

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3  
Form N-CSR  
January 07, 2008

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)

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

(Name and address of agent for service)

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

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

Date of reporting period: October 31, 2007  
-----

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

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

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

ITEM 1. REPORTS TO STOCKHOLDERS.

ANNUAL REPORT | Nuveen Investments  
October 31, 2007 | Municipal Closed-End Funds

Photo of: Small child

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

IT'S NOT WHAT YOU EARN, IT'S WHAT YOU KEEP.(R) | [LOGO]  
NUVEEN  
INVESTMENTS

Photo of: Man working on computer

Life is complex.  
Nuveen  
makes things  
e-simple.

---

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

Free e-Reports right to your e-mail!

---

www.investordelivery.com		www.nuveen.com/accountaccess
If you receive your Nuveen Fund		If you receive your Nuveen Fund
dividends and statements from your	OR	dividends and statements directly
financial advisor or brokerage account.		from Nuveen.

---

[LOGO]  
NUVEEN  
INVESTMENTS

---

Chairman's  
LETTER TO SHAREHOLDERS

---

photo: 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.

I also wanted to take this opportunity to report some important news about Nuveen Investments. The firm recently was acquired by a group led by Madison Dearborn Partners, LLC. While this affects the corporate structure of Nuveen Investments, it has no impact on the investment objectives, portfolio management strategies or dividend policy of your Fund.

With the recent volatility in the stock market, many have begun to wonder which way the market is headed, and whether they need to adjust their holdings of investments. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that investments like your Nuveen Investments Fund can be important building blocks in a portfolio crafted to perform well through a variety of market conditions.

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

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

Chairman of the Board  
December 14, 2007

---

## Portfolio Managers' COMMENTS

---

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

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 FUNDS. A 31-YEAR VETERAN OF NUVEEN, TOM HAS MANAGED NXZ SINCE ITS INCEPTION IN 2001 AND NPP, NMA, NMO, AND NAD SINCE 2003. WITH 18 YEARS OF INDUSTRY EXPERIENCE, INCLUDING 16 YEARS AT NUVEEN, PAUL ASSUMED PORTFOLIO MANAGEMENT RESPONSIBILITY FOR NZF IN 2006.

WHAT FACTORS AFFECTED THE U.S. ECONOMY AND MUNICIPAL MARKET DURING THE ANNUAL REPORTING PERIOD ENDED OCTOBER 31, 2007?

Between November 1, 2006, and October 31, 2007, the yield on the benchmark 10-year U.S. Treasury note dropped 14 basis points to end the reporting period at 4.47%. In the municipal bond market, the yield on the Bond Buyer 25 Revenue Bond Index, a widely followed measure of longer-term municipal bond interest rates, fell to 4.67% at the end of October 2007, a decline of 11 basis points from the end of October 2006. The numbers, however, do not give a true indication of the events of the summer of 2007, when developments in the credit markets led to increased volatility, tightening liquidity and a flight to quality. This was particularly evident in August, when market concerns about defaults on subprime mortgages resulted in a liquidity crisis across all fixed income asset classes. (NONE OF THESE FUNDS HAD EXPOSURE TO THE COLLATERALIZED DEBT PRODUCTS THAT WERE AT THE CENTER OF THIS LIQUIDITY CRISIS.)

Discussions of specific investments are for illustrative purposes only and are not intended as recommendations of individual investments. The views expressed in this commentary represent those of the portfolio managers as of the date of this report and are subject to change at any time, based on market conditions and other factors. The Funds disclaim any obligation to advise shareholders of such changes.

4

After fourteen months of remaining on the sidelines, the Federal Reserve responded to credit market volatility by cutting the fed funds rate by 50 basis points--from 5.25% to 4.75%--in September 2007 and another 25 basis points--to 4.50%--in October 2007. A corresponding decline in short-term municipal bond interest rates, coupled with a jump in longer-term municipal bonds interest rates, produced a steepening of the yield curve late in the reporting period. For the annual period, bonds with longer maturities generally underperformed shorter maturity bonds. In addition, as the markets repriced risk, higher quality bonds generally outperformed lower quality credits.

The U.S. gross domestic product (GDP), a closely watched measure of economic growth, expanded at below-trend levels of 2.1% in the fourth quarter of 2006 and 0.6% in the first quarter of 2007 before rebounding sharply to 3.8% in the second quarter of 2007 (all GDP numbers are annualized). In the third quarter of

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

2007, increases in consumer spending, business investment, and exports helped GDP growth climb to 4.9%, overcoming a 20% decline in residential investment. Driven largely by higher energy and food prices, the Consumer Price Index (CPI) registered a 3.5% year-over-year gain as of October 2007. The labor market continued to be tight, with a national unemployment rate of 4.7% in October 2007, up from 4.4% in October 2006. October 2007 marked the 50th consecutive month of employment growth, the longest string in U.S. history.

Over the twelve months ended October 2007, municipal bond issuance nationwide totaled \$487.9 billion, an increase of 27% from the previous twelve months. One factor in this increased volume was an increase in advance refundings,<sup>(1)</sup> driven by attractive borrowing rates for issuers during the earlier part of this period. For the majority of the period, the strength and diversity of demand for municipal bonds were as important as supply, as the surge in issuance was absorbed by a broad-based universe of traditional and nontraditional buyers, including retail investors, property and casualty insurance companies, hedge funds and arbitragers and overseas investors.

- (1) 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.

5

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

With the substantial increase in municipal issuance nationwide during this reporting period, our investment strategies continued to focus on finding opportunities in undervalued sectors and individual securities with the potential to add value to the Funds. The majority of our purchases were bonds at the longer end of the yield curve (i.e., bonds with at least 20 years to maturity). These purchases helped to offset the shortening of the Funds' portfolio durations due to bond calls and the natural tendency of bond durations to shorten as time passes. In addition, as the yield curve steepened, bonds at this end of the curve generally offered some incremental yield to support the Funds' dividends.

Given the market events over the past twelve months, the Funds generally placed greater priority on higher quality bonds through most of this period. During the late summer of 2007, we also took advantage of opportunities to add a few lower-quality credits. For example, all of the Funds except NXZ participated in the \$5.5 billion Ohio Buckeye Tobacco Settlement Financing Authority offering, the largest tobacco settlement financing deal ever issued. Tobacco bonds in general were being offered at attractive spreads compared with the national norm, and NZF also purchased some additional tobacco credits from other issuers in order to bring the Fund's tobacco bond exposure closer to the market average.

During this period, a number of uninsured health care credits--mostly rated AA--came to market at very attractive prices. As credit spreads widened and lower-quality credits began to underperform the market, we believed that these AA rated hospital credits offered a good alternative to lower-rated bonds and provided us with an opportunity to add both quality and attractive yields that we believed would help to support the Funds' income streams.

To generate cash for purchases, we generally sold bonds that were nearing their redemption dates, particularly some of the Funds' pre-refunded holdings. The

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

proceeds from these sales, as well as called bond proceeds, were reinvested out longer on

6

the yield curve, which helped to maintain the Funds' durations within our preferred strategic range and improve the Funds' overall call protection profile.

In the municipal bond interest rate environment over the twelve-month period, we also continued to emphasize a disciplined approach to duration(2) management and yield curve positioning. As part of our duration management strategies we used inverse floating rate securities, (3) a type of derivative financial instrument, in all six of these Funds. These inverse floaters had the dual benefit of bringing the Funds' durations closer to our preferred strategic target and enhancing their income-generation capabilities. In addition, NZF used forward interest rate swaps and futures contracts, two other types of derivative financial instruments. The goal of this strategy was to help us manage net asset value (NAV) volatility without having a negative impact on income streams or common share dividends over the short term.

### 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 10/31/07

	1-YEAR	5-YEAR	10-YEAR
NPP	1.53%	5.79%	6.10%
NMA	1.06%	6.14%	6.22%
NMO	1.20%	6.29%	5.58%
NAD	1.10%	6.24%	NA
NXZ	2.76%	7.53%	NA
NZF	2.31%	6.94%	NA

#### LEHMAN BROTHERS MUNICIPAL

BOND INDEX(4)	2.91%	4.46%	5.29%
---------------	-------	-------	-------

#### LIPPER GENERAL LEVERAGED

MUNICIPAL DEBT  
FUNDS AVERAGE(5)

0.70%	6.31%	5.76%
-------	-------	-------

\* 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.

- (2) 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.

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

- (3) An inverse floating rate security is a financial instrument designed to pay long-term tax-exempt interest at a rate that varies inversely with a short-term tax-exempt interest rate index. For the Nuveen Funds, the index typically used is the Securities Industry and Financial Markets (SIFM) Municipal Swap Index (previously referred to as the Bond Market Association Index or BMA). Inverse floaters, including those inverse floating rate securities in which the Funds invested during the reporting period, are further defined within the "Notes to Financial Statements" and "Glossary of Terms Used in This Report" sections of this shareholder report.
- (4) 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.
- (5) The Lipper General Leveraged Municipal Debt Funds Average category is calculated using the returns of all closed-end funds in this category for each period as follows: 1 year, 54 funds; 5 years, 52 funds; and 10 years, 38 funds. Fund and Lipper returns assume reinvestment of dividends.

7

For the twelve months ended October 31, 2007, the total return on NAV for all six Funds was less than the return on the Lehman Brothers Municipal Bond Index. All six Funds exceeded the Lipper General Leveraged Municipal Debt Funds Average for this period.

One of the key factors in the performance of these Funds relative to that of the unleveraged Lehman Brothers Municipal Bond Index over this period was the use of financial leverage. The returns of all of these Funds were negatively impacted by their use of leverage. Although leveraging provides opportunities for additional income and total returns for common shareholders, it can also expose shareholders to additional risk when market conditions are unfavorable. With the increases in yields on longer municipal bonds, the impact of valuation changes in these bonds was magnified by the use of leverage. However, we firmly believe that the use of this strategy should work to the benefit of the Funds over the long term. This is demonstrated by the longer-term return performances--both in absolute terms and relative to the Lehman Brothers Municipal Bond Index--of these Funds.

Other factors that influenced the Funds' returns included yield curve positioning and duration management, the use of derivatives, credit exposure and sector allocations.

During this twelve-month period, bonds in the Lehman Brothers Municipal Bond Index with maturities between one and eight years, especially those maturing in approximately three years, benefited the most from changes in the interest rate environment. As a result, these bonds generally outperformed credits with longer maturities. Bonds having the longest maturities (22 years and longer) posted the worst returns for the period. Varying levels of exposure to the longer part of the yield curve, accounted for much of the performance differential among these six Funds.

8

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

Because they effectively increased exposure to longer maturity bonds during a period when shorter maturities were in favor in the market, the inverse floaters in place in these six Funds had a negative impact on their returns for the period. At the same time, however, the inverse floaters benefited these Funds by helping to support their income streams. We believe that, over time, these derivative financial instruments will work to the advantage of the Funds.

While yield curve and duration positioning played an important role in performance, especially during the last part of this period, credit exposure was also a dominant factor over this period. As the markets repriced risk, lower credit quality bonds generally underperformed the municipal market as a whole for the first time in several years. As of October 31, 2007, allocations of bonds rated BBB or lower and non-rated bonds accounted for approximately 8% of NMO's portfolio, 11% of NPP, 13% of NAD, 16% of NXZ and NZF, and 18% of NMA. In NXZ, however, some of the negative impact of this credit exposure was offset by the fact that many of the Fund's holdings of lower-rated credits had shorter durations, and bonds with shorter durations tended to perform well. At the same time, the Funds' weightings in bonds rated AAA and AA were generally positive for performance during this twelve-month period.

Bonds backed by the 1998 master tobacco settlement agreement also performed poorly, due to the overall lower credit quality of the tobacco sector as well as the ample supply of these bonds in the marketplace. As of October 31, 2007, these bonds comprised approximately 3% to 6% of the portfolios of these six Funds, with NMA and NAD having the heaviest weightings.

9

Sectors of the market that performed well included transportation credits, special tax-backed issues, and water and sewer bonds. Pre-refunded bonds, especially those that were advance refunded before longer municipal interest rates began to rise in mid-2007, also performed well.

10

---

### Dividend and Share Price INFORMATION

---

As previously noted, all of the Funds in this report use leverage to potentially enhance opportunities for additional income for common shareholders. Although the Funds' use of this strategy continued to provide incremental income, the extent of this benefit was reduced due to short-term interest rates that remained relatively high during most of this period. This, in turn, kept the Funds' borrowing costs high. The Funds' income streams were also impacted as the proceeds from older, higher-yielding bonds that matured or were called were reinvested into bonds currently available in the market, which generally offered lower yields during the majority of this period. These factors resulted in one monthly dividend reduction in NXZ, two in NPP, NMA, NMO and NAD, and three in NZF over the twelve-month period ended October 31, 2007.

Due to normal portfolio activity, common shareholders of the following Funds also received capital gains and/or net ordinary income distributions at the end of December 2006 as follows:



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

	Long-Term Capital Gains (per share)	Short-Term Capital Gains and/or Ordinary Income (per share)
NPP	\$0.0461	\$ 0.0008
NMO	--	\$ 0.0014
NAD	--	\$ 0.0024
NZF	\$0.0198	--

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, 2007, NMA and NXZ had a positive UNII balance for both financial

11

statement and tax purposes. NPP, NMO, NAD, and NZF had negative UNII balances for financial statement purposes and positive UNII balances for tax purposes.

As of October 31, 2007, the Funds' share prices were trading at discounts to their NAVs as shown in the accompanying chart:

	10/31/07 Discount	Twelve Month Average Premium/Discount
NPP	-10.71%	-4.92%
NMA	-8.22%	-0.34%
NMO	-8.77%	-3.34%
NAD	-8.52%	-1.81%
NXZ	-0.45%	+3.67%
NZF	-7.85%	+0.54%

12

NPP | Nuveen Performance  
 PERFORMANCE | Plus Municipal  
 OVERVIEW | Fund, Inc.  
 as of October 31, 2007

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	76%
AA	7%
A	6%
BBB	8%
BB or Lower	1%
N/R	2%

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

2006-2007 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.060	0.060	0.060	0.060	0.057
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	15.14
	15.17
	15.18
	15.07
	15.13
	15.18
	15.11
	14.91
	14.78
	15.19
	15.06
	15.01
	15.03
	15.07
	15.16
	15.30
	15.15
	15.12
	15.24
	15.23
	15.19
	15.18
	15.16
	15.13
	15.10
	15.12
	15.15
	15.23
	15.27
	15.26
	15.21
	15.14
	14.67
	14.32
	14.17
	14.21
	14.21
	14.02
	13.92
	14.00
	14.11
	13.90
	13.82
	13.78
	13.98

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

	14.46
	14.01
	13.91
	13.99
	13.88
	13.63
	13.59
	13.50
10/31/07	13.59

FUND SNAPSHOT

Common Share Price	\$13.59
Common Share Net Asset Value	\$15.22
Premium/(Discount) to NAV	-10.71%
Market Yield	5.08%
Taxable-Equivalent Yield(1)	7.06%
Net Assets Applicable to Common Shares (\$000)	\$912,066
Average Effective Maturity on Securities (Years)	14.41
Leverage-Adjusted Duration	9.14

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

	ON SHARE PRICE	ON NAV
1-Year	-4.97%	1.53%
5-Year	5.33%	5.79%
10-Year	5.42%	6.10%

STATES  
(as a % of total investments)

Illinois	15.1%
California	10.3%
New York	6.9%
New Jersey	5.2%
Indiana	4.5%
Texas	4.5%
Michigan	4.3%
Florida	4.2%

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

Colorado	3.9%
-----	
Massachusetts	3.9%
-----	
Ohio	3.6%
-----	
Washington	3.3%
-----	
South Carolina	2.8%
-----	
Nevada	2.5%
-----	
Pennsylvania	2.2%
-----	
Georgia	2.1%
-----	
Utah	2.1%
-----	
Minnesota	1.9%
-----	
Louisiana	1.9%
-----	
Other	14.8%
-----	

### INDUSTRIES

(as a % of total investments)

U.S. Guaranteed	27.4%
-----	
Tax Obligation/Limited	15.6%
-----	
Tax Obligation/General	14.5%
-----	
Transportation	9.8%
-----	
Utilities	9.5%
-----	
Health Care	8.8%
-----	
Other	14.4%
-----	

- (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 2006 of \$0.0469 per share.

13

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

### FUND SNAPSHOT

Common Share Price	\$13.95
Common Share Net Asset Value	\$15.20
Premium/(Discount) to NAV	-8.22%
Market Yield	5.51%
Taxable-Equivalent Yield(1)	7.65%
Net Assets Applicable to Common Shares (\$000)	\$656,806
Average Effective Maturity on Securities (Years)	15.59
Leverage-Adjusted Duration	9.36

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

	ON SHARE PRICE	ON NAV
1-Year	-7.08%	1.06%
5-Year	5.52%	6.14%
10-Year	5.33%	6.22%

### STATES

(as a % of total investments)

Texas	10.5%
Illinois	10.4%
Washington	9.1%
California	8.4%
Louisiana	8.3%
New York	8.0%
Colorado	4.9%
Ohio	4.2%
Nevada	3.8%
Tennessee	3.5%
Oklahoma	2.8%
Florida	2.6%
South Carolina	2.6%

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

New Jersey	2.3%
Alabama	2.0%
Wisconsin	1.9%
Other	14.7%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	30.6%
Health Care	13.5%
Utilities	13.2%
Tax Obligation/Limited	10.5%
Transportation	8.9%
Tax Obligation/General	7.2%
Consumer Staples	5.1%
Other	11.0%

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	68%
AA	9%
A	5%
BBB	13%
BB or Lower	5%

2006-2007 Monthly Tax-Free Dividends Per Share

[BAR CHART]

0.0715	0.0715	0.0715	0.0715	0.0715	0.0715	0.0715	0.0675	0.0675	0.0675	0.0675	0.0640
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	15.88
	15.87
	15.80
	15.80
	15.94

	16.04
	16.03
	16.04
	15.93
	16.36
	16.14
	16.17
	16.29
	16.19
	16.12
	16.21
	16.21
	16.05
	16.16
	16.27
	16.06
	16.10
	16.06
	16.10
	16.00
	16.07
	16.05
	16.21
	16.28
	16.13
	16.05
	16.06
	15.50
	15.07
	14.98
	14.93
	14.80
	14.65
	14.55
	14.74
	14.85
	14.48
	14.01
	14.24
	14.62
	15.12
	14.57
	14.42
	14.48
	14.26
	13.94
	14.10
	13.92
10/31/07	13.95

- (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.

