)	7/08 at 102
2,250	Ward County Health Care, North Dakota, Revenue Bonds, Trinity Obligated Group, Series 2006, 5.125%, 7/01/25 (WI/DD, Settling 11/01/06)	7/16 at 100
<hr/>		

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

4,440	Total North Dakota	
-----		
	OHIO - 4.4% (3.0% OF TOTAL INVESTMENTS)	
5,000	Akron, Bath and Copley Joint Township Hospital District, Ohio, Hospital Facilities Revenue Bonds, Summa Health System, Series 1998A, 5.375%, 11/15/18	11/09 at 101
6,000	Cuyahoga County, Ohio, Hospital Revenue Bonds, University Hospitals Health System, Series 1999, 5.500%, 1/15/30 - AMBAC Insured	7/09 at 101

40

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	OHIO (continued)	
	Montgomery County, Ohio, Hospital Facilities Revenue Bonds, Kettering Medical Center, Series 1999:	
\$ 7,840	6.750%, 4/01/18 (Pre-refunded 4/01/10)	4/10 at 101
5,000	6.750%, 4/01/22 (Pre-refunded 4/01/10)	4/10 at 101
1,600	Ohio Housing Finance Agency, GNMA Mortgage-Backed Securities Program Residential Mortgage Revenue Bonds, Series 2000D, 5.450%, 9/01/31 (Alternative Minimum Tax)	8/10 at 100
2,650	Ohio, General Obligation Bonds, Higher Education, Series 2003A, 5.000%, 5/01/22	5/13 at 100
-----		
28,090	Total Ohio	

	OKLAHOMA - 2.3% (1.5% OF TOTAL INVESTMENTS)	
2,890	Oklahoma State Industries Authority, Health System Revenue Bonds, Integris Baptist Medical Center, Series 1999A, 5.750%, 8/15/29 - MBIA Insured	8/09 at 101
2,110	Oklahoma State Industries Authority, Health System Revenue Bonds, Integris Baptist Medical Center, Series 1999A, 5.750%, 8/15/29 (Pre-refunded 8/15/09) - MBIA Insured	8/09 at 101
10,000	Tulsa Municipal Airport Trust, Oklahoma, Revenue Refunding Bonds, American Airlines Inc., Series 2001B, 5.650%, 12/01/35 (Mandatory put 12/01/08) (Alternative Minimum Tax)	12/08 at 100
-----		
15,000	Total Oklahoma	

PENNSYLVANIA - 1.2% (0.8% OF TOTAL INVESTMENTS)

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

1,930	Carbon County Industrial Development Authority, Pennsylvania, Resource Recovery Revenue Refunding Bonds, Panther Creek Partners Project, Series 2000, 6.650%, 5/01/10 (Alternative Minimum Tax)	No Opt. C
2,600	Pennsylvania Turnpike Commission, Turnpike Revenue Bonds, Series 2004A, 5.500%, 12/01/31 - AMBAC Insured	12/14 at 100
3,240	Washington County Authority, Pennsylvania, Capital Funding Revenue Bonds, Capital Projects and Equipment Acquisition Program, Series 1999, 6.150%, 12/01/29 - AMBAC Insured	No Opt. C
<hr/>		
7,770	Total Pennsylvania	
<hr/>		
PUERTO RICO - 1.4% (1.0% OF TOTAL INVESTMENTS)		
5,000	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series 2005RR, 5.000%, 7/01/26 - XLCA Insured	7/15 at 100
4,000	Puerto Rico, General Obligation Bonds, Series 2000B, 5.625%, 7/01/19 - MBIA Insured	7/10 at 100
<hr/>		
9,000	Total Puerto Rico	
<hr/>		
RHODE ISLAND - 1.8% (1.3% OF TOTAL INVESTMENTS)		
1,235	Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue Bonds, Lifespan Obligated Group, Series 1996, 5.500%, 5/15/16 - MBIA Insured	5/07 at 102
11,015	Rhode Island Health and Educational Building Corporation, Hospital Financing Revenue Bonds, Lifespan Obligated Group, Series 1996, 5.500%, 5/15/16 (Pre-refunded 5/15/07) - MBIA Insured	5/07 at 102
<hr/>		
12,250	Total Rhode Island	
<hr/>		
SOUTH CAROLINA - 4.1% (2.8% OF TOTAL INVESTMENTS)		
10,000	Greenville County School District, South Carolina, Installment Purchase Revenue Bonds, Series 2002, 6.000%, 12/01/20 (Pre-refunded 12/01/12)	12/12 at 101
2,500	Lexington County Health Service District, South Carolina, Hospital Revenue Refunding and Improvement Bonds, Series 2003, 5.750%, 11/01/28	11/13 at 100
3,000	Myrtle Beach, South Carolina, Hospitality and Accommodation Fee Revenue Bonds, Series 2004A, 5.000%, 6/01/36 - FGIC Insured	6/14 at 100
1,220	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Bonds, Series 2004A-2, 0.000%, 1/01/23 - FGIC Insured	No Opt. C
2,125	South Carolina Public Service Authority, Revenue Refunding Bonds, Santee Cooper Electric System, Series 2003A, 5.000%, 1/01/21 - AMBAC Insured	7/13 at 100



Nuveen Municipal Advantage Fund, Inc. (NMA) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
SOUTH CAROLINA (continued)		
\$ 7,500	Tobacco Settlement Revenue Management Authority, South Carolina, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 6.375%, 5/15/28	5/11 at 101
26,345	Total South Carolina	
TENNESSEE - 5.2% (3.6% OF TOTAL INVESTMENTS)		
6,000	Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Revenue Bonds, Baptist Health System of East Tennessee Inc., Series 2002, 6.500%, 4/15/31	4/12 at 101
20,415	Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Revenue Refunding Bonds, Covenant Health, Series 2002A, 0.000%, 1/01/18 - FSA Insured	1/13 at 75
14,385	Metropolitan Government of Nashville-Davidson County Health and Educational Facilities Board, Tennessee, Revenue Bonds, Ascension Health Credit Group, Series 1999A, 5.875%, 11/15/28 (Pre-refunded 11/15/09) - AMBAC Insured	11/09 at 101
1,750	Metropolitan Government of Nashville-Davidson County, Tennessee, Electric System Revenue Bonds, Series 2001A, 5.125%, 5/15/26	5/11 at 100
42,550	Total Tennessee	
TEXAS - 16.6% (11.3% OF TOTAL INVESTMENTS)		
11,810	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 2001C, 5.750%, 5/01/36 (Mandatory put 11/01/11) (Alternative Minimum Tax)	No Opt. C
6,000	Brazos River Authority, Texas, Revenue Refunding Bonds, Houston Lighting and Power Company, Series 1998, 5.050%, 11/01/18 - AMBAC Insured (Alternative Minimum Tax)	No Opt. C
10,000	Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/45 - FGIC Insured	1/15 at 100
4,250	Ennis Independent School District, Ellis County, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/26	8/16 at 60

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

8,400	Gulf Coast Waste Disposal Authority, Texas, Waste Disposal Revenue Bonds, Valero Energy Corporation, Series 1999, 5.700%, 4/01/32 (Alternative Minimum Tax)	4/09 at 101
5,000	Harris County Health Facilities Development Corporation, Texas, Thermal Utility Revenue Bonds, TECO Project, Series 2003, 5.000%, 11/15/30 - MBIA Insured	11/13 at 100
1,540	Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003, 5.000%, 2/15/28 - AMBAC Insured	2/13 at 100
3,460	Houston Community College, Texas, Limited Tax General Obligation Bonds, Series 2003, 5.000%, 2/15/28 (Pre-refunded 2/15/13) - AMBAC Insured	2/13 at 100
13,110	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000B, 5.500%, 7/01/30 - FSA Insured	7/10 at 100
	Houston, Texas, Water Conveyance System Contract, Certificates of Participation, Series 1993A-J:	
5,490	6.800%, 12/15/10 - AMBAC Insured	No Opt. C
2,000	6.800%, 12/15/11 - AMBAC Insured	No Opt. C
9,345	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/34 - FGIC Insured	8/15 at 35
16,305	Matagorda County Navigation District 1, Texas, Revenue Bonds, Reliant Energy Inc., Series 1999B, 5.950%, 5/01/30 (Alternative Minimum Tax)	5/09 at 101
3,425	Sabine River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 2001A, 5.500%, 5/01/22 (Mandatory put 11/01/11)	No Opt. C
4,700	Sam Rayburn Municipal Power Agency, Texas, Power Supply System Revenue Refunding Bonds, Series 2002A, 6.000%, 10/01/21	10/12 at 100
4,000	Texas, General Obligation Bonds, Water Financial Assistance, State Participation Program, Series 1999C, 5.500%, 8/01/35	8/09 at 100
6,840	Travis County Health Facilities Development Corporation, Texas, Revenue Bonds, Ascension Health Credit Group, Series 1999A, 5.875%, 11/15/24 (Pre-refunded 11/15/09) - AMBAC Insured	11/09 at 101
245	Wood Glen Housing Finance Corporation, Texas, FHA-Insured Section 8 Assisted Mortgage Revenue Bonds, Copperwood I Project, Series 1990A, 7.625%, 1/01/10 - MBIA Insured (ETM)	1/07 at 100

42

PRINCIPAL  
AMOUNT (000) DESCRIPTION (1)

OPTIONAL CA  
PROVISIONS

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

---

	TEXAS (continued)	
\$ 3,000	Wylie Independent School District, Taylor County, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/21	8/15 at 74
118,920	Total Texas	

---

	UTAH - 0.3% (0.2% OF TOTAL INVESTMENTS)	
730	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series 1997B, 5.750%, 7/01/19 (Pre-refunded 7/01/07) - MBIA Insured	7/07 at 102
1,470	Intermountain Power Agency, Utah, Power Supply Revenue Refunding Bonds, Series 1997B, 5.750%, 7/01/19 - MBIA Insured	7/07 at 102
2,200	Total Utah	

---

	WASHINGTON - 14.1% (9.6% OF TOTAL INVESTMENTS)	
8,810	Chelan County Public Utility District 1, Washington, Hydro Consolidated System Revenue Bonds, Series 2001A, 5.600%, 1/01/36 - MBIA Insured (Alternative Minimum Tax)	7/11 at 101
5,665	Chelan County Public Utility District 1, Washington, Hydro Consolidated System Revenue Bonds, Series 2002B, 5.250%, 7/01/37 - AMBAC Insured (Alternative Minimum Tax)	7/12 at 100
10,730	Chelan County Public Utility District 1, Washington, Hydro Consolidated System Revenue Refunding Bonds, Series 2001C, 5.650%, 7/01/32 - MBIA Insured (Alternative Minimum Tax)	7/11 at 101
10,730	Pierce County School District 320, Sumner, Washington, Unlimited Tax General Obligation Bonds, Series 2000, 6.250%, 12/01/17 (Pre-refunded 12/01/10) - FSA Insured	12/10 at 100
10,550	Port of Seattle, Washington, Limited Tax General Obligation Bonds, Series 2000B, 5.750%, 12/01/25 (Alternative Minimum Tax)	12/10 at 100
5,315	Port of Seattle, Washington, Revenue Bonds, Series 2000B, 6.000%, 2/01/10 - MBIA Insured (Alternative Minimum Tax)	No Opt. C
19,475	Port of Seattle, Washington, Special Facility Revenue Bonds, Terminal 18, Series 1999A, 6.000%, 9/01/29 (Pre-refunded 3/01/10) - MBIA Insured	3/10 at 101
5,000	Port of Seattle, Washington, Special Facility Revenue Bonds, Terminal 18, Series 1999B, 6.000%, 9/01/20 - MBIA Insured (Alternative Minimum Tax)	3/10 at 101
8,750	Washington Public Power Supply System, Revenue Refunding Bonds, Nuclear Project 3, Series 1998A, 5.125%, 7/01/18	7/08 at 102
5,000	Washington State Healthcare Facilities Authority, Revenue Bonds, Providence Services, Series 1999, 5.375%, 12/01/19 (Pre-refunded 12/01/09) - MBIA Insured	12/09 at 101
90,025	Total Washington	

---

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

---

WEST VIRGINIA - 0.8% (0.5% OF TOTAL INVESTMENTS)		
5,000	Mason County, West Virginia, Pollution Control Revenue Bonds, Appalachian Power Company, Series 2003L, 5.500%, 10/01/22	10/11 at 100

---

WISCONSIN - 3.0% (2.0% OF TOTAL INVESTMENTS)		
7,055	Badger Tobacco Asset Securitization Corporation, Wisconsin, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%, 6/01/27	6/12 at 100
2,250	Green Bay, Wisconsin, Water System Revenue Bonds, Series 2004, 5.000%, 11/01/29 - FSA Insured	11/14 at 100
5,000	Madison, Wisconsin, Industrial Development Revenue Refunding Bonds, Madison Gas and Electric Company Projects, Series 2002A, 5.875%, 10/01/34 (Alternative Minimum Tax)	4/12 at 100

43

Nuveen Municipal Advantage Fund, Inc. (NMA) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
<hr/>		
WISCONSIN (continued)		
\$ 3,000	Southeast Wisconsin Professional Baseball Park District, Sales Tax Revenue Refunding Bonds, Series 1998A, 5.500%, 12/15/19 - MBIA Insured	No Opt. C
1,620	Wisconsin Housing and Economic Development Authority, Home Ownership Revenue Bonds, Series 2000B, 5.750%, 3/01/22 (Alternative Minimum Tax)	3/10 at 100
<hr/>		
18,925	Total Wisconsin	
<hr/>		
\$ 1,095,145	Total Investments (cost \$927,999,902) - 147.3%	
<hr/>		
	Other Assets Less Liabilities - 5.1%	
<hr/>		
	Preferred Shares, at Liquidation Value - (52.4)%	
<hr/>		
	Net Assets Applicable to Common Shares - 100%	
<hr/>		

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

- (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 (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

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

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

44

Nuveen Municipal Market Opportunity Fund, Inc. (NMO)

Portfolio of  
INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
MUNICIPAL BONDS - 152.1% (100.0% OF TOTAL INVESTMENTS)		
ALABAMA - 0.7% (0.4% OF TOTAL INVESTMENTS)		
Henry County Water Authority, Alabama, Water Revenue Bonds, Series 2006:		
\$ 1,935	5.000%, 1/01/36 - RAAI Insured	1/16 at 100
2,485	5.000%, 1/01/41 - RAAI Insured	1/16 at 100
4,420	Total Alabama	
ALASKA - 0.3% (0.3% OF TOTAL INVESTMENTS)		
Alaska Housing Finance Corporation, General Housing Purpose Bonds, Series 2005A:		
1,125	5.250%, 12/01/34 - FGIC Insured	12/14 at 100

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

1,275	5.250%, 12/01/41 - FGIC Insured	12/14 at 100
2,400	Total Alaska	
ARIZONA - 0.0% (0.0% OF TOTAL INVESTMENTS)		
105	Pima County Industrial Development Authority, Arizona, FNMA/GNMA Single Family Mortgage Revenue Bonds, Series 1997A, 7.100%, 11/01/29 (Alternative Minimum Tax)	5/07 at 105
ARKANSAS - 1.3% (0.8% OF TOTAL INVESTMENTS)		
5,000	Arkansas Development Finance Authority, Hospital Revenue Bonds, Washington Regional Medical Center, Series 2000, 7.000%, 2/01/15 (Pre-refunded 2/01/10)	2/10 at 100
3,480	Cabot School District 4, Lonoke County, Arkansas, General Obligation Refunding Bonds, Series 2003, 5.000%, 2/01/27 - AMBAC Insured	8/08 at 100
8,480	Total Arkansas	
CALIFORNIA - 8.7% (5.7% OF TOTAL INVESTMENTS)		
1,350	Antelope Valley Union High School District, Los Angeles County, California, General Obligation Bonds, Series 2004B, 0.000%, 8/01/29 - MBIA Insured	No Opt. C
7,800	California County Tobacco Securitization Agency, Tobacco Settlement Asset-Backed Bonds, Los Angeles County Securitization Corporation, Series 2006A, 0.000%, 6/01/36 (Mandatory put 6/01/23)	12/18 at 100
1,000	California Department of Water Resources, Power Supply Revenue Bonds, Series 2002A, 5.750%, 5/01/17 (Pre-refunded 5/01/12)	5/12 at 101
1,350	California Educational Facilities Authority, Revenue Refunding Bonds, Loyola Marymount University, Series 2001A, 0.000%, 10/01/39 - MBIA Insured	No Opt. C
4,295	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A, 5.000%, 3/01/33	3/13 at 100
4,000	California Health Facilities Financing Authority, Revenue Bonds, Kaiser Permanente System, Series 2006, 5.250%, 3/01/45	3/16 at 100
8,335	California State, General Obligation Bonds, Series 2006, Residuals Series 1005, 6.805%, 3/01/35 - MBIA Insured (IF)	3/16 at 100
10,445	Castaic Lake Water Agency, California, Revenue Certificates of Participation, Water System Improvement Project, Series 1999, 0.000%, 8/01/29 - AMBAC Insured	No Opt. C
8,365	Cupertino Union School District, Santa Clara County, California, General Obligation Bonds, Series 2003B, 0.000%, 8/01/26 - FGIC Insured	8/13 at 52
5,000	Golden State Tobacco Securitization Corporation, California,	6/13 at 100

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

Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2003B,  
5.000%, 6/01/38 (Pre-refunded 6/01/13) - AMBAC Insured

3,500 Golden State Tobacco Securitization Corporation, California,  
Tobacco Settlement Asset-Backed Revenue Bonds, Series 2005A,  
0.000%, 6/01/26 - FSA Insured

No Opt. C

45

Nuveen Municipal Market Opportunity Fund, Inc. (NMO) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
CALIFORNIA (continued)		
\$ 1,500	Lincoln Unified School District, Placer County, California, Community Facilities District 1, Special Tax Bonds, Series 2005, 0.000%, 9/01/26 - AMBAC Insured	No Opt. C
490	Los Angeles Department of Water and Power, California, Electric Plant Revenue Bonds, Second Series 1993, 4.750%, 10/15/20 (ETM)	4/07 at 100
995	Los Angeles Department of Water and Power, California, Electric Plant Revenue Bonds, Series 1994, 5.375%, 2/15/34 (ETM)	2/07 at 100
1,000	Pajaro Valley Unified School District, Santa Cruz County, California, General Obligation Bonds, Series 2005B, 0.000%, 8/01/29 - FSA Insured	No Opt. C
6,000	Placentia-Yorba Linda Unified School District, Orange County, California, Certificates of Participation, Series 2006, 0.000%, 10/01/34 - FGIC Insured	No Opt. C
5,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A: 0.000%, 1/15/17 - MBIA Insured	1/14 at 102
26,000	0.000%, 1/15/35 - MBIA Insured	No Opt. C
5,000	San Jose-Evergreen Community College District, Santa Clara County, California, General Obligation Bonds, Series 2005A, 0.000%, 9/01/28 - MBIA Insured	9/15 at 100
4,825	Santa Monica Community College District, Los Angeles County, California, General Obligation Bonds, Series 2005C, 0.000%, 8/01/25 - MBIA Insured	No Opt. C
106,250	Total California	

COLORADO - 5.4% (3.5% OF TOTAL INVESTMENTS)

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

1,085	Arkansas River Power Authority, Colorado, Power Revenue Bonds, Series 2006, 5.250%, 10/01/40 - XLCA Insured	10/16 at 100
3,000	Broomfield, Colorado, Master Facilities Lease Purchase Agreement, Certificates of Participation, Series 1999, 5.750%, 12/01/24 - AMBAC Insured	12/09 at 100
6,285	Broomfield, Colorado, Sales and Use Tax Revenue Refunding and Improvement Bonds, Series 2002A, 5.500%, 12/01/22 - AMBAC Insured	12/12 at 100
11,465	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2000A, 6.000%, 11/15/18 - AMBAC Insured (Alternative Minimum Tax)	11/10 at 100
20,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/28 (Pre-refunded 9/01/10) - MBIA Insured	9/10 at 31
	E-470 Public Highway Authority, Colorado, Toll Revenue Bonds, Series 2004B:	
3,800	0.000%, 9/01/27 - MBIA Insured	9/20 at 67
13,300	0.000%, 9/01/31 - MBIA Insured	9/20 at 53
6,250	0.000%, 9/01/32 - MBIA Insured	9/20 at 50
8,000	0.000%, 3/01/36 - MBIA Insured	No Opt. C
-----		
73,185	Total Colorado	
-----		
	DISTRICT OF COLUMBIA - 0.5% (0.3% OF TOTAL INVESTMENTS)	
3,265	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 1998, 4.750%, 10/01/28 - AMBAC Insured	10/08 at 100
-----		
	GEORGIA - 4.5% (3.0% OF TOTAL INVESTMENTS)	
15,000	Atlanta, Georgia, Airport General Revenue Refunding Bonds, Series 2000A, 5.600%, 1/01/30 (Pre-refunded 1/01/10) - FGIC Insured	1/10 at 101
14,330	Fulton County Facilities Corporation, Georgia, Certificates of Participation, Public Purpose Project, Series 1999, 5.500%, 11/01/18 - AMBAC Insured	11/10 at 101
-----		
29,330	Total Georgia	
-----		
	ILLINOIS - 12.4% (8.1% OF TOTAL INVESTMENTS)	
600	Bolingbrook, Illinois, General Obligation Refunding Bonds, Series 2002B, 0.000%, 1/01/32 - FGIC Insured	No Opt. C
4,600	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1999A, 0.000%, 12/01/20 - FGIC Insured	No Opt. C



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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
ILLINOIS (continued)		
\$ 4,000	Chicago, Illinois, Motor Fuel Tax Revenue Bonds, Series 2003A, 5.000%, 1/01/33 - AMBAC Insured	7/13 at 100
2,300	Chicago, Illinois, Motor Fuel Tax Revenue Refunding Bonds, Series 1993, 5.375%, 1/01/14 - AMBAC Insured	No Opt. C
5,250	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 1998B, 5.000%, 1/01/28 - MBIA Insured	1/09 at 101
3,335	Illinois Finance Authority, General Revenue Bonds, Northwestern University, Series 2006, Residuals Series 1489, 7.406%, 12/01/42 (IF)	12/15 at 100
5,210	Illinois Housing Development Authority, Section 8 Elderly Housing Revenue Bonds, Garden House of River Oaks West Development, Series 1992A, 6.875%, 1/01/20	1/07 at 100
38,645	Illinois, General Obligation Bonds, Illinois FIRST Program, Series 2000, 5.500%, 4/01/25 - MBIA Insured	4/10 at 100
	Lake and McHenry Counties Community Unit School District 118, Wauconda, Illinois, General Obligation Bonds, Series 2005B:	
10,230	0.000%, 1/01/22 - FSA Insured	1/15 at 70
6,780	0.000%, 1/01/24 - FSA Insured	1/15 at 63
1,975	Lake County Community High School District 127, Grayslake, Illinois, General Obligation Bonds, Series 2002A, 9.000%, 2/01/13 - FGIC Insured	No Opt. C
	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 2002A:	
3,250	0.000%, 6/15/25 - MBIA Insured	6/22 at 101
3,270	5.000%, 12/15/28 - MBIA Insured	6/12 at 101
3,700	0.000%, 6/15/30 - MBIA Insured	No Opt. C
3,060	0.000%, 6/15/37 - MBIA Insured	No Opt. C
11,215	0.000%, 12/15/38 - MBIA Insured	No Opt. C
4,170	0.000%, 6/15/39 - MBIA Insured	No Opt. C
111,590	Total Illinois	
INDIANA - 1.1% (0.7% OF TOTAL INVESTMENTS)		
4,695	Indiana Educational Facilities Authority, Revenue Bonds, Butler University, Series 2001, 5.500%, 2/01/26 - MBIA Insured	2/11 at 100
5,113	Indianapolis Airport Authority, Indiana, Special Facility Revenue Bonds, AAR Corporation Assumed Lease, Series 1995, 6.500%, 11/15/31 (Alternative Minimum Tax) (6)	11/06 at 101

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

2,000	Petersburg, Indiana, Pollution Control Revenue Refunding Bonds, Indianapolis Power and Light Company, Series 1991, 5.750%, 8/01/21	8/11 at 102
11,808	Total Indiana	
IOWA - 0.6% (0.4% OF TOTAL INVESTMENTS)		
4,215	Iowa Finance Authority, Solid Waste Disposal Revenue Bonds, IPSCO Project, Series 1997, 6.000%, 6/01/27 (Mandatory put 6/01/07) (Alternative Minimum Tax)	No Opt. C
KANSAS - 0.5% (0.3% OF TOTAL INVESTMENTS)		
2,500	Kansas Development Finance Authority, Water Pollution Control Revolving Fund Leveraged Bonds, Series 2002-II, 5.500%, 11/01/21	11/12 at 100
500	Salina, Kansas, Hospital Revenue Bonds, Salina Regional Medical Center, Series 2006, 4.625%, 10/01/31	4/16 at 100
3,000	Total Kansas	
KENTUCKY - 1.6% (1.0% OF TOTAL INVESTMENTS)		
Jefferson County School District Finance Corporation, Kentucky, School Building Revenue Bonds, Series 2000A:		
3,045	5.250%, 7/01/17 - FSA Insured	1/10 at 101
7,490	5.250%, 7/01/20 - FSA Insured	1/10 at 101
10,535	Total Kentucky	

47

Nuveen Municipal Market Opportunity Fund, Inc. (NMO) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
LOUISIANA - 1.6% (1.1% OF TOTAL INVESTMENTS)		
\$ 7,415	Louisiana Local Government Environmental Facilities and Community Development Authority, Revenue Bonds, Baton Rouge Community College Facilities Corporation, Series 2002, 5.000%, 12/01/32 - MBIA Insured	12/12 at 100

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

3,350	Louisiana Public Facilities Authority, Revenue Bonds, Baton Rouge General Hospital, Series 2004, 5.250%, 7/01/33 - MBIA Insured	7/14 at 100
10,765	Total Louisiana	
MARYLAND - 0.3% (0.3% OF TOTAL INVESTMENTS)		
2,500	Maryland Department of Transportation, Consolidated Transportation Revenue Bonds, Series 2002, 5.500%, 2/01/16	No Opt. C
MASSACHUSETTS - 4.5% (2.9% OF TOTAL INVESTMENTS)		
1,100	Massachusetts Bay Transportation Authority, Assessment Bonds, Series 2000A, 5.250%, 7/01/30	7/10 at 100
4,150	Massachusetts Bay Transportation Authority, Assessment Bonds, Series 2000A, 5.250%, 7/01/30 (Pre-refunded 7/01/10)	7/10 at 100
8,315	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured	1/07 at 102
10,000	Massachusetts Water Resources Authority, General Revenue Bonds, Series 2000A, 5.750%, 8/01/39 (Pre-refunded 8/01/10) - FGIC Insured	8/10 at 101
6,195	University of Massachusetts Building Authority, Facilities Revenue Bonds, Senior Series 2000A, 5.125%, 11/01/25 (Pre-refunded 11/01/10) - MBIA Insured	11/10 at 100
29,760	Total Massachusetts	
MICHIGAN - 1.0% (0.7% OF TOTAL INVESTMENTS)		
5,000	Detroit Water Supply System, Michigan, Water Supply System Revenue Bonds, Series 2006D, 4.625%, 7/01/32 - FSA Insured	7/16 at 100
2,090	Grand Rapids Building Authority, Kent County, Michigan, Limited Tax General Obligation Bonds, Series 2000, 5.375%, 8/01/17 - AMBAC Insured	8/10 at 100
7,090	Total Michigan	
MINNESOTA - 7.7% (5.1% OF TOTAL INVESTMENTS)		
930	Minnesota Agricultural and Economic Development Board, Healthcare System Revenue Bonds, Fairview Hospital and Healthcare Services, Series 2000A, 6.375%, 11/15/29	11/10 at 101
29,070	Minnesota Agricultural and Economic Development Board, Healthcare System Revenue Bonds, Fairview Hospital and Healthcare Services, Series 2000A, 6.375%, 11/15/29 (Pre-refunded 11/15/10)	11/10 at 101
2,420	Minnesota Housing Finance Agency, Single Family Remarketed Mortgage Bonds, Series 1998H-2, 6.050%, 7/01/31 (Alternative Minimum Tax)	1/11 at 101
13,675	Minnesota, General Obligation Bonds, Series 2000, 5.125%, 11/01/16	11/10 at 100