14

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

PERFORMANCE | Market Opportunity  
 OVERVIEW | Fund, Inc.  
 as of October 31, 2007

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	81%
AA	7%
A	4%
BBB	5%
BB or Lower	3%

2006-2007 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

0.0660	0.0660	0.0660	0.0660	0.0635	0.0635	0.0635	0.0605	0.0605	0.0605	0.0605	0.0605
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	15.03
	14.99
	15.07
	15.09
	15.16
	15.23
	15.19
	15.02
	15.01
	15.29
	15.18
	15.31
	15.33
	15.32
	15.16
	15.17
	15.19
	15.20
	15.21
	15.18
	15.03
	15.01
	15.15
	15.10
	15.02
	15.00
	14.99
	15.13
	15.00
	15.02
	14.88



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

	14.94
	14.64
	14.13
	14.01
	14.03
	13.91
	13.75
	13.73
	13.61
	13.76
	13.44
	13.21
	13.47
	13.79
	14.09
	13.77
	13.59
	13.79
	13.73
	13.60
	13.47
	13.46
10/31/07	13.53

FUND SNAPSHOT

Common Share Price	\$13.53
Common Share Net Asset Value	\$14.83
Premium/(Discount) to NAV	-8.77%
Market Yield	5.37%
Taxable-Equivalent Yield(1)	7.46%
Net Assets Applicable to Common Shares (\$000)	\$675,577
Average Effective Maturity on Securities (Years)	12.79
Leverage-Adjusted Duration	9.14

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

	ON SHARE PRICE	ON NAV
1-Year	-5.00%	1.20%
5-Year	5.86%	6.29%
10-Year	4.68%	5.58%

STATES

(as a % of total investments)

Texas	16.3%
-------	-------

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

Washington	11.1%
Illinois	8.2%
California	7.5%
New York	6.4%
Minnesota	4.9%
South Carolina	4.7%
New Jersey	4.1%
Nevada	3.9%
Colorado	3.6%
Ohio	3.0%
Georgia	2.8%
North Dakota	2.7%
Pennsylvania	2.4%
Massachusetts	2.3%
Puerto Rico	1.8%
Other	14.3%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	36.0%
Tax Obligation/General	16.8%
Transportation	12.6%
Health Care	8.3%
Tax Obligation/Limited	7.9%
Utilities	5.7%
Other	12.7%

- (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 2006 of \$0.0014 per share.

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

NAD | Nuveen Dividend  
 PERFORMANCE | Advantage  
 OVERVIEW | Municipal Fund  
 as of October 31, 2007

FUND SNAPSHOT

Common Share Price	\$13.63
Common Share Net Asset Value	\$14.90
Premium/(Discount) to NAV	-8.52%
Market Yield	5.59%
Taxable-Equivalent Yield(1)	7.76%
Net Assets Applicable to Common Shares (\$000)	\$585,496
Average Effective Maturity on Securities (Years)	15.04
Leverage-Adjusted Duration	9.53

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

	ON SHARE PRICE	ON NAV
1-Year	-5.96%	1.10%
5-Year	5.14%	6.24%
Since Inception	5.21%	6.82%

STATES  
 (as a % of total investments)

Illinois	17.9%
Texas	10.5%
New York	9.6%
Washington	7.0%
Florida	6.8%
Wisconsin	5.3%
Louisiana	4.2%
New Jersey	3.8%

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

Indiana	3.6%
Ohio	3.4%
Pennsylvania	3.3%
California	2.8%
Nevada	2.8%
Michigan	2.3%
Rhode Island	2.2%
Other	14.5%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	21.5%
Health Care	17.6%
Tax Obligation/General	15.8%
Tax Obligation/Limited	14.3%
Transportation	10.2%
Utilities	5.8%
Consumer Staples	5.7%
Other	9.1%

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	69%
AA	13%
A	5%
BBB	6%
BB or Lower	5%
N/R	2%

2006-2007 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

0.0690	0.0690	0.0690	0.0690	0.0665	0.0665	0.0665	0.0665	0.0665	0.0665	0.0665	0.0635
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

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

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	15.32
	15.25
	15.43
	15.34
	15.38
	15.54
	15.52
	15.48
	15.54
	15.72
	15.65
	15.74
	15.73
	15.55
	15.55
	15.43
	15.39
	15.43
	15.44
	15.42
	15.33
	15.22
	14.86
	14.91
	14.89
	14.86
	15.01
	15.29
	15.36
	15.27
	15.16
	15.07
	14.82
	14.81
	14.71
	14.76
	14.60
	14.46
	14.38
	14.27
	14.31
	14.09
	14.23
	14.24
	14.28
	14.54
	14.35
	14.26
	14.30
	14.15
	13.76
	13.73
	13.66
10/31/07	13.63

(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

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

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 2006 of \$0.0024 per share.

16

NXZ | Nuveen Dividend  
 PERFORMANCE | Advantage  
 OVERVIEW | Municipal Fund 2  
 as of October 31, 2007

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	68%
AA	8%
A	8%
BBB	9%
BB or Lower	5%
N/R	2%

2006-2007 Monthly Tax-Free Dividends Per Share

[BAR CHART]

0.0765	0.0765	0.0765	0.0765	0.0765	0.0765	0.0765	0.0730	0.0730	0.0730	0.0730	0.0730
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	16.57
	16.59
	16.85
	16.70
	16.61
	16.70
	16.82
	16.72
	16.68
	16.91
	16.98
	17.30
	16.90
	17.03
	17.05
	16.97
	16.98

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

	16.86
	16.96
	16.98
	16.86
	17.00
	17.03
	17.01
	17.11
	17.13
	17.01
	17.19
	17.16
	17.06
	16.84
	16.80
	16.12
	15.76
	15.60
	15.81
	15.76
	15.47
	15.54
	15.55
	15.62
	15.26
	14.61
	14.95
	15.30
	15.94
	15.48
	15.32
	15.50
	15.34
	15.35
	15.56
	15.37
10/31/07	15.48

FUND SNAPSHOT

Common Share Price	\$15.48
Common Share Net Asset Value	\$15.55
Premium/(Discount) to NAV	-0.45%
Market Yield	5.66%
Taxable-Equivalent Yield(1)	7.86%
Net Assets Applicable to Common Shares (\$000)	\$456,992
Average Effective Maturity on Securities (Years)	16.25
Leverage-Adjusted Duration	7.19

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

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

	ON SHARE PRICE	ON NAV
1-Year	-0.78%	2.76%
5-Year	8.93%	7.53%
Since Inception	7.00%	7.77%

STATES  
(as a % of total investments)

Texas	16.6%
Michigan	9.4%
Illinois	7.8%
New York	6.1%
California	5.5%
Nevada	4.9%
Colorado	4.8%
New Mexico	3.5%
Washington	3.4%
Florida	3.3%
Louisiana	3.3%
Missouri	3.2%
Indiana	3.1%
Alabama	2.9%
Kansas	2.5%
Oregon	2.5%
Pennsylvania	2.3%
Other	14.9%

INDUSTRIES  
(as a % of total investments)

U.S. Guaranteed	37.2%
Tax Obligation/Limited	16.7%
Health Care	13.7%
Transportation	10.9%



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

Utilities	5.8%
-----	
Tax Obligation/General	4.2%
-----	
Other	11.5%
-----	

(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.

17

NZF | Nuveen Dividend  
 PERFORMANCE | Advantage  
 OVERVIEW | Municipal Fund 3  
 as of October 31, 2007

### FUND SNAPSHOT

Common Share Price	\$13.85
-----	
Common Share Net Asset Value	\$15.03
-----	
Premium/(Discount) to NAV	-7.85%
-----	
Market Yield	5.55%
-----	
Taxable-Equivalent Yield(1)	7.71%
-----	
Net Assets Applicable to Common Shares (\$000)	\$606,908
-----	
Average Effective Maturity on Securities (Years)	16.72
-----	
Leverage-Adjusted Duration	9.48
-----	

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

	ON SHARE PRICE	ON NAV
1-Year	-7.72%	2.31%
5-Year	7.01%	6.94%
Since Inception	5.04%	7.04%

### STATES

(as a % of total investments)

Illinois	12.7%
----------	-------

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

Texas	11.8%
Washington	9.9%
California	9.1%
Michigan	6.3%
Iowa	3.9%
Indiana	3.8%
Colorado	3.8%
Wisconsin	2.8%
New York	2.6%
New Jersey	2.6%
Louisiana	2.5%
Ohio	2.1%
Kentucky	2.1%
Missouri	1.9%
Oklahoma	1.7%
Maryland	1.7%
Oregon	1.6%
Georgia	1.6%
Florida	1.5%
Other	14.0%
INDUSTRIES (as a % of total investments)	
U.S. Guaranteed	23.9%
Transportation	15.4%
Health Care	14.3%
Tax Obligation/General	11.7%
Tax Obligation/Limited	6.0%
Utilities	5.6%
Education and Civic Organizations	5.0%
Consumer Staples	4.2%
Other	13.9%

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

---

Credit Quality (as a % of total investments)

[PIE CHART]

AAA/U.S. Guaranteed	75%
AA	7%
A	2%
BBB	7%
BB or Lower	2%
N/R	7%

2006-2007 Monthly Tax-Free Dividends Per Share(2)

[BAR CHART]

0.0730	0.0730	0.0730	0.0730	0.0705	0.0705	0.0705	0.0675	0.0675	0.0675	0.0675	0.0640
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Share Price Performance -- Weekly Closing Price

[LINE CHART]

11/01/06	15.89
	15.85
	16.02
	15.92
	15.93
	15.98
	16.10
	15.90
	16.07
	16.17
	16.24
	16.03
	15.85
	15.93
	15.95
	16.00
	15.90
	15.93
	16.05
	16.05
	15.95
	15.95
	15.82
	15.92
	15.89
	15.75
	15.81
	15.86
	15.90
	15.82
	15.60
	15.47

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

14.96  
 14.65  
 14.67  
 14.88  
 14.96  
 14.73  
 14.66  
 14.39  
 14.44  
 14.26  
 14.10  
 14.08  
 14.45  
 14.66  
 14.58  
 14.25  
 14.32  
 14.12  
 13.95  
 13.98  
 13.90  
 13.85

10/31/07

- (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 capital gains distribution in December 2006 of \$0.0198 per share.

18

NPP | Shareholder MEETING REPORT  
 NMA | The annual meeting of shareholders was held on July 31, 2007, at The  
 NMO | Northern Trust Company, 50 South La Salle Street, Chicago, IL 60675;  
 at this meeting shareholders were asked to vote on the election of  
 Board Members. Additionally a special meeting of shareholders was  
 held in the offices of Nuveen Investments on October 12, 2007; at  
 this meeting shareholders were asked to vote on a New Investment  
 Management Agreement and to ratify the selection of Ernst and Young  
 LLP as the Funds' independent registered public accounting firm.

	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	Common MuniPrefer shares vo togeto as a c
TO APPROVE A NEW INVESTMENT MANAGEMENT AGREEMENT:					
For	33,019,803	--	23,118,106	--	23,103
Against	1,343,355	--	988,823	--	1,222

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

Abstain	1,146,239	--	850,001	--	776
Broker Non-Votes	8,837,535	--	6,570,425	--	7,542
<hr/>					
Total	44,346,932	--	31,527,355	--	32,645
<hr/>					
APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:					
Robert P. Bremner					
For	51,601,356	--	36,626,204	--	39,604
Withhold	813,223	--	664,659	--	569
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
Jack B. Evans					
For	51,597,653	--	36,624,074	--	39,611
Withhold	816,926	--	666,789	--	561
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
William C. Hunter					
For	51,618,169	--	36,618,268	--	39,609
Withhold	796,410	--	672,595	--	563
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
David J. Kundert					
For	51,598,019	--	36,626,073	--	39,607
Withhold	816,560	--	664,790	--	566
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
William J. Schneider					
For	--	16,813	--	12,754	
Withhold	--	28	--	260	
<hr/>					
Total	--	16,841	--	13,014	
<hr/>					
Timothy R. Schwertfeger					
For	--	16,813	--	12,754	
Withhold	--	28	--	260	
<hr/>					
Total	--	16,841	--	13,014	
<hr/>					
Judith M. Stockdale					
For	51,611,442	--	36,628,839	--	39,596
Withhold	803,137	--	662,024	--	577
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
Carole E. Stone					
For	51,609,587	--	36,611,626	--	39,591
Withhold	804,992	--	679,237	--	581
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173
<hr/>					
Eugene S. Sunshine (1)					
For	51,604,995	--	36,617,233	--	39,597
Withhold	809,584	--	673,630	--	576
<hr/>					
Total	52,414,579	--	37,290,863	--	40,173

TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE CURRENT FISCAL YEAR:

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

For	43,041,554	--	30,707,156	--	31,697
Against	563,486	--	370,457	--	409
Abstain	741,892	--	449,742	--	537
Total	44,346,932	--	31,527,355	--	32,645

19

NAD | Shareholder MEETING REPORT (continued)  
 NXZ |  
 NZF |

	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	Common MuniPrefer shares vo toge as a c
TO APPROVE A NEW INVESTMENT MANAGEMENT AGREEMENT:					
For	21,124,422	--	15,333,938	--	20,309
Against	850,622	--	788,428	--	778
Abstain	703,968	--	528,668	--	740
Broker Non-Votes	6,543,436	--	5,002,836	--	7,734
Total	29,222,448	--	21,653,870	--	29,563
APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:					
Robert P. Bremner					
For	--	--	--	--	--
Withhold	--	--	--	--	--
Total	--	--	--	--	--
Jack B. Evans					
For	--	--	--	--	--
Withhold	--	--	--	--	--
Total	--	--	--	--	--
William C. Hunter					
For	--	--	--	--	--
Withhold	--	--	--	--	--
Total	--	--	--	--	--
David J. Kundert					
For	--	--	--	--	--
Withhold	--	--	--	--	--
Total	--	--	--	--	--

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

=====					
William J. Schneider					
For	--	10,342	--	7,964	
Withhold	--	23	--	13	
-----					
Total	--	10,365	--	7,977	
=====					
Timothy R. Schwertfeger					
For	--	10,342	--	7,964	
Withhold	--	23	--	13	
-----					
Total	--	10,365	--	7,977	
=====					
Judith M. Stockdale					
For	36,639,177	--	27,888,280	--	37,724
Withhold	550,094	--	377,207	--	549
-----					
Total	37,189,271	--	28,265,487	--	38,274
=====					
Carole E. Stone					
For	36,629,724	--	27,888,302	--	37,721
Withhold	559,547	--	377,185	--	552
-----					
Total	37,189,271	--	28,265,487	--	38,274
=====					
Eugene S. Sunshine (1)					
For	--	--	--	--	
Withhold	--	--	--	--	
-----					
Total	--	--	--	--	
=====					
TO RATIFY THE SELECTION OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE CURRENT FISCAL YEAR:					
For	28,346,168	--	21,138,179	--	28,871
Against	390,998	--	212,090	--	282
Abstain	485,282	--	303,601	--	408
-----					
Total	29,222,448	--	21,653,870	--	29,563
=====					

(1) Mr. Sunshine resigned from the Funds' Board of Directors/Trustees on July 31, 2007.

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

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

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, 2007, 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 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, 2007, 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, 2007, 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 20, 2007

21

| Nuveen Performance Plus Municipal Fund, Inc.  
NPP | Portfolio of INVESTMENTS

October 31, 2007



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

AMOUNT (000)	DESCRIPTION (1)	PROVISIONS (2)
ALABAMA - 0.3% (0.2% OF TOTAL INVESTMENTS)		
	Jefferson County, Alabama, Sewer Revenue Refunding Warrants, Series 1997A:	
\$ 1,435	5.625%, 2/01/22 - FGIC Insured	2/08 at 100.
1,505	5.375%, 2/01/27 - FGIC Insured	2/08 at 100.
2,940	Total Alabama	
ARIZONA - 1.4% (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.
	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 - 15.6% (10.3% 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. Ca
	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.

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

3,500	California Pollution Control Financing Authority, Revenue Bonds, Pacific Gas and Electric Company, Series 2004C, 4.750%, 12/01/23 - FGIC Insured (Alternative Minimum Tax)	6/17 at 100.
5,335	California State, Variable Purpose General Obligation Bonds, Series 2007, Lehman Municipal Trust Receipts FC5, 7.690%, 6/01/37 (IF)	6/17 at 100.
5,300	California, General Obligation Bonds, Series 2004, 5.100%, 2/01/34 (Pre-refunded 2/01/09)	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. Ca

22

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	CALIFORNIA (continued)	
\$ 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.
1,500	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.
10,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39 (Pre-refunded 6/01/13)	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)	12/07 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. Ca
11,270	Palmdale Community Redevelopment Agency, California, Residential Mortgage Revenue Refunding Bonds, Series 1991A, 7.150%, 2/01/10 (ETM)	No Opt. Ca
2,325	Palmdale Community Redevelopment Agency, California,	No Opt. Ca

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

Restructured Single Family Mortgage Revenue Bonds, Series 1986D, 8.000%, 4/01/16 (Alternative Minimum Tax) (ETM)

2,000	San Francisco Airports Commission, California, Revenue Bonds, San Francisco International Airport, Second Series 1999, Issue 23B, 5.125%, 5/01/30 (Pre-refunded 5/01/09) - 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. Ca
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.
140,280	Total California	
-----		
COLORADO - 5.9% (3.9% OF TOTAL INVESTMENTS)		
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.
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.
12,615	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 1997B, 0.000%, 9/01/21 - MBIA Insured	No Opt. Ca
15,700	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/32 - MBIA Insured	No Opt. Ca
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 (Pre-refunded 12/01/07) - AMBAC Insured	12/07 at 101.
1,330	University of Colorado Hospital Authority, Revenue Bonds, Series 1999A, 5.000%, 11/15/29 - AMBAC Insured	11/09 at 101.
68,625	Total Colorado	
-----		
DISTRICT OF COLUMBIA - 1.8% (1.2% OF TOTAL INVESTMENTS)		
5,745	District of Columbia Tobacco Settlement Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2001, 6.250%, 5/15/24	5/11 at 101.

NPP | Nuveen Performance Plus Municipal Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	DISTRICT OF COLUMBIA (continued)	
\$ 5,590	District of Columbia, General Obligation Bonds, Series 1999B, 5.500%, 6/01/13 - FSA Insured	6/09 at 101.
5,000	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 2007A, 4.500%, 10/01/30 - AMBAC Insured	10/16 at 100.
-----		
16,335	Total District of Columbia	
-----		
	FLORIDA - 6.4% (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. Ca
2,105	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)	12/07 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.

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

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.
56,325	Total Florida	
-----		
GEORGIA - 3.1% (2.1% 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. Ca
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.
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)		
510	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000D, 6.200%, 7/01/14 (Alternative Minimum Tax)	1/10 at 100.
295	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000G-2, 5.950%, 7/01/25 (Alternative Minimum Tax)	7/10 at 100.
805	Total Idaho	
-----		

24

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
ILLINOIS - 22.9% (15.1% 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. Ca

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

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. Ca
	Chicago, Illinois, General Obligation Bonds, City Colleges, Series 1999:	
32,170	0.000%, 1/01/21 - FGIC Insured	No Opt. Ca
32,670	0.000%, 1/01/22 - FGIC Insured	No Opt. Ca
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	1/08 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.
	DuPage County Forest Preserve District, Illinois, General Obligation Bonds, Series 2000:	
8,000	0.000%, 11/01/18	No Opt. Ca
15,285	0.000%, 11/01/19	No Opt. Ca
3,530	Illinois Finance Authority, Revenue Bonds, University of Chicago, Series 2007, Trust 73TP, 7.568%, 7/01/46 (IF)	7/17 at 100.
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.
1,180	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.
2,410	Illinois Health Facilities Authority, Revenue Bonds, Silver Cross Hospital and Medical Centers, Series 1999, 5.250%, 8/15/15 (Mandatory put 8/15/08)	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 (Pre-refunded 11/01/09) (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.