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

3,130	St. Paul Housing and Redevelopment Authority, Minnesota, Sales Tax Revenue Refunding Bonds, Civic Center Project, Series 1996, 7.100%, 11/01/23 - FSA Insured	11/15 at 103
49,225	Total Minnesota	
-----		
MISSISSIPPI - 1.0% (0.7% OF TOTAL INVESTMENTS)		
5,900	Mississippi Business Finance Corporation, Pollution Control Revenue Refunding Bonds, System Energy Resources Inc. Project, Series 1998, 5.875%, 4/01/22	4/07 at 100
1,090	Mississippi Home Corporation, GNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Bonds, Series 1997D-5, 6.750%, 7/01/29 (Alternative Minimum Tax)	7/07 at 105
6,990	Total Mississippi	
-----		

48

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
MISSOURI - 0.7% (0.4% OF TOTAL INVESTMENTS)		
Kansas City Municipal Assistance Corporation, Missouri, Leasehold Revenue Bonds, Series 2004B-1:		
\$ 7,000	0.000%, 4/15/27 - AMBAC Insured	No Opt. C
5,000	0.000%, 4/15/31 - AMBAC Insured	No Opt. C
12,000	Total Missouri	
-----		
NEVADA - 4.6% (3.0% OF TOTAL INVESTMENTS)		
Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000:		
6,125	0.000%, 1/01/17 - AMBAC Insured	No Opt. C
8,500	0.000%, 1/01/26 - AMBAC Insured	No Opt. C
5,315	0.000%, 1/01/27 - AMBAC Insured	No Opt. C
21,000	5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
2,135	Reno, Nevada, Capital Improvement Revenue Bonds, Series 2005B, 0.000%, 6/01/37 - FGIC Insured	6/15 at 33
43,075	Total Nevada	
-----		
NEW JERSEY - 6.3% (4.1% OF TOTAL INVESTMENTS)		

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

170	Camden County Pollution Control Financing Authority, New Jersey, Solid Waste Disposal and Resource Recovery System Revenue Bonds, Series 1991D, 7.250%, 12/01/10	12/06 at 100
18,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2000B, 5.750%, 6/15/17 (Pre-refunded 6/15/10)	6/10 at 100
35,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/34 - FSA Insured	No Opt. C
5,000	New Jersey Turnpike Authority, Revenue Bonds, Growth and Income Securities, Series 2004B, 0.000%, 1/01/35 - AMBAC Insured	1/17 at 100
3,000	Rahway Valley Sewerage Authority, New Jersey, Sewer Revenue Bonds, Series 2005A, 0.000%, 9/01/25 - MBIA Insured	No Opt. C
3,475	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%, 6/01/42	6/12 at 100
	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003:	
2,100	6.375%, 6/01/32	6/13 at 100
2,925	6.750%, 6/01/39	6/13 at 100
<hr/>		
69,670	Total New Jersey	
<hr/>		
	NEW MEXICO - 1.8% (1.2% OF TOTAL INVESTMENTS)	
5,925	New Mexico Hospital Equipment Loan Council, Hospital Revenue Bonds, Presbyterian Healthcare Services, Series 2001A, 5.500%, 8/01/21 (Pre-refunded 8/01/11)	8/11 at 101
5,675	University of New Mexico, Revenue Refunding Bonds, Series 1992A, 6.250%, 6/01/12	No Opt. C
<hr/>		
11,600	Total New Mexico	
<hr/>		
	NEW YORK - 14.5% (9.5% OF TOTAL INVESTMENTS)	
245	Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1997A, 5.750%, 2/15/27	2/07 at 102
	Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1997A:	
465	5.750%, 2/15/27 (Pre-refunded 2/15/07)	2/07 at 102
19,290	5.750%, 2/15/27 (Pre-refunded 2/15/07)	2/07 at 102
3,000	Long Island Power Authority, New York, Electric System General Revenue Bonds, Series 2006B, 5.000%, 12/01/35	6/16 at 100
6,750	Nassau County Tobacco Settlement Corporation, New York, Tobacco Settlement Asset-Backed Bonds, Series 1999A, 6.400%, 7/15/33 (Pre-refunded 7/15/09)	7/09 at 101
17,870	New York City Transitional Finance Authority, New York, Future Tax Secured Bonds, Fiscal Series 2000A, 5.750%, 8/15/24 (Pre-refunded 8/15/09)	8/09 at 101

## Nuveen Municipal Market Opportunity Fund, Inc. (NMO) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
	NEW YORK (continued)	
\$ 630	New York City, New York, General Obligation Bonds, Fiscal Series 1997H, 6.125%, 8/01/25	8/07 at 101
9,370	New York City, New York, General Obligation Bonds, Fiscal Series 1997H, 6.125%, 8/01/25 (Pre-refunded 8/01/07)	8/07 at 101
	New York City, New York, General Obligation Bonds, Fiscal Series 2002G:	
1,000	5.000%, 8/01/17	8/12 at 100
6,530	5.750%, 8/01/18	8/12 at 100
5,000	New York City, New York, General Obligation Bonds, Fiscal Series 2003A, 5.750%, 8/01/16	8/12 at 100
7,805	New York State Power Authority, General Revenue Bonds, Series 2002A, 5.000%, 11/15/21	11/12 at 100
10,000	Port Authority of New York and New Jersey, Special Project Bonds, JFK International Air Terminal LLC, Sixth Series 1997, 5.750%, 12/01/22 - MBIA Insured (Alternative Minimum Tax)	12/07 at 102
8,000	TSASC Inc., New York, Tobacco Flexible Amortization Bonds, Series 1999-1, 6.250%, 7/15/34 (Mandatory put 7/15/24) (Pre-refunded 7/15/09)	7/09 at 101
95,955	Total New York	
	NORTH CAROLINA - 1.4% (0.9% OF TOTAL INVESTMENTS)	
1,900	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 5.000%, 1/15/45	1/15 at 100
7,500	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 2003A, 5.250%, 1/01/19 - MBIA Insured	1/13 at 100
9,400	Total North Carolina	
	NORTH DAKOTA - 4.2% (2.8% OF TOTAL INVESTMENTS)	

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

22,905	Fargo, North Dakota, Health System Revenue Bonds, MeritCare Obligated Group, Series 2000A, 5.625%, 6/01/31 - FSA Insured	6/10 at 100
	North Dakota Water Commission, Water Development and Management Program Bonds, Series 2000A:	
2,230	5.700%, 8/01/18 (Pre-refunded 8/01/10) - MBIA Insured	8/10 at 100
2,450	5.750%, 8/01/19 (Pre-refunded 8/01/10) - MBIA Insured	8/10 at 100
27,585	Total North Dakota	
-----		
OHIO - 3.0% (2.0% OF TOTAL INVESTMENTS)		
3,335	Columbus City School District, Franklin County, Ohio, General Obligation Bonds, Series 2006, Drivers 1488, 5.077%, 12/01/32 - FSA Insured (IF)	12/16 at 100
16,140	Montgomery County, Ohio, Hospital Facilities Revenue Bonds, Kettering Medical Center, Series 1999, 6.300%, 4/01/12	No Opt. C
19,475	Total Ohio	
-----		
OKLAHOMA - 0.0% (0.0% OF TOTAL INVESTMENTS)		
300	Tulsa Municipal Airport Trust, Oklahoma, Revenue Refunding Bonds, American Airlines Inc., Series 2000B, 6.000%, 6/01/35 (Mandatory put 12/01/08) (Alternative Minimum Tax)	6/09 at 100
-----		
OREGON - 2.4% (1.6% OF TOTAL INVESTMENTS)		
5,000	Oregon Health Sciences University, Revenue Bonds, Series 2002A, 5.250%, 7/01/22 - MBIA Insured	1/13 at 100
	Portland, Oregon, Water System Revenue Bonds, Series 2000A:	
6,780	5.375%, 8/01/18 (Pre-refunded 8/01/10)	8/10 at 100
3,880	5.500%, 8/01/20 (Pre-refunded 8/01/10)	8/10 at 100
15,660	Total Oregon	
-----		
PENNSYLVANIA - 3.8% (2.5% OF TOTAL INVESTMENTS)		
5,000	Delaware County Industrial Development Authority, Pennsylvania, Resource Recovery Revenue Refunding Bonds, Series 1997A, 6.200%, 7/01/19	1/08 at 102
5,000	Pennsylvania Higher Education Assistance Agency, Capital Acquisition Revenue Bonds, Series 2000, 5.875%, 12/15/30 (Pre-refunded 12/15/10) - MBIA Insured	12/10 at 100
15,050	Pennsylvania, General Obligation Bonds, Second Series 2001, 5.000%, 9/15/14	9/11 at 101
25,050	Total Pennsylvania	
-----		

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	PUERTO RICO - 2.9% (1.9% OF TOTAL INVESTMENTS)	
\$ 12,500	Puerto Rico Housing Finance Authority, Capital Fund Program Revenue Bonds, Series 2003, 4.500%, 12/01/23	No Opt. C
7,500	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100
-----		
20,000	Total Puerto Rico	
-----		
	SOUTH CAROLINA - 7.5% (4.9% OF TOTAL INVESTMENTS)	
24,730	Greenville County School District, South Carolina, Installment Purchase Revenue Bonds, Series 2002, 5.500%, 12/01/22 (Pre-refunded 12/01/12)	12/12 at 101
21,570	Piedmont Municipal Power Agency, South Carolina, Electric Revenue Bonds, Series 2004A-2, 0.000%, 1/01/30 - AMBAC Insured	No Opt. C
3,560	South Carolina Public Service Authority, Revenue Refunding Bonds, Santee Cooper Electric System, Series 2003A, 5.000%, 1/01/20 - AMBAC Insured	7/13 at 100
1,045	Three Rivers Solid Waste Authority, South Carolina, Solid Waste Disposal Facilities Revenue Bonds, Series 1997, 5.300%, 1/01/27 - MBIA Insured	1/07 at 102
11,665	Tobacco Settlement Revenue Management Authority, South Carolina, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 6.375%, 5/15/28	5/11 at 101
-----		
62,570	Total South Carolina	
-----		
	TENNESSEE - 0.7% (0.5% OF TOTAL INVESTMENTS)	
5,000	Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Revenue Bonds, East Tennessee Children's Hospital, Series 2003A, 5.000%, 7/01/23 - RAAI Insured	7/13 at 100
-----		
	TEXAS - 25.5% (16.8% OF TOTAL INVESTMENTS)	
5,000	Alliance Airport Authority, Texas, Special Facilities Revenue Bonds, American Airlines Inc., Series 1990, 7.500%, 12/01/29 (Alternative Minimum Tax)	12/06 at 100
12,250	Austin, Texas, Subordinate Lien Hotel Occupancy Tax Revenue Refunding Bonds, Series 1999, 5.800%, 11/15/29 (Pre-refunded 11/15/09) - AMBAC Insured	11/09 at 100



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

11,255	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 2001C, 5.750%, 5/01/36 (Mandatory put 11/01/11) (Alternative Minimum Tax)	No Opt. C
	Brownsville Independent School District, Cameron County, Texas, General Obligation Bonds, Series 1999:	
5,015	5.625%, 8/15/25 (Pre-refunded 8/15/09)	8/09 at 100
8,825	5.625%, 8/15/29 (Pre-refunded 8/15/09)	8/09 at 100
1,000	Cedar Hill Independent School District, Dallas County, Texas, General Obligation Bonds, Series 2002, 0.000%, 8/15/32 - FGIC Insured	No Opt. C
15,000	Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/45 - FGIC Insured	1/15 at 100
	Clear Creek Independent School District, Galveston and Harris Counties, Texas, Unlimited Tax Schoolhouse and Refunding Bonds, Series 2000:	
585	5.400%, 2/15/18	2/10 at 100
340	5.650%, 2/15/19	2/10 at 100
235	5.700%, 2/15/20	2/10 at 100
270	5.700%, 2/15/21	2/10 at 100
	Clear Creek Independent School District, Galveston and Harris Counties, Texas, Unlimited Tax Schoolhouse and Refunding Bonds, Series 2000:	
16,740	5.400%, 2/15/18 (Pre-refunded 2/15/10)	2/10 at 100
9,660	5.650%, 2/15/19 (Pre-refunded 2/15/10)	2/10 at 100
6,645	5.700%, 2/15/20 (Pre-refunded 2/15/10)	2/10 at 100
7,750	5.700%, 2/15/21 (Pre-refunded 2/15/10)	2/10 at 100
2,500	Comal Independent School District, Comal, Bexar, Guadalupe, Hays, and Kendall Counties, Texas, General Obligation Bonds, Series 2005A, 0.000%, 2/01/23	No Opt. C
6,000	Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc., Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax)	11/09 at 101

51

Nuveen Municipal Market Opportunity Fund, Inc. (NMO) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
---------------------------	-----------------	---------------------------

---

TEXAS (continued)

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

\$	11,750	Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Refunding Bonds, American Airlines Inc., Series 2000C, 6.150%, 5/01/29 (Mandatory put 11/01/07) (Alternative Minimum Tax)	11/07 at 100
		Ennis Independent School District, Ellis County, Texas, General Obligation Bonds, Series 2006:	
	3,950	0.000%, 8/15/30	8/16 at 49
	4,000	0.000%, 8/15/31	8/16 at 46
	1,440	Houston, Texas, Hotel Occupancy Tax and Special Revenue Bonds, Convention and Entertainment Project, Series 2001B, 0.000%, 9/01/32 - AMBAC Insured	No Opt. C
	1,250	Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001A, 5.000%, 12/01/20 - FSA Insured	12/11 at 100
	21,500	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 2000B, 5.500%, 7/01/30 - FSA Insured	7/10 at 100
	9,350	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/32 - FGIC Insured	8/15 at 39
	6,000	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/33	8/14 at 35
	15,000	San Antonio Independent School District, Bexar County, Texas, General Obligation Bonds, Series 1999, 5.800%, 8/15/29 (Pre-refunded 8/15/09)	8/09 at 100
	5,000	White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/34	8/15 at 36
	3,970	Wichita Falls, Wichita County, Texas, Priority Lien Water and Sewerage System Revenue Bonds, Series 2001, 5.000%, 8/01/21 - AMBAC Insured	8/11 at 100
		Wylie Independent School District, Taylor County, Texas, General Obligation Bonds, Series 2005:	
	3,000	0.000%, 8/15/23	8/15 at 67
	2,000	0.000%, 8/15/24	8/15 at 63

---

	197,280	Total Texas	
--	---------	-------------	--

---

WASHINGTON - 17.6% (11.6% OF TOTAL INVESTMENTS)

	5,500	Clark County Public Utility District 1, Washington, Generating System Revenue Refunding Bonds, Series 2000, 5.125%, 1/01/20 - FSA Insured	1/11 at 100
	2,755	Cowlitz County, Washington, Special Sewerage Revenue Refunding Bonds, CSOB Wastewater Treatment Facilities, Series 2002, 5.500%, 11/01/16 - FGIC Insured	No Opt. C
	10,000	Energy Northwest, Washington, Electric Revenue Refunding Bonds, Nuclear Project 3, Series 2001A, 5.500%, 7/01/17 - FSA Insured	7/11 at 101
	2,500	King County, Washington, Sewer Revenue Bonds, Series 2001, 5.000%, 1/01/23 - FGIC Insured	1/12 at 100

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

33,490	Port of Seattle, Washington, Revenue Bonds, Series 2000A, 5.625%, 2/01/30 (Pre-refunded 8/01/10) - MBIA Insured	8/10 at 100
6,950	Port of Seattle, Washington, Revenue Bonds, Series 2000B, 5.625%, 2/01/24 - MBIA Insured (Alternative Minimum Tax)	8/10 at 100
	Seattle, Washington, General Obligation Refunding and Improvement Bonds, Series 2002:	
6,165	4.400%, 12/01/19	12/12 at 100
6,445	4.500%, 12/01/20	12/12 at 100
3,000	Spokane County School District 81, Spokane, Washington, General Obligation Bonds, Series 2005, 5.000%, 6/01/24 - MBIA Insured	6/15 at 100
6,630	Tacoma, Washington, Electric System Revenue Refunding Bonds, Series 2001A, 5.750%, 1/01/17 (Pre-refunded 1/01/11) - FSA Insured	1/11 at 101
3,520	Washington State Healthcare Facilities Authority, Revenue Bonds, Children's Hospital and Regional Medical Center, Series 2001, 5.000%, 10/01/21 (Pre-refunded 10/01/11) - AMBAC Insured	10/11 at 100
7,890	Washington State Higher Education Facilities Authority, Revenue Bonds, Pacific Lutheran University, Series 1999, 5.950%, 11/01/29 - RAAI Insured	11/09 at 101
12,020	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26	6/13 at 100

52

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	WASHINGTON (continued)	
\$ 9,000	Washington, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2002C, 5.000%, 1/01/21 - FSA Insured	1/12 at 100
-----		
115,865	Total Washington	
-----		
	WISCONSIN - 1.1% (0.7% OF TOTAL INVESTMENTS)	
4,030	Badger Tobacco Asset Securitization Corporation, Wisconsin, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%, 6/01/27	6/12 at 100
1,755	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Divine Savior Healthcare, Series 2006, 4.750%, 5/01/25	5/16 at 100
1,250	Wisconsin Health and Educational Facilities Authority, Revenue	3/08 at 101

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

Bonds, United Lutheran Program for the Aging Inc., Series 1998,  
5.700%, 3/01/28

7,035	Total Wisconsin	
WYOMING - 0.4% (0.3% OF TOTAL INVESTMENTS)		
2,800	Jackson National Rural Utilities Cooperative Financing Corporation, Wyoming, Guaranteed Gas Supply Revenue Bonds, Lower Valley Power and Light Inc., Series 1997B, 5.875%, 5/01/26 (Alternative Minimum Tax)	5/07 at 101
\$ 1,215,233	Total Municipal Bonds (cost \$991,222,192)	

SHARES	DESCRIPTION (1)
COMMON STOCKS - 0.0% (0.0% OF TOTAL INVESTMENTS)	
AIRLINES - 0.0% (0.0% OF TOTAL INVESTMENTS)	
1,527	UAL Corporation (5) (7)
Total Common Stocks (cost \$48,000)	
Total Investments (cost \$991,270,192) - 152.1%	
Other Assets Less Liabilities - 2.1%	
Preferred Shares, at Liquidation Value - (54.2)%	
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 (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade. The ratings shown for inverse floating rate investments represent those of the underlying bonds and not the inverse floating rate investments themselves. Inverse floating rate investments likely present greater credit risk to the holders of such investments than to those holders of the underlying bonds.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

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

- (5) Non-income producing.
- (6) On December 9, 2002, UAL Corporation ("UAL"), the holding company of United Air Lines, Inc., filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to the bonds previously held and thus the Fund had stopped accruing interest on its UAL bonds.
- (7) On February 1, 2006, UAL emerged from federal bankruptcy with the acceptance of its reorganization plan by the bankruptcy court. Under the settlement agreement established to meet UAL's unsecured bond obligations, the bondholders, including the Fund, received distributions of UAL common stock over the subsequent months, and the bankruptcy court dismissed all unsecured claims of bondholders, including those of the Fund. On April 13, 2006 and May 4, 2006, the Fund liquidated such UAL common stock holdings. On October 5, 2006, the Fund received an additional distribution of UAL common stock as a result of its ownership of UAL bonds, which it still held at October 31, 2006. Subsequent to fiscal year-end, the Fund liquidated its UAL common stock holdings.
- N/R Not rated.
- (ETM) Escrowed to maturity.
- (IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

53

Nuveen Dividend Advantage Municipal Fund (NAD)

Portfolio of  
INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
ALABAMA - 0.3% (0.2% OF TOTAL INVESTMENTS)		
\$ 1,500	Alabama 21st Century Authority, Tobacco Settlement Revenue Bonds, Series 2000, 5.750%, 12/01/20	6/10 at 102
ALASKA - 0.1% (0.1% OF TOTAL INVESTMENTS)		
750	Alaska Housing Finance Corporation, General Housing Purpose Bonds, Series 2005A, 5.250%, 12/01/34 - FGIC Insured	12/14 at 100
CALIFORNIA - 2.7% (1.9% OF TOTAL INVESTMENTS)		
1,535	Alameda Corridor Transportation Authority, California, Senior Lien Revenue Bonds, Series 1999A, 0.000%, 10/01/37 - MBIA Insured	No Opt. C

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

5,500	Anaheim Public Finance Authority, California, Subordinate Lease Revenue Bonds, Public Improvement Project, Series 1997C, 0.000%, 9/01/28 - FSA Insured	No Opt. C
200	California, General Obligation Bonds, Series 1997, 5.000%, 10/01/18 - AMBAC Insured	10/07 at 101
2,195	California, General Obligation Bonds, Series 1997: 5.000%, 10/01/18 (Pre-refunded 10/01/07) - AMBAC Insured	10/07 at 101
210	5.000%, 10/01/18 (Pre-refunded 10/01/07) - AMBAC Insured	10/07 at 101
5,000	California, General Obligation Bonds, Series 2005, 5.000%, 3/01/31	3/16 at 100
3,500	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed	No Opt. C
17,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 - MBIA Insured	No Opt. C
<hr/>		
35,140	Total California	
<hr/>		
COLORADO - 1.9% (1.3% OF TOTAL INVESTMENTS)		
3,205	Denver City and County, Colorado, Airport Special Facilities Revenue Bonds, Rental Car Projects, Series 1999A, 6.000%, 1/01/12 - MBIA Insured (Alternative Minimum Tax)	1/09 at 101
2,950	Denver Convention Center Hotel Authority, Colorado, Senior Revenue Bonds, Convention Center Hotel, Series 2003A, 5.000%, 12/01/22 (Pre-refunded 12/01/13) - XLCA Insured	12/13 at 100
1,475	Denver, Colorado, FHA-Insured Multifamily Housing Revenue Bonds, Boston Lofts Project, Series 1997A, 5.750%, 10/01/27 (Alternative Minimum Tax)	10/07 at 102
8,515	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 1997B, 0.000%, 9/01/25 - MBIA Insured	No Opt. C
<hr/>		
16,145	Total Colorado	
<hr/>		
CONNECTICUT - 0.4% (0.3% OF TOTAL INVESTMENTS)		
2,700	Connecticut Development Authority, Health Facilities Revenue Refunding Bonds, Alzheimer's Resource Center of Connecticut Inc., Series 1994A, 7.125%, 8/15/14	2/07 at 100
<hr/>		
DISTRICT OF COLUMBIA - 0.8% (0.6% OF TOTAL INVESTMENTS)		
5,000	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 1998, 5.250%, 10/01/13 - AMBAC Insured	10/08 at 101
<hr/>		
FLORIDA - 7.5% (5.3% OF TOTAL INVESTMENTS)		
1,630	Florida Housing Finance Agency, Housing Revenue Bonds, Mar Lago Village Apartments, Series 1997F, 5.800%, 12/01/17 - AMBAC	12/07 at 102

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

Insured (Alternative Minimum Tax)

54

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
FLORIDA (continued)		
\$ 15,000	Florida State Board of Education, Public Education Capital Outlay Bonds, Series 2005E, 4.500%, 6/01/35	6/15 at 101
14,350	JEA St. John's River Power Park System, Florida, Revenue Refunding Bonds, Issue 2, Series 2002-17, 5.250%, 10/01/13	10/11 at 100
13,625	Martin County Industrial Development Authority, Florida, Industrial Development Revenue Bonds, Indiantown Cogeneration LP, Series 1994A, 7.875%, 12/15/25 (Alternative Minimum Tax)	12/06 at 100
-----		
44,605	Total Florida	
-----		
GEORGIA - 1.3% (0.9% OF TOTAL INVESTMENTS)		
4,000	Forsyth County Water and Sewerage Authority, Georgia, Revenue Bonds, Series 2000, 6.000%, 4/01/25 (Pre-refunded 4/01/10)	4/10 at 101
880	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 1999, 5.500%, 5/15/29 - MBIA Insured	5/09 at 101
2,620	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 1999, 5.500%, 5/15/29 (Pre-refunded 5/15/09) - MBIA Insured	5/09 at 101
-----		
7,500	Total Georgia	
-----		
IDAHO - 0.2% (0.1% OF TOTAL INVESTMENTS)		
265	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 1999E, 5.750%, 1/01/21 (Alternative Minimum Tax)	7/09 at 101
320	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000D, 6.350%, 7/01/22 (Alternative Minimum Tax)	1/10 at 100
470	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000E, 5.950%, 7/01/20 (Alternative Minimum Tax)	7/10 at 100
-----		

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

1,055 Total Idaho

---

ILLINOIS - 34.5% (23.7% OF TOTAL INVESTMENTS)

3,265	Channahon, Illinois, Revenue Refunding Bonds, Morris Hospital, Series 1999, 5.750%, 12/01/12	12/09 at 102
7,250	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1999A, 5.500%, 12/01/26 - FGIC Insured	No Opt. C
	Chicago, Illinois, FHA/GNMA Multifamily Housing Revenue Bonds, Archer Court Apartments, Series 1999A:	
830	5.500%, 12/20/19 (Alternative Minimum Tax)	10/10 at 101
1,210	5.600%, 12/20/29 (Alternative Minimum Tax)	10/10 at 101
1,925	5.650%, 12/20/40 (Alternative Minimum Tax)	10/10 at 101
22,750	Chicago, Illinois, General Obligation Refunding Bonds, Emergency Telephone System, Series 1999, 5.500%, 1/01/23 - FGIC Insured	No Opt. C
2,620	Chicago, Illinois, Motor Fuel Tax Revenue Refunding Bonds, Series 1993, 5.375%, 1/01/14 - AMBAC Insured	No Opt. C
3,340	Chicago, Illinois, Third Lien General Airport Revenue Bonds, O'Hare International Airport, Series 2005A, 5.000%, 1/01/33 - FGIC Insured	1/16 at 100
1,145	Chicago, Illinois, Wastewater Transmission Revenue Bonds, Series 1995, 5.125%, 1/01/25 - FGIC Insured	1/08 at 100
190	DuPage County Community School District 200, Wheaton, Illinois, General Obligation Bonds, Series 2003B, 5.250%, 11/01/20 - FSA Insured	11/13 at 100
810	DuPage County Community School District 200, Wheaton, Illinois, General Obligation Bonds, Series 2003B, 5.250%, 11/01/20 (Pre-refunded 11/01/13) - FSA Insured	11/13 at 100
500	Hoffman Estates Park District, Cook County, Illinois, General Obligation Bonds, Series 1999, 5.375%, 12/01/29 - MBIA Insured	12/09 at 102
3,935	Illinois Development Finance Authority, Local Government Program Revenue Bonds, Lake County School District 116 - Round Lake, Series 1999, 0.000%, 1/01/15 - MBIA Insured	No Opt. C

55

Nuveen Dividend Advantage Municipal Fund (NAD) (continued)

Portfolio of INVESTMENTS October 31, 2006



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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CASH PROVISIONS
ILLINOIS (continued)		
\$ 24,835	Illinois Development Finance Authority, Revenue Bonds, Presbyterian Home of Lake Forest, Series 1999, 5.625%, 9/01/31 - FSA Insured	9/07 at 102
5,570	Illinois Finance Authority, Revenue Bonds, University of Chicago, Series 2004A, 5.000%, 7/01/34	7/14 at 100
17,280	Illinois Health Facilities Authority, Converted Adjustable Rate Revenue Bonds, Highland Park Hospital, Series 1991A, 6.000%, 10/01/15 (Pre-refunded 10/01/07) - FGIC Insured	10/07 at 102
9,880	Illinois Health Facilities Authority, Remarketed Revenue Bonds, University of Chicago Project, Series 1985A, 5.500%, 8/01/20	8/11 at 103
5,400	Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 1997A, 5.000%, 7/01/24 - MBIA Insured	7/07 at 101
5,490	Illinois Health Facilities Authority, Revenue Bonds, Sarah Bush Lincoln Health Center, Series 1996B, 5.500%, 2/15/16	2/07 at 102
1,500	Illinois Housing Development Authority, Housing Finance Bonds, Series 2005E, 4.800%, 1/01/36 - FGIC Insured	1/15 at 100
11,345	Lake and McHenry Counties Community Unit School District 118, Wauconda, Illinois, General Obligation Bonds, Series 2005B, 0.000%, 1/01/25 - FSA Insured	1/15 at 60
3,000	Lombard Public Facilities Corporation, Illinois, First Tier Conference Center and Hotel Revenue Bonds, Series 2005A-1, 7.125%, 1/01/36	1/16 at 100
22,500	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1999A, 5.500%, 12/15/24 - FGIC Insured	12/09 at 101
	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1996A:	
9,750	0.000%, 12/15/22 - MBIA Insured	No Opt. C
13,000	0.000%, 12/15/23 - MBIA Insured	No Opt. C
	Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, General Obligation Bonds, Series 1999:	
22,650	5.750%, 6/01/19 - FSA Insured	No Opt. C
3,500	5.750%, 6/01/23 - FSA Insured	No Opt. C
1,300	Schaumburg, Illinois, General Obligation Bonds, Series 2004B, 5.250%, 12/01/34 - FGIC Insured	12/14 at 100
10,000	Will County Community High School District 210 Lincoln-Way, Illinois, General Obligation Bonds, Series 2006, 0.000%, 1/01/23 - FSA Insured	No Opt. C
4,500	Will County School District 122, New Lenox, Illinois, General Obligation Bonds, Series 2000B, 0.000%, 11/01/18 - FSA Insured	No Opt. C

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

221,270	Total Illinois	
INDIANA - 3.7% (2.5% OF TOTAL INVESTMENTS)		
8,755	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Charity Obligated Group, Series 1999D, 5.500%, 11/15/24 (Pre-refunded 11/15/09) - MBIA Insured	11/09 at 101
8,000	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Clarian Health Obligated Group, Series 2000A, 5.500%, 2/15/26 (Pre-refunded 8/15/10) - MBIA Insured	8/10 at 101
4,190	Indianapolis, Indiana, Economic Development Revenue Bonds, Park Tudor Foundation Inc., Project, Series 1999, 5.700%, 6/01/24 (Pre-refunded 6/01/09)	6/09 at 101
20,945	Total Indiana	
IOWA - 1.2% (0.8% OF TOTAL INVESTMENTS)		
7,000	Iowa Tobacco Settlement Authority, Asset Backed Settlement Revenue Bonds, Series 2005C, 5.625%, 6/01/46	6/15 at 100
KANSAS - 0.8% (0.5% OF TOTAL INVESTMENTS)		
3,825	Wichita, Kansas, Water and Sewerage Utility Revenue Bonds, Series 1999, 4.000%, 10/01/18 - FGIC Insured	4/07 at 101
1,000	Wyandotte County-Kansas City Unified Government, Kansas, Sales Tax Special Obligation Bonds, Redevelopment Project Area B, Series 2005, 5.000%, 12/01/20	12/15 at 100
4,825	Total Kansas	

56

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
KENTUCKY - 1.7% (1.2% OF TOTAL INVESTMENTS)		
\$ 3,030	Hardin County School District Finance Corporation, Kentucky, School Building Revenue Bonds, Series 2000, 5.750%, 2/01/20 (Pre-refunded 2/01/10)	2/10 at 101
	Kentucky Economic Development Finance Authority, Hospital System Revenue Refunding and Improvement Bonds, Appalachian Regional Healthcare Inc., Series 1997:	

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

1,850	5.850%, 10/01/17	4/08 at 102
5,000	5.875%, 10/01/22	4/08 at 102
<hr/>		
9,880	Total Kentucky	
<hr/>		
LOUISIANA - 4.3% (3.0% OF TOTAL INVESTMENTS)		
2,245	Lafayette, Louisiana, Sales Tax Revenue Bonds, Public Improvements, Series 2000B, 5.625%, 5/01/25 (Pre-refunded 5/01/10) - FGIC Insured	5/10 at 101
1,750	Louisiana Local Government Environmental Facilities and Community Development Authority, GNMA Collateralized Mortgage Revenue Refunding Bonds, Sharlo Apartments, Series 2002A, 6.500%, 6/20/37	6/12 at 105
5,350	Louisiana Public Facilities Authority, Revenue Bonds, Baton Rouge General Hospital, Series 2004, 5.250%, 7/01/33 - MBIA Insured	7/14 at 100
1,815	Louisiana State, Gasoline Tax Revenue Bonds, Series 2006, Residuals 660-1, 5.850%, 5/01/41 (WI/DD, Settling 11/02/06) - FGIC Insured (IF)	5/16 at 100
13,570	Louisiana Transportation Authority, Senior Lien Toll Road Revenue Bonds, Series 2005B, 0.000%, 12/01/28 - AMBAC Insured	12/10 at 38
9,545	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.500%, 5/15/30	5/11 at 101
<hr/>		
34,275	Total Louisiana	
<hr/>		
MASSACHUSETTS - 2.3% (1.6% OF TOTAL INVESTMENTS)		
1,485	Boston Industrial Development Financing Authority, Massachusetts, Subordinate Revenue Bonds, Crosstown Center Project, Series 2002, 8.000%, 9/01/35 (Alternative Minimum Tax)	9/12 at 102
4,365	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Berkshire Health System, Series 2005F, 5.000%, 10/01/19 - AGC Insured	10/15 at 100
7,000	Massachusetts Port Authority, Special Facilities Revenue Bonds, BOSFUEL Corporation, Series 1997, 5.500%, 7/01/18 - MBIA Insured (Alternative Minimum Tax)	7/07 at 102
785	Massachusetts Port Authority, Special Facilities Revenue Bonds, US Airways Group Inc., Series 1996A, 5.875%, 9/01/23 - MBIA Insured (Alternative Minimum Tax)	3/07 at 102
<hr/>		
13,635	Total Massachusetts	
<hr/>		
MICHIGAN - 3.6% (2.5% OF TOTAL INVESTMENTS)		
2,435	Detroit, Michigan, Senior Lien Water Supply System Revenue Bonds, Series 2001A, 5.250%, 7/01/33 (Pre-refunded 7/01/11) - FGIC Insured	7/11 at 100
15,255	Michigan State Hospital Finance Authority, Hospital Revenue Bonds,	8/08 at 101

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

Detroit Medical Center Obligated Group, Series 1998A,  
5.250%, 8/15/28

4,000	Wayne County, Michigan, Airport Revenue Bonds, Detroit Metropolitan Wayne County Airport, Series 1998A, 5.375%, 12/01/16 - MBIA Insured (Alternative Minimum Tax)	12/08 at 101
21,690	Total Michigan	

MINNESOTA - 0.2% (0.1% OF TOTAL INVESTMENTS)

1,095	Minnesota Housing Finance Agency, Single Family Mortgage Bonds, Series 1998H-1, 5.650%, 7/01/31 (Alternative Minimum Tax)	1/10 at 101
-------	---------------------------------------------------------------------------------------------------------------------------	-------------

MISSOURI - 2.2% (1.5% OF TOTAL INVESTMENTS)

Kansas City Municipal Assistance Corporation, Missouri, Leasehold Revenue Bonds, Series 2004B-1:		
7,000	0.000%, 4/15/27 - AMBAC Insured	No Opt. C
5,000	0.000%, 4/15/29 - AMBAC Insured	No Opt. C
2,185	Missouri Health and Educational Facilities Authority, Revenue Bonds, SSM Healthcare System, Series 2001A, 5.250%, 6/01/21 - AMBAC Insured	6/11 at 101

57

Nuveen Dividend Advantage Municipal Fund (NAD) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
MISSOURI (continued)		
Missouri Health and Educational Facilities Authority, Revenue Bonds, SSM Healthcare System, Series 2001A:		
\$ 2,185	5.250%, 6/01/21 (Pre-refunded 6/01/11) - AMBAC Insured	6/11 at 101
3,670	5.250%, 6/01/28 (Pre-refunded 6/01/11) - AMBAC Insured	6/11 at 101
20,040	Total Missouri	

MONTANA - 0.3% (0.2% OF TOTAL INVESTMENTS)

1,005	Montana Board of Housing, Single Family Mortgage Bonds, Series 2000A-2, 6.450%, 6/01/29 (Alternative Minimum Tax)	12/09 at 100
1,000	Montana Higher Education Student Assistance Corporation, Student Loan Revenue Bonds, Subordinate Series 1999B, 6.400%, 12/01/32	12/09 at 100

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

(Alternative Minimum Tax)

2,005	Total Montana	
NEBRASKA - 0.2% (0.2% OF TOTAL INVESTMENTS)		
1,400	NebHelp Inc., Nebraska, Senior Subordinate Bonds, Student Loan Program, Series 1993A-5A, 6.200%, 6/01/13 - MBIA Insured (Alternative Minimum Tax)	No Opt. C
NEVADA - 1.7% (1.1% OF TOTAL INVESTMENTS)		
2,115	Clark County, Nevada, General Obligation Bank Bonds, Southern Nevada Water Authority Loan, Series 2001, 5.300%, 6/01/19 (Pre-refunded 6/01/11) - FGIC Insured	6/11 at 100
	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000:	
8,000	0.000%, 1/01/19 - AMBAC Insured	No Opt. C
3,000	5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
13,115	Total Nevada	
NEW HAMPSHIRE - 0.1% (0.1% OF TOTAL INVESTMENTS)		
860	New Hampshire Housing Finance Authority, Single Family Mortgage Acquisition Revenue Bonds, Series 1995D, 6.550%, 7/01/26 (Alternative Minimum Tax)	1/07 at 101
NEW JERSEY - 6.0% (4.1% OF TOTAL INVESTMENTS)		
1,105	New Jersey Health Care Facilities Financing Authority, FHA-Insured Mortgage Revenue Bonds, Jersey City Medical Center, Series 2001, 4.800%, 8/01/21 - AMBAC Insured	8/11 at 100
2,165	New Jersey Higher Education Assistance Authority, Student Loan Revenue Bonds, Series 2000A, 6.000%, 6/01/13 - MBIA Insured (Alternative Minimum Tax)	6/10 at 101
4,130	New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 - AMBAC Insured	No Opt. C
4,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 1999A, 5.750%, 6/15/18	No Opt. C
20,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/28 - AMBAC Insured	No Opt. C
	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002:	
10,480	5.750%, 6/01/32	6/12 at 100
3,165	6.125%, 6/01/42	6/12 at 100
1,365	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003, 6.750%, 6/01/39	6/13 at 100

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

46,410 Total New Jersey

-----  
 NEW MEXICO - 0.7% (0.5% OF TOTAL INVESTMENTS)

4,000 University of New Mexico, FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004, 5.000%, 7/01/32 - FSA Insured 7/14 at 100

58

-----  
 PRINCIPAL AMOUNT (000) DESCRIPTION (1) OPTIONAL CA PROVISIONS

-----  
 NEW YORK - 15.3% (10.5% OF TOTAL INVESTMENTS)

\$ 80 Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1996B, 5.125%, 8/15/21 - MBIA Insured 2/08 at 100

4,600 Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1996E, 5.250%, 2/15/18 - AMBAC Insured 2/07 at 102

2,170 Dormitory Authority of the State of New York, Insured Revenue Bonds, Franciscan Health Partnership Obligated Group - Frances Shervier Home and Hospital, Series 1997, 5.500%, 7/01/17 - RAAI Insured 7/07 at 102

7,500 Dormitory Authority of the State of New York, Secured Hospital Revenue Refunding Bonds, Wyckoff Heights Medical Center, Series 1998H, 5.300%, 8/15/21 - MBIA Insured 2/08 at 101

2,000 Dormitory Authority of the State of New York, Third General Resolution Consolidated Revenue Bonds, City University System, Series 1997-1, 5.375%, 7/01/24 (Pre-refunded 1/01/08) - FSA Insured 1/08 at 102

5,000 Long Island Power Authority, New York, Electric System General Revenue Bonds, Series 1998A, 5.250%, 12/01/26 (Pre-refunded 6/01/08) - FSA Insured 6/08 at 101

Nassau County, New York, General Obligation Improvement Bonds, Series 1999B:

4,005 5.250%, 6/01/19 (Pre-refunded 6/01/09) - AMBAC Insured 6/09 at 102

7,005 5.250%, 6/01/21 (Pre-refunded 6/01/09) - AMBAC Insured 6/09 at 102

6,000 New York City Industrial Development Agency, New York, American Airlines-JFK International Airport Special Facility Revenue Bonds, Series 2005, 7.750%, 8/01/31 (Alternative Minimum Tax) 8/16 at 101

5,000 New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2005B, 5.000%, 12/14 at 100

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

6/15/36 - FSA Insured

8,800	New York City Sales Tax Asset Receivable Corporation, New York, Dedicated Revenue Bonds, Local Government Assistance Corporation, Series 2004A, 5.000%, 10/15/32 - AMBAC Insured	10/14 at 100
10,000	New York City Transitional Finance Authority, New York, Future Tax Secured Bonds, Fiscal Series 2000A, 5.750%, 8/15/24 (Pre-refunded 8/15/09)	8/09 at 101
	New York City, New York, General Obligation Bonds, Fiscal Series 1998F:	
1,980	5.250%, 8/01/14 - AMBAC Insured	2/08 at 101
13,930	5.375%, 8/01/19 - MBIA Insured	2/08 at 101
	New York City, New York, General Obligation Bonds, Fiscal Series 1998F:	
20	5.250%, 8/01/14 (Pre-refunded 2/01/08) - AMBAC Insured	2/08 at 101
70	5.375%, 8/01/19 (Pre-refunded 2/01/08) - MBIA Insured	2/08 at 101
10,000	Port Authority of New York and New Jersey, Special Project Bonds, JFK International Air Terminal LLC, Sixth Series 1997, 5.900%, 12/01/17 - MBIA Insured (Alternative Minimum Tax)	12/07 at 102
88,160	Total New York	

NORTH CAROLINA - 0.7% (0.4% OF TOTAL INVESTMENTS)

3,830	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 5.000%, 1/15/45	1/15 at 100
-------	-----------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

OHIO - 4.0% (2.7% OF TOTAL INVESTMENTS)

2,300	Amherst Exempted Village School District, Ohio, Unlimited Tax General Obligation School Improvement Bonds, Series 2001, 5.125%, 12/01/21 (Pre-refunded 12/01/11) - FGIC Insured	12/11 at 100
3,635	Franklin County, Ohio, FHA-Insured Multifamily Housing Mortgage Revenue Bonds, Hamilton Creek Apartments Project, Series 1994A, 5.550%, 7/01/24 (Alternative Minimum Tax)	1/07 at 101
3,650	Montgomery County, Ohio, Revenue Bonds, Catholic Health Initiatives, Series 2004A, 5.000%, 5/01/30	5/14 at 100
12,700	Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998B, 6.625%, 9/01/20 (Alternative Minimum Tax)	9/09 at 102
1,115	Warren County, Ohio, Limited Tax General Obligations, Series 1997, 5.500%, 12/01/17	12/07 at 101

23,400 Total Ohio

OREGON - 0.4% (0.3% OF TOTAL INVESTMENTS)

2,355	Portland, Oregon, Downtown Waterfront Urban Renewal and Redevelopment Revenue Bonds, Series 2000A, 5.500%, 6/15/20 - AMBAC Insured	6/10 at 101
-------	------------------------------------------------------------------------------------------------------------------------------------	-------------

## Nuveen Dividend Advantage Municipal Fund (NAD) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
PENNSYLVANIA - 4.8% (3.3% OF TOTAL INVESTMENTS)		
\$ 3,480	Allegheny County Hospital Development Authority, Pennsylvania, Revenue Bonds, West Penn Allegheny Health System, Series 2000B, 9.250%, 11/15/22	11/10 at 102
1,710	Carbon County Industrial Development Authority, Pennsylvania, Resource Recovery Revenue Refunding Bonds, Panther Creek Partners Project, Series 2000, 6.650%, 5/01/10 (Alternative Minimum Tax)	No Opt. C
18,900	Philadelphia Airport System, Pennsylvania, Revenue Refunding Bonds, Series 1998A, 5.500%, 6/15/18 - FGIC Insured (Alternative Minimum Tax)	6/08 at 102
3,205	Philadelphia School District, Pennsylvania, General Obligation Bonds, Series 2002B, 5.625%, 8/01/16 (Pre-refunded 8/01/12) - FGIC Insured	8/12 at 100
27,295	Total Pennsylvania	
PUERTO RICO - 2.1% (1.4% OF TOTAL INVESTMENTS)		
12,500	Puerto Rico Housing Finance Authority, Capital Fund Program Revenue Bonds, Series 2003, 4.500%, 12/01/23	No Opt. C
RHODE ISLAND - 3.2% (2.2% OF TOTAL INVESTMENTS)		
2,015	Central Falls, Rhode Island, General Obligation School Bonds, Series 1999, 6.250%, 5/15/20 - RAAI Insured	5/09 at 102
3,500	Providence Redevelopment Agency, Rhode Island, Revenue Bonds, Public Safety and Municipal Building Projects, Series 1999A, 5.750%, 4/01/29 (Pre-refunded 4/01/10) - AMBAC Insured	4/10 at 101
12,500	Rhode Island Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2002A, 6.125%, 6/01/32	6/12 at 100
18,015	Total Rhode Island	



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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
SOUTH CAROLINA - 0.3% (0.2% OF TOTAL INVESTMENTS)		
1,500	Greenville, South Carolina, Hospital Facilities Revenue Bonds, Series 2001, 5.000%, 5/01/31 - AMBAC Insured	5/11 at 101
-----		
TENNESSEE - 2.0% (1.3% OF TOTAL INVESTMENTS)		
6,400	Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 1999D, 6.000%, 3/01/24 - AMBAC Insured (Alternative Minimum Tax)	3/10 at 101
2,425	Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 2001B, 5.125%, 3/01/26 - FSA Insured	3/11 at 100
1,910	Sullivan County Health Educational and Housing Facilities Board, Tennessee, Revenue Bonds, Wellmont Health System, Series 2006C, 5.250%, 9/01/36 (WI/DD, Settling 11/02/06)	9/16 at 100
85	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2000-1, 6.375%, 7/01/25 (Alternative Minimum Tax)	7/10 at 101
475	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2000-2B, 6.250%, 1/01/20 (Alternative Minimum Tax)	7/10 at 100
11,295	Total Tennessee	
-----		
TEXAS - 15.2% (10.4% OF TOTAL INVESTMENTS)		
1,000	Alliance Airport Authority, Texas, Special Facilities Revenue Bonds, American Airlines Inc., Series 1990, 7.500%, 12/01/29 (Alternative Minimum Tax)	12/06 at 100
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
4,675	Carrollton-Farmers Branch Independent School District, Dallas County, Texas, Unlimited Tax School Building Bonds, Series 1999, 6.000%, 2/15/20 (Pre-refunded 2/15/09)	2/09 at 100
2,820	Central Texas Regional Mobility Authority, Travis and Williamson Counties, Toll Road Revenue Bonds, Series 2005, 5.000%, 1/01/45 - FGIC Insured	1/15 at 100
-----		

60

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

TEXAS (CONTINUED)

	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1999:		
\$	5,130	0.000%, 8/15/20	8/09 at 52
	7,000	0.000%, 8/15/21	8/09 at 49
	7,345	0.000%, 8/15/23	8/09 at 44
	7,000	0.000%, 8/15/24	8/09 at 41
	7,350	0.000%, 8/15/25	8/09 at 39
	7,000	0.000%, 8/15/26	8/09 at 36
	820	Dallas Area Rapid Transit, Texas, Senior Lien Sales Tax Revenue Bonds, Series 2001, 5.000%, 12/01/31 - AMBAC Insured	12/11 at 100
		Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, Christus Health, Series 1999A:	
	12,240	5.375%, 7/01/24 (Pre-refunded 7/01/09) - MBIA Insured	7/09 at 101
	11,180	5.375%, 7/01/29 (Pre-refunded 7/01/09) - MBIA Insured	7/09 at 101
	2,205	Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Refunding Bonds, Series 2001A, 0.000%, 11/15/20 - MBIA Insured	No Opt. C
	2,500	Houston, Texas, Hotel Occupancy Tax and Special Revenue Bonds, Convention and Entertainment Project, Series 2001B, 0.000%, 9/01/30 - AMBAC Insured	No Opt. C
	2,500	Jefferson County, Texas, Certificates of Obligation, Series 2000, 6.000%, 8/01/25 (Pre-refunded 8/01/10) - FSA Insured	8/10 at 100
	2,000	Laredo, Texas, Sports Venue Sales Tax Revenue Bonds, Series 2001, 5.300%, 3/15/26 (Pre-refunded 3/15/09) - FGIC Insured	3/09 at 100
	30,095	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2004, 0.000%, 8/15/34	8/12 at 27
	9,345	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/33 - FGIC Insured	8/15 at 37
	33,160	Leander Independent School District, Williamson and Travis Counties, Texas, General Obligation Bonds, Series 2006, 0.000%, 8/15/38	8/14 at 26
	1,500	Port Arthur, Texas, Jefferson County, General Obligation Bonds, Series 1997, 5.000%, 2/15/21 (Pre-refunded 2/15/07) - MBIA Insured	2/07 at 100
	1,000	San Antonio, Texas, Water System Revenue Bonds, Series 2005, 4.750%, 5/15/37 - MBIA Insured	5/15 at 100
	10,000	Tarrant County Health Facilities Development Corporation, Texas, Revenue Bonds, Texas Health Resources System, Series 1997A, 5.250%, 2/15/17 - MBIA Insured	2/08 at 102
	7,000	White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2005, 0.000%, 8/15/35	8/15 at 34
		Wylie Independent School District, Taylor County, Texas, General Obligation Bonds, Series 2005:	

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

3,000	0.000%, 8/15/20	8/15 at 78
3,000	0.000%, 8/15/22	8/15 at 70
<hr/>		
183,425	Total Texas	
<hr/>		
UTAH - 0.3% (0.2% OF TOTAL INVESTMENTS)		
Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999C-2, Class II:		
425	5.700%, 7/01/19 (Alternative Minimum Tax)	1/10 at 101
155	5.750%, 7/01/21 (Alternative Minimum Tax)	1/10 at 101
130	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999D, 5.850%, 7/01/21 (Alternative Minimum Tax)	7/09 at 101
40	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999F, 6.300%, 7/01/21 (Alternative Minimum Tax)	7/09 at 101
1,160	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000F-2, Class III, 6.000%, 1/01/15 (Alternative Minimum Tax)	7/10 at 100
<hr/>		
1,910	Total Utah	
<hr/>		
VIRGINIA - 0.6% (0.4% OF TOTAL INVESTMENTS)		
3,395	Virginia Small Business Financing Authority, Industrial Development Water Revenue Bonds, S.I.L. Clean Water, LLC Project, Series 1999, 7.250%, 11/01/24 (Alternative Minimum Tax)	11/09 at 102

61

Nuveen Dividend Advantage Municipal Fund (NAD) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
<hr/>		
WASHINGTON - 11.3% (7.8% OF TOTAL INVESTMENTS)		
\$ 4,000	Energy Northwest, Washington, Electric Revenue Refunding Bonds, Nuclear Project 3, Series 2003A, 5.500%, 7/01/17 - XLCA Insured	7/13 at 100
Port of Seattle, Washington, Special Facility Revenue Bonds, Terminal 18, Series 1999B:		
1,755	6.000%, 9/01/15 - MBIA Insured (Alternative Minimum Tax)	3/10 at 101
2,590	6.000%, 9/01/16 - MBIA Insured (Alternative Minimum Tax)	3/10 at 101

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

	Port of Seattle, Washington, Special Facility Revenue Bonds, Terminal 18, Series 1999C:		
875	6.000%, 9/01/15 - MBIA Insured (Alternative Minimum Tax)		3/10 at 101
1,260	6.000%, 9/01/16 - MBIA Insured (Alternative Minimum Tax)		3/10 at 101
9,760	Tacoma, Washington, Electric System Revenue Refunding Bonds, Series 2001A, 5.625%, 1/01/21 (Pre-refunded 1/01/11) - FSA Insured		1/11 at 101
4,800	Washington Public Power Supply System, Revenue Refunding Bonds, Nuclear Project 3, Series 1997A, 5.250%, 7/01/16 - FSA Insured		7/07 at 102
7,185	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26		6/13 at 100
11,605	Washington, Certificates of Participation, Washington Convention and Trade Center, Series 1999, 5.250%, 7/01/16 - MBIA Insured		7/09 at 100
3,350	Washington, General Obligation Compound Interest Bonds, Series 1999S-2, 0.000%, 1/01/18 - FSA Insured		No Opt. C
	Washington, General Obligation Compound Interest Bonds, Series 1999S-3:		
17,650	0.000%, 1/01/20		No Opt. C
18,470	0.000%, 1/01/21		No Opt. C
83,300	Total Washington		
-----			
	WISCONSIN - 6.7% (4.6% OF TOTAL INVESTMENTS)		
2,250	Green Bay, Wisconsin, Water System Revenue Bonds, Series 2004, 5.000%, 11/01/29 - FSA Insured		11/14 at 100
3,810	La Crosse, Wisconsin, Industrial Development Revenue Refunding Bonds, Dairyland Power Cooperative, Series 1997C, 5.550%, 2/01/15 - AMBAC Insured		12/08 at 102
	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, FH Healthcare Development Inc., Series 1999:		
8,375	6.250%, 11/15/20 (Pre-refunded 11/15/09)		11/09 at 101
5,000	6.250%, 11/15/28 (Pre-refunded 11/15/09)		11/09 at 101
4,180	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Kenosha Hospital and Medical Center Inc., Series 1999, 5.625%, 5/15/29		5/09 at 101
12,700	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Mercy Health System Corporation, Series 1999, 5.500%, 8/15/25 - AMBAC Insured		8/09 at 101
2,200	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services Inc., Series 2003A, 5.125%, 8/15/33		8/13 at 100
38,515	Total Wisconsin		
-----			
\$ 1,035,735	Total Investments (cost \$821,317,947) - 145.6%		
=====			

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

Other Assets Less Liabilities - 2.7%  
 -----  
 Preferred Shares, at Liquidation Value - (48.3)%  
 -----  
 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 (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.

N/R Not rated.