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

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. Ca
	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. Ca
16,570	0.000%, 12/15/20 - MBIA Insured	No Opt. Ca
23,550	0.000%, 12/15/22 - MBIA Insured	No Opt. Ca
13,000	0.000%, 12/15/24 - MBIA Insured	No Opt. Ca
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. Ca
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. Ca

25

NPP | Nuveen Performance Plus Municipal Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	ILLINOIS (continued)	
\$ 17,865	Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, General Obligation Bonds, Series 1999, 5.750%, 6/01/23 - FSA Insured	No Opt. Ca
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. Ca
284,990	Total Illinois	
	INDIANA - 6.8% (4.5% 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.

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

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. Ca
	Indiana Health Facility Financing Authority, Revenue Bonds, Ancilla Systems Inc. Obligated Group, Series 1997:	
15,380	5.250%, 7/01/17 - MBIA Insured (ETM)	1/08 at 101.
4,320	5.250%, 7/01/22 - MBIA Insured (ETM)	1/08 at 101.
2,250	5.250%, 7/01/22 - MBIA Insured (ETM)	1/08 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.
	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2000:	
1,285	5.375%, 12/01/25 (Pre-refunded 12/01/10)	12/10 at 100.
6,715	5.375%, 12/01/25 (Pre-refunded 12/01/10)	12/10 at 100.
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 - 0.8% (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 - 1.4% (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.





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

5,625	5.125%, 2/01/34 - MBIA Insured	2/12 at 100.
1,075	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 Refunding Bonds, Ogden Haverhill Project, Series 1998A, 5.600%, 12/01/19 (Alternative Minimum Tax)	12/08 at 102.
10,150	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured	1/08 at 101.
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.
-----		
51,245	Total Massachusetts	
-----		
	MICHIGAN - 6.5% (4.3% 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.
3,990	Hancock Hospital Finance Authority, Michigan, FHA-Insured Mortgage Hospital Revenue Bonds, Portage Health System Inc., Series 1998, 5.450%, 8/01/47 (Pre-refunded 8/01/08) - MBIA Insured	8/08 at 100.

27

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	MICHIGAN (continued)	
\$ 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. Ca
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.
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.
-----		
57,605	Total Michigan	
-----		
	MINNESOTA - 2.9% (1.9% OF TOTAL INVESTMENTS)	
3,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Subordinate Airport Revenue Bonds, Series 2001C, 5.250%, 1/01/26 (Pre-refunded 1/01/11) - FGIC Insured	1/11 at 100.
19,515	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.
-----		
22,515	Total Minnesota	
-----		
	MISSISSIPPI - 1.4% (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	4/08 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.

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

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.
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.
14,010	Total Missouri	
-----		
MONTANA - 0.6% (0.4% OF TOTAL INVESTMENTS)		
665	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.
5,460	Total Montana	
-----		
NEBRASKA - 0.2% (0.1% OF TOTAL INVESTMENTS)		
1,395	Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2000E, 5.850%, 9/01/20 (Alternative Minimum Tax)	9/10 at 100.

28

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
NEVADA - 3.8% (2.5% 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.
6,980	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.
10,000	Reno, Nevada, Health Facilities Revenue Bonds, Catholic Healthcare West, Series 2007A: 5.250%, 7/01/31 (UB)	7/17 at 100.
5,000	5.250%, 7/01/31	7/17 at 100.

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

32,880	Total Nevada	
-----		
	NEW HAMPSHIRE - 1.6% (1.0% OF TOTAL INVESTMENTS)	
3,265	New Hampshire Health and Education Facilities Authority, Revenue Bonds, Southern	1/15 at 100.
	New Hampshire University, Series 2005, 5.000%, 1/01/30 - ACA Insured 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 - 7.8% (5.2% 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.
2,110	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.
4,500	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2001C, 5.500%, 12/15/18 - FSA Insured	No Opt. Ca
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. Ca
10,000	0.000%, 12/15/30 - FGIC Insured	No Opt. Ca
10,000	New Jersey Turnpike Authority, Revenue Bonds, Series 2003A, 5.000%, 1/01/20 - FSA Insured	7/13 at 100.
11,960	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 5.750%, 6/01/32 (Pre-refunded 6/01/12)	6/12 at 100.
4,450	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003, 6.750%, 6/01/39 (Pre-refunded 6/01/13)	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.
-----		
96,755	Total New Jersey	
-----		
	NEW YORK - 10.4% (6.9% 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

5	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.

29

NPP | Nuveen Performance Plus Municipal Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
-----		
	NEW YORK (continued)	
	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	2/08 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)	No Opt. Ca
13,220	Metropolitan Transportation Authority, New York, Dedicated Tax Fund Bonds, Series 2002A, 5.500%, 11/15/26 - FSA Insured	11/12 at 100.
4,545	Metropolitan Transportation Authority, New York, Transportation Revenue Bonds, Series 2006B, Drivers 1662, 6.055%, 11/15/32 - FSA Insured (IF)	11/16 at 100.
10,000	New York City Municipal Water Finance Authority, New York, Water	6/09 at 101.

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

	and Sewerage System Revenue Bonds, Fiscal Series 2000A, 5.750%, 6/15/30 (Pre-refunded 6/15/09)	
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	2/08 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.
90,840	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 (Pre-refunded 1/15/15)	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 - 5.4% (3.6% OF TOTAL INVESTMENTS)	
	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	
355	5.125%, 6/01/24	6/17 at 100.
3,570	5.875%, 6/01/30	6/17 at 100.
3,475	5.750%, 6/01/34	6/17 at 100.
7,855	5.875%, 6/01/47	6/17 at 100.
5,150	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-3, 0.000%, 6/01/37	6/22 at 100.
6,720	Cleveland, Ohio, Airport System Revenue Bonds, Series 2001A, 5.000%, 1/01/31 - FSA Insured	1/10 at 101.
780	Cleveland, Ohio, Airport System Revenue Bonds, Series 2001A, 5.000%, 1/01/31 (Pre-refunded 1/01/10) - FSA Insured	1/10 at 101.

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	OHIO (continued)	
\$ 3,650	Montgomery County, Ohio, Revenue Bonds, Catholic Health Initiatives, Series 2004A, 5.000%, 5/01/30	5/14 at 100.
635	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.
6,100	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.
12,900	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.
51,190	Total Ohio	
	OKLAHOMA - 0.4% (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. Ca
	PENNSYLVANIA - 3.3% (2.2% 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. Ca
3,125	0.000%, 5/15/23 - FSA Insured	No Opt. Ca
3,135	0.000%, 5/15/24 - FSA Insured	No Opt. Ca
3,155	0.000%, 5/15/26 - FSA Insured	No Opt. Ca
4,145	0.000%, 11/15/26 - FSA Insured	No Opt. Ca
2,800	0.000%, 5/15/28 - FSA Insured	No Opt. Ca
3,000	0.000%, 11/15/28 - FSA Insured	No Opt. Ca
2,845	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. Ca
11,000	Delaware County Authority, Pennsylvania, Revenue Bonds, Catholic Health East, Series 1998A, 4.875%, 11/15/18 - AMBAC Insured	11/08 at 102.
1,400	Pennsylvania Economic Development Financing Authority, Senior Lien Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994A: 6.400%, 1/01/09 (Alternative Minimum Tax)	1/08 at 100.



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

4,500	6.500%, 1/01/13 (Alternative Minimum Tax)	1/08 at 100.
500	Pennsylvania Economic Development Financing Authority, Subordinate Resource Recovery Revenue Bonds, Northampton Generating Project, Series 1994C, 6.875%, 1/01/11 (Alternative Minimum Tax)	1/08 at 100.
42,730	Total Pennsylvania	
-----		
PUERTO RICO - 0.7% (0.5% 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.
5,000	Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue Bonds, Series 2007A, Lehman Municipal Trust Receipts FC8, 8.252%, 8/01/57 (IF)	8/17 at 100.
6,250	Total Puerto Rico	
-----		

31

NPP | Nuveen Performance Plus Municipal Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
RHODE ISLAND - 0.5% (0.3% 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.
4,340	Total Rhode Island	
-----		
SOUTH CAROLINA - 4.3% (2.8% 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. Ca
6,925	South Carolina, General Obligation Bonds, Series 1999A, 4.000%, 10/01/14	10/09 at 101.

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

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% (0.8% 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, 6.000%, 12/01/19 - AMBAC Insured	12/17 at 100.
-----		
10,560	Total Tennessee	
-----		
TEXAS - 6.7% (4.5% 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. Ca
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

32

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
-----		
	TEXAS (continued)	
	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	2/08 at 50.
3,705	0.000%, 8/15/22	2/08 at 44.
245	Lubbock Housing Finance Corporation, Texas, GNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Refunding Bonds, Series 1997A, 6.125%, 12/01/17	11/07 at 102.
3,480	Pearland, Texas, General Obligation Bonds, Series 2002, 5.000%, 3/01/27 (Pre-refunded 3/01/12) - 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 (Pre-refunded 2/01/11)	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.
93,965	Total Texas	
-----		
	UTAH - 3.1% (2.1% OF TOTAL INVESTMENTS)	
	Utah County, Utah, Hospital Revenue Bonds, IHC Health Services Inc., Series 1997:	
12,885	5.250%, 8/15/21 - MBIA Insured (ETM)	2/08 at 101.
3,900	5.250%, 8/15/26 - MBIA Insured (ETM)	2/08 at 101.
3,070	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2002A-1, 5.300%, 7/01/18 (Alternative Minimum Tax)	1/12 at 100.
15	Utah Housing Finance Agency, Single Family Mortgage Bonds,	1/10 at 100.

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

Series 2000B, 6.250%, 7/01/22 (Alternative Minimum Tax)		
1,245	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2000D-1, 6.050%, 7/01/14 (Alternative Minimum Tax)	7/10 at 100.
610	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.
1,540	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.
875	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 2001A-2, 5.650%, 7/01/27 (Alternative Minimum Tax)	7/11 at 100.
675	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 (Pre-refunded 10/01/12) - AMBAC Insured	10/12 at 100.
27,815	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	
-----		

33

| Nuveen Performance Plus Municipal Fund, Inc. (continued)  
 NPP | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
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. Ca
3,100	Cowlitz County Public Utilities District 1, Washington, Electric Production Revenue Bonds, Series 2004, 5.000%, 9/01/28 -	9/14 at 100.

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

FGIC Insured

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 (Pre-refunded 12/01/09) - MBIA Insured	12/09 at 101.
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.
-----		
	WISCONSIN - 2.5% (1.6% 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.
3,270	Wisconsin Housing and Economic Development Authority, Home Ownership Revenue Bonds, Residual Trust 1517, 6.959%, 3/01/36 (IF)	9/14 at 100.
-----		
22,380	Total Wisconsin	
-----		
\$ 1,534,840	Total Investments (cost \$1,304,274,541) - 151.3%	
=====		
	Floating Rate Obligations - (0.7)%	
-----		
	Other Assets Less Liabilities - 1.9%	
-----		
	Preferred Shares, at Liquidation Value - (52.5)%	
-----		
	Net Assets Applicable to Common Shares - 100%	
=====		

The Fund may invest in "zero coupon" securities. A zero coupon security does not pay a regular interest coupon to its holders during the life of the security. Tax-exempt income to the holder of the security comes from accretion of the difference between the original purchase price of the security at issuance and the par value of the security at maturity and is effectively paid at maturity. Such securities are included in the

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

Portfolio of Investments with a 0.000% coupon rate in their description. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

- (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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
- (4) 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.

(IF) Inverse floating rate investment.

(UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

34

NMA | Nuveen Municipal Advantage Fund, Inc.  
 | Portfolio of INVESTMENTS

October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (
	ALABAMA - 3.2% (2.0% 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.

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

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.
<hr/>		
20,230	Total Alabama	
<hr/>		
ALASKA - 0.8% (0.5% 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.
3,050	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A, 5.000%, 6/01/46	6/14 at 100.
<hr/>		
5,455	Total Alaska	
<hr/>		
ARIZONA - 1.5% (1.0% OF TOTAL INVESTMENTS)		
4,905	Maricopa County Industrial Development Authority, Arizona, Health Facility Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/32	7/17 at 100.
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	11/07 at 100.
<hr/>		
9,905	Total Arizona	
<hr/>		
CALIFORNIA - 13.2% (8.2% 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.
Calexico Unified School District, Imperial County, California, General Obligation Bonds, Series 2005B:		
4,070	0.000%, 8/01/32 - FGIC Insured	No Opt. Ca
6,410	0.000%, 8/01/34 - FGIC Insured	No Opt. Ca
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.
5,335	California State, Variable Purpose General Obligation Bonds, Series 2007, Lehman Municipal Trust Receipts FC5, 7.690%, 6/01/37 (IF)	6/17 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. Ca
Colton Joint Unified School District, San Bernardino County, California, General Obligation Bonds, Series 2006C:		
3,800	0.000%, 2/01/33 - FGIC Insured	2/15 at 38.
3,795	0.000%, 2/01/37 - FGIC Insured	No Opt. Ca

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

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. Ca
-------	--	------------

35

| Nuveen Municipal Advantage Fund, Inc. (continued)  
 NMA | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
CALIFORNIA (CONTINUED)		
\$ 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.
2,000	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. Ca
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. Ca
2,315	Gateway Unified School District, California, General Obligation Bonds, Series 2004B, 0.000%, 8/01/32 - FGIC Insured	No Opt. Ca
1,000	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.
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. Ca
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. Ca
4,000	0.000%, 8/01/26 - FGIC Insured	No Opt. Ca
5,000	Palmdale Community Redevelopment Agency, California, Residential Mortgage Revenue Refunding Bonds, Series 1991B, 7.375%, 2/01/12 (ETM)	No Opt. Ca



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

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. Ca
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. Ca
7,660	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Senior Lien Toll Road Revenue Bonds, Series 1993, 0.000%, 1/01/24 (ETM)	No Opt. Ca
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. Ca
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.
143,955	Total California	
-----		
COLORADO - 7.8% (4.9% OF TOTAL INVESTMENTS)		
1,600	Arkansas River Power Authority, Colorado, Power Revenue Bonds, Series 2006, 5.250%, 10/01/40 - XLCA Insured	10/16 at 100.
8,350	Colorado Health Facilities Authority, Remarketed Revenue Bonds, Kaiser Permanente System, Series 1994A, 5.350%, 11/01/16 (ETM)	1/08 at 101.
9,440	Colorado Health Facilities Authority, Revenue Bonds, Catholic Health Initiatives, Series 2006A, 4.500%, 9/01/38	9/16 at 100.
	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006:	
5,365	5.000%, 11/15/23 - FGIC Insured (UB)	11/16 at 100.
3,300	5.000%, 11/15/24 - FGIC Insured (UB)	11/16 at 100.
1,445	7.501%, 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. Ca
8,645	0.000%, 9/01/26 - MBIA Insured	No Opt. Ca
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.

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
COLORADO (CONTINUED)		
	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B:	
\$ 7,500	0.000%, 9/01/29 - MBIA Insured	No Opt. Ca
10,000	0.000%, 9/01/32 - MBIA Insured	No Opt. Ca
	Platte River Power Authority, Colorado, Power Revenue Refunding Bonds, Series 2002EE:	
1,030	5.375%, 6/01/17 (Pre-refunded 6/01/12)	6/12 at 100.
4,890	5.375%, 6/01/18 (Pre-refunded 6/01/12)	6/12 at 100.
	Platte River Power Authority, Colorado, Power Revenue Refunding Bonds, Series 2002EE:	
970	5.375%, 6/01/17	6/12 at 100.
110	5.375%, 6/01/18	6/12 at 100.
68,295	Total Colorado	
DISTRICT OF COLUMBIA - 0.2% (0.1% OF TOTAL INVESTMENTS)		
1,585	District of Columbia Housing Finance Agency, GNMA/FNMA Single Family Mortgage Revenue Bonds, Series 1997B, 5.900%, 12/01/28 (Alternative Minimum Tax)	12/07 at 102.
FLORIDA - 4.2% (2.6% 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.
14,730	South Miami Health Facilities Authority, Florida, Revenue Bonds, Baptist Health Systems of South Florida, Series 2007, 5.000%, 8/15/42 (UB)	8/17 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)	12/07 at 100.
27,630	Total Florida	
GEORGIA - 0.7% (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.
525	Hawaii Housing Finance and Development Corporation, Single Family Mortgage Purchase Revenue Bonds, Series 1997A, 5.750%, 7/01/30 (Alternative Minimum Tax)	1/08 at 102.
2,740	Total Hawaii	

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

---

ILLINOIS - 16.8% (10.4% 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 (Pre-refunded 12/01/07) - 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.
4,345	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. Ca
3,420	Chicago Board of Education, Illinois, Unlimited Tax General Obligation Bonds, Dedicated Tax Revenues, Series 1999A, 0.000%, 12/01/31 - FGIC Insured	No Opt. Ca
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.
5,645	Illinois Finance Authority, Revenue Bonds, University of Chicago, Series 2007, Trust 73TP, 7.568%, 7/01/46 (IF)	7/17 at 100.

37

| Nuveen Municipal Advantage Fund, Inc. (continued)  
NMA | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
<hr/>		
ILLINOIS (CONTINUED)		
\$ 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	2/08 at 101.
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.

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

1,090	Metropolitan Pier and Exposition Authority, Illinois, Revenue Bonds, McCormick Place Expansion Project, Series 1993A, 0.000%, 6/15/21 - FGIC Insured	No Opt. Ca
13,455	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.
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. Ca
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. Ca
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. Ca
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. Ca
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. Ca
139,995	Total Illinois	
INDIANA - 2.2% (1.4% 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.
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.
2,330	St. Joseph County Hospital Authority, Indiana, Revenue Bonds, Madison Center Inc., Series 1999, 5.450%, 2/15/12	2/09 at 102.
13,610	Total Indiana	
KANSAS - 1.1% (0.7% OF TOTAL INVESTMENTS)		
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.
6,685	Total Kansas	
KENTUCKY - 1.6% (1.0% OF TOTAL INVESTMENTS)		

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

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	11/07 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 - 13.4% (8.3% 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.