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

(IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

62

Nuveen Dividend Advantage Municipal Fund 2 (NXZ)

Portfolio of  
 INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	MUNICIPAL BONDS - 144.8% (100.0% OF TOTAL INVESTMENTS)	
	ALABAMA - 4.2% (2.9% OF TOTAL INVESTMENTS)	
\$ 18,500	Huntsville Healthcare Authority, Alabama, Revenue Bonds, Series 2001A, 5.750%, 6/01/31	6/11 at 101
-----		
	ALASKA - 0.7% (0.5% OF TOTAL INVESTMENTS)	

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

2,955	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2001, 5.500%, 6/01/29 (Pre-refunded 6/01/11)	6/11 at 100
-----		
ARIZONA - 0.7% (0.5% OF TOTAL INVESTMENTS)		
3,120	Phoenix, Arizona, Civic Improvement Corporation, Senior Lien Airport Revenue Bonds, Series 2002B, 5.250%, 7/01/32 - FGIC Insured (Alternative Minimum Tax)	7/12 at 100
-----		
ARKANSAS - 0.4% (0.3% OF TOTAL INVESTMENTS)		
1,800	Arkansas Development Finance Authority, Single Family Mortgage Revenue Bonds, GNMA Mortgage-Backed Securities Program, Series 2002C, 5.400%, 1/01/34 (Alternative Minimum Tax)	1/12 at 100
-----		
CALIFORNIA - 10.8% (7.5% OF TOTAL INVESTMENTS)		
6,000	California Educational Facilities Authority, Revenue Bonds, Stanford University, Series 2001Q, 5.250%, 12/01/32	6/11 at 101
6,000	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2004G, 2.300%, 4/01/34 (Mandatory put 5/01/07)	No Opt. C
13,825	California, Department of Veterans Affairs, Home Purchase Revenue Bonds, Series 2001A, 5.550%, 12/01/25 - AMBAC Insured	12/06 at 101
11,200	California, General Obligation Bonds, Series 2003, 5.250%, 2/01/28	8/13 at 100
5,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39	6/13 at 100
6,000	Los Angeles Regional Airports Improvement Corporation, California, Sublease Revenue Bonds, Los Angeles International Airport, American Airlines Inc. Terminal 4 Project, Series 2002C, 7.500%, 12/01/24 (Alternative Minimum Tax)	12/12 at 102
160	Yuba County Water Agency, California, Yuba River Development Revenue Bonds, Pacific Gas and Electric Company, Series 1966A, 4.000%, 3/01/16	3/07 at 100
-----		
48,185	Total California	
-----		
COLORADO - 6.7% (4.6% OF TOTAL INVESTMENTS)		
2,730	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Peak-to-Peak Charter School, Series 2001, 7.500%, 8/15/21 (Pre-refunded 8/15/11)	8/11 at 100
4,335	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006, 7.281%, 11/15/25 - FGIC Insured (IF)	11/16 at 100
10,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/28 (Pre-refunded 9/01/10)	9/10 at 31

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

- MBIA Insured

1,500	Eagle County Air Terminal Corporation, Colorado, Airport Terminal Revenue Bonds, Series 2001, 7.125%, 5/01/31 (Alternative Minimum Tax)	5/11 at 101
755	Jefferson County School District R1, Colorado, General Obligation Bonds, Series 2004, 5.000%, 12/15/22 - FSA Insured	12/14 at 100
5,000	Northwest Parkway Public Highway Authority, Colorado, Revenue Bonds, Senior Series 2001A, 5.250%, 6/15/41 - FSA Insured	6/11 at 102

63

Nuveen Dividend Advantage Municipal Fund 2 (NXZ) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
COLORADO (CONTINUED)		
	Northwest Parkway Public Highway Authority, Colorado, Senior Lien Revenue Bonds, Series 2001B:	
\$ 22,000	0.000%, 6/15/28 - FSA Insured	6/11 at 35
17,650	0.000%, 6/15/29 - AMBAC Insured	6/11 at 33
1,000	Plaza Metropolitan District 1, Lakewood, Colorado, Tax Increment Revenue Bonds, Series 2003, 8.000%, 12/01/25	6/14 at 101
-----		
64,970	Total Colorado	
-----		
DISTRICT OF COLUMBIA - 0.3% (0.1% OF TOTAL INVESTMENTS)		
1,145	District of Columbia Tobacco Settlement Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2001, 6.250%, 5/15/24	5/11 at 101
-----		
FLORIDA - 5.0% (3.4% OF TOTAL INVESTMENTS)		
15,000	Jacksonville, Florida, Transportation Revenue Bonds, Series 2001, 5.250%, 10/01/29 - MBIA Insured	10/11 at 100
4,000	Miami-Dade County Health Facility Authority, Florida, Hospital Revenue Refunding Bonds, Miami Children's Hospital, Series 2001A, 5.125%, 8/15/26 - AMBAC Insured	8/11 at 101
3,000	Miami-Dade County, Florida, Aviation Revenue Bonds, Miami	10/12 at 100

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

International Airport, Series 2002, 5.375%, 10/01/32 - FGIC  
Insured (Alternative Minimum Tax)

22,000	Total Florida	
-----		
HAWAII - 2.2% (1.5% OF TOTAL INVESTMENTS)		
Honolulu Board of Water Supply, Hawaii, Water System Revenue Bonds, Series 2001:		
3,000	5.250%, 7/01/26 (Pre-refunded 7/01/11) - FSA Insured	7/11 at 100
6,725	5.250%, 7/01/31 (Pre-refunded 7/01/11) - FSA Insured	7/11 at 100
-----		
9,725	Total Hawaii	
-----		
ILLINOIS - 11.0% (7.6% OF TOTAL INVESTMENTS)		
3,645	Chicago, Illinois, FHA/GNMA Collateralized Multifamily Housing Revenue Bonds, Stone Terrace Apartments, Series 2001A, 5.750%, 12/20/42 (Alternative Minimum Tax)	12/11 at 100
1,195	Chicago, Illinois, FNMA/GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A, 6.250%, 10/01/32 (Alternative Minimum Tax)	4/11 at 105
14,920	Chicago, Illinois, General Obligation Bonds, Series 2001A, 5.250%, 1/01/33 - MBIA Insured	1/11 at 101
350	Chicago, Illinois, General Obligation Bonds, Series 2001A, 5.250%, 1/01/33 (Pre-refunded 1/01/11) - MBIA Insured	1/11 at 101
285	Chicago, Illinois, General Obligation Refunding Bonds, Series 1996B, 5.125%, 1/01/25 - FGIC Insured	11/06 at 102
3,180	Illinois Development Finance Authority, Revenue Bonds, Chicago Charter School Foundation, Series 2002A, 6.250%, 12/01/32	12/21 at 100
5,000	Illinois Development Finance Authority, Revenue Bonds, Illinois Wesleyan University, Series 2001, 5.500%, 9/01/32 - AMBAC Insured	9/11 at 100
3,100	Illinois Development Finance Authority, Revenue Bonds, Midwestern University, Series 2001B, 6.000%, 5/15/31	5/11 at 101
3,000	Illinois Educational Facilities Authority, Student Housing Revenue Bonds, Educational Advancement Foundation Fund, University Center Project, Series 2002, 6.250%, 5/01/34	5/12 at 101
5,000	Illinois Health Facilities Authority, Revenue Bonds, Edward Hospital Obligated Group, Series 2001B, 5.250%, 2/15/34 - FSA Insured	2/11 at 101
2,500	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 2006C-2, 5.050%, 8/01/27 (Alternative Minimum Tax)	2/16 at 100
2,275	Illinois, Sales Tax Revenue Bonds, Series 2001, 5.500%, 6/15/16	6/11 at 100
4,980	Metropolitan Pier and Exposition Authority, Illinois,	12/06 at 102



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

Revenue Refunding Bonds, McCormick Place Expansion Project,  
Series 1996A, 5.250%, 6/15/27 - AMBAC Insured

-----  
49,430 Total Illinois  
-----

64

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
INDIANA - 4.7% (3.3% OF TOTAL INVESTMENTS)		
\$ 2,000	Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Methodist Hospitals Inc., Series 2001, 5.500%, 9/15/31	9/11 at 100
2,500	Indiana Health Facility Financing Authority, Hospital Revenue Refunding Bonds, Columbus Regional Hospital, Series 1993, 7.000%, 8/15/15 - FSA Insured	No Opt. C
Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2003A:		
4,000	5.000%, 6/01/23 - FSA Insured	6/13 at 100
6,000	5.000%, 6/01/24 - FSA Insured	6/13 at 100
3,107	Indianapolis Airport Authority, Indiana, Special Facility Revenue Bonds, AAR Corporation Assumed Lease, Series 1995, 6.500%, 11/15/31 (Alternative Minimum Tax) (6)	11/06 at 101
6,100	St. Joseph County Hospital Authority, Indiana, Revenue Bonds, Madison Center Inc., Series 1999, 5.800%, 2/15/24	2/09 at 102
23,707	Total Indiana	
IOWA - 0.2% (0.1% OF TOTAL INVESTMENTS)		
1,000	Iowa Higher Education Loan Authority, Private College Facility Revenue Bonds, Wartburg College, Series 2002, 5.500%, 10/01/28 (Pre-refunded 10/01/12) - ACA Insured	10/12 at 100
KANSAS - 3.8% (2.7% OF TOTAL INVESTMENTS)		
17,000	Wichita, Kansas, Hospital Facilities Revenue Refunding and Improvement Bonds, Via Christi Health System Inc., Series 2001-III, 5.625%, 11/15/31	11/11 at 101
LOUISIANA - 4.6% (3.1% OF TOTAL INVESTMENTS)		
1,320	Louisiana State, Gasoline Tax Revenue Bonds, Series 2006, Residuals 660-1, 5.850%, 5/01/41 (WI/DD, Settling 11/02/06) -	5/16 at 100

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

FGIC Insured (IF)

18,825	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at 101
--------	---------------------------------------------------------------------------------------------------------------------------	-------------

---

20,145	Total Louisiana	
--------	-----------------	--

---

MASSACHUSETTS - 4.0% (2.8% OF TOTAL INVESTMENTS)

2,875	Massachusetts Port Authority, Special Facilities Revenue Bonds, BOSFUEL Corporation, Series 1997, 5.750%, 7/01/39 - MBIA Insured (Alternative Minimum Tax)	7/07 at 102
-------	------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

15,585	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured	1/07 at 102
--------	----------------------------------------------------------------------------------------------------------------------------------	-------------

---

18,460	Total Massachusetts	
--------	---------------------	--

---

MICHIGAN - 14.1% (9.7% OF TOTAL INVESTMENTS)

Detroit, Michigan, Senior Lien Water Supply System Revenue Bonds, Series 2001A:

20,000	5.500%, 7/01/33 (Pre-refunded 7/01/11) - FGIC Insured	7/11 at 101
15,390	5.250%, 7/01/33 (Pre-refunded 7/01/11) - FGIC Insured	7/11 at 100
14,610	5.250%, 7/01/33 (Pre-refunded 7/01/11) - FGIC Insured	7/11 at 100

4,000	Michigan Municipal Bond Authority, Public School Academy Revenue Bonds, Detroit Academy of Arts and Sciences Charter School, Series 2001A, 8.000%, 10/01/31	10/09 at 102
-------	-------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

2,000	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A, 5.125%, 8/15/18	8/08 at 101
-------	------------------------------------------------------------------------------------------------------------------------------------------	-------------

Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Detroit Medical Center Obligated Group, Series 1993A:

2,000	6.250%, 8/15/13	2/07 at 100
4,000	6.500%, 8/15/18	2/07 at 100

---

62,000	Total Michigan	
--------	----------------	--

---

MINNESOTA - 3.1% (2.2% OF TOTAL INVESTMENTS)

14,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Airport Revenue Bonds, Series 2001A, 5.250%, 1/01/32 - FGIC Insured	1/11 at 100
--------	---------------------------------------------------------------------------------------------------------------------------------------	-------------

---

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
MISSOURI - 4.8% (3.3% OF TOTAL INVESTMENTS)		
\$ 21,000	Missouri Health and Educational Facilities Authority, Revenue Bonds, SSM Healthcare System, Series 2001A, 5.250%, 6/01/28 (Pre-refunded 6/01/11) - AMBAC Insured	6/11 at 101
MONTANA - 0.7% (0.5% OF TOTAL INVESTMENTS)		
3,280	Montana Board of Housing, Single Family Program Bonds, Series 2001A-2, 5.700%, 6/01/32 (Alternative Minimum Tax)	12/10 at 100
NEVADA - 4.0% (2.8% OF TOTAL INVESTMENTS)		
12,275	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured	1/10 at 100
3,500	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, Second Tier, Series 2000, 7.375%, 1/01/40	1/10 at 102
2,330	Henderson, Nevada, Healthcare Facility Revenue Bonds, Catholic Healthcare West, Series 1998A, 5.250%, 7/01/18	7/08 at 101
18,105	Total Nevada	
NEW HAMPSHIRE - 2.1% (1.4% OF TOTAL INVESTMENTS)		
8,000	New Hampshire Business Finance Authority, Pollution Control Remarketed Revenue Refunding Bonds, Connecticut Light and Power Company, Series 1992A, 5.850%, 12/01/22	10/08 at 102
1,420	New Hampshire Housing Finance Authority, Single Family Mortgage Acquisition Bonds, Series 2001A, 5.700%, 1/01/31 (Alternative Minimum Tax)	5/11 at 100
9,420	Total New Hampshire	
NEW JERSEY - 2.4% (1.6% OF TOTAL INVESTMENTS)		
3,995	New Jersey Economic Development Authority, Special Facilities Revenue Bonds, Continental Airlines Inc., Series 2000, 7.000%, 11/15/30 (Alternative Minimum Tax)	11/10 at 101
465	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 5.750%, 6/01/32	6/12 at 100
2,200	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003: 6.375%, 6/01/32	6/13 at 100

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

425	6.750%, 6/01/39	6/13 at 100
3,085	6.250%, 6/01/43	6/13 at 100
-----		
10,170	Total New Jersey	
-----		
NEW MEXICO - 5.3% (3.6% OF TOTAL INVESTMENTS)		
New Mexico Hospital Equipment Loan Council, Hospital Revenue Bonds, Presbyterian Healthcare Services, Series 2001A:		
12,000	5.500%, 8/01/25 (Pre-refunded 8/01/11)	8/11 at 101
10,800	5.500%, 8/01/30 (Pre-refunded 8/01/11)	8/11 at 101
-----		
22,800	Total New Mexico	
-----		
NEW YORK - 6.4% (4.5% OF TOTAL INVESTMENTS)		
1,300	Dormitory Authority of the State of New York, Revenue Bonds, Mount Sinai NYU Health Obligated Group, Series 2000A, 6.625%, 7/01/19	7/10 at 101
3,600	Dormitory Authority of the State of New York, Revenue Bonds, Mount Sinai NYU Health Obligated Group, Series 2000A, 6.625%, 7/01/19 (Pre-refunded 7/01/10)	7/10 at 101
6,000	Long Island Power Authority, New York, Electric System General Revenue Bonds, Series 2001L, 5.375%, 5/01/33	5/11 at 100
5,000	New York City Industrial Development Agency, New York, Special Facilities Revenue Bonds, JFK Airport - American Airlines Inc., Series 2002B, 8.500%, 8/01/28 (Alternative Minimum Tax)	8/12 at 101
12,000	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2001C, 5.125%, 6/15/33	6/11 at 101
-----		
27,900	Total New York	
-----		

66

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
NORTH CAROLINA - 1.7% (1.1% OF TOTAL INVESTMENTS)		
\$ 2,950	North Carolina Capital Facilities Financing Agency, Revenue Bonds, Johnson and Wales University, Series 2003A, 5.000%, 4/01/33 - XLCA Insured	4/13 at 100
4,500	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds, Series 1999B, 5.600%, 1/01/15	1/09 at 102

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

7,450	Total North Carolina	
NORTH DAKOTA - 0.5% (0.4% OF TOTAL INVESTMENTS)		
2,335	North Dakota Housing Finance Agency, Home Mortgage Finance Program Refunding Bonds, Series 2001A, 5.550%, 1/01/32 (Alternative Minimum Tax)	7/10 at 100
OHIO - 0.4% (0.3% OF TOTAL INVESTMENTS)		
1,845	Columbus City School District, Franklin County, Ohio, General Obligation Bonds, Series 2003, 5.000%, 12/01/28 (Pre-refunded 6/01/13) - FGIC Insured	6/13 at 100
OKLAHOMA - 0.8% (0.6% OF TOTAL INVESTMENTS)		
Oklahoma Development Finance Authority, Revenue Refunding Bonds, Hillcrest Healthcare System, Series 1999A:		
2,655	5.125%, 8/15/10 (Pre-refunded 8/15/09)	8/09 at 101
1,000	5.200%, 8/15/11 (Pre-refunded 8/15/09)	8/09 at 101
3,655	Total Oklahoma	
OREGON - 3.8% (2.6% OF TOTAL INVESTMENTS)		
8,000	Clackamas County Hospital Facility Authority, Oregon, Revenue Refunding Bonds, Legacy Health System, Series 2001, 5.250%, 5/01/21	5/11 at 101
9,000	Oregon Department of Administrative Services, Certificates of Participation, Series 2001D, 5.000%, 5/01/26 - AMBAC Insured	5/11 at 101
17,000	Total Oregon	
PENNSYLVANIA - 3.6% (2.5% OF TOTAL INVESTMENTS)		
5,000	Allegheny County Hospital Development Authority, Pennsylvania, Revenue Bonds, West Penn Allegheny Health System, Series 2000B, 9.250%, 11/15/30	11/10 at 102
1,930	Carbon County Industrial Development Authority, Pennsylvania, Resource Recovery Revenue Refunding Bonds, Panther Creek Partners Project, Series 2000, 6.650%, 5/01/10 (Alternative Minimum Tax)	No Opt. C
8,000	Pennsylvania Higher Educational Facilities Authority, Revenue Bonds, UPMC Health System, Series 2001A, 6.000%, 1/15/31	1/11 at 101
14,930	Total Pennsylvania	
TEXAS - 24.7% (17.1% OF TOTAL INVESTMENTS)		
7,500	Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2001, 5.000%, 11/15/30 - FSA Insured	11/10 at 100

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

	Dallas-Fort Worth International Airport Public Facility Corporation, Texas, Airport Hotel Revenue Bonds, Series 2001:	
15,000	5.250%, 1/15/26 - FSA Insured	1/09 at 100
1,750	5.200%, 1/15/31 - FSA Insured	1/09 at 100
6,000	Decatur Hospital Authority, Texas, Revenue Bonds, Wise Regional Health System, Series 2004A, 7.125%, 9/01/34	9/14 at 100
10,000	Gulf Coast Industrial Development Authority, Texas, Solid Waste Disposal Revenue Bonds, Citgo Petroleum Corporation Project, Series 1998, 8.000%, 4/01/28 (Alternative Minimum Tax)	4/12 at 100
3,000	Harris County Health Facilities Development Corporation, Texas, Revenue Bonds, Christus Health, Series 1999A, 5.375%, 7/01/24 (Pre-refunded 7/01/09) - MBIA Insured	7/09 at 101
30,980	Harris County-Houston Sports Authority, Texas, Junior Lien Revenue Refunding Bonds, Series 2001B, 5.250%, 11/15/40 - MBIA Insured	11/11 at 100
40,000	Harris County-Houston Sports Authority, Texas, Senior Lien Revenue Refunding Bonds, Series 2001A, 0.000%, 11/15/40 - MBIA Insured	11/30 at 54

67

Nuveen Dividend Advantage Municipal Fund 2 (NXZ) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS
-----		
	TEXAS (CONTINUED)	
	Hays Consolidated Independent School District, Hays County, Texas, General Obligation School Building Bonds, Series 2001:	
\$ 10,715	0.000%, 8/15/25 (Pre-refunded 8/15/11)	8/11 at 43
12,940	0.000%, 8/15/26 (Pre-refunded 8/15/11)	8/11 at 40
	Houston, Texas, Hotel Occupancy Tax and Special Revenue Bonds, Convention and Entertainment Project, Series 2001B:	
5,000	0.000%, 9/01/30 - AMBAC Insured	No Opt. C
5,000	0.000%, 9/01/31 - AMBAC Insured	No Opt. C
5,000	Metro Health Facilities Development Corporation, Texas, Hospital Revenue Bonds, Wilson N. Jones Memorial Hospital, Series 2001, 7.250%, 1/01/31	1/11 at 100
10,500	Texas, General Obligation Bonds, Water Financial Assistance Program, Series 2001, 5.250%, 8/01/35	8/11 at 100
2,000	Tom Green County Health Facilities Development Corporation,	5/11 at 101

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

Texas, Hospital Revenue Bonds, Shannon Health System Project,  
Series 2001, 6.750%, 5/15/21

165,385	Total Texas	
-----		
VIRGINIA - 0.2% (0.1% OF TOTAL INVESTMENTS)		
5,000	Pocahontas Parkway Association, Virginia, Senior Lien Revenue Bonds, Route 895 Connector Toll Road, Series 1998B, 0.000%, 8/15/33 (Pre-refunded 8/15/08)	8/08 at 23
-----		
WASHINGTON - 5.1% (3.5% OF TOTAL INVESTMENTS)		
Seattle, Washington, Municipal Light and Power Revenue Refunding and Improvement Bonds, Series 2001:		
4,820	5.500%, 3/01/19 - FSA Insured	3/11 at 100
7,250	5.125%, 3/01/26 - FSA Insured	3/11 at 100
7,500	Washington State Healthcare Facilities Authority, Revenue Bonds, Sisters of Providence Health System, Series 2001A, 5.250%, 10/01/21 - MBIA Insured	10/11 at 100
970	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26	6/13 at 100
2,100	Washington, Certificates of Participation, Washington Convention and Trade Center, Series 1999, 5.125%, 7/01/13 - MBIA Insured	7/09 at 100
22,640	Total Washington	
-----		
WEST VIRGINIA - 1.1% (0.8% OF TOTAL INVESTMENTS)		
5,000	Mason County, West Virginia, Pollution Control Revenue Bonds, Appalachian Power Company, Series 2003L, 5.500%, 10/01/22	10/11 at 100
-----		
WISCONSIN - 0.7% (0.5% OF TOTAL INVESTMENTS)		
1,000	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Divine Savior Healthcare, Series 2002A, 7.375%, 5/01/26 (Pre-refunded 5/01/12)	5/12 at 100
2,100	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services Inc., Series 2003A, 5.125%, 8/15/33	8/13 at 100
3,100	Total Wisconsin	
\$ 739,157	Total Municipal Bonds (cost \$624,209,250)	
=====		

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

SHARES	DESCRIPTION (1)
	COMMON STOCKS - 0.0% (0.0% OF TOTAL INVESTMENTS)
	AIRLINES - 0.0% (0.0% OF TOTAL INVESTMENTS)
928	UAL Corporation (5) (7)
	Total Common Stocks (cost \$29,169)
	Total Investments (cost \$624,238,419) - 144.8%
	Other Assets Less Liabilities - 2.4%
	Preferred Shares, at Liquidation Value - (47.2)%
	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 (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (5) Non-income producing.
- (6) On December 9, 2002, UAL Corporation ("UAL"), the holding company of United Air Lines, Inc., filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to the bonds previously held and thus the Fund had stopped accruing interest on its UAL bonds.
- (7) On February 1, 2006, UAL emerged from federal bankruptcy with the acceptance of its reorganization plan by the bankruptcy court. Under the settlement agreement established to meet UAL's unsecured bond obligations, the bondholders, including the Fund, received distributions of UAL common stock over the subsequent months, and the bankruptcy court dismissed all unsecured claims of bondholders, including those of the Fund. On May 3, 2006, the Fund liquidated such UAL common stock holdings. On October 5, 2006, the Fund received an additional distribution of UAL common stock as a result of its ownership of UAL



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

bonds, which it still held at October 31, 2006. Subsequent to fiscal year-end, the Fund liquidated its UAL common stock holdings.

N/R Not rated.

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

(IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

69

Nuveen Dividend Advantage Municipal Fund 3 (NZF)

Portfolio of  
INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	MUNICIPAL BONDS - 147.8% (100.0% OF TOTAL INVESTMENTS)	
	ALABAMA - 0.9% (0.6% OF TOTAL INVESTMENTS)	
\$ 5,655	Alabama State Port Authority, Revenue Bonds, State Docks Department Facilities, Series 2001, 5.250%, 10/01/26 - AMBAC Insured (Alternative Minimum Tax)	10/11 at 100
-----		
	ALASKA - 2.7% (1.8% OF TOTAL INVESTMENTS)	
4,000	Alaska Student Loan Corporation, Student Loan Revenue Bonds, Series 1998A, 5.250%, 7/01/14 - AMBAC Insured (Alternative Minimum Tax)	7/08 at 100
12,500	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A, 5.000%, 6/01/46	6/14 at 100
-----		
16,500	Total Alaska	
-----		
	ARKANSAS - 0.9% (0.6% OF TOTAL INVESTMENTS)	
	Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A:	
1,805	5.500%, 11/01/13	11/11 at 101
1,900	5.500%, 11/01/14	11/11 at 101
1,745	5.250%, 11/01/21	11/11 at 101
-----		
5,450	Total Arkansas	
-----		

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

CALIFORNIA - 11.4% (7.7% OF TOTAL INVESTMENTS)

California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A:		
855	5.000%, 3/01/28	3/13 at 100
55	5.000%, 3/01/33	3/13 at 100
3,335	California Infrastructure Economic Development Bank, First Lien Revenue Bonds, San Francisco Bay Area Toll Bridge, Series 2003A. Residuals Series 1485, 7.327%, 7/01/33 (Pre-refunded 1/01/28) - AMBAC Insured (IF)	1/28 at 100
5,000	California Infrastructure Economic Development Bank, Revenue Bonds, Kaiser Hospital Assistance LLC, Series 2001A, 5.550%, 8/01/31	8/11 at 102
5,000	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2004G, 2.300%, 4/01/34 (Mandatory put 5/01/07)	No Opt. C
18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 - MBIA Insured (Alternative Minimum Tax)	6/07 at 101
Los Angeles Regional Airports Improvement Corporation, California, Lease Revenue Refunding Bonds, LAXFUEL Corporation at Los Angeles International Airport, Series 2001:		
13,955	5.750%, 1/01/16 - AMBAC Insured (Alternative Minimum Tax)	1/12 at 100
5,000	5.375%, 1/01/21 - AMBAC Insured (Alternative Minimum Tax)	1/12 at 100
1,500	5.250%, 1/01/23 - AMBAC Insured (Alternative Minimum Tax)	1/12 at 100
10,000	5.500%, 1/01/32 - AMBAC Insured (Alternative Minimum Tax)	1/12 at 100
10,000	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds, Series 1997A, 0.000%, 1/15/35 - MBIA Insured	No Opt. C
3,000	San Mateo County Community College District, California, General Obligation Bonds, Series 2006C, 0.000%, 9/01/30 - MBIA Insured	No Opt. C
-----		
76,550	Total California	
-----		

COLORADO - 5.1% (3.5% OF TOTAL INVESTMENTS)

2,250	Canterberry Crossing Metropolitan District II, Parker, Colorado, Limited Tax General Obligation Bonds, Series 2002, 7.375%, 12/01/32	12/12 at 100
-------	--------------------------------------------------------------------------------------------------------------------------------------	--------------

70

PRINCIPAL

OPTIONAL C

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

AMOUNT (000)	DESCRIPTION (1)	PROVISIONS
-----		
	COLORADO (continued)	
\$ 1,655	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek Education Center, Series 2002A, 7.625%, 3/15/32	3/12 at 100
3,240	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Montessori Peaks Building Foundation, Series 2002A, 8.000%,	5/12 at 102
1,775	Colorado Educational and Cultural Facilities 5/01/32 Authority, Charter School Revenue Bonds, Weld County School District 6 - Frontier Academy, Series 2001, 7.375%, 6/01/31 (Pre-refunded 6/01/11)	6/11 at 100
3,380	Colorado Housing Finance Authority, Multifamily Project Bonds, Class I, Series 2001A-1, 5.500%, 4/01/31 (Alternative Minimum Tax)	10/11 at 100
10,100	Colorado Springs, Colorado, Utility System Revenue Refunding and Improvement Bonds, Series 1997A, 5.375%, 11/15/26	11/07 at 100
4,335	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006, 7.281%, 11/15/25 - FGIC Insured (IF)	11/16 at 100
2,000	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2001A, 5.500%, 11/15/16 - FGIC Insured (Alternative Minimum Tax)	11/11 at 100
1,000	Plaza Metropolitan District 1, Lakewood, Colorado, Tax Increment Revenue Bonds, Series 2003, 8.000%, 12/01/25	6/14 at 101
-----		
29,735	Total Colorado	
-----		
	DELAWARE - 0.4% (0.3% OF TOTAL INVESTMENTS)	
2,560	Delaware Housing Authority, Multifamily Mortgage Revenue Bonds, Series 2001A, 5.400%, 7/01/24	7/12 at 100
-----		
	DISTRICT OF COLUMBIA - 1.0% (0.7% OF TOTAL INVESTMENTS)	
6,000	District of Columbia, Revenue Bonds, Catholic University of America, Series 1999, 5.625%, 10/01/29 - AMBAC Insured	10/09 at 101
-----		
	FLORIDA - 1.6% (1.1% OF TOTAL INVESTMENTS)	
2,000	Dade County, Florida, Water and Sewerage System Revenue Bonds, Series 1997, 5.375%, 10/01/16 - FGIC Insured	10/07 at 102
1,105	Orange County Housing Finance Authority, Florida, Multifamily Housing Revenue Bonds, Oak Glen Apartments, Series 2001G: 5.400%, 12/01/32 - FSA Insured	12/11 at 100
2,195	5.450%, 12/01/41 - FSA Insured	12/11 at 100
4,175	Pace Property Finance Authority Inc., Florida,	9/07 at 102

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

Utility System Improvement and Revenue  
Refunding Bonds, Series 1997, 5.250%, 9/01/17 - AMBAC Insured

---

9,475	Total Florida	
-------	---------------	--

---

GEORGIA - 1.9% (1.3% OF TOTAL INVESTMENTS)

5,000	Atlanta, Georgia, Airport General Revenue Bonds, Series 2000B, 5.625%, 1/01/30 - FGIC Insured (Alternative Minimum Tax)	1/10 at 101
2,700	Atlanta, Georgia, Tax Allocation Bonds, Atlantic Station Project, Series 2001, 7.900%, 12/01/24	12/11 at 101
3,740	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 2001, 5.500%, 5/15/31	5/11 at 100

---

11,440	Total Georgia	
--------	---------------	--

---

ILLINOIS - 17.7% (12.0% OF TOTAL INVESTMENTS)

285	Chicago, Illinois, General Obligation Refunding Bonds, Series 1996B, 5.125%, 1/01/25 - FGIC Insured	11/06 at 102
8,375	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 2001A, 5.500%, 1/01/19 - FSA Insured (Alternative Minimum Tax)	1/11 at 101
1,750	Chicago, Illinois, Sales Tax Revenue Bonds, Series 1998, 5.250%, 1/01/28 - FGIC Insured	7/08 at 102
10,800	Chicago, Illinois, Sales Tax Revenue Bonds, Series 1999, 5.375%, 1/01/30 (Pre-refunded 1/01/09) - FGIC Insured	1/09 at 101

71

Nuveen Dividend Advantage Municipal Fund 3 (NZF) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
---------------------------	-----------------	--------------------------

---

	ILLINOIS (continued)	
\$ 4,950	Chicago, Illinois, Second Lien Passenger Facility Charge Revenue Bonds, O'Hare International Airport, Series 2001A, 5.375%, 1/01/32 - AMBAC Insured (Alternative Minimum Tax)	1/11 at 101

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

8,610	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A, 5.500%, 1/01/26 (Pre-refunded 1/01/11) - AMBAC Insured	1/11 at 100
2,220	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A, 5.500%, 1/01/16 - MBIA Insured	No Opt. C
10,000	Chicago, Illinois, Senior Lien Water Revenue Bonds, Series 2001, 5.000%, 11/01/26 (Pre-refunded 11/01/11) - AMBAC Insured	11/11 at 100
1,665	Chicago, Illinois, Third Lien General Airport Revenue Bonds, O'Hare International Airport, Series 2005A, 5.000%, 1/01/33 - FGIC Insured	1/16 at 100
2,415	Illinois Finance Authority, General Obligation Debt Certificates, Local Government Program - Kankakee County, Series 2005B, 5.000%, 12/01/24 - AMBAC Insured	12/14 at 100
1,100	Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2000, 6.500%, 5/15/30	5/10 at 101
9,000	Illinois Health Facilities Authority, Revenue Bonds, Covenant Retirement Communities Inc., Series 2001, 5.875%, 12/01/31	12/11 at 101
15,000	Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 2001A, 6.125%, 7/01/31	7/11 at 100
5,000	Lake County School District 38, Big Hollow, Illinois, General Obligation Bonds, Series 2005, 0.000%, 2/01/22 - AMBAC Insured	No Opt. C
7,000	Lombard Public Facilities Corporation, Illinois, First Tier Conference Center and Hotel Revenue Bonds, Series 2005A-1, 7.125%, 1/01/36	1/16 at 100
16,900	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1999A, 5.250%, 12/15/28 - FGIC Insured	12/09 at 101
2,000	Metropolitan Pier and Exposition Authority, Illinois, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1998A, 5.500%, 6/15/29 - FGIC Insured	No Opt. C
<hr/>		
107,070	Total Illinois	
<hr/>		
INDIANA - 5.8% (3.9% OF TOTAL INVESTMENTS)		
Clark-Pleasant Community School Building Corporation, Indiana, First Mortgage Bonds, Series 2001:		
1,255	5.000%, 7/15/21 (Pre-refunded 1/15/12) - AMBAC Insured	1/12 at 100
1,000	5.000%, 1/15/26 (Pre-refunded 1/15/12) - AMBAC Insured	1/12 at 100
Evansville Vanderburgh Public Library Lease Corporation, Indiana, First Mortgage Bonds, Series 2001:		
2,000	5.750%, 7/15/18 (Pre-refunded 1/15/12) - MBIA Insured	1/12 at 100
2,750	5.125%, 1/15/24 (Pre-refunded 1/15/12) - MBIA Insured	1/12 at 100
3,395	Gary, Indiana, GNMA/FHA Mortgage Revenue Bonds,	11/11 at 102

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

	Windsor Square Project, Series 2001A, 5.375%, 10/20/41 (Alternative Minimum Tax)	
1,250	Hamilton Southeastern Cumberland Campus School Building Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.125%, 1/15/23 - AMBAC Insured	1/12 at 100
9,500	Indiana Educational Facilities Authority, Revenue Bonds, Butler University, Series 2001, 5.500%, 2/01/26 - MBIA Insured	2/11 at 100
4,230	Indiana Finance Authority, Educational Facilities Revenue Bonds, Tudor Park Foundation, Series 2005B, 5.000%, 6/01/24	6/15 at 100
2,800	Indiana Health Facility Financing Authority, Revenue Bonds, Community Hospitals of Indiana, Series 2005A, 5.000%, 5/01/35 - AMBAC Insured	5/15 at 100
2,650	Indianapolis Airport Authority, Indiana, Special Facility Revenue Bonds, AAR Corporation Assumed Lease, Series 1995, 6.500%, 11/15/31 (Alternative Minimum Tax) (6)	11/06 at 101
3,500	University of Southern Indiana, Student Fee Bonds, Series 2001H, 5.000%, 10/01/21 - AMBAC Insured	10/11 at 100

72

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	INDIANA (continued)	
	Wayne County Jail Holding Corporation, Indiana, First Mortgage Bonds, Series 2001:	
\$ 1,150	5.625%, 7/15/18 - AMBAC Insured	1/13 at 101
1,090	5.500%, 7/15/22 - AMBAC Insured	1/13 at 101
-----		
36,570	Total Indiana	
-----		
	IOWA - 5.8% (3.9% OF TOTAL INVESTMENTS)	
2,000	Iowa Finance Authority, Healthcare Revenue Bonds, Great River Medical Center, Series 2001, 5.250%, 5/15/31 - FSA Insured	5/11 at 100
	Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B:	
28,000	5.300%, 6/01/25 (Pre-refunded 6/01/11)	6/11 at 101
3,950	5.600%, 6/01/35 (Pre-refunded 6/01/11)	6/11 at 101
-----		
33,950	Total Iowa	
-----		

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

KENTUCKY - 3.1% (2.1% OF TOTAL INVESTMENTS)

18,500	Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 2001A, 5.125%, 5/15/27 - MBIA Insured	11/11 at 101
--------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

LOUISIANA - 3.4% (2.3% OF TOTAL INVESTMENTS)

19,890	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at 101
--------	---------------------------------------------------------------------------------------------------------------------------------	-------------

MAINE - 1.0% (0.7% OF TOTAL INVESTMENTS)

Maine State Housing Authority, Single Family Mortgage Purchase Bonds, Series 2001B:		
4,610	5.400%, 11/15/21 (Alternative Minimum Tax)	11/10 at 100
1,745	5.500%, 11/15/32 (Alternative Minimum Tax)	11/10 at 100

6,355	Total Maine	
-------	-------------	--

MARYLAND - 2.3% (1.5% OF TOTAL INVESTMENTS)

1,570	Maryland Community Development Administration, Insured Multifamily Housing Mortgage Loan Revenue Bonds, Series 2001B, 5.250%, 7/01/21 (Alternative Minimum Tax)	7/11 at 100
-------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

2,000	Maryland Economic Development Corporation, Revenue Bonds, Chesapeake Bay Hyatt Conference Center, Series 2006A, 5.000%, 12/01/31	12/16 at 100
-------	----------------------------------------------------------------------------------------------------------------------------------------	--------------

10,600	Maryland Energy Financing Administration, Revenue Bonds, AES Warrior Run Project, Series 1995, 7.400%, 9/01/19 (Alternative Minimum Tax)	9/07 at 100
--------	------------------------------------------------------------------------------------------------------------------------------------------------	-------------

14,170	Total Maryland	
--------	----------------	--

MASSACHUSETTS - 0.8% (0.6% OF TOTAL INVESTMENTS)

5,000	Massachusetts Port Authority, Special Facilities Revenue Bonds, Delta Air Lines Inc., Series 2001A, 5.500%, 1/01/18 - AMBAC Insured (Alternative Minimum Tax)	1/11 at 101
-------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

MICHIGAN - 9.1% (6.2% OF TOTAL INVESTMENTS)

15,000	Detroit City School District, Wayne County, Michigan, Unlimited Tax School Building and Site Improvement Bonds, Series 2001A, 6.000%, 5/01/29 - FSA Insured	No Opt. C
--------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

11,000	Kent Hospital Finance Authority, Michigan, Revenue Bonds, Spectrum Health, Series 2001A, 5.500%, 1/15/31 (Pre-refunded 7/15/11)	7/11 at 101
--------	---------------------------------------------------------------------------------------------------------------------------------------	-------------

1,235	Michigan State Building Authority, Revenue Bonds, Facilities Program, Series 2001I, 5.500%, 10/15/18	10/11 at 100
-------	---------------------------------------------------------------------------------------------------------	--------------

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

1,355	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A, 5.250%, 8/15/23	8/08 at 101
3,485	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sisters of Mercy Health Corporation, Series 1993P, 5.375%, 8/15/14 - MBIA Insured (ETM)	No Opt. C
	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sparrow Obligated Group, Series 2001:	
1,400	5.500%, 11/15/21	11/11 at 101
2,500	5.625%, 11/15/31	11/11 at 101

73

Nuveen Dividend Advantage Municipal Fund 3 (NZF) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	MICHIGAN (continued)	
\$ 12,640	Royal Oak Hospital Finance Authority, Michigan, Hospital, Series 2001M, 5.250%, 11/15/31 - MBIA Insured Hospital Revenue Bonds, William Beaumont	11/11 at 100
2,395	Ypsilanti Community Utilities Authority, Washtenaw County, Michigan, General Obligation Bonds, Sanitary Sewerage System 3, Series 2001, 5.100%, 5/01/31 - FGIC Insured	5/11 at 100
-----		
51,010	Total Michigan	
-----		
	MINNESOTA - 0.4% (0.3% OF TOTAL INVESTMENTS)	
2,330	Dakota County Community Development Agency, Minnesota, GNMA Collateralized Multifamily Housing Revenue Bonds, Rose Apartments Project, Series 2001, 6.350%, 10/20/37 (Alternative Minimum Tax)	10/11 at 105
-----		
	MISSISSIPPI - 0.4% (0.2% OF TOTAL INVESTMENTS)	
2,155	Mississippi Business Finance Corporation, GNMA Collateralized Retirement Facility Mortgage Revenue Refunding Bonds, Aldersgate Retirement Community Inc. Project, Series 1999A, 5.450%, 5/20/34	5/09 at 103
-----		
	MISSOURI - 2.5% (1.7% OF TOTAL INVESTMENTS)	
1,825	Fenton, Missouri, Tax Increment Refunding and Improvement Revenue Bonds, Gravois Bluffs Redevelopment Project, Series 2002,	10/12 at 100



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

6.125%, 10/01/21 (Pre-refunded 10/01/12)

	Missouri Development Finance Board, Cultural Facilities Revenue Bonds, Nelson Gallery Foundation, Series 2001A:		
3,335	5.250%, 12/01/19 - MBIA Insured		12/11 at 100
3,510	5.250%, 12/01/20 - MBIA Insured		12/11 at 100
3,695	5.250%, 12/01/21 - MBIA Insured		12/11 at 100
2,040	5.250%, 12/01/22 - MBIA Insured		12/11 at 100

---

14,405 Total Missouri

---

MONTANA - 0.8% (0.5% OF TOTAL INVESTMENTS)

5,000	Montana Board of Investments, Exempt Facility Revenue Bonds, Stillwater Mining Company, Series 2000, 8.000%, 7/01/20 (Alternative Minimum Tax)		7/10 at 101
-------	------------------------------------------------------------------------------------------------------------------------------------------------	--	-------------

---

NEBRASKA - 1.1% (0.8% OF TOTAL INVESTMENTS)

	Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2001D:		
2,255	5.250%, 9/01/21 (Alternative Minimum Tax)		9/11 at 100
3,035	5.375%, 9/01/32 (Alternative Minimum Tax)		9/11 at 100
1,500	Omaha Public Power District, Nebraska, Electric System Revenue Bonds, Nebraska City 2, Series 2006A, Residuals 1508-2, 7.530%, 2/01/49 (WI/DD, Settling 11/02/06) - AMBAC Insured (IF)		2/17 at 100

---

6,790 Total Nebraska

---

NEVADA - 7.8% (5.2% OF TOTAL INVESTMENTS)

35,000	Clark County, Nevada, Limited Tax General Obligation Bank Bonds, Series 2000, 5.500%, 7/01/30 (Pre-refunded 7/01/10) - MBIA Insured		7/10 at 100
2,000	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000, 5.375%, 1/01/40 - AMBAC Insured		1/10 at 100
4,000	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, Second Tier, Series 2000, 7.375%, 1/01/40		1/10 at 102
255	Nevada Housing Division, Single Family Mortgage Bonds, Senior Series 1998A-1, 5.300%, 4/01/18 (Alternative Minimum Tax)		4/08 at 101
4,290	University of Nevada, Revenue Bonds, Community College System, Series 2001A, 5.250%, 7/01/26 - FGIC Insured		1/12 at 100

---

45,545 Total Nevada

---

NEW HAMPSHIRE - 0.4% (0.2% OF TOTAL INVESTMENTS)

2,000	New Hampshire Health and Education Authority, Hospital Revenue Bonds, Concord Hospital, Series 2001, 5.500%, 10/01/21 - FSA Insured		10/11 at 101
-------	-------------------------------------------------------------------------------------------------------------------------------------	--	--------------

---

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

74

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
NEW JERSEY - 3.7% (2.5% OF TOTAL INVESTMENTS)		
\$ 10,000	New Jersey Economic Development Authority, Water Facilities Revenue Bonds, American Water Company, Series 2002A, 5.250%, 11/01/32 - AMBAC Insured (Alternative Minimum Tax)	11/12 at 101
4,125	New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 - AMBAC Insured	No Opt. C
20,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/28 - AMBAC Insured	No Opt. C
34,125	Total New Jersey	
NEW YORK - 4.8% (3.2% OF TOTAL INVESTMENTS)		
1,780	East Rochester Housing Authority, New York, GNMA Secured Revenue Bonds, Gates Senior Housing Inc., Series 2001, 5.300%, 4/20/31	10/11 at 101
4,155	Monroe County Airport Authority, New York, Revenue Refunding Bonds, Greater Rochester International Airport, Series 1999, 5.750%, 1/01/13 - MBIA Insured (Alternative Minimum Tax)	No Opt. C
7,000	New York City Industrial Development Agency, New York, American Airlines-JFK International Airport Special Facility Revenue Bonds, Series 2005, 7.750%, 8/01/31 (Alternative Minimum Tax)	8/16 at 101
	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2001A:	
3,610	5.500%, 6/15/33 (Pre-refunded 6/15/10) - MBIA Insured	6/10 at 101
5,710	5.500%, 6/15/33 (Pre-refunded 6/15/10) - FGIC Insured	6/10 at 101
2,500	New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 - MBIA Insured	8/12 at 100
2,000	New York State Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed and State Contingency Contract-Backed Bonds, Series 2003B-1C, 5.500%, 6/01/16	6/11 at 100
26,755	Total New York	

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

NORTH CAROLINA - 1.1% (0.7% OF TOTAL INVESTMENTS)

	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A:	
1,750	4.875%, 1/15/32	1/15 at 100
3,000	5.000%, 1/15/45	1/15 at 100
1,800	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 2003A, 5.500%, 1/01/13	No Opt. C
-----		
6,550	Total North Carolina	
-----		

OHIO - 2.2% (1.5% OF TOTAL INVESTMENTS)

2,170	Ohio Housing Finance Agency, GNMA Mortgage-Backed Securities Program Residential Mortgage Revenue Bonds, Series 1998A-1, 5.300%, 9/01/19 - FSA Insured (Alternative Minimum Tax)	3/08 at 101
7,400	Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998B, 6.625%, 9/01/20 (Alternative Minimum Tax)	9/09 at 102
	Portage County, Ohio, General Obligation Bonds, Series 2001:	
1,870	5.000%, 12/01/21 - FGIC Insured	12/11 at 100
1,775	5.000%, 12/01/23 - FGIC Insured	12/11 at 100
-----		
13,215	Total Ohio	
-----		

OKLAHOMA - 0.4% (0.3% OF TOTAL INVESTMENTS)

2,500	Oklahoma Development Finance Authority, Revenue Refunding Bonds, Hillcrest Healthcare System, Series 1999A, 5.625%, 8/15/29 (Pre-refunded 8/15/09)	8/09 at 101
-----		

OREGON - 2.4% (1.7% OF TOTAL INVESTMENTS)

4,700	Oregon Health, Housing, Educational and Cultural Facilities Authority, Revenue Bonds, PeaceHealth Project, Series 2001, 5.250%, 11/15/21 - AMBAC Insured	11/11 at 101
10,000	Oregon Housing and Community Services Department, Multifamily Housing Revenue Bonds, Series 2000A, 6.050%, 7/01/42 (Alternative Minimum Tax)	7/10 at 100
-----		
14,700	Total Oregon	
-----		

75

Nuveen Dividend Advantage Municipal Fund 3 (NZF) (continued)

Portfolio of INVESTMENTS October 31, 2006

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
PENNSYLVANIA - 1.9% (1.3% OF TOTAL INVESTMENTS)		
	Allegheny County Hospital Development Authority, Pennsylvania, Revenue Bonds, West Penn Allegheny Health System, Series 2000B:	
\$ 2,000	9.250%, 11/15/22	11/10 at 102
2,000	9.250%, 11/15/30	11/10 at 102
3,500	Pennsylvania Economic Development Financing Authority, Senior Lien Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994A, 6.600%, 1/01/19 (Alternative Minimum Tax)	1/07 at 100
3,205	Philadelphia School District, Pennsylvania, General Obligation Bonds, Series 2002B, 5.625%, 8/01/16 (Pre-refunded 8/01/12) - FGIC Insured	8/12 at 100
-----		
10,705	Total Pennsylvania	
-----		
SOUTH CAROLINA - 1.6% (1.1% OF TOTAL INVESTMENTS)		
2,185	Greenville County, South Carolina, Special Source Revenue Bonds, Road Improvement Project, Series 2001, 5.500%, 4/01/21 - AMBAC Insured	4/11 at 101
6,850	South Carolina Transportation Infrastructure Bank, Revenue Bonds, Series 2001A, 5.500%, 10/01/22 (Pre-refunded 10/01/11) - AMBAC Insured	10/11 at 100
-----		
9,035	Total South Carolina	
-----		
TENNESSEE - 1.3% (0.9% OF TOTAL INVESTMENTS)		
5,210	Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 2001A, 5.500%, 3/01/14 - FSA Insured (Alternative Minimum Tax)	3/11 at 100
275	Sullivan County Health Educational and Housing Facilities Board, Tennessee, Revenue Bonds, Wellmont Health System, Series 2006C, 5.250%, 9/01/36 (WI/DD, Settling 11/02/06)	9/16 at 100
1,130	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 1998-2, 5.350%, 7/01/23 (Alternative Minimum Tax)	1/09 at 101
1,130	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2001-3A, 5.200%, 7/01/22 (Alternative Minimum Tax)	7/11 at 100
-----		
7,745	Total Tennessee	
-----		
TEXAS - 18.6% (12.6% OF TOTAL INVESTMENTS)		
1,125	Brushy Creek Municipal Utility District, Williamson County, Texas,	6/09 at 100

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

Combination Unlimited Tax and Revenue Refunding Bonds,  
Series 2001, 5.125%, 6/01/26 - FSA Insured

	Collins and Denton Counties, Frisco, Texas, General Obligation Bonds, Series 2001:	
1,910	5.000%, 2/15/20 - FGIC Insured	2/11 at 100
2,005	5.000%, 2/15/21 - FGIC Insured	2/11 at 100
3,850	Dallas-Ft. Worth International Airport, Texas, Joint Revenue Refunding and Improvement Bonds, Series 2001A, 5.500%, 11/01/35 - FGIC Insured (Alternative Minimum Tax)	11/11 at 100
5,000	Decatur Hospital Authority, Texas, Revenue Bonds, Wise Regional Health System, Series 2004A, 7.000%, 9/01/25	9/14 at 100
4,040	Harris County, Texas, Tax and Revenue Certificates of Obligation, Series 2001, 5.000%, 8/15/27	8/11 at 100
6,000	Houston, Texas, Junior Lien Water and Sewerage System Revenue Refunding Bonds, Series 2001B, 5.500%, 12/01/29 - MBIA Insured (ETM)	No Opt. C
7,000	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 1998B, 5.250%, 7/01/14 - FGIC Insured (Alternative Minimum Tax)	7/08 at 101
	Houston, Texas, Subordinate Lien Airport System Revenue Refunding Bonds, Series 2001A:	
2,525	5.500%, 7/01/13 - FGIC Insured (Alternative Minimum Tax)	1/12 at 100
2,905	5.500%, 7/01/14 - FGIC Insured (Alternative Minimum Tax)	1/12 at 100
	Jefferson County Health Facilities Development Corporation, Texas, FHA-Insured Mortgage Revenue Bonds, Baptist Hospital of Southeast Texas, Series 2001:	
8,500	5.400%, 8/15/31 - AMBAC Insured	8/11 at 100
8,500	5.500%, 8/15/41 - AMBAC Insured	8/11 at 100
10,700	Laredo Independent School District, Webb County, Texas, General Obligation Refunding Bonds, Series 2001, 5.000%, 8/01/25	8/11 at 100

76

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	TEXAS (continued)	
\$ 2,500	Matagorda County Navigation District 1, Texas, Collateralized Revenue Refunding Bonds, Houston Light and Power Company, Series 1997, 5.125%, 11/01/28 - AMBAC Insured (Alternative Minimum Tax)	No Opt. C

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

1,540	Medina Valley Independent School District, Medina County, Texas, General Obligation Bonds, Series 2001, 5.250%, 2/15/26 (Pre-refunded 2/15/11)	2/11 at 100
5,430	Mineral Wells Independent School District, Pale Pinto and Parker Counties, Texas, Unlimited School Tax Building and Refunding Bonds, Series 1998, 4.750%, 2/15/22	2/08 at 100
2,905	North Central Texas Health Facilities Development Corporation, Revenue Bonds, Texas Health Resources System, Series 1997B, 5.375%, 2/15/26 - MBIA Insured	2/08 at 102
95	North Central Texas Health Facilities Development Corporation, Revenue Bonds, Texas Health Resources System, Series 1997B, 5.375%, 2/15/26 (Pre-refunded 2/15/08) - MBIA Insured	2/08 at 102
3,045	Port of Houston Authority, Harris County, Texas, General Obligation Port Improvement Bonds, Series 2001B, 5.500%, 10/01/17 - FGIC Insured (Alternative Minimum Tax)	10/11 at 100
10,665	Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2001A, 5.350%, 7/01/33 (Alternative Minimum Tax)	7/11 at 100
15,700	Texas Water Development Board, Senior Lien State Revolving Fund Revenue Bonds, Series 1996B, 5.125%, 7/15/18	1/07 at 100
	White Settlement Independent School District, Tarrant County, Texas, General Obligation Bonds, Series 2006:	
9,110	0.000%, 8/15/37	8/15 at 31
9,110	0.000%, 8/15/40	8/15 at 27
7,110	0.000%, 8/15/44	8/15 at 21

---

131,270 Total Texas

---

UTAH - 0.9% (0.6% OF TOTAL INVESTMENTS)

	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001E:	
1,855	5.200%, 1/01/18 (Alternative Minimum Tax)	7/11 at 100
595	5.500%, 1/01/23 (Alternative Minimum Tax)	7/11 at 100
	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001F-1:	
2,375	4.950%, 7/01/18 (Alternative Minimum Tax)	7/11 at 100
610	5.300%, 7/01/23 (Alternative Minimum Tax)	7/11 at 100

---

5,435 Total Utah

---

VIRGINIA - 0.8% (0.5% OF TOTAL INVESTMENTS)

7,000	Pocahontas Parkway Association, Virginia, Senior Lien Revenue Bonds, Route 895 Connector Toll Road, Series 1998B, 0.000%, 8/15/13 (Pre-refunded 8/15/08)	8/08 at 77
-------	----------------------------------------------------------------------------------------------------------------------------------------------------------	------------

---

WASHINGTON - 15.4% (10.4% OF TOTAL INVESTMENTS)

Bellingham Housing Authority, Washington, Housing Revenue Bonds,

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

	Varsity Village Project, Series 2001A:	
1,000	5.500%, 12/01/27 - MBIA Insured	12/11 at 100
2,000	5.600%, 12/01/36 - MBIA Insured	12/11 at 100
1,500	Grays Harbor County Public Utility District 1, Washington, Electric System Revenue Bonds, Series 2001, 5.125%, 1/01/22 - AMBAC Insured	1/11 at 100
2,475	Klickitat County Public Utility District 1, Washington, Electric Revenue Bonds, Series 2001B, 5.000%, 12/01/26 (Pre-refunded 12/01/11) - AMBAC Insured	12/11 at 100
12,955	Port of Seattle, Washington, Passenger Facility Charge Revenue Bonds, Series 1998B, 5.300%, 12/01/16 - AMBAC Insured (Alternative Minimum Tax)	12/08 at 101
2,535	Port of Seattle, Washington, Revenue Bonds, Series 2001B: 5.625%, 4/01/18 - FGIC Insured (Alternative Minimum Tax)	10/11 at 100
16,000	5.100%, 4/01/24 - FGIC Insured (Alternative Minimum Tax)	10/08 at 100
2,090	Public Utility District 1, Benton County, Washington, Electric Revenue Refunding Bonds, Series 2001A, 5.625%, 11/01/15 - FSA Insured	11/11 at 100

77

Nuveen Dividend Advantage Municipal Fund 3 (NZF) (continued)

Portfolio of INVESTMENTS October 31, 2006

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL C PROVISIONS
-----		
	WASHINGTON (continued)	
\$ 5,680	Seattle, Washington, Municipal Light and Power Revenue Refunding and Improvement Bonds, Series 2001, 5.500%, 3/01/18 - FSA Insured	3/11 at 100
4,530	Tacoma, Washington, Solid Waste Utility Revenue Refunding Bonds, Series 2001, 5.250%, 12/01/21 (Pre-refunded 12/01/11) - AMBAC Insured	12/11 at 100
3,720	Washington State Healthcare Facilities Authority, Revenue Bonds, Children's Hospital and Regional Medical Center, Series 2001, 5.375%, 10/01/18 (Pre-refunded 10/01/11) - AMBAC Insured	10/11 at 100
	Washington State Healthcare Facilities Authority, Revenue Bonds, Good Samaritan Hospital, Series 2001:	
5,480	5.500%, 10/01/21 - RAAI Insured	10/11 at 101
25,435	5.625%, 10/01/31 - RAAI Insured	10/11 at 101

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

	Washington State Healthcare Facilities Authority, Revenue Bonds, Group Health Cooperative of Puget Sound, Series 2001:		
3,005	5.375%, 12/01/17 - AMBAC Insured		12/11 at 101
2,915	5.375%, 12/01/18 - AMBAC Insured		12/11 at 101
-----			
91,320	Total Washington		
-----			
	WISCONSIN - 4.4% (3.0% OF TOTAL INVESTMENTS)		
	Appleton, Wisconsin, Waterworks Revenue Refunding Bonds, Series 2001:		
3,705	5.375%, 1/01/20 - FGIC Insured		1/12 at 100
1,850	5.000%, 1/01/21 - FGIC Insured		1/12 at 100
1,735	Evansville Community School District, Dane, Green and Rock Counties, Wisconsin, General Obligation Refunding Bonds, Series 2001, 5.500%, 4/01/20 (Pre-refunded 4/01/11) - FGIC Insured		4/11 at 100
12,250	La Crosse, Wisconsin, Pollution Control Revenue Refunding Bonds, Dairyland Power Cooperative, Series 1997B, 5.550%, 2/01/15 - AMBAC Insured		12/08 at 102
350	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert and Community Health Obligated Group, Series 2001, 5.375%, 10/01/30		10/11 at 101
3,650	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert and Community Health Obligated Group, Series 2001, 5.375%, 10/01/30 (Pre-refunded 10/01/11)		10/11 at 101
2,500	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Marshfield Clinic, Series 2001B, 6.000%, 2/15/25		2/12 at 100
-----			
26,040	Total Wisconsin		
-----			
\$ 920,500	Total Municipal Bonds (cost \$875,036,226)		
=====			

78

SHARES	DESCRIPTION (1)
	COMMON STOCKS - 0.0% (0.0% OF TOTAL INVESTMENTS)
	AIRLINES - 0.0% (0.0% OF TOTAL INVESTMENTS)
791	UAL Corporation (5) (7)
-----	
	Total Common Stocks (cost \$24,879)
-----	
	Total Investments (cost \$875,061,105) - 147.8%



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

```

-----
Other Assets Less Liabilities - 2.0%
-----
Preferred Shares, at Liquidation Value - (49.8)%
-----
Net Assets Applicable to Common Shares - 100%
=====

```

FORWARD SWAPS OUTSTANDING AT OCTOBER 31, 2006:

COUNTERPARTY	NOTIONAL AMOUNT	FLOATING RATE INDEX	FUND PAY/RECEIVE FLOATING RATE	FIXED RATE (ANNUALIZED)	FIXED RATE PAYMENT FREQUENCY	EFFECTIVE DATE
Merrill Lynch	\$26,750,00	3-Month USD-LIBOR	Pay	5.184%	Semi-Annually	10/30/06
USD-LIBOR (United States Dollar-London Inter-Bank Offered Rates)						

FUTURES CONTRACTS OUTSTANDING AT OCTOBER 31, 2006:

TYPE	CONTRACT POSITION	NUMBER OF CONTRACTS	CONTRACT EXPIRATION	ORIGINAL VALUE
U.S. 30-Year Treasury Notes	Long	159	12/06	\$17,782,633

- (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 (not covered by the report of independent registered public accounting firm): 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 (not covered by the report of independent registered public accounting firm): Using the higher of Standard & Poor's or Moody's rating. Ratings below BBB by Standard & Poor's Group or Baa by Moody's Investor Service, Inc. are considered to be below investment grade.
- (4) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities which ensure the timely payment of principal and interest. Such investments are normally considered to be equivalent to AAA rated securities.
- (5) Non-income producing.