38

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
LOUISIANA (CONTINUED)		
\$ 7,190	Louisiana Public Facilities Authority, Extended Care Facilities Revenue Bonds, Comm-Care Corporation Project, Series 1994, 11.000%, 2/01/14	No Opt. Ca
805	Louisiana Public Facilities Authority, Extended Care Facilities Revenue Bonds, Comm-Care Corporation Project, Series 1994, 11.000%, 2/01/14 (ETM)	No Opt. Ca
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.
20,690	Louisiana State, Gasoline and Fuels Tax Revenue Bonds, Series 2006: 4.500%, 5/01/41 - FGIC Insured (UB)	5/16 at 100.
10,000	5.000%, 5/01/41 - FGIC Insured (UB)	5/16 at 100.
28	Louisiana State, Gasoline Tax Revenue Bonds, Series 2006, Residuals 660-1, 5.940%, 5/01/41 - FGIC Insured (IF)	5/16 at 100.
9,000	Louisiana Public Facilities Authority, Revenue Bonds, Ochsner Clinic Foundation Project, Series 2007A, 5.500%, 5/15/47	5/17 at 100.
6,000	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B: 5.500%, 5/15/30	5/11 at 101.
11,750	5.875%, 5/15/39	5/11 at 101.
85,613	Total Louisiana	
-----		

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

MASSACHUSETTS - 1.4% (0.9% 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.
375	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.
	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A:	
2,000	5.125%, 1/01/17 - MBIA Insured	1/09 at 100.
5,000	5.000%, 1/01/37 - MBIA Insured	1/08 at 100.
-----		
9,125	Total Massachusetts	
-----		
MICHIGAN - 1.7% (1.0% 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.
3,275	Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Detroit Medical Center Obligated Group, Series 1993A, 6.500%, 8/15/18	2/08 at 100.
-----		
11,270	Total Michigan	
-----		
MINNESOTA - 1.3% (0.8% OF TOTAL INVESTMENTS)		
5,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Subordinate Airport Revenue Bonds, Series 2001C, 5.250%, 1/01/32 (Pre-refunded 1/01/11) - FGIC Insured	1/11 at 100.
1,745	Minnesota Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2000C, 5.550%, 7/01/24 (Alternative Minimum Tax)	7/09 at 100.
1,575	Minnesota Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 2000J, 5.400%, 1/01/23 (Alternative Minimum Tax)	1/10 at 100.
-----		
8,320	Total Minnesota	
-----		
MISSOURI - 0.9% (0.6% OF TOTAL INVESTMENTS)		
12,005	Kansas City Municipal Assistance Corporation, Missouri, Leasehold Revenue Bonds, Series 2004B-1, 0.000%, 4/15/29 - AMBAC Insured	No Opt. Ca

39

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
MISSOURI (CONTINUED)		
\$ 150	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.
-----		
13,655	Total Missouri	
-----		
NEVADA - 6.0% (3.8% 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.
15,000	Henderson, Nevada, Healthcare Facility Revenue Refunding Bonds, Catholic Healthcare West, Series 2007B, 5.250%, 7/01/31 (UB)	7/17 at 100.
350	Nevada Housing Division, Single Family Mortgage Bonds, Senior Series 1997C-2, 5.750%, 4/01/29 (Alternative Minimum Tax)	4/08 at 101.
-----		
38,070	Total Nevada	
-----		
NEW JERSEY - 3.8% (2.3% 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. Ca
Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002:		
13,045	5.750%, 6/01/32 (Pre-refunded 6/01/12)	6/12 at 100.
5,050	6.125%, 6/01/42 (Pre-refunded 6/01/12)	6/12 at 100.
-----		
33,095	Total New Jersey	
-----		
NEW MEXICO - 1.1% (0.7% OF TOTAL INVESTMENTS)		
7,500	Farmington, New Mexico, Pollution Control Revenue Refunding Bonds, Public Service Company of New Mexico - San Juan Project, Series 1997B, 5.800%, 4/01/22	4/08 at 100.
-----		
NEW YORK - 12.9% (8.0% OF TOTAL INVESTMENTS)		
555	Dormitory Authority of the State of New York, Revenue Bonds,	2/08 at 101.

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

	Mental Health Services Facilities Improvements, Series 1997B, 5.625%, 2/15/21	
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.
440	Hudson Yards Infrastructure Corporation, New York, Revenue Bonds, Series 2006A, 4.500%, 2/15/47 - MBIA Insured	2/17 at 100.
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.
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.

40

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	NEW YORK (CONTINUED)	
\$ 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.
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.
7,475	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	1/09 at 101.



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

Revenue Bonds, Correctional Facilities, Series 1999C, 6.000%,  
1/01/29 (Pre-refunded 1/01/09) - AMBAC Insured

81,360	Total New York	
-----		
NORTH CAROLINA - 2.0% (1.3% OF TOTAL INVESTMENTS)		
1,150	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.
5,210	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.
2,125	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.
4,565	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.
-----		
13,050	Total North Carolina	
-----		
NORTH DAKOTA - 0.6% (0.4% OF TOTAL INVESTMENTS)		
1,790	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	7/16 at 100.
-----		
4,040	Total North Dakota	
-----		
OHIO - 6.8% (4.2% 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.
	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	
270	5.125%, 6/01/24	6/17 at 100.
2,700	5.875%, 6/01/30	6/17 at 100.
2,635	5.750%, 6/01/34	6/17 at 100.
5,895	5.875%, 6/01/47	6/17 at 100.
5,150	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-3, 0.000%, 6/01/37	6/22 at 100.
6,000	Cuyahoga County, Ohio, Hospital Revenue Bonds, University Hospitals Health System, Series 1999, 5.500%, 1/15/30 (Pre-refunded 7/15/09) - AMBAC Insured	7/09 at 101.
	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.

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

1,405	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.
44,545	Total Ohio	

41

NMA | Nuveen Municipal Advantage Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
OKLAHOMA - 4.4% (2.8% OF TOTAL INVESTMENTS)		
\$ 12,000	Oklahoma Development Finance Authority, Revenue Bonds, Saint John Health System, Series 2007, 5.000%, 2/15/42 (UB)	2/17 at 100.
2,000	Oklahoma Municipal Power Authority, Power Supply System Revenue Bonds, Series 2007, 4.500%, 1/01/47 - FGIC Insured	1/17 at 100.
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)	6/09 at 100.
29,000	Total Oklahoma	
OREGON - 0.5% (0.3% OF TOTAL INVESTMENTS)		
3,000	Oregon State Facilities Authority, Revenue Bonds, Willamette University, Series 2007A, 5.000%, 10/01/36	10/17 at 100.
PENNSYLVANIA - 1.0% (0.6% OF TOTAL INVESTMENTS)		
1,610	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. Ca

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

1,500	Pennsylvania Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 96A, 4.650%, 10/01/31 (Alternative Minimum Tax)	10/16 at 100.
2,600	Pennsylvania Turnpike Commission, Turnpike Revenue Bonds, Series 2004A, 5.500%, 12/01/31 - AMBAC Insured	12/14 at 100.
920	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. Ca
<hr/>		
6,630	Total Pennsylvania	
<hr/>		
PUERTO RICO - 1.4% (0.9% 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 - 1.2% (0.8% 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	11/07 at 102.
7,000	Rhode Island Housing and Mortgage Finance Corporation, Homeownership Opportunity Bond Program, Series 50A, 4.650%, 10/01/34	10/14 at 100.
<hr/>		
8,235	Total Rhode Island	
<hr/>		
SOUTH CAROLINA - 4.2% (2.6% 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 (Pre-refunded 11/01/13)	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. Ca
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.

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

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	
-----		
SOUTH DAKOTA - 0.4% (0.3% OF TOTAL INVESTMENTS)		
2,945	South Dakota Health and Educational Facilities Authority, Revenue Bonds, Sanford Health, Series 2007, 5.000%, 11/01/40	5/17 at 100.
-----		
TENNESSEE - 5.6% (3.5% 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.
1,500	Sumner County Health, Educational, and Housing Facilities Board, Tennessee, Revenue Refunding Bonds, Sumner Regional Health System Inc., Series 2007, 5.500%, 11/01/46	11/17 at 100.
44,050	Total Tennessee	
-----		
TEXAS - 16.9% (10.5% 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. Ca
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. Ca
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 (Pre-refunded 7/01/10) - 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. Ca
2,000	6.800%, 12/15/11 - AMBAC Insured	No Opt. Ca
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. Ca

43

| Nuveen Municipal Advantage Fund, Inc. (continued)  
 NMA | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	TEXAS (CONTINUED)	
\$ 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,	11/09 at 101.

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

	Revenue Bonds, Ascension Health Credit Group, Series 1999A, 5.875%, 11/15/24 (Pre-refunded 11/15/09) - AMBAC Insured	
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)	1/08 at 100.
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	
-----		
VIRGINIA - 0.3% (0.2% OF TOTAL INVESTMENTS)		
2,855	Tobacco Settlement Financing Corporation of Virginia, Tobacco Settlement Asset-Backed Bonds, Series 2007B2, 0.000%, 6/01/46	6/17 at 100.
-----		
WASHINGTON - 14.5% (9.1% 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. Ca
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.
1,270	Washington State, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003F, 0.000%, 12/01/24 - MBIA Insured	No Opt. Ca
91,295	Total Washington	
-----		
WEST VIRGINIA - 0.8% (0.5% OF TOTAL INVESTMENTS)		

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

5,000 Mason County, West Virginia, Pollution Control Revenue Bonds, 10/11 at 100.  
 Appalachian Power Company, Series 2003L, 5.500%, 10/01/22

44

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	WISCONSIN - 3.1% (1.9% OF TOTAL INVESTMENTS)	
	Badger Tobacco Asset Securitization Corporation, Wisconsin, Tobacco Settlement Asset-Backed Bonds, Series 2002:	
\$ 1,100	6.000%, 6/01/17	6/12 at 100.
6,635	6.125%, 6/01/27	6/12 at 100.
1,685	Green Bay, Wisconsin, Water System Revenue Bonds, Series 2004, 5.000%, 11/01/29 (Pre-refunded 11/01/14) - FSA Insured	11/14 at 100.
565	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.
3,000	Southeast Wisconsin Professional Baseball Park District, Sales Tax Revenue Refunding Bonds, Series 1998A, 5.500%, 12/15/19 - MBIA Insured	No Opt. Ca
1,210	Wisconsin Housing and Economic Development Authority, Home Ownership Revenue Bonds, Series 2000B, 5.750%, 3/01/22 (Alternative Minimum Tax)	3/10 at 100.
19,195	Total Wisconsin	
\$ 1,170,648	Total Long-Term Investments (cost \$999,708,578) - 159.9%	
=====		
	SHORT-TERM INVESTMENTS - 0.4% (0.2% OF TOTAL INVESTMENTS)	
\$ 2,500	California Statewide Community Development Authority, Certificates of Participation, John Muir/Mt. Diablo Health System, Variable Rate Demand Obligations, Series 1997, 3.550%, 8/15/27 - AMBAC Insured (5)	
=====		
	Total Short-Term Investments (cost \$2,500,000)	
-----		
	Total Investments (cost \$1,002,208,578) - 160.3%	
-----		
	Floating Rate Obligations - (8.2)%	
-----		
	Other Assets Less Liabilities - 2.4%	

-----  
 Preferred Shares, at Liquidation Value - (54.5)%  
 -----

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

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

- (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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
- (4) 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) Investment has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term investment. The rate disclosed is that in effect at the end of the reporting period. This rate changes periodically based on market conditions or a specified market index.

N/R Not rated.

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

(UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

45



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

October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
ALABAMA - 0.6% (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 - 0.5% (0.2% 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.
1,275	5.250%, 12/01/41 - FGIC Insured	12/14 at 100.
2,400	Total Alaska	
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 - 12.1% (7.5% 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. Ca
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 6/01/11)	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. Ca
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.

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

9,000	California Health Facilities Financing Authority, Revenue Bonds, Kaiser Permanente System, Series 2006, 5.250%, 3/01/45	3/16 at 100.
25,000	California, General Obligation Bonds, Series 2005, 4.750%, 3/01/35 - MBIA Insured (UB)	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. Ca
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, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2003B, 5.000%, 6/01/38 (Pre-refunded 6/01/13) - AMBAC Insured	6/13 at 100.
1,000	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.
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. Ca

46

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. Ca
490	Los Angeles Department of Water and Power, California, Electric Plant Revenue Bonds, Second Series 1993, 4.750%, 10/15/20 (ETM)	4/08 at 100.
995	Los Angeles Department of Water and Power, California, Electric Plant Revenue Bonds, Series 1994, 5.375%, 2/15/34 (ETM)	2/08 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. Ca
8,040	Placentia-Yorba Linda Unified School District, Orange County, California, Certificates of Participation, Series 2006, 0.000%, 10/01/34 - FGIC Insured	No Opt. Ca
	San Joaquin Hills Transportation Corridor Agency, Orange County, California, Toll Road Revenue Refunding Bonds,	

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

	Series 1997A:	
5,000	5.650%, 1/15/17 - MBIA Insured	1/14 at 102.
26,000	0.000%, 1/15/35 - MBIA Insured	No Opt. Ca
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. Ca
130,955	Total California	
	COLORADO - 5.9% (3.6% OF TOTAL INVESTMENTS)	
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.
7,000	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 2000B, 0.000%, 9/01/30 - MBIA Insured	No Opt. Ca
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.
3,800	E-470 Public Highway Authority, Colorado, Toll Revenue Bonds, Series 2004B: 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. Ca
80,185	Total Colorado	
	DISTRICT OF COLUMBIA - 2.0% (1.2% OF TOTAL INVESTMENTS)	
3,420	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 1998, 4.750%, 10/01/28 (Pre-refunded 10/01/08) - AMBAC Insured	10/08 at 100.
10,000	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 2007A, 4.500%, 10/01/30 - AMBAC Insured	10/16 at 100.
13,420	Total District of Columbia	
	FLORIDA - 0.9% (0.6% OF TOTAL INVESTMENTS)	
6,965	Florida Housing Finance Corporation, Homeowner Mortgage Revenue	1/17 at 100.

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

Bonds, RITES Series 1515, 6.735%, 7/01/32 (Alternative Minimum Tax) (IF)

47

NMO | Nuveen Municipal Market Opportunity Fund, Inc. (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	GEORGIA - 4.6% (2.8% 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 - 13.2% (8.2% OF TOTAL INVESTMENTS)	
4,595	Bolingbrook, Illinois, General Obligation Refunding Bonds, Series 2002B, 0.000%, 1/01/32 - FGIC Insured	No Opt. Ca
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. Ca
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. Ca
5,250	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 1998B, 5.000%, 1/01/28 - MBIA Insured	1/09 at 101.
10,000	Illinois Finance Authority, Illinois, Northwestern University, Revenue Bonds, Series 2006, 5.000%, 12/01/42 (UB)	2/15 at 100.
38,645	Illinois, General Obligation Bonds, Illinois FIRST Program, Series 2000, 5.500%, 4/01/25 - MBIA Insured	4/10 at 100.
10,230	Lake and McHenry Counties Community Unit School District 118, Wauconda, Illinois, General Obligation Bonds, Series 2005B: 0.000%, 1/01/22 - FSA Insured	1/15 at 70.
6,780	0.000%, 1/01/24 - FSA Insured	1/15 at 63.

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

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. Ca
	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. Ca
3,280	0.000%, 6/15/37 - MBIA Insured	No Opt. Ca
11,715	0.000%, 12/15/38 - MBIA Insured	No Opt. Ca
9,170	0.000%, 6/15/39 - MBIA Insured	No Opt. Ca
122,760	Total Illinois	
	INDIANA - 1.0% (0.6% 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.
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.
6,695	Total Indiana	
	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	

48

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	KENTUCKY - 1.7% (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 (Pre-refunded 1/01/10) - FSA Insured	1/10 at 101.
7,490	5.250%, 7/01/20 (Pre-refunded 1/01/10) - FSA Insured	1/10 at 101.
10,535	Total Kentucky	
	LOUISIANA - 1.7% (1.0% OF TOTAL INVESTMENTS)	

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

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.
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 - 1.0% (0.6% OF TOTAL INVESTMENTS)		
4,410	Maryland Community Development Administration, Department of Housing and Community Development, Residential Revenue Bonds, Series 2007D, 4.900%, 9/01/42 (Alternative Minimum Tax)	3/17 at 100.
2,500	Maryland Department of Transportation, Consolidated Transportation Revenue Bonds, Series 2002, 5.500%, 2/01/16	No Opt. Ca
6,910	Total Maryland	
-----		
MASSACHUSETTS - 3.6% (2.3% OF TOTAL INVESTMENTS)		
440	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.
660	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	1/08 at 101.
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.
23,565	Total Massachusetts	
-----		
MICHIGAN - 1.1% (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 - 7.8% (4.9% 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	11/10 at 101.

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

(Pre-refunded 11/15/10)

2,205	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.
3,030	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.
48,910	Total Minnesota	

49

| Nuveen Municipal Market Opportunity Fund, Inc. (continued)  
NMO | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CASH PROVISIONS (2)
	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	4/08 at 100.
1,080	Mississippi Home Corporation, GNMA Mortgage-Backed Securities Program Single Family Mortgage Revenue Bonds, Series 1997D-5, 6.750%, 7/01/29 (Alternative Minimum Tax)	1/08 at 105.
6,980	Total Mississippi	
	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. Ca
5,000	0.000%, 4/15/31 - AMBAC Insured	No Opt. Ca
12,000	Total Missouri	
	NEBRASKA - 0.6% (0.4% OF TOTAL INVESTMENTS)	
3,900	Omaha Convention Hotel Corporation, Nebraska, Convention Center Revenue Bonds, Series 2007, 7.567%, 2/01/35 - AMBAC Insured (IF)	2/17 at 100.
	NEVADA - 6.3% (3.9% OF TOTAL INVESTMENTS)	
	Director of Nevada State Department of Business and Industry,	

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

	Revenue Bonds, Las Vegas Monorail Project, First Tier, Series 2000:		
6,125	0.000%, 1/01/17 - AMBAC Insured		No Opt. Ca
8,500	0.000%, 1/01/26 - AMBAC Insured		No Opt. Ca
5,685	0.000%, 1/01/27 - AMBAC Insured		No Opt. Ca
21,000	5.375%, 1/01/40 - AMBAC Insured		1/10 at 100.
10,000	Reno, Nevada, Health Facilities, Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/31 (UB)		7/17 at 100.
2,135	Reno, Nevada, Capital Improvement Revenue Bonds, Series 2005B, 0.000%, 6/01/37 - FGIC Insured		6/15 at 33.
-----			
53,445	Total Nevada		
-----			
	NEW JERSEY - 6.7% (4.1% OF TOTAL INVESTMENTS)		
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. Ca
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. Ca
3,525	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%, 6/01/42 (Pre-refunded 6/01/12)		6/12 at 100.
	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003:		
2,100	6.375%, 6/01/32 (Pre-refunded 6/01/13)		6/13 at 100.
2,925	6.750%, 6/01/39 (Pre-refunded 6/01/13)		6/13 at 100.
2,000	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2007-1A, 5.000%, 6/01/41		6/17 at 100.
-----			
71,550	Total New Jersey		
-----			
	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. Ca
-----			
11,600	Total New Mexico		
-----			



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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
-----		
	NEW YORK - 10.3% (6.4% OF TOTAL INVESTMENTS)	
\$ 50	Dormitory Authority of the State of New York, Improvement Revenue Bonds, Mental Health Services Facilities, Series 1997A, 5.750%, 2/15/27	2/09 at 100.
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.
5	New York City, New York, General Obligation Bonds, Fiscal Series 1997H, 6.125%, 8/01/25	8/09 at 100.
	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.
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.
7,805	Power Authority of the State of New York, General Revenue Bonds, Series 2002A, 5.000%, 11/15/21 (Pre-refunded 11/15/12)	11/12 at 100.
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.
-----		
66,010	Total New York	
-----		
	NORTH CAROLINA - 2.0% (1.3% 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 (Pre-refunded 1/15/15)	1/15 at 100.
4,000	North Carolina Medical Care Commission, Health System Revenue Bonds, Mission St. Joseph's Health System, Series 2007, 4.500%, 10/01/31	10/17 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.
-----		
13,400	Total North Carolina	

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

NORTH DAKOTA - 4.3% (2.7% OF TOTAL INVESTMENTS)		
23,035	Fargo, North Dakota, Health System Revenue Bonds, MeritCare Obligated Group, Series 2000A, 5.625%, 6/01/31 - FSA Insured	6/10 at 101.
	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.
27,715	Total North Dakota	
OHIO - 4.8% (3.0% OF TOTAL INVESTMENTS)		
	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	
125	5.125%, 6/01/24	6/17 at 100.
1,250	5.875%, 6/01/30	6/17 at 100.
1,215	5.750%, 6/01/34	6/17 at 100.
2,750	5.875%, 6/01/47	6/17 at 100.
10,000	Columbus City School District, Franklin County, Ohio, General Obligation Bonds, Series 2006, 4.250%, 12/01/32 - FSA Insured (UB)	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. Ca
31,480	Total Ohio	

51

| Nuveen Municipal Market Opportunity Fund, Inc. (continued)  
 NMO | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
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% (1.5% 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:	

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

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.
<hr/>		
15,660	Total Oregon	
<hr/>		
PENNSYLVANIA - 3.9% (2.4% 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.
<hr/>		
25,050	Total Pennsylvania	
<hr/>		
PUERTO RICO - 2.9% (1.8% OF TOTAL INVESTMENTS)		
12,500	Puerto Rico Housing Finance Authority, Capital Fund Program Revenue Bonds, Series 2003, 4.500%, 12/01/23	No Opt. Ca
7,265	Puerto Rico, The Children's Trust Fund, Tobacco Settlement Asset-Backed Refunding Bonds, Series 2002, 5.375%, 5/15/33	5/12 at 100.
<hr/>		
19,765	Total Puerto Rico	
<hr/>		
SOUTH CAROLINA - 7.6% (4.7% 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. Ca
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.
665	Three Rivers Solid Waste Authority, South Carolina, Solid Waste Disposal Facilities Revenue Bonds, Series 1997, 5.300%, 1/01/27 - MBIA Insured	1/08 at 101.
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.
<hr/>		
62,190	Total South Carolina	
<hr/>		
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.
<hr/>		
TEXAS - 26.3% (16.3% OF TOTAL INVESTMENTS)		
2,500	Alliance Airport Authority, Texas, Special Facilities Revenue	12/12 at 100.