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

- (6) On December 9, 2002, UAL Corporation ("UAL"), the holding company of United Air Lines, Inc., filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to the bonds previously held and thus the Fund had stopped accruing interest on its UAL bonds.
- (7) On February 1, 2006, UAL emerged from federal bankruptcy with the acceptance of its reorganization plan by the bankruptcy court. Under the settlement agreement established to meet UAL's unsecured bond obligations, the bondholders, including the Fund, received distributions of UAL common stock over the subsequent months, and the bankruptcy court dismissed all unsecured claims of bondholders, including those of the Fund. On March 31, 2006 and April 13, 2006, the Fund liquidated such UAL common stock holdings. On October 5, 2006, the Fund received an additional distribution of UAL common stock as a result of its ownership of UAL bonds, which it still held at October 31, 2006. Subsequent to fiscal year-end, the Fund liquidated its UAL common stock holdings.
- (8) Effective date represents the date on which both the Fund and counterparty commence interest payment accruals on each forward swap contract. N/R Not rated.

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

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

79

Statement of  
ASSETS AND LIABILITIES October 31, 2006

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	
-----			
ASSETS			
Investments, at value (cost			
\$1,303,450,908, \$927,999,902			
\$991,270,192, \$821,317,947,			
\$624,238,419 and \$875,061,105,			
respectively)	\$ 1,406,801,730	\$ 1,006,727,683	\$ 1,
Cash	--	--	
Deposits with brokers for open			
futures contracts	--	--	
Receivables:			
Interest	20,354,169	16,250,336	
Investments sold	707,817	74,885,545	
Variation margin on futures contracts	--	--	
Unrealized appreciation on forward swaps	--	--	
Other assets	112,468	87,855	
-----			

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

Total assets	1,427,976,184	1,097,951,419	1,
-----			
LIABILITIES			
Cash overdraft	2,560,051	3,805,173	
Payable for investments purchased	--	51,564,798	
Accrued expenses:			
Management fees	723,677	534,777	
Other	292,152	238,992	
Preferred share dividends payable	178,075	133,133	
-----			
Total liabilities	3,753,955	56,276,873	
-----			
Preferred shares, at liquidation value	479,000,000	358,000,000	
-----			
Net assets applicable to Common shares	\$ 945,222,229	\$ 683,674,546	\$
=====			
Common shares outstanding	59,914,073	43,065,903	
=====			
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 15.78	\$ 15.88	\$
=====			
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:			
-----			
Common shares, \$.01 par value per share	\$ 599,141	\$ 430,659	\$
Paid-in surplus	836,423,631	601,673,644	
Undistributed (Over-distribution of) net investment income	1,230,581	2,927,826	
Accumulated net realized gain (loss) from investments and derivative transactions	3,618,054	(85,364)	
Net unrealized appreciation (depreciation) of investments and derivative transactions	103,350,822	78,727,781	
-----			
Net assets applicable to Common shares	\$ 945,222,229	\$ 683,674,546	\$
=====			
Authorized shares:			
Common	200,000,000	200,000,000	
Preferred	1,000,000	1,000,000	
=====			
	DIVIDEND ADVANTAGE (NAD)	DIVIDEND ADVANTAGE 2 (NXZ)	
-----			
ASSETS			
Investments, at value (cost \$1,303,450,908, \$927,999,902 \$991,270,192, \$821,317,947, \$624,238,419 and \$875,061,105, respectively)	\$ 888,546,080	\$ 680,892,560	\$
Cash	--	1,505,923	
Deposits with brokers for open futures contracts	--	--	
Receivables:			
Interest	12,716,081	11,307,407	

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

Investments sold	15,764,372	4,005,394
Variation margin on futures contracts	--	--
Unrealized appreciation on forward swaps	--	--
Other assets	78,455	50,585
-----		
Total assets	917,104,988	697,761,869
-----		

LIABILITIES

Cash overdraft	2,235,783	--
Payable for investments purchased	8,912,198	5,178,245
Accrued expenses:		
Management fees	351,783	212,997
Other	169,407	114,630
Preferred share dividends payable	119,956	66,706
-----		

Total liabilities	11,789,127	5,572,578
-----		

Preferred shares, at liquidation value	295,000,000	222,000,000
-----		

Net assets applicable to Common shares	\$ 610,315,861	\$ 470,189,291	\$
=====			

Common shares outstanding	39,267,491	29,346,032
=====		

Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 15.54	\$ 16.02	\$
=====			

NET ASSETS APPLICABLE TO  
COMMON SHARES CONSIST OF:

Common shares, \$.01 par value per share	\$ 392,675	\$ 293,460	\$
Paid-in surplus	558,149,941	417,184,977	
Undistributed (Over-distribution of) net investment income	1,374,504	1,988,926	
Accumulated net realized gain (loss) from investments and derivative transactions	(16,829,392)	(5,932,213)	
Net unrealized appreciation (depreciation) of investments and derivative transactions	67,228,133	56,654,141	
-----			

Net assets applicable to Common shares	\$ 610,315,861	\$ 470,189,291	\$
=====			

Authorized shares:		
Common	Unlimited	Unlimited
Preferred	Unlimited	Unlimited
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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

OPERATIONS Year Ended October 31, 2006

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)
INVESTMENT INCOME	\$ 70,383,602	\$ 54,519,113
<hr/>		
EXPENSES		
Management fees	8,507,546	6,300,897
Preferred shares - auction fees	1,198,070	895,425
Preferred shares - dividend disbursing agent fees	50,000	50,000
Shareholders' servicing agent fees and expenses	168,084	103,742
Custodian's fees and expenses	314,859	257,622
Directors'/Trustees' fees and expenses	32,407	23,523
Professional fees	63,762	54,942
Shareholders' reports - printing and mailing expenses	126,850	95,246
Stock exchange listing fees	22,103	15,884
Investor relations expense	134,145	99,136
Other expenses	64,075	53,914
<hr/>		
Total expenses before custodian fee credit, expense reimbursement and legal fee refund	10,681,901	7,950,331
Custodian fee credit	(125,173)	(56,934)
Expense reimbursement	--	--
Legal fee refund	--	(9,485)
<hr/>		
Net expenses	10,556,728	7,883,912
<hr/>		
Net investment income	59,826,874	46,635,201
<hr/>		
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) from investments	3,609,041	(38,686)
Change in net unrealized appreciation (depreciation) of investments	18,585,165	11,410,086
Change in net unrealized appreciation (depreciation) of futures	--	--
Change in net unrealized appreciation (depreciation) of forward swaps	--	--
<hr/>		
Net realized and unrealized gain (loss)	22,194,206	11,371,400
<hr/>		
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS		
From net investment income	(14,851,985)	(11,096,228)
From accumulated net realized gains	(204,889)	(95,203)
<hr/>		
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(15,056,874)	(11,191,431)
<hr/>		
Net increase (decrease) in net assets applicable to Common shares		

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

from operations	\$	66,964,206	\$	46,815,170	\$
			DIVIDEND ADVANTAGE (NAD)	DIVIDEND ADVANTAGE 2 (NXZ)	
INVESTMENT INCOME	\$	45,958,483	\$	36,217,116	\$
EXPENSES					
Management fees		5,485,410		4,228,760	
Preferred shares - auction fees		737,955		553,679	
Preferred shares - dividend disbursing agent fees		30,000		30,000	
Shareholders' servicing agent fees and expenses		16,247		6,597	
Custodian's fees and expenses		191,350		134,735	
Directors'/Trustees' fees and expenses		19,277		15,264	
Professional fees		54,231		35,898	
Shareholders' reports - printing and mailing expenses		77,901		56,746	
Stock exchange listing fees		14,504		3,629	
Investor relations expense		85,550		66,671	
Other expenses		40,463		33,001	
Total expenses before custodian fee credit, expense reimbursement and legal fee refund		6,752,888		5,164,980	
Custodian fee credit		(98,224)		(80,443)	
Expense reimbursement		(1,676,403)		(1,856,261)	
Legal fee refund		(13,354)		(3,329)	
Net expenses		4,964,907		3,224,947	
Net investment income		40,993,576		32,992,169	
REALIZED AND UNREALIZED GAIN (LOSS)					
Net realized gain (loss) from investments		4,172,514		(1,053,678)	
Change in net unrealized appreciation (depreciation) of investments		8,567,260		10,301,195	
Change in net unrealized appreciation (depreciation) of futures		--		--	
Change in net unrealized appreciation (depreciation) of forward swaps		--		--	
Net realized and unrealized gain (loss)		12,739,774		9,247,517	
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS					
From net investment income		(9,396,656)		(7,047,610)	
From accumulated net realized gains		--		--	
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders		(9,396,656)		(7,047,610)	
Net increase (decrease) in net assets applicable to Common shares from operations	\$	44,336,694	\$	35,192,076	\$

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

81

Statement of  
CHANGES IN NET ASSETS

	PERFORMANCE PLUS (NPP)	
	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05
<b>OPERATIONS</b>		
Net investment income	\$ 59,826,874	\$ 61,211,198
Net realized gain (loss) from investments	3,609,041	1,174,258
Net realized gain (loss) from forward swaps	--	--
Change in net unrealized appreciation (depreciation) of investments	18,585,165	(16,746,198)
Change in net unrealized appreciation (depreciation) of futures	--	--
Change in net unrealized appreciation (depreciation) of forward swaps	--	--
Distributions to Preferred shareholders:		
From net investment income	(14,851,985)	(9,513,192)
From accumulated net realized gains	(204,889)	(69,318)
Net increase (decrease) in net assets applicable to Common shares from operations	66,964,206	36,056,748
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS</b>		
From net investment income	(50,243,956)	(56,600,807)
From accumulated net realized gains	(1,042,505)	(904,764)
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(51,286,461)	(57,505,571)
<b>CAPITAL SHARE TRANSACTIONS</b>		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	--	--
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	--	--
Net increase (decrease) in net assets		

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

applicable to Common shares	15,677,745	(21,448,823)
Net assets applicable to Common shares at the beginning of year	929,544,484	950,993,307
<hr style="border-top: 1px dashed black;"/>		
Net assets applicable to Common shares at the end of year	\$ 945,222,229	\$ 929,544,484
<hr style="border-top: 1px dashed black;"/>		
Undistributed (Over-distribution of) net investment income at the end of year	\$ 1,230,581	\$ 6,510,536
<hr style="border-top: 1px dashed black;"/>		
 MARKET OPPORTUNITY (NMO) <hr style="border-top: 1px dashed black;"/>		
	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05
<hr style="border-top: 1px dashed black;"/>		
OPERATIONS		
Net investment income	\$ 46,502,877	\$ 46,851,160
Net realized gain (loss) from investments	(3,186,736)	6,140,447
Net realized gain (loss) from forward swaps	--	--
Change in net unrealized appreciation (depreciation) of investments	18,252,758	(18,854,854)
Change in net unrealized appreciation (depreciation) of futures	--	--
Change in net unrealized appreciation (depreciation) of forward swaps	--	--
Distributions to Preferred shareholders:		
From net investment income	(11,933,888)	(7,453,196)
From accumulated net realized gains	--	--
<hr style="border-top: 1px dashed black;"/>		
Net increase (decrease) in net assets applicable to Common shares from operations	49,635,011	26,683,557
<hr style="border-top: 1px dashed black;"/>		
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(37,757,943)	(41,760,989)
From accumulated net realized gains	--	--
<hr style="border-top: 1px dashed black;"/>		
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(37,757,943)	(41,760,989)
<hr style="border-top: 1px dashed black;"/>		
CAPITAL SHARE TRANSACTIONS		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	--	--
<hr style="border-top: 1px dashed black;"/>		
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	--	--
<hr style="border-top: 1px dashed black;"/>		
Net increase (decrease) in net assets applicable to Common shares	11,877,068	(15,077,432)
Net assets applicable to Common shares at the beginning of year	689,682,193	704,759,625
<hr style="border-top: 1px dashed black;"/>		



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

Net assets applicable to Common shares at the end of year	\$ 701,559,261	\$ 689,682,193
=====		
Undistributed (Over-distribution of) net investment income at the end of year	\$ 919,444	\$ 4,150,977
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

82

	DIVIDEND ADVANTAGE (NAD)		
	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05	
-----			
OPERATIONS			
Net investment income	\$ 40,993,576	\$ 41,783,665	\$
Net realized gain (loss) from investments	4,172,514	(176,759)	
Net realized gain (loss) from forward swaps	--	--	
Change in net unrealized appreciation (depreciation) of investments	8,567,260	(10,221,934)	
Change in net unrealized appreciation (depreciation) of futures	--	--	
Change in net unrealized appreciation (depreciation) of forward swaps	--	--	
Distributions to Preferred shareholders:			
From net investment income	(9,396,656)	(5,755,365)	
From accumulated net realized gains	--	--	
-----			
Net increase (decrease) in net assets applicable to Common shares from operations	44,336,694	25,629,607	
-----			
DISTRIBUTIONS TO COMMON SHAREHOLDERS			
From net investment income	(33,907,479)	(39,071,157)	
From accumulated net realized gains	--	--	
-----			
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(33,907,479)	(39,071,157)	
-----			
CAPITAL SHARE TRANSACTIONS			
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	--	--	
-----			
Net increase (decrease) in net assets applicable to Common shares			

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

from capital share transactions	--	--
-----		
Net increase (decrease) in net assets applicable to Common shares	10,429,215	(13,441,550)
Net assets applicable to Common shares at the beginning of year	599,886,646	613,328,196
-----		
Net assets applicable to Common shares at the end of year	\$ 610,315,861	\$ 599,886,646
=====		
Undistributed (Over-distribution of) net investment income at the end of ye	\$ 1,374,504	\$ 3,699,460
=====		

### DIVIDEND ADVANTAGE 3 (NZF)

	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05
-----		
OPERATIONS		
Net investment income	\$ 43,005,594	\$ 42,749,145
Net realized gain (loss) from investments	1,509,431	60,740
Net realized gain (loss) from forward swaps	--	--
Change in net unrealized appreciation (depreciation) of investments	10,632,281	133,784
Change in net unrealized appreciation (depreciation) of futures	129,711	--
Change in net unrealized appreciation (depreciation) of forward swaps	140,960	--
Distributions to Preferred shareholders:		
From net investment income	(9,830,888)	(6,046,697)
From accumulated net realized gains	--	--
-----		
Net increase (decrease) in net assets applicable to Common shares from operations	45,587,089	36,896,972
-----		
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(36,446,494)	(38,657,406)
From accumulated net realized gains	--	--
-----		
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(36,446,494)	(38,657,406)
-----		
CAPITAL SHARE TRANSACTIONS		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	337,160	--
-----		
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	337,160	--
-----		
Net increase (decrease) in net assets applicable to Common shares	9,477,755	(1,760,434)

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

Net assets applicable to Common shares at the beginning of year	617,357,756	619,118,190
-----		
Net assets applicable to Common shares at the end of year	\$ 626,835,511	\$ 617,357,756
=====		
Undistributed (Over-distribution of) net investment income at the end of ye	\$ 962,737	\$ 4,240,488
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

83

### Notes to FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The funds (the "Funds") covered in this report and their corresponding Common share stock exchange symbols are Nuveen Performance Plus Municipal Fund, Inc. (NPP), Nuveen Municipal Advantage Fund, Inc. (NMA), Nuveen Municipal Market Opportunity Fund, Inc. (NMO), Nuveen Dividend Advantage Municipal Fund (NAD), Nuveen Dividend Advantage Municipal Fund 2 (NXZ) and Nuveen Dividend Advantage Municipal Fund 3 (NZF). Performance Plus (NPP), Municipal Advantage (NMA), Market Opportunity (NMO) and Dividend Advantage (NAD) are traded on the New York Stock Exchange while Dividend Advantage 2 (NXZ) and Dividend Advantage 3 (NZF) are traded on the American Stock Exchange. The Funds are registered under the Investment Company Act of 1940, as amended, as closed-end, diversified management investment companies.

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

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with U.S. 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. When market price quotes are not readily available (which is usually the case for municipal securities), the pricing service establishes fair value based on yields or prices of municipal bonds of comparable quality, type of issue, coupon, maturity and rating, indications of value from securities dealers, evaluations of anticipated cash flows or collateral and general market conditions. Prices of forward swap contracts are also provided by an independent pricing service approved by each 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. If the pricing service is unable to supply a price for a municipal bond, forward swap contract or futures contract, each Fund may use a market price or fair market value quote provided by a major broker/dealer in such investments. If it is determined that the market price or fair market value for an investment is unavailable or

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

inappropriate, the Board of Directors/Trustees of the Funds, or its designee, may establish a fair value for the investment. Exchange-listed securities are generally valued at the last sales price on the securities exchange on which such securities are primarily traded. Securities traded on a securities exchange for which there are no transactions on a given day or securities not listed on a securities exchange are valued at the mean of the closing bid and asked prices. Securities traded on Nasdaq are valued at the Nasdaq Official Closing Price. Temporary investments in securities that have variable rate and demand features qualifying them as short-term investments are valued at amortized cost, which approximates market 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 or 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 October 31, 2006, Municipal Advantage (NMA), Dividend Advantage (NAD), Dividend Advantage 2 (NXZ) and Dividend Advantage 3 (NZF) had outstanding when-issued/delayed delivery purchase commitments of \$21,251,553, \$3,587,721, \$1,172,852 and \$2,005,021, respectively. There were no such outstanding purchase commitments in either Performance Plus (NPP) or Market Opportunity (NMO) at October 31, 2006.

### 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. Dividend income, if any, is recorded on the ex-dividend date.

### PROFESSIONAL FEES

Professional fees presented in the Statement of Operations consist of legal fees incurred in the normal course of operations, audit fees, tax consulting fees and, in some cases, workout expenditures. Workout expenditures are incurred in an attempt to protect or enhance an investment, or to pursue other claims or legal actions on behalf of Fund shareholders. Legal fee refunds presented on the Statement of Operations for Municipal Advantage (NMA), Dividend Advantage (NAD) and Dividend Advantage 2 (NXZ) reflect a refund of workout expenditures paid in a prior reporting period.

84

### FEDERAL INCOME TAXES

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all 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 income tax, to retain such tax-exempt status when distributed to shareholders of the Funds. All monthly tax-exempt income dividends paid during the fiscal year ended October 31, 2006, have been designated Exempt Interest Dividends. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal

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

taxation.

### 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 not less frequently than 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 U.S. 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 more than one 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. The number of Preferred shares outstanding, by Series and in total, for each Fund is as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)	DIVIDEND ADVANTAGE 2 (NXZ)	DIVID ADVANTAG (N
-----						
Number of shares:						
Series M	4,000	3,000	4,000	4,000	3,000	
Series T	4,000	3,000	4,000	4,000	3,000	
Series W	4,000	3,000	3,200	--	--	4,
Series TH	3,160	2,320	--	3,800	--	4,
Series F	4,000	3,000	4,000	--	2,880	4,
-----						
Total	19,160	14,320	15,200	11,800	8,880	12,
=====						

### INVERSE FLOATING RATE SECURITIES

The Funds are authorized to invest in inverse floating rate securities. During the year ended October 31, 2006, Municipal Advantage (NMA), Market Opportunity (NMO), Dividend Advantage (NAD), Dividend Advantage 2 (NXZ) and Dividend Advantage 3 (NZF) invested in inverse floating rate securities for the purpose of enhancing portfolio yield. Inverse floating rate securities are identified in the Portfolio of Investments and are valued daily. The interest rate of an inverse floating rate security has an inverse relationship to the interest rate of a short-term floating rate security. Consequently, as the interest rate of the floating rate security rises, the interest rate on the inverse floating rate security declines. Conversely, as the interest rate of the floating rate security declines, the interest rate on the inverse floating rate security rises. The price of an inverse floating rate security will be more volatile than that of an otherwise comparable fixed rate security since the interest rate is dependent on an underlying fixed coupon rate or the general level of long-term

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

interest rates as well as the short-term interest paid on the floating rate security, and because the inverse floating rate security typically bears the risk of loss of a greater face value of an underlying bond. Performance Plus (NPP) did not invest in any such securities during the year ended October 31, 2006.

### FORWARD SWAP TRANSACTIONS

The Funds are authorized to invest in certain derivative financial instruments. The Funds' use of forward interest rate swap transactions is intended to help the Fund manage its overall interest rate sensitivity, either shorter or longer, generally to more closely align the Fund's interest rate sensitivity with that of the broader municipal market. Forward interest rate swap transactions involve each Fund's agreement with a counterparty to pay, in the future, a fixed or variable rate payment in exchange for the counterparty paying the Fund a variable or fixed rate payment, the accruals for which would begin at a specified date in the future (the "effective date"). The amount of the payment obligation is based on the notional amount of the forward swap contract and the termination date of the swap (which is akin to a bond's maturity). The value of the Fund's swap commitment would increase or decrease based primarily on the extent to which long-term interest rates for bonds having a maturity of the swap's termination date increases or decreases. The Funds may terminate a swap contract prior to the effective date, at which point a realized gain or loss is recognized. When a forward swap is terminated, it ordinarily does not involve the delivery of securities or other underlying assets or principal, but rather is settled in cash on a net basis. Each Fund intends, but is not obligated, to terminate its forward swaps before the effective date. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the credit risk associated with a counterparty failing to honor its commitment to pay any realized gain to the Fund upon termination. To reduce such credit risk, all counterparties are required to pledge collateral daily (based on the daily valuation of each swap) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when any of the Funds have an unrealized loss on a swap contract, 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 swap valuations fluctuate, either up or down, by at least the predetermined threshold amount.

85

Notes to  
FINANCIAL STATEMENTS (continued)

### FUTURES CONTRACTS

The Funds are authorized to invest in futures contracts. 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." Subsequent payments ("variation margin") are made or received by a Fund each day, depending on the daily fluctuation of the value of the contract.

During the period the futures contract is open, changes in the value of the contract are recognized as an unrealized gain or loss by "marking-to-market" on a daily basis to reflect the changes in market value of the contract. 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

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

of the contract when originally entered into. Cash held by the broker to cover initial margin requirements on open futures contracts is noted in the Statement of Assets and Liabilities. Additionally, the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin as of October 31, 2006.

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.

### CUSTODIAN FEE CREDIT

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

### INDEMNIFICATIONS

Under the Funds' organizational documents, their Officers and Director/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 U.S. 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.

## 2. FUND SHARES

Transactions in Common shares were as follows:

	PERFORMANCE PLUS (NPP)		MUNICIPAL ADVANTAGE (NMA)	
	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05	YEAR ENDED 10/31/06	YEAR ENDED 10/31/05
Common shares issued to shareholders due to reinvestment of distributions	--	--	40,309	--

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

	DIVIDEND ADVANTAGE (NAD)		DIVIDEND ADVANTAGE 2 (NXZ)	
	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
	10/31/06	10/31/05	10/31/06	10/31/05
Common shares issued to shareholders due to reinvestment of distributions	--	--	55,164	8,868

86

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the fiscal year ended October 31, 2006, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Purchases	\$ 124,700,213	\$ 110,329,689	\$143,527,048	\$ 73,599,563
Sales and maturities	130,956,915	134,169,212	146,276,417	71,583,836

4. 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 the treatment of paydown gains and losses, timing differences in recognizing taxable market discount and timing differences in recognizing certain gains and losses on investment transactions. 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 October 31, 2006, the cost of investments was as follows:

	PERFORMANCE PLUS	MUNICIPAL ADVANTAGE	MARKET OPPORTUNITY	DIVIDEND ADVANTAGE
--	---------------------	------------------------	-----------------------	-----------------------



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

	(NPP)	(NMA)	(NMO)	(NAD)
Cost of investments	\$1,302,691,978	\$ 926,556,989	\$990,943,730	\$820,149,454

Gross unrealized appreciation and gross unrealized depreciation of investments at October 31, 2006, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Gross unrealized:				
Appreciation	\$ 104,622,164	\$ 80,233,431	\$ 80,162,904	\$ 68,571,746
Depreciation	(512,412)	(62,737)	(3,878,495)	(175,120)
Net unrealized appreciation (depreciation) of investments	\$ 104,109,752	\$ 80,170,694	\$ 76,284,409	\$ 68,396,626

The tax components of undistributed net tax-exempt income, net ordinary income and net long-term capital gains at October 31, 2006, the Funds' tax year end, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Undistributed net tax-exempt income *	\$ 4,425,692	\$ 4,620,835	\$ 3,659,265	\$ 2,916,963
Undistributed net ordinary income **	58,535	26,427	77,487	118,459
Undistributed net long-term capital gains	3,618,054	--	--	--

\* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on October 2, 2006, paid on November 1, 2006.

\*\* 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 tax years ended October 31, 2006 and October 31, 2005, was designated for purposes of the dividends paid deduction as follows:

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

2006	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Distributions from net tax-exempt income	\$ 65,689,928	\$ 50,218,101	\$ 49,767,991	\$ 43,683,872
Distributions from net ordinary income **	6,686	154,403	196,171	--
Distributions from net long-term capital gains***	1,247,394	593,511	--	--

87

Notes to  
FINANCIAL STATEMENTS (continued)

2005	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Distributions from net tax-exempt income	\$ 66,204,330	\$ 50,312,299	\$ 49,472,483	\$ 45,021,305
Distributions from net ordinary income **	238,651	--	--	--
Distributions from net long-term capital gains	974,082	688,671	--	--

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

\*\*\* The Funds designated as a long-term capital gain dividend, pursuant to Internal Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Funds related to net capital gain to zero for the tax year ended October 31, 2006.