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

	Bonds, American Airlines Inc., Series 2007, 5.250%, 12/01/29 (Alternative Minimum Tax)	
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.
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. Ca
	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.

52

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
-----		
	TEXAS (continued)	
\$ 1,000	Cedar Hill Independent School District, Dallas County, Texas, General Obligation Bonds, Series 2002, 0.000%, 8/15/32 - FGIC Insured	No Opt. Ca
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. Ca
6,000	Dallas-Ft. Worth International Airport Facility Improvement Corporation, Texas, Revenue Bonds, American Airlines Inc.,	11/09 at 101.

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

Series 1999, 6.375%, 5/01/35 (Alternative Minimum Tax)

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. Ca
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 (Pre-refunded 7/01/10) - 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.
4,390	Tarrant County, Texas, Cultural & Educational Facilities Financing Corporation, Revenue Bonds, Series 2007, Residuals 1760-3, 7.511%, 2/15/36 (IF)	2/17 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 (Pre-refunded 8/01/11) - 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.
199,170	Total Texas	

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

NMO | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
WASHINGTON - 17.9% (11.1% 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. Ca
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.
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, 0.000%, 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 (Pre-refunded 11/01/09) - RAAI Insured	11/09 at 101.
11,685	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26	6/13 at 100.
9,000	Washington, Motor Vehicle Fuel Tax General Obligation Bonds, Series 2002C, 5.000%, 1/01/21 - FSA Insured	1/12 at 100.
-----		
115,530	Total Washington	
-----		
WISCONSIN - 1.0% (0.6% OF TOTAL INVESTMENTS)		
3,790	Badger Tobacco Asset Securitization Corporation, Wisconsin,	6/12 at 100.

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

Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.125%,  
6/01/27

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 Bonds, United Lutheran Program for the Aging Inc., Series 1998, 5.700%, 3/01/28	3/08 at 101.
6,795	Total Wisconsin	

54

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CALL PROVISIONS (2)
	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)	11/07 at 101.
\$ 1,266,725	Total Investments (cost \$1,034,611,655) - 161.1%	
	Floating Rate Obligations - (5.4)%	
	Other Assets Less Liabilities - 0.5%	
	Preferred Shares, at Liquidation Value - (56.2)%	
	Net Assets Applicable to Common Shares - 100%	

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

- (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

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

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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
  - (4) 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.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

55

NAD | Nuveen Dividend Advantage Municipal Fund  
 | Portfolio of INVESTMENTS

October 31, 2007

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 - 0.2% (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.
	ARIZONA - 0.8% (0.5% OF TOTAL INVESTMENTS)	
5,000	Salt Verde Financial Corporation, Arizona, Senior Gas Revenue Bonds, Series 2007, 5.000%, 12/01/37	No Opt. Ca
	CALIFORNIA - 3.9% (2.5% 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. Ca



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. Ca
200	California, General Obligation Bonds, Series 1997, 5.000%, 10/01/18 - AMBAC Insured	10/08 at 100.
5,000	California, General Obligation Bonds, Series 2005, 5.000%, 3/01/31	3/16 at 100.
5,000	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1: 5.000%, 6/01/33	6/17 at 100.
1,000	5.125%, 6/01/47	6/17 at 100.
3,210	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Revenue Bonds, Residual Trust 07-1034, 8.006%, 6/01/45 - AGC Insured (IF)	6/15 at 100.
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. Ca
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. Ca
41,945	Total California	
COLORADO - 2.6% (1.7% OF TOTAL INVESTMENTS)		
1,125	Antelope Heights Metropolitan District, Colorado, Limited Tax General Obligation Bonds, Series 2007, 5.000%, 12/01/37 - RAAI Insured	12/17 at 100.
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)	4/08 at 102.
8,515	E-470 Public Highway Authority, Colorado, Senior Revenue Bonds, Series 1997B, 0.000%, 9/01/25 - MBIA Insured	No Opt. Ca
12,500	E-470 Public Highway Authority, Colorado, Toll Revenue Bonds, Series 2006A, 0.000%, 9/01/38 - MBIA Insured	9/26 at 54.
29,770	Total Colorado	

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	FLORIDA - 10.6% (6.8% OF TOTAL INVESTMENTS)	
\$ 1,630	Florida Housing Finance Agency, Housing Revenue Bonds, Mar Lago Village Apartments, Series 1997F, 5.800%, 12/01/17 - AMBAC Insured (Alternative Minimum Tax)	12/07 at 102.
15,000	Florida State Board of Education, Public Education Capital Outlay Bonds, Series 2005E, 4.500%, 6/01/35	6/15 at 101.
2,500	Marion County Hospital District, Florida, Revenue Bonds, Munroe Regional Medical Center, Series 2007, 5.000%, 10/01/34	10/17 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)	12/07 at 100.
22,000	South Miami Health Facilities Authority, Florida, Revenue Bonds, Baptist Health Systems of South Florida, Series 2007: 5.000%, 8/15/37 (UB)	8/17 at 100.
7,370	5.000%, 8/15/42 (UB)	8/17 at 100.
-----		
62,125	Total Florida	
-----		
	GEORGIA - 2.2% (1.4% OF TOTAL INVESTMENTS)	
5,000	Cobb County Development Authority, Georgia, Student Housing Revenue Bonds, KSU Village II Real Estate Foundation LLC Project, Series 2007A, 5.250%, 7/15/38 - AMBAC Insured	7/17 at 100.
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.
-----		
12,500	Total Georgia	
-----		
	IDAHO - 0.1% (0.1% OF TOTAL INVESTMENTS)	
195	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 1999E, 5.750%, 1/01/21 (Alternative Minimum Tax)	7/09 at 101.
220	Idaho Housing and Finance Association, Single Family Mortgage Bonds, Series 2000D, 6.350%, 7/01/22 (Alternative Minimum Tax)	1/10 at 100.
310	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

725	Total Idaho	
ILLINOIS - 27.8% (17.9% OF TOTAL INVESTMENTS)		
2,875	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. Ca
790	Chicago, Illinois, FHA/GNMA Multifamily Housing Revenue Bonds, Archer Court Apartments, Series 1999A: 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. Ca
2,620	Chicago, Illinois, Motor Fuel Tax Revenue Refunding Bonds, Series 1993, 5.375%, 1/01/14 - AMBAC Insured	No Opt. Ca
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.

57

| Nuveen Dividend Advantage Municipal Fund (continued)  
 NAD | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
ILLINOIS (continued)		
\$ 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. Ca

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

5,570	Illinois Finance Authority, Revenue Bonds, University of Chicago, Series 2004A, 5.000%, 7/01/34	7/14 at 100.
9,860	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	1/08 at 101.
5,490	Illinois Health Facilities Authority, Revenue Bonds, Sarah Bush Lincoln Health Center, Series 1996B, 5.500%, 2/15/16	2/08 at 101.
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. Ca
13,000	0.000%, 12/15/23 - MBIA Insured	No Opt. Ca
	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. Ca
3,500	5.750%, 6/01/23 - FSA Insured	No Opt. Ca
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. Ca
4,500	Will County School District 122, New Lenox, Illinois, General Obligation Bonds, Series 2000B, 0.000%, 11/01/18 - FSA Insured	No Opt. Ca
177,560	Total Illinois	
	INDIANA - 5.5% (3.6% 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.

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

3,870	Indiana Housing and Community Development Authority, Single Family Mortgage Revenue Bonds, Series 2007A-1, Drivers 1847, 6.880%, 7/01/32 (Alternative Minimum Tax) (IF)	1/17 at 100.
6,675	Indiana Municipal Power Agency, Power Supply Revenue Bonds, Series 2007A, 5.000%, 1/01/42 - MBIA Insured	1/17 at 100.
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.
31,490	Total Indiana	

58

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	IOWA - 1.1% (0.7% 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	4/08 at 100.
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	
	KENTUCKY - 1.7% (1.1% 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.
1,850	Kentucky Economic Development Finance Authority, Hospital System Revenue Refunding and Improvement Bonds, Appalachian Regional Healthcare Inc., Series 1997: 5.850%, 10/01/17	4/08 at 102.
5,000	5.875%, 10/01/22	4/08 at 102.
9,880	Total Kentucky	
	LOUISIANA - 6.6% (4.2% OF TOTAL INVESTMENTS)	
2,245	Lafayette, Louisiana, Sales Tax Revenue Bonds, Public	5/10 at 101.

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

	Improvements, Series 2000B, 5.625%, 5/01/25 (Pre-refunded 5/01/10) - FGIC Insured	
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.
5,445	Louisiana State, Gasoline and Fuels Tax Revenue Bonds, Series 2006, 4.500%, 5/01/41 - FGIC Insured (UB)	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.
9,000	Louisiana Public Facilities Authority, Revenue Bonds, Ochsner Clinic Foundation Project, Series 2007A, 5.500%, 5/15/47	5/17 at 100.
9,545	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.500%, 5/15/30	5/11 at 101.
46,905	Total Louisiana	
-----		
MASSACHUSETTS - 1.5% (1.0% OF TOTAL INVESTMENTS)		
1,470	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.
785	Massachusetts Port Authority, Special Facilities Revenue Bonds, US Airways Group Inc., Series 1996A, 5.875%, 9/01/23 - MBIA Insured (Alternative Minimum Tax)	3/08 at 101.
2,000	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.125%, 1/01/17 - MBIA Insured	1/09 at 100.
8,620	Total Massachusetts	
-----		
MICHIGAN - 3.6% (2.3% 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.

59

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
MICHIGAN (continued)		
\$ 15,255	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Detroit Medical Center Obligated Group, Series 1998A, 5.250%, 8/15/28	8/08 at 101.
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)		
910	Minnesota Housing Finance Agency, Single Family Mortgage Bonds, Series 1998H-1, 5.650%, 7/01/31 (Alternative Minimum Tax)	1/10 at 101.
MISSOURI - 2.3% (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. Ca
5,000	0.000%, 4/15/29 - AMBAC Insured	No Opt. Ca
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.
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 - 0.4% (0.2% OF TOTAL INVESTMENTS)		
905	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 (Alternative Minimum Tax)	12/09 at 100.
1,905	Total Montana	
NEBRASKA - 0.2% (0.1% OF TOTAL INVESTMENTS)		
1,200	NebHelp Inc., Nebraska, Senior Subordinate Bonds, Student Loan Program, Series 1993A-5A, 6.200%, 6/01/13 - MBIA Insured (Alternative Minimum Tax)	No Opt. Ca
NEVADA - 4.4% (2.8% OF TOTAL INVESTMENTS)		
2,115	Clark County, Nevada, General Obligation Bank Bonds, Southern	6/11 at 100.

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

Nevada Water Authority Loan, Series 2001, 5.300%, 6/01/19  
(Pre-refunded 6/01/11) - FGIC Insured

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. Ca
3,000	5.375%, 1/01/40 - AMBAC Insured	1/10 at 100.
15,000	Henderson, Nevada, Healthcare Facility Revenue Refunding Bonds, Catholic Healthcare West, Series 2007B, 5.250%, 7/01/31 (UB)	7/17 at 100.
28,115	Total Nevada	

NEW HAMPSHIRE - 0.1% (0.1% OF TOTAL INVESTMENTS)

695	New Hampshire Housing Finance Authority, Single Family Mortgage Acquisition Revenue Bonds, Series 1995D, 6.550%, 7/01/26 (Alternative Minimum Tax)	1/08 at 100.
-----	--	--------------

NEW JERSEY - 5.8% (3.8% OF TOTAL INVESTMENTS)

700	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.
1,830	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.

60

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	NEW JERSEY (continued)	
\$ 4,130	New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 - AMBAC Insured	No Opt. Ca
4,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 1999A, 5.750%, 6/15/18	No Opt. Ca
20,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/28 - AMBAC Insured	No Opt. Ca
	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002:	
9,305	5.750%, 6/01/32 (Pre-refunded 6/01/12)	6/12 at 100.
3,165	6.125%, 6/01/42 (Pre-refunded 6/01/12)	6/12 at 100.
1,365	Tobacco Settlement Financing Corporation, New Jersey, Tobacco	6/13 at 100.



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

Settlement Asset-Backed Bonds, Series 2003, 6.750%, 6/01/39  
(Pre-refunded 6/01/13)

44,495	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.
NEW YORK - 14.8% (9.6% OF TOTAL INVESTMENTS)		
10	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.
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	1/08 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%, 6/15/36 - FSA Insured	12/14 at 100.
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.
13,860	5.375%, 8/01/19 - MBIA Insured	2/08 at 101.
New York City, New York, General Obligation Bonds, Fiscal Series 1998F:		

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

20	5.250%, 8/01/14 (Pre-refunded 2/01/08) - AMBAC Insured	2/08 at 101.
140	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.
-----		
83,490	Total New York	
-----		

61

NAD | Nuveen Dividend Advantage Municipal Fund (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	NORTH CAROLINA - 0.7% (0.5% 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 (Pre-refunded 1/15/15)	1/15 at 100.
-----		
	OHIO - 5.3% (3.4% 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.
	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	
180	5.125%, 6/01/24	6/17 at 100.
1,800	5.875%, 6/01/30	6/17 at 100.
1,740	5.750%, 6/01/34	6/17 at 100.
3,930	5.875%, 6/01/47	6/17 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)	1/08 at 100.
3,650	Montgomery County, Ohio, Revenue Bonds, Catholic Health Initiatives, Series 2004A, 5.000%, 5/01/30	5/14 at 100.
12,300	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.
1,115	Warren County, Ohio, Limited Tax General Obligations, Series 1997, 5.500%, 12/01/17	12/07 at 101.
-----		
30,650	Total Ohio	

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

-----		
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.
-----		
PENNSYLVANIA - 5.1% (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 (Pre-refunded 11/15/10)	11/10 at 102.
1,425	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. Ca
1,500	Pennsylvania Housing Finance Agency, Single Family Mortgage Revenue Bonds, Series 96A, 4.650%, 10/01/31 (Alternative Minimum Tax)	10/16 at 100.
18,900	Philadelphia Airport System, Pennsylvania, Revenue 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.
-----		
28,510	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. Ca
-----		
RHODE ISLAND - 3.5% (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.
1,000	Rhode Island Housing & Mortgage Finance Corporation, Homeownership Opportunity Bond Program, Residual Trust 1038: 8.175%, 10/01/27 (Alternative Minimum Tax) (IF)	4/17 at 100.
670	8.134%, 10/01/32 (Alternative Minimum Tax) (IF)	4/17 at 100.

62

PRINCIPAL

OPTIONAL CA

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

AMOUNT (000)	DESCRIPTION (1)	PROVISIONS (2)
	RHODE ISLAND (continued)	
\$ 12,500	Rhode Island Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2002A, 6.125%, 6/01/32	6/12 at 100.
19,685	Total Rhode Island	
	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 - 2.1% (1.4% 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	9/16 at 100.
1,500	Sumner County Health, Educational, and Housing Facilities Board, Tennessee, Revenue Refunding Bonds, Sumner Regional Health System Inc., Series 2007, 5.500%, 11/01/46	11/17 at 100.
12,235	Total Tennessee	
	TEXAS - 16.2% (10.5% OF TOTAL INVESTMENTS)	
2,560	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric Company, Series 1999C, 7.700%, 3/01/32 (Alternative Minimum Tax)	4/13 at 101.
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.
1,535	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1999: 0.000%, 8/15/20	8/09 at 52.
2,100	0.000%, 8/15/21	8/09 at 49.
2,200	0.000%, 8/15/23	8/09 at 52.
2,100	0.000%, 8/15/24	8/09 at 41.
2,200	0.000%, 8/15/25	8/09 at 39.
2,095	0.000%, 8/15/26	8/09 at 36.
3,595	Coppell Independent School District, Dallas County, Texas, Unlimited Tax School Building and Refunding Bonds, Series 1999: 0.000%, 8/15/20 (Pre-refunded 8/15/09)	8/09 at 52.
4,900	0.000%, 8/15/21 (Pre-refunded 8/15/09)	8/09 at 49.
5,145	0.000%, 8/15/23 (Pre-refunded 8/15/09)	8/09 at 44.

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

4,900	0.000%, 8/15/24 (Pre-refunded 8/15/09)	8/09 at 41.
5,150	0.000%, 8/15/25 (Pre-refunded 8/15/09)	8/09 at 39.
4,905	0.000%, 8/15/26 (Pre-refunded 8/15/09)	8/09 at 36.
820	Dallas Area Rapid Transit, Texas, Senior Lien Sales Tax Revenue Bonds, Series 2001, 5.000%, 12/01/31 (Pre-refunded 12/01/11) - 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. Ca
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. Ca

63

NAD | Nuveen Dividend Advantage Municipal Fund (continued)  
 | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	TEXAS (continued)	
\$ 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.
1,000	San Antonio, Texas, Water System Revenue Bonds, Series 2005, 4.750%, 5/15/37 - MBIA Insured	5/15 at 100.
4,390	Tarrant County, Texas, Cultural & Educational Facilities	2/17 at 100.