At October 31, 2006, 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:

	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)
--	---------------------------------	--------------------------------

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

Expiration year:			
2008	\$	--	\$ --
2009		--	--
2010		--	--
2011		--	7,158,110
2012		--	973,824
2013		--	--
2014		35,364	3,141,529
-----			
Total	\$	35,364	\$11,273,463
=====			

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Each Fund's management fee is separated into two components - a complex-level component, based on the aggregate amount of all fund assets managed by Nuveen Asset Management (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc., ("Nuveen"), and a specific fund-level component, based only on the amount of assets within each individual Fund. This pricing structure enables Nuveen fund shareholders to benefit from growth in the assets within each individual fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee, payable monthly, for each Fund is based upon the average daily net assets (including net assets attributable to Preferred shares) of each Fund as follows:

AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES)

-----

For the first \$125 million  
 For the next \$125 million  
 For the next \$250 million  
 For the next \$500 million  
 For the next \$1 billion  
 For the next \$3 billion  
 For net assets over \$5 billion

=====

AVERAGE DAILY NET ASSETS (INCLUDING NET ASSETS ATTRIBUTABLE TO PREFERRED SHARES)

-----  
For the first \$125 million  
For the next \$125 million  
For the next \$250 million  
For the next \$500 million  
For the next \$1 billion  
For net assets over \$2 billion  
=====

The annual complex-level fee, payable monthly, which is additive to the fund-level fee, for all Nuveen sponsored funds in the U.S., is based on the aggregate amount of total fund assets managed as stated in the table below. As of October 31, 2006, the complex-level fee rate was .1852%.

COMPLEX-LEVEL ASSETS (1)  
-----

For the first \$55 billion  
For the next \$1 billion  
For the next \$1 billion  
For the next \$3 billion  
For the next \$3 billion  
For the next \$3 billion  
For the next \$5 billion  
For the next \$5 billion  
For the next \$15 billion  
For Managed Assets over \$91 billion (2)  
=====

- (1) The complex-level fee component of the management fee for the funds is calculated based upon the aggregate Managed Assets ("Managed Assets" means the average daily net assets of each fund including assets attributable to all types of leverage used by the Nuveen funds) of Nuveen-sponsored funds in the U.S.
- (2) With respect to the complex-wide Managed Assets over \$91 billion, the fee rate or rates that will apply to such assets will be determined at a later date. In the unlikely event that complex-wide Managed Assets reach \$91 billion prior to a determination of the complex-level fee rate or rates to be applied to Managed Assets in excess of \$91 billion, the complex-level fee rate for such complex-wide Managed Assets shall be .1400% until such time as a different rate or rates is determined.

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.

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

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

YEAR ENDING  
JULY 31,

-----	
1999*	.30%
2000	.30
2001	.30
2002	.30
2003	.30
2004	.30
2005	.25%
2006	.20
2007	.15
2008	.10
2009	.05
=====	

\* From the commencement of operations.

The Adviser has not agreed to reimburse Dividend Advantage (NAD) for any portion of its fees and expenses beyond July 31, 2009.

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

YEAR ENDING  
MARCH 31,

-----	
2001*	.30%
2002	.30
2003	.30
2004	.30
2005	.30
2006	.30
2007	.25%
2008	.20
2009	.15
2010	.10
2011	.05
=====	

\* From the commencement of operations.

Notes to  
FINANCIAL STATEMENTS (continued)

The Adviser has not agreed to reimburse Dividend Advantage 2 (NXZ) for any portion of its fees and expenses beyond March 31, 2011.

For the first ten years of Dividend Advantage 3's (NZF) operations, the Adviser

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

has agreed to reimburse the Fund, as a percentage of average daily net assets (including net assets attributable to Preferred shares), for fees and expenses in the amounts and for the time periods set forth below:

YEAR ENDING  
SEPTEMBER 30,

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

\* From the commencement of operations.

The Adviser has not agreed to reimburse Dividend Advantage 3 (NZF) for any portion of its fees and expenses beyond September 30, 2011.

### 6. NEW ACCOUNTING PRONOUNCEMENTS

#### FINANCIAL ACCOUNTING STANDARDS BOARD INTERPRETATION NO. 48

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and does not expect the adoption of FIN 48 will have a significant impact on the net assets or results of operations of the Funds.

#### FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT ON FINANCIAL ACCOUNTING STANDARDS NO. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this standard relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of October 31, 2006, the Funds do not believe the adoption of SFAS No. 157 will impact the financial statement amounts; however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements included within the Statement of

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

Operations for the period.

7. SUBSEQUENT EVENT

DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Funds declared Common share dividend distributions from their tax-exempt net investment income which were paid on December 1, 2006, to shareholders of record on November 15, 2006, as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)
Dividend per share	\$ .0640	\$ .0715	\$ .0660	\$ .0690

90

Financial  
HIGHLIGHTS

91

Financial  
HIGHLIGHTS

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+		
PERFORMANCE PLUS (NPP)							
Year Ended 10/31:							
2006	\$15.51	\$1.00	\$ .38	\$ (.25)	\$ --		\$1.13
2005	15.87	1.02	(.26)	(.16)	--		.60
2004	15.45	1.04	.42	(.07)	--		1.39

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

2003	15.38	1.07	.05	(.07)	--	1.05
2002	15.57	1.09	(.22)	(.10)	(.01)	.76

MUNICIPAL ADVANTAGE (NMA)

Year Ended 10/31:

2006	15.70	1.08	.27	(.26)	--	1.09
2005	16.02	1.09	(.24)	(.16)	--	.69
2004	15.62	1.11	.41	(.08)	--	1.44
2003	15.41	1.13	.25	(.07)	(.01)	1.30
2002	15.65	1.15	(.22)	(.10)	(.03)	.80

MARKET OPPORTUNITY (NMO)

Year Ended 10/31:

2006	15.14	1.02	.34	(.26)	--	1.10
2005	15.48	1.03	(.29)	(.16)	--	.58
2004	15.11	1.03	.37	(.08)	--	1.32
2003	14.60	1.03	.50	(.08)	--	1.45
2002	15.24	1.11	(.70)	(.11)	(.01)	.29

DIVIDEND ADVANTAGE (NAD)

Year Ended 10/31:

2006	15.28	1.04	.32	(.24)	--	1.12
2005	15.62	1.06	(.25)	(.15)	--	.66
2004	15.17	1.09	.46	(.07)	--	1.48
2003	14.94	1.10	.19	(.07)	--	1.22
2002	14.84	1.13	.01	(.10)	--	1.04

DIVIDEND ADVANTAGE 2 (NXZ)

Year Ended 10/31:

2006	15.80	1.12	.32	(.24)	--	1.20
2005	15.63	1.13	.22	(.15)	--	1.20
2004	15.13	1.12	.51	(.07)	--	1.56
2003	14.89	1.16	.17	(.07)	--	1.26
2002	15.07	1.15	(.32)	(.10)	--	.73

DIVIDEND ADVANTAGE 3 (NZF)

Year Ended 10/31:

2006	15.32	1.07	.29	(.24)	--	1.12
2005	15.36	1.06	.01	(.15)	--	.92
2004	14.74	1.06	.59	(.07)	--	1.58
2003	14.56	1.07	.10	(.07)	--	1.10
2002	14.47	1.03	.16	(.10)	--	1.09

Total Returns

Offering Costs and Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value*	Based on Common Share Net Asset Value*
--------------------------------------------------------------------------	-------------------------------------------------	---------------------------	---------------------------------	-------------------------------------------------------

PERFORMANCE PLUS (NPP)



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

---

Year Ended 10/31:					
2006	\$ --	\$15.78	\$15.09	10.78%	7.50%
2005	--	15.51	14.43	3.02	3.83
2004	--	15.87	14.95	9.10	9.30
2003	--	15.45	14.64	9.58	6.97
2002	(.01)	15.38	14.28	4.51	5.03

MUNICIPAL ADVANTAGE (NMA)

---

Year Ended 10/31:					
2006	--	15.88	15.85	10.68	7.16
2005	--	15.70	15.19	3.29	4.42
2004	--	16.02	15.70	8.82	9.57
2003	--	15.62	15.44	13.17	8.71
2002	--	15.41	14.66	5.89	5.39

MARKET OPPORTUNITY (NMO)

---

Year Ended 10/31:					
2006	--	15.41	15.00	11.92	7.49
2005	--	15.14	14.19	4.70	3.78
2004	--	15.48	14.44	7.97	9.00
2003	--	15.11	14.29	10.62	10.24
2002	--	14.60	13.80	.49	2.03

DIVIDEND ADVANTAGE (NAD)

---

Year Ended 10/31:					
2006	--	15.54	15.30	11.19	7.59
2005	--	15.28	14.58	1.77	4.27
2004	--	15.62	15.31	8.37	10.06
2003	--	15.17	15.12	11.41	8.41
2002	--	14.94	14.50	2.01	7.26

DIVIDEND ADVANTAGE 2 (NXZ)

---

Year Ended 10/31:					
2006	--	16.02	16.50	11.95	7.86
2005	--	15.80	15.64	8.58	7.83
2004	--	15.63	15.38	11.16	10.67
2003	--	15.13	14.85	14.39	8.67
2002	.01	14.89	13.91	(.81)	5.16

DIVIDEND ADVANTAGE 3 (NZF)

---

Year Ended 10/31:					
2006	--	15.54	15.88	16.90	7.57
2005	--	15.32	14.41	6.11	6.09
2004	--	15.36	14.50	12.45	11.10
2003	.01	14.74	13.80	9.04	7.82
2002	(.09)	14.56	13.53	(4.26)	7.20

---

Ratios/Supplemental Data

---

Before Credit/ Reimbursement/Refund		After Credit/ Reimbursement/Refund**	
Ratio of	Ratio of Net Investment	Ratio of	Ratio of Net Investment

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

	Ending Net Assets Applicable to Common Shares (000)	Expenses to Average Net Assets Applicable to Common Shares++	Income to Average Net Assets Applicable to Common Shares++	Expenses to Average Net Assets Applicable to Common Shares++	Income to Average Net Assets Applicable to Common Shares++
-----					
PERFORMANCE PLUS (NPP)					
-----					
Year Ended 10/31:					
2006	\$945,222	1.15%	6.44%	1.14%	6.45%
2005	929,544	1.15	6.45	1.14	6.46
2004	950,993	1.17	6.69	1.17	6.70
2003	925,525	1.18	6.89	1.18	6.90
2002	921,376	1.18	7.11	1.17	7.12
-----					
MUNICIPAL ADVANTAGE (NMA)					
-----					
Year Ended 10/31:					
2006	683,675	1.18	6.92	1.17	6.93
2005	675,678	1.17	6.81	1.16	6.82
2004	689,190	1.19	7.00	1.18	7.00
2003	671,147	1.21	7.27	1.20	7.27
2002	662,270	1.22	7.55	1.22	7.55
-----					
MARKET OPPORTUNITY (NMO)					
-----					
Year Ended 10/31:					
2006	701,559	1.19	6.73	1.18	6.74
2005	689,682	1.19	6.66	1.18	6.67
2004	704,760	1.21	6.75	1.19	6.77
2003	687,955	1.25	6.94	1.25	6.94
2002	664,914	1.24	7.50	1.24	7.51
-----					
DIVIDEND ADVANTAGE (NAD)					
-----					
Year Ended 10/31:					
2006	610,316	1.12	6.54	.83	6.83
2005	599,887	1.17	6.48	.80	6.84
2004	613,328	1.14	6.69	.70	7.12
2003	595,266	1.35	6.78	.89	7.24
2002	586,045	1.25	7.24	.80	7.70
-----					
DIVIDEND ADVANTAGE 2 (NXZ)					
-----					
Year Ended 10/31:					
2006	470,189	1.11	6.70	.70	7.11
2005	462,862	1.12	6.66	.67	7.12
2004	457,552	1.14	6.87	.69	7.32
2003	443,101	1.17	7.20	.71	7.66
2002	435,907	1.17	7.32	.70	7.79
-----					
DIVIDEND ADVANTAGE 3 (NZF)					
-----					
Year Ended 10/31:					
2006	626,836	1.13	6.51	.68	6.96
2005	617,358	1.13	6.39	.68	6.84
2004	619,118	1.15	6.64	.69	7.10
2003	594,154	1.17	6.80	.71	7.26
2002	586,799	1.17	6.78	.70	7.25
=====					

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

Preferred Shares at End of Period

	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share
-----			
PERFORMANCE PLUS (NPP)			
-----			
Year Ended 10/31:			
2006	\$479,000	\$25,000	\$74,333
2005	479,000	25,000	73,515
2004	479,000	25,000	74,634
2003	479,000	25,000	73,305
2002	479,000	25,000	73,089
MUNICIPAL ADVANTAGE (NMA)			
-----			
Year Ended 10/31:			
2006	358,000	25,000	72,743
2005	358,000	25,000	72,184
2004	358,000	25,000	73,128
2003	358,000	25,000	71,868
2002	358,000	25,000	71,248
MARKET OPPORTUNITY (NMO)			
-----			
Year Ended 10/31:			
2006	380,000	25,000	71,155
2005	380,000	25,000	70,374
2004	380,000	25,000	71,366
2003	380,000	25,000	70,260
2002	380,000	25,000	68,744
DIVIDEND ADVANTAGE (NAD)			
-----			
Year Ended 10/31:			
2006	295,000	25,000	76,722
2005	295,000	25,000	75,838
2004	295,000	25,000	76,977
2003	295,000	25,000	75,446
2002	295,000	25,000	74,665
DIVIDEND ADVANTAGE 2 (NXZ)			
-----			
Year Ended 10/31:			
2006	222,000	25,000	77,949
2005	222,000	25,000	77,124
2004	222,000	25,000	76,526
2003	222,000	25,000	74,899
2002	222,000	25,000	74,089
DIVIDEND ADVANTAGE 3 (NZF)			
-----			
Year Ended 10/31:			
2006	312,000	25,000	75,227

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

2005	312,000	25,000	74,468
2004	312,000	25,000	74,609
2003	312,000	25,000	72,608
2002	312,000	25,000	72,019

\* Total Return 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. Total Return 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. Total returns are not annualized.

\*\* After custodian fee credit, expense reimbursement, and legal fee refund, where applicable.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Preferred shareholders; income ratios reflect income earned on assets attributable to Preferred shares, where applicable.

Spread 92-93

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

Board Members  
AND OFFICERS

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the Board Members of the Funds. The number of board members of the Fund is currently set at nine. None of the board members who are not "interested" persons of the Funds has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS
--------------------------------	------------------------------------	----------------------------------------	--------------------------------------------------------------------------------

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

Timothy R. Schwertfeger(1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606	Chairman of the Board and Board Member	1994	Chairman (since 1996) and Director of Nuveen Investments, Inc., Nuveen Investments, LLC, Nuveen Adv and Nuveen Institutional Adv Corp.(3); formerly, Director
-----------------------------------------------------------------------------------	-------------------------------------------------	------	---------------------------------------------------------------------------------------------------------------------------------------------------------------

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

of Institutional Capital Cor  
Chairman and Director (since  
Nuveen Asset Management; Cha  
Director of Rittenhouse Asse  
Management, Inc. (since 1999  
of Nuveen Investments Advise  
(since 2002).

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

Robert P. Bremner 8/22/40 333 W. Wacker Drive Chicago, IL 60606	Lead Independent Board member	1997	Private Investor and Managem Consultant.
Lawrence H. Brown 7/29/34 333 W. Wacker Drive Chicago, IL 60606	Board member	1993	Retired (since 1989) as Seni President of The Northern Tr Director (since 2002) Commu Board for Highland Park and United Way of the North Shor (since 2006) of the Michael Pancreatic Cancer Foundation
Jack B. Evans 10/22/48 333 W. Wacker Drive Chicago, IL 60606	Board member	1999	President, The Hall-Perrine a private philanthropic corp (since 1996); Director and V Chairman, United Fire Group, held company; Adjunct Facult University of Iowa; Director Companies; Life Trustee of C and Iowa College Foundation; Director, Alliant Energy; fo Director, Federal Reserve Ba Chicago; formerly, President Operating Officer, SCI Finan Inc., a regional financial s firm.
William C. Hunter 3/6/48 333 W. Wacker Drive Chicago, IL 60606	Board member	2004	Dean, Tippie College of Busi University of Iowa (since Ju formerly, Dean and Distingui Professor of Finance, School at the University of Connect (2003-2006); previously, Sen President and Director of Re the Federal Reserve Bank of (1995-2003); Director (since Credit Research Center at Ge University; Director (since Xerox Corporation; Director, Technologies, Inc. (May 2005 2005).
David J. Kundert 10/28/42 333 W. Wacker Drive Chicago, IL 60606	Board member	2005	Retired (since 2004) as Chai JPMorgan Fleming Asset Manag President and CEO, Banc One Advisors Corporation, and Pr Group Mutual Funds; prior th Executive Vice President, Ba Corporation and Chairman and One Investment Management Gr of Regents, Luther College;

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

the Wisconsin Bar Association  
Board of Directors, Friends  
Botanical Gardens.

94

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (2)	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIP DURING PAST 5 YEARS
--------------------------------	------------------------------------	----------------------------------------	--------------------------------------------------------------------------------

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS (CONTINUED):

William J. Schneider 9/24/44 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Chairman of Miller-Valentine Ltd., a real estate investme formerly, Senior Partner and Operating Officer (retired, Miller-Valentine Group; form President, Miller-Valentine Board Member, Chair of the F Committee and member of the Committee of Premier Health the not-for-profit company o Valley Hospital; Vice Presid Philharmonic Orchestra Assoc Board Member, Regional Leade which promotes cooperation o development issues; Director Development Coalition; forme Community Advisory Board, Na Bank, Dayton, Ohio and Busin Council, Cleveland Federal R
Judith M. Stockdale 12/29/47 333 W. Wacker Drive Chicago, IL 60606	Board member	1997	Executive Director, Gaylord Donnelley Foundation (since thereto, Executive Director, Protection Fund (from 1990 t
Eugene S. Sunshine 1/22/50 333 W. Wacker Drive Chicago, IL 60606	Board member	2005	Senior Vice President for Bu Finance, Northwestern Univer 1997); Director (since 2003) Board Options Exchange; form Director (2003-2006), Nation Holdings, a privately-held, provider of home and communi services; Chairman (since 19 of Directors, Rubicon, a pur insurance company owned by N University; Director (since Evanston Chamber of Commerce Evanston Inventure, a busine development organization.

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

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
--------------------------------	------------------------------------	----------------------------------------	------------------------------------------------

-----  
OFFICERS OF THE FUND:

Gifford R. Zimmerman 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative Officer	1988	Managing Director (since 2002), Assistant Secretary and Associate General Counsel, formerly, Vice President and Assistant General of Nuveen Investments, LLC; Director (2002-2004), General (1998-2004) and Assistant Secretary formerly, Vice President of Advisory Corp. and Nuveen Investment Advisory Corp.(3); Managing Director (since 2002) and Assistant Secretary Associate General Counsel, formerly, Vice President (since 1997), Asset Management; Managing Director (since 2004) and Assistant Secretary (since 1994) of Nuveen Investments Inc.; Assistant Secretary of Investment Management Company (since 2002); Vice President Assistant Secretary of Nuveen Investments Advisers Inc. (since Managing Director, Associate Counsel and Assistant Secretary Rittenhouse Asset Management Assistant Secretary of Symphony Management LLC (since 2003), Tradewinds NWQ Global Investment Santa Barbara Asset Management (since 2006); Chartered Financial Analyst.
----------------------------------------------------------------------------	------------------------------------	------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

95

Board Members  
AND OFFICERS (continued)

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
--------------------------------	------------------------------------	----------------------------------------	------------------------------------------------

-----  
OFFICERS OF THE FUNDS (CONTINUED):

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

<p>Julia L. Antonatos 9/22/63 333 W. Wacker Drive Chicago, IL 60606</p>	<p>Vice President</p>	<p>2004</p>	<p>Managing Director (since 2004); Vice President (since 2002); Assistant Vice President (since 2002); Nuveen Investments, LLC; Chartered Financial Analyst.</p>
<p>Michael T. Atkinson 2/3/66 333 W. Wacker Drive Chicago, IL 60606</p>	<p>Vice President and Assistant Secretary</p>	<p>2000</p>	<p>Vice President (since 2002), Assistant Vice President (since 2002); Nuveen Investments, LLC.</p>
<p>Peter H. D'Arrigo 11/28/67 333 W. Wacker Drive Chicago, IL 60606</p>	<p>Vice President</p>	<p>1999</p>	<p>Vice President and Treasurer of Nuveen Investments, LLC and of Nuveen Investments, Inc. (since 1999); President and Treasurer of Nuveen Management (since 2002) and Investments Advisers Inc. (since 2002); Assistant Treasurer of Nuveen Management Company, LLC. (since 2002); Vice President and Treasurer of Rittenhouse Asset Management (since 2003); Treasurer of Santa Barbara Asset Management LLC (since 2003); Assistant Treasurer of Santa Barbara Asset Management LLC (since 2006); Assistant Treasurer of Tradewinds NWQ Global Investment Management (since 2006); formerly, Vice President and Treasurer (1999-2004) of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp.(3); Chartered Financial Analyst.</p>
<p>John N. Desmond 8/24/61 333 W. Wacker Drive Chicago, IL 60606</p>	<p>Vice President</p>	<p>2005</p>	<p>Vice President, Director of Operations, Nuveen Investments (since January 2005); formerly, Director, Business Manager, Asset Management (2003-2004); Business Development and Trade Development, Deutsche Trust Bank Japan (2000-2003); previously, Senior Vice President of Investment Operations and Scudder Investments Japan, (1995-2000); Senior Vice President, Head of Administration and Participation Scudder Investments (1995-2000)</p>
<p>Jessica R. Droeger 9/24/64 333 W. Wacker Drive Chicago, IL 60606</p>	<p>Vice President and Secretary</p>	<p>1998</p>	<p>Vice President (since 2002), Secretary and Assistant General Counsel (since 1998) formerly, Assistant President (since 1998) of Nuveen Investments, LLC; Vice President (2002-2004) and Assistant Secretary (1998-2004) formerly, Assistant President of Nuveen Advisory Nuveen Institutional Advisory Vice President and Assistant (since 2005) of Nuveen Asset</p>
<p>Lorna C. Ferguson 10/24/45 333 W. Wacker Drive</p>	<p>Vice President</p>	<p>1998</p>	<p>Managing Director (since 2004) formerly, Vice President of Investments, LLC, Managing Director</p>



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

Chicago, IL 60606

(2004) formerly, Vice President (1998-2004) of Nuveen Advisory Services, LLC; Nuveen Institutional Advisor; Managing Director (since 2004) of Nuveen Asset Management.

William M. Fitzgerald 3/2/64 333 W. Wacker Drive Chicago, IL 60606	Vice President	1995	Managing Director (since 2004) formerly, Vice President of Nuveen Investments; Managing Director (1997-2004) of Nuveen Advisory Services, LLC; Nuveen Institutional Advisor; Managing Director (since 2004) of Nuveen Asset Management; Vice President (2002) of Nuveen Investments, LLC; Chartered Financial Analyst.
-----------------------------------------------------------------------------	----------------	------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

96

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS
-----------------------------	---------------------------------	-------------------------------------	---------------------------------------------

OFFICERS OF THE FUNDS (CONTINUED):

Stephen D. Foy 5/31/54 333 W. Wacker Drive Chicago, IL 60606	Vice President and Controller	1998	Vice President (since 1993) and Controller (since 1998) of Nuveen Investments, LLC; formerly, President and Funds Controller (1998-2004) of Nuveen Investments, LLC; Certified Public Accountant.
-----------------------------------------------------------------------	-------------------------------	------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Walter M. Kelly 2/24/70 333 West Wacker Drive Chicago, IL 60606	Chief Officer and Vice President	2003	Vice President and Assistant Secretary (since 2006) formerly, Assistant Secretary and Assistant General Counsel (since 2003) of Nuveen Investments, LLC; Vice President (since 2006) and Assistant Secretary (since 2003) of Nuveen Investments, LLC; formerly, Assistant Vice President, Nuveen Asset Management; previously, Associate (2001-2003) at the law firm of Vedder, Price, Kaufman & Kamet.
--------------------------------------------------------------------------	----------------------------------	------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

David J. Lamb 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	Vice President (since 2000) of Nuveen Investments, LLC; Certified Public Accountant.
----------------------------------------------------------------------	----------------	------	--------------------------------------------------------------------------------------

Tina M. Lazar 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	Vice President of Nuveen Investments, LLC (since 1999).
----------------------------------------------------------------------	----------------	------	---------------------------------------------------------

Larry W. Martin	Vice President	1988	Vice President, Assistant Secretary
-----------------	----------------	------	-------------------------------------

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

7/27/51  
333 W. Wacker Drive  
Chicago, IL 60606

and Assistant  
Secretary

Assistant General Counsel of  
Investments, LLC; formerly,  
President and Assistant Sec  
Nuveen Advisory Corp. and Nu  
Institutional Advisory Corp.  
President (since 2005) and A  
Secretary of Nuveen Investme  
Vice President (since 2005)  
Assistant Secretary (since 1  
Nuveen Asset Management; Vic  
(since 2000), Assistant Sec  
Assistant General Counsel (s  
of Rittenhouse Asset Managem  
Vice President and Assistant  
of Nuveen Investments Advise  
(since 2002); Assistant Sec  
Investment Management Compan  
(since 2002), Symphony Asset  
LLC (since 2003) and Tradewi  
Global Investors, LLC and Sa  
Asset Management, LLC (since

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, because he is an officer and board member of the Adviser.
- (2) Board members serve an indefinite term until his/her successor is elected. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (3) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.
- (4) Officers serve one year terms through July of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

97

### ANNUAL INVESTMENT MANAGEMENT AGREEMENT APPROVAL PROCESS

The Board of Trustees is responsible for overseeing the performance of the investment adviser to the Funds and determining whether to continue the advisory arrangements. At a meeting held on May 23-25, 2006 (the "MAY MEETING"), the Board of Trustees of the Funds, including the independent Trustees, unanimously approved the continuance of the Investment Management Agreement between each Fund and NAM (the "FUND ADVISER").

#### THE APPROVAL PROCESS

During the course of the year, the Board received a wide variety of materials relating to the services provided by the Fund Adviser and the performance of each Fund. To assist the Board in its evaluation of the advisory contract with the Fund Adviser at the May Meeting, the independent Trustees received extensive materials in advance of their meeting which outlined, among other things:

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

- o the nature, extent and quality of services provided by the Fund Adviser;
- o the organization and business operations of the Fund Adviser, including the responsibilities of various departments and key personnel;
- o the Fund's past performance, the Fund's performance compared to funds of similar investment objectives compiled by an independent third party and to customized benchmarks;
- o the profitability of the Fund Adviser and certain industry profitability analyses for unaffiliated advisers;
- o the expenses of the Fund Adviser in providing the various services;
- o the advisory fees (gross and net management fees) and total expense ratios of the Fund, including comparisons of such fees and expenses with those of comparable, unaffiliated funds based on information and data provided by Lipper (the "PEER UNIVERSE") as well as compared to a subset of funds within the Peer Universe (the "PEER GROUP") to the respective Fund (as applicable);
- o the advisory fees the Fund Adviser assesses to other types of investment products or clients;
- o the soft dollar practices of the Fund Adviser, if any; and
- o from independent legal counsel, a legal memorandum describing, among other things, the duties of the Trustees under the Investment Company Act of 1940 (the "1940 ACT") as well as the general principles of relevant state law in reviewing and approving advisory contracts; the requirements of the 1940 Act in such matters; an adviser's fiduciary duty with respect to advisory agreements and compensation; the standards used by courts in determining whether investment company boards of directors have fulfilled their duties; and factors to be considered by the Board in voting on advisory agreements.

At the May Meeting, the Fund Adviser made a presentation to and responded to questions from the Board. After the presentations and after reviewing the written materials, the independent Trustees met privately with their legal counsel to review the Board's duties in reviewing advisory contracts and consider the renewal of the advisory contracts. It is with this background that the Trustees considered the advisory contract with the Fund Adviser. The independent Trustees, in consultation with independent counsel, reviewed the factors set out in judicial decisions and SEC directives relating to the renewal of advisory contracts. As outlined in more detail below, the Trustees considered all factors they believed relevant with respect to each Fund, including the following: (a) the nature, extent and quality of the services to be provided by the Fund Adviser; (b) the investment performance of the Fund and the Fund Adviser; (c) the costs of the services to be provided and profitability of the Fund Adviser and its affiliates; (d) the extent to which economies of scale would be realized as the Fund grows; and (e) whether fee levels reflect these economies of scale for the benefit of Fund investors.