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

	Financing Corporation, Revenue Bonds, Series 2007, Residuals 1760-3, 7.511%, 2/15/36 (IF)		
10,000	Tarrant County Health Facilities Development Corporation, Texas, Revenue Bonds, Texas Health Resources System, Series 1997A, 5.250%, 2/15/17 (Pre-refunded 2/15/08) - 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:		
3,000	0.000%, 8/15/20		8/15 at 78.
3,000	0.000%, 8/15/22		8/15 at 70.
-----			
185,315	Total Texas		
-----			
	UTAH - 0.2% (0.1% OF TOTAL INVESTMENTS)		
	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999C-2, Class II:		
325	5.700%, 7/01/19 (Alternative Minimum Tax)		1/10 at 101.
105	5.750%, 7/01/21 (Alternative Minimum Tax)		1/10 at 101.
80	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999D, 5.850%, 7/01/21 (Alternative Minimum Tax)		7/09 at 101.
25	Utah Housing Finance Agency, Single Family Mortgage Bonds, Series 1999F, 6.300%, 7/01/21 (Alternative Minimum Tax)		7/09 at 101.
895	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.
-----			
1,430	Total Utah		
-----			
	VIRGINIA - 0.2% (0.1% 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.
-----			
	WASHINGTON - 10.8% (7.0% 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.
	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.

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

64

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (2)
-----		
	WASHINGTON (continued)	
\$ 6,985	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. Ca
	Washington, General Obligation Compound Interest Bonds, Series 1999S-3:	
17,650	0.000%, 1/01/20	No Opt. Ca
18,470	0.000%, 1/01/21	No Opt. Ca
-----		
78,300	Total Washington	
-----		
	WISCONSIN - 8.2% (5.3% OF TOTAL INVESTMENTS)	
650	Badger Tobacco Asset Securitization Corporation, Wisconsin, Tobacco Settlement Asset-Backed Bonds, Series 2002, 6.000%, 6/01/17	6/12 at 100.
1,690	Green Bay, Wisconsin, Water System Revenue Bonds, Series 2004, 5.000%, 11/01/29 (Pre-refunded 11/01/14) - FSA Insured	11/14 at 100.
560	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.
7,410	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Ascension Health, Series 2006A, 5.000%, 11/15/36	11/16 at 100.
	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	8/09 at 101.

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

Bonds, Mercy Health System Corporation, Series 1999, 5.500%,  
8/15/25 - AMBAC Insured

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.
46,575	Total Wisconsin	
\$ 1,073,415	Total Long-Term Investments (cost \$856,231,621) - 153.3%	

65

NAD | Nuveen Dividend Advantage Municipal Fund (continued)  
Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)
	SHORT-TERM INVESTMENTS - 1.5% (1.0% OF TOTAL INVESTMENTS)
\$ 2,000	California Housing Finance Agency, Home Mortgage Revenue Bonds, Variable Rate Demand Obligations, Series 2001U, 3.610%, 8/01/32 - MBIA Insured (Alternative Minimum Tax) (5)
1,000	California Statewide Economic Recovery, Variable Rate Demand Obligations, Series 2004C-16, 3.130%, 7/01/23 - FSA Insured (5)
1,000	Moffat County, Colorado, Pollution Control Revenue Refunding Bonds, Pacificorp Projects, Variable Rate Demand Obligations, Series 1994, 3.580%, 5/01/13 - AMBAC Insured (5)
5,050	Puerto Rico Government Development Bank, Adjustable Refunding Bonds, Variable Rate Demand Obligations, Series 1985, 3.200%, 12/01/15 - MBIA Insured (5)
\$ 9,050	Total Short-Term Investments (cost \$9,050,000)
	Total Investments (cost \$865,281,621) - 154.8%
	Floating Rate Obligations - (5.7)%
	Other Assets Less Liabilities - 1.3%
	Preferred Shares, at Liquidation Value - (50.4)%
	Net Assets Applicable to Common Shares - 100%



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

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

- (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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
  - (4) 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) Investment has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term investment. The rate disclosed is that in effect at the end of the reporting period. This rate changes periodically based on market conditions or a specified market index.
- N/R Not rated.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

66

NXZ | Nuveen Dividend Advantage Municipal Fund 2  
 | Portfolio of INVESTMENTS

October 31, 2007

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

---

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

ALABAMA - 4.4% (2.9% OF TOTAL INVESTMENTS)			
\$	18,500	Huntsville Healthcare Authority, Alabama, Revenue Bonds, Series 2001A, 5.750%, 6/01/31 (Pre-refunded 6/01/11)	6/11 at 101.
-----			
ALASKA - 0.7% (0.5% OF TOTAL INVESTMENTS)			
	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 - 0.3% (0.2% OF TOTAL INVESTMENTS)			
	1,525	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 - 8.4% (5.5% OF TOTAL INVESTMENTS)			
	6,000	California Educational Facilities Authority, Revenue Bonds, Stanford University, Series 2001Q, 5 12/01/32	6/11 at 101.
	11,200	California, General Obligation Bonds, Series 2003, 5.250%, 2/01/28	8/13 at 100.
	6,525	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settle Revenue Bonds, Residual Trust 07-1035, 7.879%, 6/01/45 - FGIC Insured (IF)	6/15 at 100.
	1,000	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.
	5,000	Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2003A-1, 6.750%, 6/01/39 (Pre-refunded 6/01/13)	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 12/01/24 (Alternative Minimum Tax)	12/12 at 102.
	135	Yuba County Water Agency, California, Yuba River Development Revenue Bonds, Pacific Gas and Electric Company, Series 1966A, 4.000%, 3/01/16	3/08 at 100.
	35,860	Total California	
-----			
COLORADO - 7.2% (4.8% OF TOTAL INVESTMENTS)			
	2,625	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.
	1,790	Denver City and County, Colorado, Airport Revenue Bonds, Series 2006: 7.501% 11/15/23 - FGIC Insured (IF)	11/16 at 100.

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

3,300	5.000 11/15/24 - FGIC Insured (UB)	11/16 at 100.
1,445	7.501 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) - MBIA Insured	9/10 at 31.
1,280	Eagle County Air Terminal Corporation, Colorado, Airport Terminal Revenue Bonds, Series 2001, 7 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.

67

| Nuveen Dividend Advantage Municipal Fund 2 (continued)  
 NXZ | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	COLORADO (continued)	
\$ 5,000	Northwest Parkway Public Highway Authority, Colorado, Revenue Bonds, Senior Series 2001A, 5.250%, 6/15/41 - FSA Insured	6/11 at 102.
22,000	Northwest Parkway Public Highway Authority, Colorado, Senior Lien Revenue Bonds, Series 2001B: 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.
-----		
66,845	Total Colorado	
-----		
	DISTRICT OF COLUMBIA - 1.3% (0.9% OF TOTAL INVESTMENTS)	
1,075	District of Columbia Tobacco Settlement Corporation, Tobacco Settlement Asset-Backed Bonds, Series 2001, 6.250%, 5/15/24	5/11 at 101.
5,000	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 2007A, 4.500%, 10/01/30 - AMBAC Insured	10/16 at 100.
-----		
6,075	Total District of Columbia	
-----		
	FLORIDA - 5.0% (3.3% OF TOTAL INVESTMENTS)	
15,000	Jacksonville, Florida, Transportation Revenue Bonds, Series 2001, 5.250%, 10/01/29 - MBIA Insured	10/11 at 100.

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

4,000	Miami-Dade County Health Facility Authority, Florida, Hospital Revenue Refunding Bonds, Miami Children's Hospital, Series 2001A, 5.125%, 8/15/26 (Pre-refunded 8/15/11) - AMBAC Insured	8/11 at 101.
3,000	Miami-Dade County, Florida, Aviation Revenue Bonds, Miami International Airport, Series 2002, 5.375%, 10/01/32 - FGIC Insured (Alternative Minimum Tax)	10/12 at 100.
22,000	Total Florida	
-----		
HAWAII - 2.3% (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 - 11.9% (7.8% OF TOTAL INVESTMENTS)		
3,620	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.
1,005	Chicago, Illinois, FNMA/GNMA Collateralized Single Family Mortgage Revenue Bonds, Series 2001A, 6.250%, 10/01/32 (Alternative Minimum Tax)	4/11 at 105.
3,985	Chicago, Illinois, General Obligation Bonds, Series 2001A, 5.250%, 1/01/33 - MBIA Insured	1/11 at 101.
11,285	Chicago, Illinois, General Obligation Bonds, Series 2001A, 5.250%, 1/01/33 (Pre-refunded 1/01/11) - MBIA Insured	1/11 at 101.
3,180	Illinois Development Finance Authority, Revenue Bonds, Chicago Charter School Foundation, Series 2002A, 6.250%, 12/01/32 (Pre-refunded 12/01/12)	12/12 at 100.
910	Illinois Development Finance Authority, Revenue Bonds, Illinois Wesleyan University, Series 2001, 5.500%, 9/01/32 - AMBAC Insured	9/11 at 100.
4,090	Illinois Development Finance Authority, Revenue Bonds, Illinois Wesleyan University, Series 2001, 5.500%, 9/01/32 (Pre-refunded 9/01/11) - AMBAC Insured	9/11 at 100.
3,100	Illinois Development Finance Authority, Revenue Bonds, Northwestern University, Series 2001B, 6.000%, 5/15/31 (Pre-refunded 5/15/11)	5/11 at 101.
3,150	Illinois Finance Authority, Revenue Bonds, Palos Community Hospital, Series 2007A, Residuals 07-1028, 7.491%, 5/15/32 - MBIA Insured (IF)	5/17 at 100.
5,000	Illinois Health Facilities Authority, Revenue Bonds, Edward Hospital Obligated Group, Series 2001B, 5.250%, 2/15/34 (Pre-refunded 2/15/11) - FSA Insured	2/11 at 101.

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

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	ILLINOIS (continued)	
\$ 2,500	Illinois Housing Development Authority, Homeowner Mortgage Revenue Bonds, Series 2006C2, 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, Revenue Refunding Bonds, McCormick Place Expansion Project, Series 1996A, 5.250%, 6/15/27 - AMBAC Insured	12/07 at 101.
1,000	Montgomery, Illinois, Lakewood Creek Project Special Assessment Bonds, Series 2007, 4.700%, 3/01/30 - RAAI Insured	3/16 at 100.
3,360	Northfield Township High School District Number 225, Cook County, Illinois, Glenbrook, General Obligation School Bonds, Series 2007B, 0.000%, 12/01/24	12/16 at 69.
-----		
53,440	Total Illinois	
-----		
	INDIANA - 4.7% (3.1% 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. Ca
4,000	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2003A, 5.000%, 6/01/23 - FSA Insured	6/13 at 100.
6,000	Indiana Transportation Finance Authority, Highway Revenue Bonds, Series 2003A, 5.000%, 6/01/24 (Pre-refunded 6/01/13) - FSA Insured	6/13 at 100.
6,100	St. Joseph County Hospital Authority, Indiana, Revenue Bonds, Madison Center Inc., Series 1999, 5.800%, 2/15/24	2/09 at 102.
-----		
20,600	Total Indiana	
-----		
	IOWA - 0.2% (0.2% 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% (2.5% OF TOTAL INVESTMENTS)	
17,000	Wichita, Kansas, Hospital Facilities Revenue Refunding and Improvement Bonds, Via Christi Health System Inc., Series	11/11 at 101.

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

2001-III, 5.625%, 11/15/31

-----		
LOUISIANA - 5.0% (3.3% OF TOTAL INVESTMENTS)		
3,960	Louisiana State, Gasoline and Fuels Tax Revenue Bonds, Series 2006, 4.500%, 5/01/41 - FGIC Insured (UB)	5/16 at 100.
18,825	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at 101.
-----		
22,785	Total Louisiana	
-----		
MASSACHUSETTS - 3.4% (2.3% OF TOTAL INVESTMENTS)		
15,585	Massachusetts Turnpike Authority, Metropolitan Highway System Revenue Bonds, Senior Series 1997A, 5.000%, 1/01/37 - MBIA Insured	1/08 at 101.
-----		
MICHIGAN - 14.3% (9.4% 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.

69

| Nuveen Dividend Advantage Municipal Fund 2 (continued)  
 NXZ | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CASH PROVISIONS (2)
-----		
MICHIGAN (continued)		
Michigan State Hospital Finance Authority, Revenue Refunding Bonds, Detroit Medical Center Obligated Group, Series 1993A:		
\$ 2,000	6.250%, 8/15/13	2/08 at 100.
4,000	6.500%, 8/15/18	2/08 at 100.
-----		
62,000	Total Michigan	
-----		
MINNESOTA - 3.2% (2.1% OF TOTAL INVESTMENTS)		

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

14,000	Minneapolis-St. Paul Metropolitan Airports Commission, Minnesota, Airport Revenue Bonds, Series 2001A, 5.250%, 1/01/32 (Pre-refunded 1/01/11) - FGIC Insured	1/11 at 100.
-----		
MISSOURI - 4.9% (3.2% 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 - 0.6% (0.4% OF TOTAL INVESTMENTS)		
2,600	Montana Board of Housing, Single Family Program Bonds, Series 2001A-2, 5.700%, 6/01/32 (Alternative Minimum Tax)	12/10 at 100.
-----		
NEVADA - 7.4% (4.9% 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 (Pre-refunded 7/01/08)	7/08 at 101.
8,000	Henderson, Nevada, Healthcare Facility Revenue Refunding Bonds, Catholic Healthcare West, Series 2007B, 5.250%, 7/01/31 (UB)	7/17 at 100.
7,000	Reno, Nevada, Health Facilities Revenue Bonds, Catholic Healthcare West, Series 2007A, 5.250%, 7/01/31 (UB)	7/17 at 100.
-----		
33,105	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.
1,210	New Hampshire Housing Finance Authority, Single Family Mortgage Acquisition Bonds, Series 2001A, 5.700%, 1/01/31 (Alternative Minimum Tax)	5/11 at 100.
-----		
9,210	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.
415	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2002, 5.750%, 6/01/32 (Pre-refunded 6/01/12)	6/12 at 100.
Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2003:		

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

2,200	6.375%, 6/01/32 (Pre-refunded 6/01/13)	6/13 at 100.
425	6.750%, 6/01/39 (Pre-refunded 6/01/13)	6/13 at 100.
3,085	6.250%, 6/01/43 (Pre-refunded 6/01/13)	6/13 at 100.
-----		
10,120	Total New Jersey	
-----		

70

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
NEW MEXICO - 5.4% (3.5% 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 - 9.3% (6.1% 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 (Pre-refunded 5/01/11)	5/11 at 100.
12,800	Metropolitan Transportation Authority, New York, Transportation Revenue Bonds, Series 2006B, 4.500%, 11/15/32 - FSA Insured (UB)	11/16 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.
-----		
40,700	Total New York	
-----		
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.



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

4,500	North Carolina Eastern Municipal Power Agency, Power System Revenue Refunding Bonds, Series 1999B, 5.600%, 1/01/15	1/09 at 102.
7,450	Total North Carolina	
NORTH DAKOTA - 0.5% (0.3% OF TOTAL INVESTMENTS)		
2,045	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.
OKLAHOMA - 0.8% (0.5% 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% (2.5% 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 - 3.5% (2.3% 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 (Pre-refunded 11/15/10)	11/10 at 102.
1,605	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. Ca

71

| Nuveen Dividend Advantage Municipal Fund 2 (continued)  
 NXZ | Portfolio of INVESTMENTS October 31, 2007

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

PENNSYLVANIA (continued)

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

\$ 8,000	Pennsylvania Higher Educational Facilities Authority, Revenue Bonds, UPMC Health System, Series 2001A, 6.000%, 1/15/31	1/11 at 101.
14,605	Total Pennsylvania	
-----		
TEXAS - 25.2% (16.6% 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.
15,000	Dallas-Fort Worth International Airport Public Facility Corporation, Texas, Airport Hotel Revenue Bonds, Series 2001: 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.
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.
10,715	Hays Consolidated Independent School District, Hays County, Texas, General Obligation School Building Bonds, Series 2001: 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.
5,000	Houston, Texas, Hotel Occupancy Tax and Special Revenue Bonds, Convention and Entertainment Project, Series 2001B: 0.000%, 9/01/30 - AMBAC Insured	No Opt. Ca
5,540	0.000%, 9/01/31 - AMBAC Insured	No Opt. Ca
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.
4,390	Tarrant County, Texas, Cultural & Educational Facilities Financing Corporation, Revenue Bonds, Series 2007, Residuals 1760-3, 7.511%, 2/15/36 (IF)	2/17 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, Texas, Hospital Revenue Bonds, Shannon Health System Project, Series 2001, 6.750%, 5/15/21	5/11 at 101.
167,315	Total Texas	
-----		
VIRGINIA - 0.3% (0.2% 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.

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

---

WASHINGTON - 5.2% (3.4% 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.
945	Washington State Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2002, 6.500%, 6/01/26	6/13 at 100.

72

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
WASHINGTON (CONTINUED)		
\$ 2,100	Washington, Certificates of Participation, Washington Convention and Trade Center, Series 1999, 5.125%, 7/01/13 - MBIA Insured	7/09 at 100.
22,615	Total Washington	
WEST VIRGINIA - 1.1% (0.7% 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	
\$ 760,335	Total Investments (cost \$647,942,451) - 151.7%	
	Floating Rate Obligations - (5.1)%	
	Other Assets Less Liabilities - 2.0%	
	Preferred Shares, at Liquidation Value - (48.6)%	

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

Net Assets Applicable to Common Shares - 100%

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

- (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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
  - (4) 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.
- (IF) Inverse floating rate investment.
  - (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

73

NZF | Nuveen Dividend Advantage Municipal Fund 3  
 | Portfolio of INVESTMENTS

October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	ALABAMA - 1.6% (1.0% OF TOTAL INVESTMENTS)	

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

\$	3,500	Alabama Special Care Facilities Financing Authority, Revenue Bonds, Ascension Health, Series 2006C-2, 5.000%, 11/15/36	11/16 at 100.
	5,655	Alabama State Port Authority, Revenue Bonds, State Docks Department Facilities, Series 2001, 5.250%, 10/01/26 (Pre-refunded 10/01/11) - AMBAC Insured (Alternative Minimum Tax)	10/11 at 100.
	9,155	Total Alabama	
-----			
ALASKA - 0.8% (0.5% 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.
	1,000	Northern Tobacco Securitization Corporation, Alaska, Tobacco Settlement Asset-Backed Bonds, Series 2006A, 5.000%, 6/01/46	6/14 at 100.
	5,000	Total Alaska	
-----			
ARKANSAS - 0.9% (0.6% OF TOTAL INVESTMENTS)			
	1,805	Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A: 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	
-----			
CALIFORNIA - 14.0% (9.1% OF TOTAL INVESTMENTS)			
	855	California Health Facilities Financing Authority, Health Facility Revenue Bonds, Adventist Health System/West, Series 2003A: 5.000%, 3/01/28	3/13 at 100.
	140	5.000%, 3/01/33	3/13 at 100.
	2,900	California Health Facilities Financing Authority, Revenue Bonds, Sutter Health, Series 2007A, 5.000%, 11/15/42	11/16 at 100.
	10,000	California Infrastructure Economic Development Bank, First Lien Revenue Bonds, San Francisco Bay Area Toll Bridge, Series 2003A, 5.000%, 7/01/33 (Pre-refunded 1/01/28) - AMBAC Insured (UB)	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.
	18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 - MBIA Insured (Alternative Minimum Tax)	12/07 at 101.
	11,865	Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2007A-1, 5.125%, 6/01/47	6/17 at 100.
		Los Angeles Regional Airports Improvement Corporation, California, Lease Revenue Refunding Bonds, LAXFUEL	

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

	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.