### A. NATURE, EXTENT AND QUALITY OF SERVICES

In reviewing the Fund Adviser, the Trustees considered the nature, extent and quality of the Fund Adviser's services. The Trustees reviewed materials outlining, among other things, the Fund Adviser's organization and business; the

types of services that the Fund Adviser or its affiliates provide and are expected to provide to the Funds; the performance record of the applicable Fund (as described in further detail below); and any initiatives and enhancements Nuveen has taken for its municipal fund product line. In connection with their continued service as Trustees, the Trustees also have a good understanding of the Fund Adviser's organization, operations and personnel. In this regard, the Trustees are familiar with and have evaluated the professional experience, qualifications and credentials of the Fund Adviser's personnel. The Trustees further reviewed materials describing, among other things, the teams and

98

personnel involved in the investment, research, risk-management and operational processes involved in managing municipal funds and their respective functions. Given the Trustees' experience with the Funds and Fund Adviser, the Trustees recognized the demonstrated history of care and depth of experience of the respective personnel in managing these Funds. In this regard, the Trustees considered the continued quality of the Fund Adviser's investment process in making portfolio management decisions as well as additional refinements and improvements adopted to the portfolio management processes noted below. With respect to the services provided to municipal funds, including the Funds, the Trustees noted that the Fund Adviser continues to make refinements to its portfolio management process including, among other things, the increased use of derivatives to enhance management of risk, additional analytical software for research staff and improved municipal pricing processes.

In addition to advisory services, the independent Trustees considered the quality of any administrative or non-advisory services provided. The Fund Adviser provides the Funds with such administrative and other services (exclusive of, and in addition to, any such services provided by others for the Funds) and officers and other personnel as are necessary for the operations of the respective Fund. In connection with the review of the Investment Management Agreement, the Trustees considered the extent and quality of these other services which include, among other things, providing: product management (E.G., product positioning, performance benchmarking, risk management); fund administration (E.G., daily net asset value pricing and reconciliation, tax reporting, fulfilling regulatory filing requirements); oversight of third party service providers; administration of board relations (E.G., organizing board meetings and preparing related materials); compliance (E.G., monitoring compliance with investment policies and guidelines and regulatory requirements); and legal support (E.G., helping prepare and file registration statements, amendments thereto, proxy statements and responding to regulatory requests and/or inquiries). As the Funds operate in a highly regulated industry and given the importance of compliance, the Trustees considered, in particular, the additions of experienced personnel to the compliance teams and the enhancements to technology and related systems to support the compliance activities for the Funds (including a new reporting system for quarterly portfolio holdings).

In addition to the foregoing, the Trustees also noted the additional services that the Fund Adviser or its affiliates provide to closed-end funds, including, in particular, secondary market support activities. The Trustees recognized Nuveen's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a variety of initiatives designed to raise investor and analyst awareness and understanding of closed-end funds. These efforts include providing advertising and other media relations programs, continued contact with analysts, maintaining and enhancing its website for closed-end funds, and targeted advisor communication programs. With respect to funds that utilize leverage through the issuance of preferred shares, the Trustees noted Nuveen's continued support for the preferred shares by

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

maintaining, among other things, an in-house preferred trading desk; designating a product manager whose responsibilities include creating and disseminating product information and managing relations in connection with the preferred share auction; and maintaining systems necessary to test compliance with rating agency requirements.

Based on their review, the Trustees found that, overall, the nature, extent and quality of services provided (and expected to be provided) to the respective Funds under the Investment Management Agreement were of a high level and were satisfactory.

### B. THE INVESTMENT PERFORMANCE OF THE FUND AND FUND ADVISER

The Board considered the investment performance for each Fund, including the Fund's historic performance as well as its performance compared to funds with similar investment objectives identified by an independent third party (the "PERFORMANCE PEER GROUP") and portfolio level performance against customized benchmarks, as described below. In evaluating the performance information, in certain instances, the Trustees noted that the closest Performance Peer Group for a fund still may not adequately reflect such fund's investment objectives, strategies and portfolio duration, thereby limiting the usefulness of the comparisons of such fund's performance with that of the Performance Peer Group. With respect to state specific municipal funds, the Trustees recognized that certain state municipal funds do not have a corresponding state specific Performance Peer Group in which case their performance is measured against a more general municipal category for various states. The closed-end state municipal funds that do not have corresponding state-specific Performance Peer Groups are from Arizona, Connecticut, Georgia, Maryland, Massachusetts, Missouri, North Carolina, Ohio, Texas, and Virginia. Further, due to a lack of state-specific unleveraged categories, certain unleveraged state municipal funds are included in their leveraged state category (such as, the Nuveen California Select Tax-Free Income Fund, Nuveen California Municipal Value Fund, Nuveen New York Select Tax-Free Income Fund and Nuveen New York Municipal Value Fund).

In reviewing performance, the Trustees reviewed performance information including, among other things, total return information compared with the Fund's Performance Peer Group for the one-, three- and five-year periods (as applicable) ending December 31, 2005. The Trustees also reviewed the Fund's portfolio level performance (which does not reflect fund level fees and expenses) compared to customized portfolio-level benchmarks for the one- and three-year periods ending December 31, 2005 (as applicable). This analysis is designed to assess the efficacy of investment decisions against appropriate measures of risk and total return, within specific market segments. This information supplements the Fund performance information provided to the Board at each of their quarterly meetings. Based on their review, the Trustees determined that the respective Fund's absolute and relative investment performance over time had been satisfactory.

### C. FEES, EXPENSES AND PROFITABILITY

#### 1. FEES AND EXPENSES

In evaluating the management fees and expenses of a Fund, the Board reviewed, among other things, the Fund's advisory fees (net and gross management fees) and total expense ratios (before and after expense reimbursements and/or waivers) in absolute terms as well as comparisons to the gross management fees (before waivers), net management fees (after waivers) and total expense ratios (before and after waivers) of comparable funds in the Peer Universe and the Peer Group. The Trustees reviewed data regarding the construction of Peer Groups as well as the methods of measurement for the fee and expense analysis and the performance analysis. In certain cases, due to the small number of peers in the Peer Universe,

the Peer Universe and Peer Group

99

ANNUAL INVESTMENT MANAGEMENT  
AGREEMENT APPROVAL PROCESS (continued)

may be the same. Further, the Trustees recognized that in certain cases the closest Peer Universe and/or Peer Group did not adequately reflect a fund's investment objectives and strategies limiting the usefulness of comparisons. In reviewing comparisons, the Trustees also considered the size of the Peer Universe and/or Peer Group, the composition of the Peer Group (including differences in the use of leverage and insurance) as well as differing levels of fee waivers and/or expense reimbursements. In this regard, the Trustees considered the fund-level and complex-wide breakpoint schedules (described in further detail below) and any fee waivers and reimbursements provided by Nuveen (applicable, in particular, for certain funds launched since 1999). Based on their review of the fee and expense information provided, the Trustees determined that each Fund's net total expense ratio was within an acceptable range compared to peers.

2. COMPARISONS WITH THE FEES OF OTHER CLIENTS

The Trustees further reviewed data comparing the advisory fees of the Fund Adviser with fees the Fund Adviser charges to other clients, including municipal managed accounts. In general, the fees charged for separate accounts are somewhat lower than the fees assessed to the Funds. The Trustees recognized that the differences in fees are attributable to a variety of factors, including the differences in services provided, product distribution, portfolio investment policies, investor profiles, account sizes and regulatory requirements. The Trustees noted, in particular, that the range of services provided to the Funds is more extensive than that provided to managed separate accounts. As described in further detail above, such additional services include, but are not limited to, providing: product management, fund administration, oversight of third party service providers, administration of board relations, and legal support. Funds further operate in a highly regulated industry requiring extensive compliance functions compared to the other investment products. In addition to the costs of the additional services, administrative costs may also be greater for funds as the average account size for separate accounts is notably larger than the retail accounts of funds. Given the differences in the product structures, particularly the extensive services provided to closed-end municipal funds, the Trustees believe such facts justify the different levels of fees.

3. PROFITABILITY OF FUND ADVISER

In conjunction with its review of fees, the Trustees also considered the profitability of Nuveen Investments for advisory activities (which incorporated Nuveen's wholly-owned affiliated sub-advisers). The Trustees reviewed data comparing Nuveen's profitability with other fund sponsors prepared by three independent third party service providers as well as comparisons of the revenues, expenses and profits margins of various unaffiliated management firms with similar amounts of assets under management prepared by Nuveen. The Trustees further reviewed the 2005 Annual Report for Nuveen Investments. In considering profitability, the Trustees recognized the inherent limitations in determining profitability as well as the difficulties in comparing the profitability of other unaffiliated advisers. Profitability may be affected by numerous factors,

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

including the methodology for allocating expenses, the adviser's business mix, the types of funds managed, the adviser's capital structure and cost of capital. Further, individual fund or product line profitability of other sponsors is generally not publicly available. Accordingly, the profitability information that is publicly available from various investment advisory or management firms may not be representative of the industry.

Notwithstanding the foregoing, in reviewing profitability, the Trustees reviewed Nuveen's methodology and assumptions for allocating expenses across product lines to determine profitability. In this regard, the methods of allocation used appeared reasonable. The Trustees also, to the extent available, compared Nuveen's profitability margins (including pre- and post-marketing profit margins) with the profitability of various unaffiliated management firms. The Trustees noted that Nuveen's profitability is enhanced due to its efficient internal business model. The Trustees also recognized that while a number of factors affect profitability, Nuveen's profitability may change as fee waivers and/or expense reimbursement commitments of Nuveen to various funds in the Nuveen complex expire. To keep apprised of profitability and developments that may affect profitability, the Trustees have requested profitability analysis be provided periodically during the year. Based on their review, the Trustees were satisfied that the Fund Adviser's level of profitability was reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Trustees also considered any other revenues paid to the Fund Adviser as well as any indirect benefits (such as soft dollar arrangements, if any) the Fund Adviser and its affiliates are expected to receive that are directly attributable to their management of the Funds, if any. See Section E below for additional information. Based on their review of the overall fee arrangements of the applicable Fund, the Trustees determined that the advisory fees and expenses of the respective Fund were reasonable.

100

### D. ECONOMIES OF SCALE AND WHETHER FEE LEVELS REFLECT THESE ECONOMIES OF SCALE

With respect to economies of scale, the Trustees recognized the potential benefits resulting from the costs of a fund being spread over a larger asset base as a fund grows. To help ensure the shareholders share in these benefits, the Trustees have reviewed and considered the breakpoints in the advisory fee schedules that reduce advisory fees as the applicable Fund's assets grow. In addition to advisory fee breakpoints as assets in a respective Fund rise, after lengthy discussions with management, the Board also approved a complex-wide fee arrangement that was introduced on August 1, 2004. Pursuant to the complex-wide fee arrangement, the fees of the funds in the Nuveen complex, including the Funds, are reduced as the assets in the fund complex reach certain levels. In evaluating the complex-wide fee arrangement, the Trustees considered, among other things, the historic and expected fee savings to shareholders as assets grow, the amount of fee reductions at various asset levels, and that the arrangement would extend to all funds in the Nuveen complex. The Trustees noted that 2005 was the first full year to reflect the fee reductions from the complex wide fee arrangement. The Trustees also considered the impact, if any, the complex-wide fee arrangement may have on the level of services provided. Based on their review, the Trustees concluded that the breakpoint schedule and complex-wide fee arrangement currently was acceptable and desirable in providing benefits from economies of scale to shareholders.

### E. INDIRECT BENEFITS

In evaluating fees, the Trustees also considered any indirect benefits or profits the Fund Adviser or its affiliates may receive as a result of its relationship with each Fund. In this regard, the Trustees considered revenues received by affiliates of the Fund Adviser for serving as agent at Nuveen's preferred trading desk and for serving as a co-manager in the initial public offering of new closed-end exchange traded funds.

In addition to the above, the Trustees considered whether the Fund Adviser received any benefits from soft dollar arrangements. With respect to NAM, the Trustees noted that NAM does not currently have any soft dollar arrangements and does not pay excess brokerage commissions (or spreads on principal transactions) in order to receive research services; however, the Fund Adviser may from time to time receive and have access to research generally provided to institutional clients.

#### F. APPROVAL

The Trustees did not identify any single factor discussed previously as all-important or controlling. The Trustees, including a majority of independent Trustees, concluded that the terms of the Investment Management Agreements were fair and reasonable, that the Fund Adviser's fees are reasonable in light of the services provided to each Fund, and that the renewal of the Investment Management Agreements should be approved.

101

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  
DIVIDEND 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



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

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. 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 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.

102

Automatic Dividend  
REINVESTMENT PLAN

### NOTICE OF AMENDMENT TO THE TERMS AND CONDITIONS

These Funds are amending the terms and conditions of their Automatic Dividend Reinvestment Plan (the "Plan") as further described below effective with the close of business on February 1, 2007. THESE CHANGES ARE INTENDED TO ENABLE PLAN PARTICIPANTS UNDER CERTAIN CIRCUMSTANCES TO REINVEST FUND DISTRIBUTIONS AT A LOWER AGGREGATE COST THAN IS POSSIBLE UNDER THE EXISTING PLAN. Shareholders who do not wish to continue as participants under the amended Plan may withdraw from the Plan by notifying the Plan Agent prior to the effective date of the amendments. Participants should refer to their Plan document for notification instructions, or may simply call Nuveen at (800) 257-8787.

Fund shareholders who elect to participate in the Plan are able to have Fund distributions consisting of income dividends, realized capital gains and returns of capital automatically reinvested in additional Fund shares. Under the Plan's existing terms, the Plan Agent purchases Fund shares in the open market if the

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

Fund's shares are trading at a discount to their net asset value on the payable date for the distribution. If the Fund's shares are trading at or above their net asset value on the payable date for the distribution, the Plan Agent purchases newly-issued Fund shares directly from the Fund at a price equal to the greater of the shares' net asset value or 95% of the shares' market value.

Under the Plan's amended terms, 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. This change will permit Plan participants under these circumstances to reinvest Fund distributions at a lower aggregate cost than is possible under the existing Plan.

103

Notes

104

Notes

105

Notes

106

Other Useful  
INFORMATION

### QUARTERLY PORTFOLIO OF INVESTMENTS AND PROXY VOTING INFORMATION

Each Fund's (i) quarterly portfolio of investments, (ii) information regarding how the Funds voted proxies relating to portfolio securities held during the 12-month period ended June 30, 2006, and (iii) a description of the policies and procedures that the Funds used to determine how to vote proxies relating to portfolio securities are available 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 1-202-942-8090 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 450 Fifth Street NW, Washington, D.C. 20549.

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

### GLOSSARY OF TERMS USED IN THIS REPORT

**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.

**AVERAGE EFFECTIVE MATURITY:** The average of all the maturities of the bonds in a Fund's portfolio, computed by weighting each maturity date (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.

**MODIFIED 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.

**MARKET YIELD (ALSO KNOWN AS DIVIDEND YIELD OR CURRENT YIELD):** An investment's current annualized dividend divided by its current market price.

**NET ASSET VALUE (NAV):** A Fund's common share NAV per share is calculated by subtracting the liabilities of the Fund (including any MuniPreferred shares issued in order to leverage the Fund) from its total assets and then dividing the remainder by the number of shares outstanding. Fund NAVs are calculated at the end of each business day.

**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.

### BOARD OF DIRECTORS/TRUSTEES

Robert P. Bremner  
Lawrence H. Brown  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Timothy R. Schwertfeger  
Judith M. Stockdale  
Eugene S. Sunshine

### 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

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

Providence, RI 02940-3071

(800) 257-8787

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Chicago, IL

EACH FUND INTENDS TO REPURCHASE SHARES OF ITS OWN COMMON OR PREFERRED STOCK IN THE FUTURE AT SUCH TIMES AND IN SUCH AMOUNTS AS IS DEEMED ADVISABLE. NO SHARES WERE REPURCHASED DURING THE PERIOD COVERED BY THIS REPORT. ANY FUTURE REPURCHASES WILL BE REPORTED TO SHAREHOLDERS IN THE NEXT ANNUAL OR SEMIANNUAL REPORT.

107

Nuveen Investments:

SERVING Investors  
For GENERATIONS

Photo of: 2 women looking at a photo album.

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

WE OFFER MANY DIFFERENT INVESTING SOLUTIONS FOR OUR CLIENTS' DIFFERENT NEEDS.

Managing more than \$154 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios.

FIND OUT HOW WE CAN HELP YOU REACH YOUR FINANCIAL GOALS.

To learn more about the products and services Nuveen Investments offers, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest.

BE SURE TO OBTAIN A PROSPECTUS, WHERE APPLICABLE. INVESTORS SHOULD CONSIDER THE INVESTMENT OBJECTIVE AND POLICIES, RISK CONSIDERATIONS, CHARGES AND EXPENSES OF THE FUND CAREFULLY BEFORE INVESTING. THE PROSPECTUS CONTAINS THIS AND OTHER

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

INFORMATION RELEVANT TO AN INVESTMENT IN THE FUND. FOR 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.

- o Share prices
- Learn more o Fund details
- about Nuveen Funds at o Daily financial news
- www.nuveen.com/cef o Investor education
- o Interactive planning tools

[LOGO]

NUVEEN  
INVESTMEMNTS

EAN-B-1006D

### ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There were no amendments to or waivers from the Code during the period covered by this report. The registrant has posted the code of ethics on its website at [www.nuveen.com/etf](http://www.nuveen.com/etf). (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then click on Code of Conduct.)

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Directors or Trustees determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Jack B. Evans, Chairman of the Audit Committee, who is "independent" for purposes of Item 3 of Form N-CSR.

Mr. Evans was formerly President and Chief Operating Officer of SCI Financial Group, Inc., a full service registered broker-dealer and registered investment adviser ("SCI"). As part of his role as President and Chief Operating Officer, Mr. Evans actively supervised the Chief Financial Officer (the "CFO") and actively supervised the CFO's preparation of financial statements and other filings with various regulatory authorities. In such capacity, Mr. Evans was actively involved in the preparation of SCI's financial statements and the resolution of issues raised in connection therewith. Mr. Evans has also served on the audit committee of various reporting companies. At such companies, Mr. Evans was involved in the oversight of audits, audit plans, and the preparation of financial statements. Mr. Evans also formerly chaired the audit committee of the Federal Reserve Bank of Chicago.

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

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

### Nuveen Dividend Advantage Municipal Fund 3

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

#### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

FISCAL YEAR ENDED	AUDIT FEES BILLED TO FUND (1)	AUDIT-RELATED FEES BILLED TO FUND (2)	TAX FEES BILLED TO FUND (3)
October 31, 2006	\$ 29,311	\$ 0	\$ 400
Percentage approved pursuant to pre-approval exception	0%	0%	0%
October 31, 2005	\$ 27,440	\$ 0	\$ 1,445
Percentage approved pursuant to pre-approval exception	0%	0%	0%

- (1) "Audit Fees" are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.
- (2) "Audit Related Fees" are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".
- (3) "Tax Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.
- (4) "All Other Fees" are the aggregate fees billed for products and services other than "Audit Fees", "Audit Related Fees", and "Tax Fees".

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

### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Asset Management ("NAM" or the "Adviser"), and any entity controlling, controlled by or under common control with NAM ("Control Affiliate") that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The tables also show the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

FISCAL YEAR ENDED	AUDIT-RELATED FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS	TAX FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (1)	ALL OTHER FEES BILLED TO ADVISER AND AFFILIATED SERVICE PROVIDERS
October 31, 2006	\$ 0	\$ 2,200	\$ 0
Percentage approved pursuant to pre-approval exception	0%	0%	0%
October 31, 2005	\$ 0	\$ 2,200	\$ 0
Percentage approved pursuant to pre-approval exception	0%	0%	0%

(1) The amounts reported for the Fund under the column heading "Tax Fees" represents amounts billed to the Adviser exclusively for the preparation for the Fund's tax return, the cost of which is borne by the Adviser. In the aggregate, for all Nuveen funds for which Ernst & Young LLP serves as independent registered public accounting firm, these fees amounted to \$275,000 in 2006 and \$282,575 in 2005.

### NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. The Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the

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

engagement related directly to the Fund's operations and financial reporting (except for those subject to the de minimis exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

FISCAL YEAR ENDED	TOTAL NON-AUDIT FEES BILLED TO FUND	TOTAL NON-AUDIT FEES BILLED TO ADVISER AND AFFILIATED FUND SERVICE PROVIDERS (ENGAGEMENTS RELATED DIRECTLY TO THE OPERATIONS AND FINANCIAL REPORTING OF THE FUND)	TOTAL NON BILLED TO AFFILIATED PROVIDERS ENGA
October 31, 2006	\$ 3,350	\$ 2,200	\$ 0
October 31, 2005	\$ 4,195	\$ 2,200	\$ 0

"Non-Audit Fees billed to Adviser" for both fiscal year ends represent "Tax Fees" billed to Adviser in their respective amounts from the previous table.

Audit Committee Pre-Approval Policies and Procedures. Generally, the Audit Committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board of Directors or Trustees has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Lawrence H. Brown, Jack B. Evans, William J. Schneider and Eugene S. Sunshine.

### ITEM 6. SCHEDULE OF INVESTMENTS.

See Portfolio of Investments in Item 1.

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

The registrant invests its assets primarily in municipal bonds and cash management securities. On rare occasions the registrant may acquire, directly or through a special purpose vehicle, equity securities of a municipal bond issuer whose bonds the registrant already owns when such bonds have deteriorated or are expected shortly to deteriorate significantly in credit quality. The purpose of



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

acquiring equity securities generally will be to acquire control of the municipal bond issuer and to seek to prevent the credit deterioration or facilitate the liquidation or other workout of the distressed issuer's credit problem. In the course of exercising control of a distressed municipal issuer, NAM may pursue the registrant's interests in a variety of ways, which may entail negotiating and executing consents, agreements and other arrangements, and otherwise influencing the management of the issuer. NAM does not consider such activities proxy voting for purposes of Rule 206(4)-6 under the 1940 Act, but nevertheless provides reports to the registrant's Board of Trustees on its control activities on a quarterly basis.

In the rare event that a municipal issuer were to issue a proxy or that the registrant were to receive a proxy issued by a cash management security, NAM would either engage an independent third party to determine how the proxy should be voted or vote the proxy with the consent, or based on the instructions, of the registrant's Board of Trustees or its representative. A member of NAM's legal department would oversee the administration of the voting, and ensure that records were maintained in accordance with Rule 206(4)-6, reports were filed with the SEC on Form N-PX, and the results provided to the registrant's Board of Trustees and made available to shareholders as required by applicable rules.

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

#### THE PORTFOLIO MANAGER

The following individual has primary responsibility for the day-to-day implementation of the registrant's investment strategies:

NAME	FUND
Paul Brennan	Nuveen Dividend Advantage Municipal Fund 3

Other Accounts Managed. In addition to managing the registrant, the portfolio manager is also primarily responsible for the day-to-day portfolio management of the following accounts:

PORTFOLIO MANAGER	TYPE OF ACCOUNT MANAGED	NUMBER OF	
		ACCOUNTS	ASSETS
Paul Brennan	Registered Investment Company	14	\$11.646 billion
	Other Pooled Investment Vehicles	0	\$0.00
	Other Accounts	1	\$.6 million

\* Assets are as of October 31, 2006. None of the assets in these accounts are subject to an advisory fee based on performance.

Compensation. Each portfolio manager's compensation consists of three basic elements--base salary, cash bonus and long-term incentive compensation. The compensation strategy is to annually compare overall compensation, including these three elements, to the market in order to create a compensation structure that is competitive and consistent with similar financial services companies. As discussed below, several factors are considered in determining each portfolio manager's total compensation. In any year these factors may include, among others, the effectiveness of the investment strategies recommended by the portfolio manager's investment team, the investment performance of the accounts managed by the portfolio manager, and the overall performance of Nuveen Investments, Inc. (the parent company of NAM). Although investment performance is a factor in determining the portfolio manager's compensation, it is not necessarily a decisive factor. The portfolio manager's performance is evaluated in part by comparing manager's performance against a specified investment benchmark. This fund-specific benchmark is a customized subset (limited to bonds in each Fund's specific state and with certain maturity parameters) of the S&P/Investortools Municipal Bond index, an index comprised of bonds held by

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

managed municipal bond fund customers of Standard & Poor's Securities Pricing, Inc. that are priced daily and whose fund holdings aggregate at least \$2 million. As of October 31, 2006, the S&P/Investortools Municipal Bond index was comprised of 48,513 securities with an aggregate current market value of \$ 923,532 billion.

**Base salary.** Each portfolio manager is paid a base salary that is set at a level determined by NAM in accordance with its overall compensation strategy discussed above. NAM is not under any current contractual obligation to increase a portfolio manager's base salary.

**Cash bonus.** Each portfolio manager is also eligible to receive an annual cash bonus. The level of this bonus is based upon evaluations and determinations made by each portfolio manager's supervisors, along with reviews submitted by his peers. These reviews and evaluations often take into account a number of factors, including the effectiveness of the investment strategies recommended to the NAM's investment team, the performance of the accounts for which he serves as portfolio manager relative to any benchmarks established for those accounts, his effectiveness in communicating investment performance to stockholders and their representatives, and his contribution to the NAM's investment process and to the execution of investment strategies. The cash bonus component is also impacted by the overall performance of Nuveen Investments, Inc. in achieving its business objectives.

**Long-term incentive compensation.** Each portfolio manager is eligible to receive bonus compensation in the form of equity-based awards issued in securities issued by Nuveen Investments, Inc. The amount of such compensation is dependent upon the same factors articulated for cash bonus awards but also factors in his long-term potential with the firm.

**Material Conflicts of Interest.** Each portfolio manager's simultaneous management of the registrant and the other accounts noted above may present actual or apparent conflicts of interest with respect to the allocation and aggregation of securities orders placed on behalf of the Registrant and the other account. NAM, however, believes that such potential conflicts are mitigated by the fact that the NAM has adopted several policies that address potential conflicts of interest, including best execution and trade allocation policies that are designed to ensure (1) that portfolio management is seeking the best price for portfolio securities under the circumstances, (2) fair and equitable allocation of investment opportunities among accounts over time and (3) compliance with applicable regulatory requirements. All accounts are to be treated in a non-preferential manner, such that allocations are not based upon account performance, fee structure or preference of the portfolio manager. In addition, NAM has adopted a Code of Conduct that sets forth policies regarding conflicts of interest.

**Beneficial Ownership of Securities.** As of the October 31, 2006, the portfolio manager beneficially owned the following dollar range of equity securities issued by the Registrant and other Nuveen Funds managed by NAM's municipal investment team.

-----

DOLLA  
RANGE  
EQUIT  
SECUR  
BENEF  
OWNED

NAME OF PORTFOLIO  
MANAGER

FUND

Paul Brennan

Nuveen Dividend Advantage Municipal Fund 3

\$0

PORTFOLIO MANAGER BIO:

Paul Brennan, CFA, CPA, became a portfolio manager of Flagship Financial Inc. in 1994, and subsequently became an Assistant Vice President of NAM upon the acquisition of Flagship Resources Inc. by Nuveen in 1997. He became Vice President of NAM in 2002. He currently manages investments for 15 Nuveen-sponsored investment companies.

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 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. Letter or number the exhibits in the sequence indicated.

(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 because the code is posted on registrant's website at [www.nuveen.com/etf](http://www.nuveen.com/etf) and

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

there were no amendments during the period covered by this report. (To view the code, click on the Investor Resources drop down menu box, click on Fund Governance and then Code of Conduct.)

(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: 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 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. 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 Dividend Advantage Municipal Fund 3

By (Signature and Title)\* /s/ Jessica R. Droeger

Jessica R. Droeger  
Vice President and Secretary

Date: January 5, 2007

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 5, 2007

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

Stephen D. Foy

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

Vice President and Controller  
(principal financial officer)

Date: January 5, 2007  
-----

\* Print the name and title of each signing officer under his or her signature.