74

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	CALIFORNIA (continued)	
\$ 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. Ca
3,000	San Mateo County Community College District, California, General Obligation Bonds, Series 2006C, 0.000%, 9/01/30 - MBIA Insured	No Opt. Ca
-----		
93,065	Total California	
-----		
	COLORADO - 5.9% (3.8% 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.
1,605	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek Education Center, Series 2002A, 7.625%, 3/15/32 (Pre-refunded 3/15/13)	3/13 at 100.
3,200	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Montessori Peaks Building Foundation, Series 2002A, 8.000%, 5/01/32 (Pre-refunded 3/01/10)	3/10 at 102.
1,775	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Weld County School District 6 - Frontier Academy, Series 2001, 7.375%, 6/01/31 (Pre-refunded 6/01/11)	6/11 at 100.
3,560	Colorado Educational and Cultural Facilities Authority, Revenue Bonds, Montessori Peaks Academy, Series 2006, 5.400%, 5/01/26	5/16 at 102.
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.
5,000	Compark Business Campus Metropolitan District, Colorado, General Obligation Limited Tax Bonds, Series 2007, 5.600%, 12/01/34 - RAAI Insured	12/17 at 100.

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

Denver City and County, Colorado, Airport Revenue Bonds, Series 2006:		
5,365	5.000%, 11/15/23 - FGIC Insured (UB)	11/16 at 100.
1,100	7.501%, 11/15/24 - FGIC Insured (IF)	11/16 at 100.
1,445	7.501%, 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.
2,000	Maher Ranch Metropolitan District 4, Colorado, General Obligation Limited Tax Bonds, Series 2007, 5.250%, 12/01/36 - RAAI Insured	12/17 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.
33,680	Total Colorado	
-----		
DELAWARE - 0.4% (0.2% OF TOTAL INVESTMENTS)		
1,940	Delaware Housing Authority, Multifamily Mortgage Revenue Bonds, Series 2001A, 5.400%, 7/01/24	7/12 at 100.
-----		
DISTRICT OF COLUMBIA - 0.9% (0.6% OF TOTAL INVESTMENTS)		
1,375	District of Columbia, Revenue Bonds, Catholic University of America, Series 1999, 5.625%, 10/01/29 - AMBAC Insured	10/09 at 101.
1,335	Washington Convention Center Authority, District of Columbia, Senior Lien Dedicated Tax Revenue Bonds, Series 2007, Residuals 1606, 6.094%, 10/01/30 - AMBAC Insured (IF)	10/16 at 100.
3,335	Washington DC Convention Center Authority, Dedicated Tax Revenue Bonds, Residual Series 1730, 1731, 1736, 6.093%, 10/01/30 - AMBAC Insured (IF)	10/16 at 100.
6,045	Total District of Columbia	
-----		
FLORIDA - 2.3% (1.5% OF TOTAL INVESTMENTS)		
Orange County Housing Finance Authority, Florida, Multifamily Housing Revenue Bonds, Oak Glen Apartments, Series 2001G:		
1,105	5.400%, 12/01/32 - FSA Insured	12/11 at 100.
2,195	5.450%, 12/01/41 - FSA Insured	12/11 at 100.

75

| Nuveen Dividend Advantage Municipal Fund 3 (continued)  
 NZF | Portfolio of INVESTMENTS October 31, 2007

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

FLORIDA (continued)

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

\$	4,175	Pace Property Finance Authority Inc., Florida, Utility System Improvement and Revenue Refunding Bonds, Series 1997, 5.250%, 9/01/17 - AMBAC Insured	3/08 at 102.
	5,455	South Miami Health Facilities Authority, Florida, Hospital Revenue, Baptist Health System Obligation Group, Series 2007, 5.000%, 8/15/42	8/17 at 100.
	1,000	Tolomato Community Development District, Florida, Special Assessment Bonds, Series 2007, 6.650%, 5/01/40	5/18 at 100.
-----			
	13,930	Total Florida	
-----			
GEORGIA - 2.4% (1.6% OF TOTAL INVESTMENTS)			
	5,000	Atlanta, Georgia, Airport General Revenue Bonds, Series 2000B, 5.625%, 1/01/30 - FGIC Insured (Alternative Minimum Tax)	1/10 at 101.
	2,700	Atlanta, Georgia, Tax Allocation Bonds, Atlantic Station Project, Series 2001, 7.900%, 12/01/24 (Pre-refunded 12/01/11)	12/11 at 101.
	2,000	Fulton County Residential Care Facilities Authority, Georgia, Revenue Bonds, Elderly Care, Lenbrook Square Project, Series 2006A, 5.125%, 7/01/42	7/17 at 100.
	3,740	Gainesville and Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc., Series 2001, 5.500%, 5/15/31 (Pre-refunded 5/15/11)	5/11 at 100.
	500	Gainesville Redevelopment Authority, Georgia, Educational Facilities Revenue Bonds, Riverside Military Academy Project, Series 2007, 5.125%, 3/01/37	3/17 at 100.
-----			
	13,940	Total Georgia	
-----			
ILLINOIS - 19.5% (12.7% OF TOTAL INVESTMENTS)			
	16,000	Chicago Greater Metropolitan Water Area Sanitary District, Illinois, General Obligation Bonds, Series 2006, 5.000%, 12/01/35 (UB)	12/16 at 100.
	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.
	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.
	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. Ca
	10,000	Chicago, Illinois, Senior Lien Water Revenue Bonds, Series	11/11 at 100.



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

	2001, 5.000%, 11/01/26 (Pre-refunded 11/01/11) - AMBAC Insured	
1,665	Chicago, Illinois, Third Lien General Airport Revenue Bonds, O'Hare International Airport, Series 2005A, 5.000%, 1/01/33 - FGIC Insured	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.
2,385	Illinois Finance Authority, Revenue Bonds, Sherman Health Systems, Series 2007A, 5.500%, 8/01/37	8/17 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 (Pre-refunded 7/01/11)	7/11 at 100.

76

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	ILLINOIS (continued)	
\$ 5,000	Lake County School District 38, Big Hollow, Illinois, General Obligation Bonds, Series 2005, 0.000%, 2/01/22 - AMBAC Insured	No Opt. Ca
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. Ca
-----		
114,370	Total Illinois	
-----		
	INDIANA - 5.9% (3.8% OF TOTAL INVESTMENTS)	
1,255	Clark-Pleasant Community School Building Corporation, Indiana, First Mortgage Bonds, Series 2001: 5.000%, 7/15/21 (Pre-refunded 1/15/12) - AMBAC Insured	1/12 at 100.

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

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.
1,250	Hamilton Southeastern Cumberland Campus School Building Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.125%, 1/15/23 (Pre-refunded 1/15/12) - AMBAC Insured	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.
3,500	University of Southern Indiana, Student Fee Bonds, Series 2001H, 5.000%, 10/01/21 - AMBAC Insured	10/11 at 100.
	Vigo County, Indiana, Hospital Authority, Union Hospital, Revenue Bonds, Series 2007:	
2,500	5.750%, 9/01/42	9/17 at 100.
2,500	5.800%, 9/01/47	9/17 at 100.
1,090	Wayne County Jail Holding Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.500%, 7/15/22 (Pre-refunded 1/15/13) - AMBAC Insured	1/13 at 101.
34,375	Total Indiana	
	IOWA - 5.9% (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	
	KANSAS - 0.3% (0.2% OF TOTAL INVESTMENTS)	
	Manhattan Health Care Facility Revenue Bonds, Kansas, Meadowlarks Hills Retirement, Series 2007B:	
1,000	5.125%, 5/15/37	5/14 at 103.
1,000	5.125%, 5/15/42	5/14 at 103.
2,000	Total Kansas	

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

| Nuveen Dividend Advantage Municipal Fund 3 (continued)  
 NZF | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	KENTUCKY - 3.2% (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 - 3.9% (2.5% OF TOTAL INVESTMENTS)	
3,700	Louisiana Public Facilities Authority, Revenue Bonds, Ochsner Clinic Foundation Project, Series 2007A, 5.500%, 5/15/47	5/17 at 100.
19,890	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at 101.
-----		
23,590	Total Louisiana	
-----		
	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.
1,610	5.500%, 11/15/32 (Alternative Minimum Tax)	11/10 at 100.
-----		
6,220	Total Maine	
-----		
	MARYLAND - 2.6% (1.7% OF TOTAL INVESTMENTS)	
1,000	Howard County, Maryland, Retirement Community Revenue Bonds, Vantage House, Series 2007B, 5.250%, 4/01/37	4/17 at 100.
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)	3/08 at 100.
555	Maryland Health and Higher Educational Facilities Authority, Revenue Bonds, Mercy Ridge Retirement Community, Series 2007, 4.750%, 7/01/34	7/17 at 100.
-----		
15,725	Total Maryland	
-----		
	MASSACHUSETTS - 1.4% (0.9% OF TOTAL INVESTMENTS)	

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

1,375	Massachusetts Development Finance Agency, Revenue Bonds, Orchard Cove, Series 2007, 5.250%, 10/01/26	10/12 at 102.
1,000	Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Milton Hospital Project, Series 2005D, 5.250%, 7/01/30	7/15 at 100.
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.
1,155	Massachusetts Water Resources Authority, General Revenue Bonds, Series 2007, Residual Trust 7039, 6.272%, 8/01/46 - FSA Insured (IF)	2/17 at 100.
-----		
8,530	Total Massachusetts	
-----		
MICHIGAN - 9.7% (6.3% 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. Ca
2,000	Garden City Hsopital Finance Authority, Michigan, Revenue Bonds, Garden City Hospital Obligated Group, Series 2007A, 5.000%, 8/15/38	8/17 at 100.
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.

78

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
MICHIGAN (continued)		
\$ 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. Ca
1,400	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sparrow Obligated Group, Series 2001: 5.500%, 11/15/21 (Pre-refunded 11/15/11)	11/11 at 101.
2,500	5.625%, 11/15/31 (Pre-refunded 11/15/11)	11/11 at 101.

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

3,500	Michigan State Hospital Finance Authority, Revenue Bonds, Trinity Health Care Group, Series 2006A, 5.000%, 12/01/31	12/16 at 100.
12,640	Royal Oak Hospital Finance Authority, Michigan, Hospital Revenue Bonds, William Beaumont Hospital, Series 2001M, 5.250%, 11/15/31 - MBIA Insured	11/11 at 100.
54,115	Total Michigan	
-----		
MINNESOTA - 0.6% (0.4% OF TOTAL INVESTMENTS)		
2,305	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.
1,375	Saint Paul Port Authority, Minnesota, Lease Revenue Bonds, Regions Hospital Parking Ramp Project, Series 2007-1, 5.000%, 8/01/36	8/16 at 100.
3,680	Total Minnesota	
-----		
MISSISSIPPI - 0.9% (0.6% 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.
3,000	Mississippi Hospital Equipment and Facilities Authority, Revenue Bonds, Baptist Memorial Healthcare, Series 2004B-1, 5.000%, 9/01/24	9/14 at 100.
5,155	Total Mississippi	
-----		
MISSOURI - 2.9% (1.9% OF TOTAL INVESTMENTS)		
1,495	Cape Girardeau County Industrial Development Authority, Missouri, Health Facilities Revenue Bonds, Southeast Missouri Hospital Association, Series 2007, 5.000%, 6/01/36	6/17 at 100.
1,000	Clinton County Industrial Development Authority, Missouri, Revenue Bonds, Cameron Regional Medical Center, Series 2007, 5.000%, 12/01/32	12/17 at 100.
1,825	Fenton, Missouri, Tax Increment Refunding and Improvement Revenue Bonds, Gravois Bluffs Redevelopment Project, Series 2002, 6.125%, 10/01/21 (Pre-refunded 10/01/12)	10/12 at 100.
3,335	Missouri Development Finance Board, Cultural Facilities Revenue Bonds, Nelson Gallery Foundation, Series 2001A: 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.
16,900	Total Missouri	
-----		
MONTANA - 0.8% (0.5% OF TOTAL INVESTMENTS)		
5,000	Montana Board of Investments, Exempt Facility Revenue Bonds,	7/10 at 101.

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

Stillwater Mining Company, Series 2000, 8.000%, 7/01/20  
(Alternative Minimum Tax)

79

NZF | Nuveen Dividend Advantage Municipal Fund 3 (continued)  
| Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
NEBRASKA - 1.6% (1.1% OF TOTAL INVESTMENTS)		
	Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2001D:	
\$ 2,250	5.250%, 9/01/21 (Alternative Minimum Tax)	9/11 at 100.
3,025	5.375%, 9/01/32 (Alternative Minimum Tax)	9/11 at 100.
4,490	Omaha Public Power District, Nebraska, Separate Electric System Revenue Bonds, Nebraska City 2, Series 2006A, 5.000%, 2/01/49 - AMBAC Insured (UB)	2/17 at 100.
9,765	Total Nebraska	
NEVADA - 1.8% (1.1% OF TOTAL INVESTMENTS)		
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.
205	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 (Pre-refunded 1/01/12) - FGIC Insured	1/12 at 100.
10,495	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.
NEW JERSEY - 3.9% (2.6% OF TOTAL INVESTMENTS)		
10,000	New Jersey Economic Development Authority, Water Facilities	11/12 at 101.

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

	Revenue Bonds, American Water Company, Series 2002A, 5.250%, 11/01/32 - AMBAC Insured (Alternative Minimum Tax)	
4,125	New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 - AMBAC Insured	No Opt. Ca
20,000	New Jersey Transportation Trust Fund Authority, Transportation System Bonds, Series 2006C, 0.000%, 12/15/28 - AMBAC Insured	No Opt. Ca
2,000	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2007-1A, 4.750%, 6/01/34	6/17 at 100.
<hr/>		
36,125	Total New Jersey	
<hr/>		
NEW YORK - 4.0% (2.6% OF TOTAL INVESTMENTS)		
900	Albany Industrial Development Agency, New York, Revenue Bonds, Brighter Choice Charter Schools, Series 2007A, 5.000%, 4/01/32	4/17 at 100.
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.
220	Hudson Yards Infrastructure Corporation, New York, Revenue Bonds, Driver Trust 1649, 2006, 6.058%, 2/15/47 - MBIA Insured (IF)	2/17 at 100.
4,360	Hudson Yards Infrastructure Corporation, New York, Revenue Bonds, Series 2006A, 4.500%, 2/15/47 - MBIA Insured (UB)	2/17 at 100.
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. Ca
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.
1,715	New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 - MBIA Insured	8/12 at 100.
785	New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 (Pre-refunded 8/01/12) - MBIA Insured	8/12 at 100.

80

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

---

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

NEW YORK (continued)

\$	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.
----	-------	--	--------------

---

22,915	Total New York
--------	----------------

---

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

1,200	Charlotte-Mecklenburg Hospital Authority, North Carolina, Health Care System Revenue Bonds, Carolinas Health Care, 5.000%, 1/15/31	1/17 at 100.
-------	--	--------------

1,750	Charlotte-Mecklenburg Hospital Authority, North Carolina, Healthcare System Revenue Bonds, DBA Carolinas Healthcare System, Series 2005A, 4.875%, 1/15/32 (Pre-refunded 1/15/15)	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. Ca
-------	---	------------

---

4,750	Total North Carolina
-------	----------------------

---

OHIO - 3.2% (2.1% OF TOTAL INVESTMENTS)

	Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	
3,535	5.125%, 6/01/24	6/17 at 100.
710	5.875%, 6/01/30	6/17 at 100.
685	5.750%, 6/01/34	6/17 at 100.
1,570	5.875%, 6/01/47	6/17 at 100.

1,935	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.
-------	--	--------------

7,200	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.

---

19,280	Total Ohio
--------	------------

---

OKLAHOMA - 2.6% (1.7% OF TOTAL INVESTMENTS)

	Oklahoma Development Finance Authority, Revenue Bonds, Saint John Health System, Series 2007:	
6,000	5.000%, 2/15/37	2/17 at 100.
2,735	5.000%, 2/15/42	2/17 at 100.

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.
-------	--	--------------

4,305	Tulsa County Industrial Authority, Oklahoma, Health Care Revenue Bonds, Saint Francis Health System, Series 2006, 5.000%, 12/15/36	12/16 at 100.
-------	--	---------------

---



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

15,540	Total Oklahoma	
-----		
OREGON - 2.5% (1.6% 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	
-----		
PENNSYLVANIA - 2.0% (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 (Pre-refunded 11/15/10)	11/10 at 102.
2,000	9.250%, 11/15/30 (Pre-refunded 11/15/10)	11/10 at 102.

81

NZF | Nuveen Dividend Advantage Municipal Fund 3 (continued)  
 NZF | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
PENNSYLVANIA (continued)		
\$ 500	Bucks County Industrial Development Authority, Pennsylvania, Charter School Revenue Bonds, School Lane Charter School, Series 2007A, 5.000%, 3/15/37	3/17 at 100.
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)	1/08 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.
-----		
11,205	Total Pennsylvania	
-----		
PUERTO RICO - 0.4% (0.3% OF TOTAL INVESTMENTS)		
2,500	Puerto Rico Sales Tax Financing Corporation, Sales Tax Revenue Bonds, Series 2007A, 5.250%, 8/01/57	8/17 at 100.
-----		
SOUTH CAROLINA - 1.2% (0.8% OF TOTAL INVESTMENTS)		

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

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.
-----		
TENNESSEE - 1.9% (1.3% OF TOTAL INVESTMENTS)		
3,680	Knox County Health, Educational and Housing Facilities Board, Tennessee, Hospital Revenue Refunding Bonds, Covenant Health, Series 2006, 0.000%, 1/01/41	1/17 at 30.
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	9/16 at 100.
	Sumner County Health, Educational, and Housing Facilities Board, Tennessee, Revenue Refunding Bonds, Sumner Regional Health System Inc., Series 2007:	
800	5.500%, 11/01/37	11/17 at 100.
2,800	5.500%, 11/01/46	11/17 at 100.
900	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 1998-2, 5.350%, 7/01/23 (Alternative Minimum Tax)	1/09 at 101.
880	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2001-3A, 5.200%, 7/01/22 (Alternative Minimum Tax)	7/11 at 100.
-----		
14,545	Total Tennessee	
-----		
TEXAS - 18.1% (11.8% OF TOTAL INVESTMENTS)		
5,445	Board of Regents, University of Texas System, Financing System Revenue Bonds, Series 2006F, 4.250%, 8/15/36 (UB)	2/17 at 100.
1,125	Brushy Creek Municipal Utility District, Williamson County, Texas, Combination Unlimited Tax and Revenue Refunding Bonds, Series 2001, 5.125%, 6/01/26 - FSA Insured	6/09 at 100.
	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. Ca
7,000	Houston, Texas, Subordinate Lien Airport System Revenue Bonds, Series 1998B, 5.250%, 7/01/14 - FGIC Insured (Alternative	7/08 at 101.

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

Minimum Tax)

82

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
-----		
	TEXAS (continued)	
	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.
4,735	Hutto Independent School District, Williamson County, Texas, General Obligation Bonds, Series 2007, Residuals 07-1001, 6.678%, 8/01/43 (IF)	8/16 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.
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. Ca
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.
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.
6,300	Tarrant County, Texas, Cultural & Educational Facilities Financing Corporation, Revenue Bonds, Series 2007A, 5.000%, 2/15/36	2/17 at 100.
10,590	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.
	White Settlement Independent School District, Tarrant County,	

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

	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.
-----			
127,530	Total Texas		
-----			
	UTAH - 0.8% (0.5% OF TOTAL INVESTMENTS)		
	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001E:		
1,555	5.200%, 1/01/18 (Alternative Minimum Tax)		7/11 at 100.
515	5.500%, 1/01/23 (Alternative Minimum Tax)		7/11 at 100.
	Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001F-1:		
1,995	4.950%, 7/01/18 (Alternative Minimum Tax)		7/11 at 100.
530	5.300%, 7/01/23 (Alternative Minimum Tax)		7/11 at 100.
-----			
4,595	Total Utah		
-----			
	VIRGINIA - 1.0% (0.7% OF TOTAL INVESTMENTS)		
1,000	Chesterfield County Health Center Commission, Virginia, Mortgage Revenue Bonds, Lucy Corr Village, Series 2005, 5.375%, 12/01/28		12/15 at 100.
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.
-----			
8,000	Total Virginia		
-----			

83

| Nuveen Dividend Advantage Municipal Fund 3 (continued)  
NZF | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
	WASHINGTON - 15.1% (9.9% OF TOTAL INVESTMENTS)	
	Bellingham Housing Authority, Washington, Housing Revenue Bonds, 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.
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.

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

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.
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 (Pre-refunded 10/01/11) - RAAI Insured	10/11 at 101.
25,435	5.625%, 10/01/31 (Pre-refunded 10/01/11) - RAAI Insured	10/11 at 101.
	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.
87,345	Total Washington	
	-----	
	WISCONSIN - 4.4% (2.8% OF TOTAL INVESTMENTS)	
	Appleton, Wisconsin, Waterworks Revenue Refunding Bonds, Series 2001:	
3,705	5.375%, 1/01/20 (Pre-refunded 1/01/12) - FGIC Insured	1/12 at 100.
1,850	5.000%, 1/01/21 (Pre-refunded 1/01/12) - FGIC Insured	1/12 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.
1,000	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Franciscan Sisters of Christian Charity HealthCare Ministry, Series 2007, 5.000%, 9/01/33	9/17 at 100.
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.
50	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services Inc., Series 2003A, 5.125%, 8/15/33	8/13 at 100.
25,355	Total Wisconsin	
	-----	

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

84

NZF | Nuveen Dividend Advantage Municipal Fund 3 (continued)  
 NZF | Portfolio of INVESTMENTS October 31, 2007

PRINCIPAL AMOUNT (000)	DESCRIPTION (1)	OPTIONAL CA PROVISIONS (
\$ 947,810	Total Investments (cost \$898,773,146) - 153.5%	
	Floating Rate Obligations - (5.0)%	
	Other Assets Less Liabilities - 2.9%	
	Preferred Shares, at Liquidation Value - (51.4)%	
	Net Assets Applicable to Common Shares - 100%	

FORWARD SWAPS OUTSTANDING AT OCTOBER 31, 2007:

COUNTERPARTY	NOTIONAL AMOUNT	FUND PAY/RECEIVE FLOATING RATE	FLOATING RATE INDEX	FIXED RATE (ANNUALIZED)	FIXED RATE PAYMENT FREQUENCY	EFF DA
JPMorgan	\$21,500,000	Pay	SIFM	4.383%	Quarterly	8
UBS	15,000,000	Pay	3-Month USD-LIBOR	5.718	Semi-Annually	8

USD - LIBOR (United States Dollar-London Inter-Bank Offered Rate)

SIFM - The daily arithmetic average of the weekly SIFM (Securities Industry and Financial Markets) Municipal Swap Index.

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

(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 Group ("Standard & Poor's") or Moody's Investor Service, Inc. ("Moody's") rating. Ratings below BBB by Standard & Poor's or Baa by Moody's are considered to be below investment grade.
- (4) 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) 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.

(ETM) Escrowed to maturity.

(IF) Inverse floating rate investment.

(UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction pursuant to the provisions of SFAS No. 140.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

85

| Statement of  
| ASSETS & LIABILITIES

October 31, 2007

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	OPP
-----			
ASSETS			
Investments, at value (cost \$1,304,274,541, \$1,002,208,578, \$1,034,611,655, \$865,281,621, \$647,942,451 and \$898,773,146, respectively)	\$ 1,380,328,800	\$ 1,052,893,476	\$ 1,088
Cash	--	907,813	
Unrealized appreciation on forward swaps	--	--	
Receivables:			
Interest	20,077,464	16,179,207	16
Investments sold	8,468,078	1,958,922	
Other assets	136,221	105,359	
-----			
Total assets	1,409,010,563	1,072,044,777	1,104

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

-----			
LIABILITIES			
Cash overdraft	7,144,521	--	9
Floating rate obligations	6,665,000	54,048,333	36
Accrued expenses:			
Management fees	709,548	523,260	
Other	360,670	269,377	
Common share dividends payable	2,890,694	2,281,911	2
Preferred share dividends payable	173,874	115,502	
-----			
Total liabilities	17,944,307	57,238,383	49
-----			
Preferred shares, at liquidation value	479,000,000	358,000,000	380
-----			
Net assets applicable to Common shares	\$ 912,066,256	\$ 656,806,394	\$ 675
=====			
Common shares outstanding	59,914,073	43,214,524	45
=====			
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 15.22	\$ 15.20	\$
=====			
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:			
-----			
Common shares, \$.01 par value per share	\$ 599,141	\$ 432,145	\$
Paid-in surplus	836,423,631	604,056,301	635
Undistributed (Over-distribution of) net investment income	(904,878)	293,060	
Accumulated net realized gain (loss) from investments and derivative transactions	(105,897)	1,339,990	(13
Net unrealized appreciation (depreciation) of investments and derivative transactions	76,054,259	50,684,898	53
=====			
Net assets applicable to Common shares	\$ 912,066,256	\$ 656,806,394	\$ 675
=====			
Authorized shares:			
Common	200,000,000	200,000,000	200
Preferred	1,000,000	1,000,000	1
=====			
		DIVIDEND ADVANTAGE 2 (NXZ)	DIVIDEND ADVANTAGE 3 (NZF)
-----			
ASSETS			
Investments, at value (cost \$1,304,274,541, \$1,002,208,578, \$1,034,611,655, \$865,281,621, \$647,942,451 and \$898,773,146, respectively)	\$ 693,230,301	\$ 931,493,243	
Cash	--	--	
Unrealized appreciation on forward swaps	--	1,472,119	
Receivables:			
Interest	11,611,349	15,032,336	
Investments sold	--	10,508,638	
Other assets	61,543	57,649	
-----			
Total assets	704,903,193	958,563,985	
-----			



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

LIABILITIES		
Cash overdraft	78,673	6,189,019
Floating rate obligations	23,365,000	30,345,000
Accrued expenses:		
Management fees	237,514	318,144
Other	143,009	170,806
Common share dividends payable	2,049,556	2,477,621
Preferred share dividends payable	37,883	155,186
-----		
Total liabilities	25,911,635	39,655,776
-----		
Preferred shares, at liquidation value	222,000,000	312,000,000
-----		
Net assets applicable to Common shares	\$ 456,991,558	\$ 606,908,209
=====		
Common shares outstanding	29,396,499	40,378,174
=====		
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 15.55	\$ 15.03
=====		
NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:		
-----		
Common shares, \$.01 par value per share	\$ 293,965	\$ 403,782
Paid-in surplus	418,026,186	573,906,085
Undistributed (Over-distribution of) net investment income	164,014	(1,234,602)
Accumulated net realized gain (loss) from investments and derivative transactions	(6,780,457)	(359,272)
Net unrealized appreciation (depreciation) of investments and derivative transactions	45,287,850	34,192,216
=====		
Net assets applicable to Common shares	\$ 456,991,558	\$ 606,908,209
=====		
Authorized shares:		
Common	Unlimited	Unlimited
Preferred	Unlimited	Unlimited
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

86

| Statement of  
| OPERATIONS

Year Ended October 31, 2007

PERFORMANCE	MUNICIPAL	MARKET
PLUS	ADVANTAGE	OPPORTUNITY
(NPP)	(NMA)	(NMO)

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

INVESTMENT INCOME	\$ 69,659,340	\$ 55,337,894	\$ 56,506,142	\$
-----				
EXPENSES				
Management fees	8,421,790	6,230,123	6,452,675	
Preferred shares - auction fees	1,197,499	894,998	950,000	
Preferred shares - dividend disbursing agent fees	50,000	50,000	40,000	
Shareholders' servicing agent fees and expenses	144,212	88,541	93,487	
Interest expense on floating rate obligations	133,900	1,531,542	1,295,319	
Custodian's fees and expenses	261,537	222,481	223,101	
Directors'/Trustees' fees and expenses	33,150	24,352	25,455	
Professional fees	67,826	53,600	58,412	
Shareholders' reports - printing and mailing expenses	135,473	94,973	108,280	
Stock exchange listing fees	21,544	15,720	16,375	
Investor relations expense	144,253	105,733	110,509	
Other expenses	72,246	58,008	59,035	
-----				
Total expenses before custodian fee credit and expense reimbursement	10,683,430	9,370,071	9,432,648	
Custodian fee credit	(105,904)	(124,291)	(112,494)	
Expense reimbursement	--	--	--	
-----				
Net expenses	10,577,526	9,245,780	9,320,154	
-----				
Net investment income	59,081,814	46,092,114	47,185,988	
-----				
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) from:				
Investments	(114,084)	1,405,723	(2,764,433)	
Forward swaps	--	--	--	
Futures	--	--	--	
Change in net unrealized appreciation (depreciation) of:				
Investments	(27,296,563)	(28,042,883)	(22,450,181)	
Forward swaps	--	--	--	
Futures	--	--	--	
-----				
Net realized and unrealized gain (loss)	(27,410,647)	(26,637,160)	(25,214,614)	
-----				
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS				
From net investment income	(16,373,121)	(12,659,658)	(13,663,433)	
From accumulated net realized gains	(858,202)	--	--	
-----				
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(17,231,323)	(12,659,658)	(13,663,433)	
-----				
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 14,439,844	\$ 6,795,296	\$ 8,307,941	\$
=====				
	DIVIDEND ADVANTAGE 2 (NXZ)	DIVIDEND ADVANTAGE 3 (NZF)		
INVESTMENT INCOME	\$ 37,402,382	\$ 48,896,909		
-----				

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

EXPENSES		
Management fees	4,189,818	5,629,045
Preferred shares - auction fees	555,001	780,001
Preferred shares - dividend disbursing agent fees	30,000	41,153
Shareholders' servicing agent fees and expenses	5,392	6,950
Interest expense on floating rate obligations	659,092	1,127,035
Custodian's fees and expenses	135,582	201,399
Directors'/Trustees' fees and expenses	16,237	22,154
Professional fees	36,970	47,284
Shareholders' reports - printing and mailing expenses	67,153	87,457
Stock exchange listing fees	2,494	3,429
Investor relations expense	68,701	92,386
Other expenses	32,704	43,129
-----		
Total expenses before custodian fee credit and expense reimbursement	5,799,144	8,081,422
Custodian fee credit	(79,346)	(70,823)
Expense reimbursement	(1,512,005)	(2,275,986)
-----		
Net expenses	4,207,793	5,734,613
-----		
Net investment income	33,194,589	43,162,296
-----		
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss) from:		
Investments	(1,406,045)	172,182
Forward swaps	--	(455,000)
Futures	--	(418,916)
Change in net unrealized appreciation (depreciation) of:		
Investments	(11,366,291)	(18,402,081)
Forward swaps	--	1,331,159
Futures	--	(129,711)
-----		
Net realized and unrealized gain (loss)	(12,772,336)	(17,902,367)
-----		
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS		
From net investment income	(7,987,669)	(11,080,897)
From accumulated net realized gains	--	(226,888)
-----		
Decrease in net assets applicable to Common shares from distributions to Preferred shareholders	(7,987,669)	(11,307,785)
-----		
Net increase (decrease) in net assets applicable to Common shares from operations	\$ 12,434,584	\$ 13,952,144
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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

| Statement of  
| CHANGES in NET ASSETS

	PERFORMANCE PLUS (NPP)		MUNICIPAL ADVANTAGE	
	YEAR ENDED 10/31/07	YEAR ENDED 10/31/06	YEAR ENDED 10/31/07	
<hr/>				
OPERATIONS				
Net investment income	\$ 59,081,814	\$ 59,826,874	\$ 46,092,114	\$
Net realized gain (loss) from:				
Investments	(114,084)	3,609,041	1,405,723	
Forward swaps	--	--	--	
Futures	--	--	--	
Change in net unrealized appreciation (depreciation) of:				
Investments	(27,296,563)	18,585,165	(28,042,883)	
Forward swaps	--	--	--	
Futures	--	--	--	
Distributions to Preferred shareholders:				
From net investment income	(16,373,121)	(14,851,985)	(12,659,658)	(
From accumulated net realized gains	(858,202)	(204,889)	--	
<hr/>				
Net increase (decrease) in net assets applicable to Common shares from operations	14,439,844	66,964,206	6,795,296	
<hr/>				
DISTRIBUTIONS TO COMMON SHAREHOLDERS				
From net investment income	(44,830,422)	(50,243,956)	(36,025,128)	(
From accumulated net realized gains	(2,765,395)	(1,042,505)	--	
<hr/>				
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(47,595,817)	(51,286,461)	(36,025,128)	(
<hr/>				
CAPITAL SHARE TRANSACTIONS				
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	--	--	2,361,680	
<hr/>				
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	--	--	2,361,680	
<hr/>				
Net increase (decrease) net assets applicable to Common shares	(33,155,973)	15,677,745	(26,868,152)	
Net assets applicable to Common shares at the beginning of year	945,222,229	929,544,484	683,674,546	6
<hr/>				
Net assets applicable to Common shares at the end of year	\$ 912,066,256	\$ 945,222,229	\$ 656,806,394	\$ 6
<hr/>				
Undistributed (Over-distribution of) net investment income at the end of year	\$ (904,878)	\$ 1,230,581	\$ 293,060	\$
<hr/>				

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

	MARKET OPPORTUNITY (NMO)	
	YEAR ENDED 10/31/07	YEAR ENDED 10/31/06
-----		
OPERATIONS		
Net investment income	\$ 47,185,988	\$ 46,502,877
Net realized gain (loss) from:		
Investments	(2,764,433)	(3,186,736)
Forward swaps	--	--
Futures	--	--
Change in net unrealized appreciation (depreciation) of:		
Investments	(22,450,181)	18,252,758
Forward swaps	--	--
Futures	--	--
Distributions to Preferred shareholders:		
From net investment income	(13,663,433)	(11,933,888)
From accumulated net realized gains	--	--
-----		
Net increase (decrease) in net assets applicable to Common shares from operations	8,307,941	49,635,011
-----		
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(34,547,696)	(37,757,943)
From accumulated net realized gains	--	--
-----		
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(34,547,696)	(37,757,943)
-----		
CAPITAL SHARE TRANSACTIONS		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	257,295	--
-----		
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	257,295	--
-----		
Net increase (decrease) net assets applicable to Common shares	(25,982,460)	11,877,068
Net assets applicable to Common shares at the beginning of year	701,559,261	689,682,193
-----		
Net assets applicable to Common shares at the end of year	\$ 675,576,801	\$ 701,559,261
=====		
Undistributed (Over-distribution of) net investment income at the end of year	\$ (967,250)	\$ 919,444
=====		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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

	DIVIDEND ADVANTAGE (NAD)		DIVIDEND ADVANTAGE	
	-----		-----	
	YEAR ENDED 10/31/07	YEAR ENDED 10/31/06	YEAR ENDED 10/31/07	
<b>OPERATIONS</b>				
Net investment income	\$ 40,737,006	\$ 40,993,576	\$ 33,194,589	\$
Net realized gain (loss) from:				
Investments	2,375,892	4,172,514	(1,406,045)	
Forward swaps	--	--	--	
Futures	--	--	--	
Change in net unrealized appreciation (depreciation) of:				
Investments	(25,931,805)	8,567,260	(11,366,291)	
Forward swaps	--	--	--	
Futures	--	--	--	
Distributions to Preferred shareholders:				
From net investment income	(10,593,575)	(9,396,656)	(7,987,669)	
From accumulated net realized gains	--	--	--	
Net increase (decrease) in net assets applicable to Common shares from operations	6,587,518	44,336,694	12,434,584	
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS</b>				
From net investment income	(31,716,407)	(33,907,479)	(26,454,214)	(
From accumulated net realized gains	--	--	--	
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(31,716,407)	(33,907,479)	(26,454,214)	(
<b>CAPITAL SHARE TRANSACTIONS</b>				
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	308,799	--	821,897	
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	308,799	--	821,897	
Net increase (decrease) in net assets applicable to Common shares	(24,820,090)	10,429,215	(13,197,733)	
Net assets applicable to Common shares at the beginning of year	610,315,861	599,886,646	470,189,291	4
Net assets applicable to Common shares at the end of year	\$ 585,495,771	\$ 610,315,861	\$ 456,991,558	\$ 4
Undistributed (Over-distribution of) net investment income at the end of year	\$ (207,189)	\$ 1,374,504	\$ 164,014	\$

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

	DIVIDEND ADVANTAGE 3 (NZF)	
	YEAR ENDED 10/31/07	YEAR ENDED 10/31/06
OPERATIONS		
Net investment income	\$ 43,162,296	\$ 43,005,594
Net realized gain (loss) from:		
Investments	172,182	1,509,431
Forward swaps	(455,000)	--
Futures	(418,916)	--
Change in net unrealized appreciation (depreciation) of:		
Investments	(18,402,081)	10,632,281
Forward swaps	1,331,159	140,960
Futures	(129,711)	129,711
Distributions to Preferred shareholders:		
From net investment income	(11,080,897)	(9,830,888)
From accumulated net realized gains	(226,888)	--
Net increase (decrease) in net assets applicable to Common shares from operations	13,952,144	45,587,089
DISTRIBUTIONS TO COMMON SHAREHOLDERS		
From net investment income	(33,803,641)	(36,446,494)
From accumulated net realized gains	(798,769)	--
Decrease in net assets applicable to Common shares from distributions to Common shareholders	(34,602,410)	(36,446,494)
CAPITAL SHARE TRANSACTIONS		
Net proceeds from Common shares issued to shareholders due to reinvestment of distributions	722,964	337,160
Net increase (decrease) in net assets applicable to Common shares from capital share transactions	722,964	337,160
Net increase (decrease) in net assets applicable to Common shares	(19,927,302)	9,477,755
Net assets applicable to Common shares at the beginning of year	626,835,511	617,357,756
Net assets applicable to Common shares at the end of year	\$ 606,908,209	\$ 626,835,511
Undistributed (Over-distribution of) net investment income at the end of year	\$ (1,234,602)	\$ 962,737

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

| 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 may establish 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 or derivative transaction is unavailable or inappropriate, the Board of Directors/Trustees of the Funds, or its designee, may establish a fair value for the investment. 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/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, 2007, there



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

were no such outstanding purchase commitments in any of the Funds.

### INVESTMENT INCOME

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

### 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. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal taxation.

90

### 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)	DIVIDEND ADVANTAGE (NZ)
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	--	--	4,1

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

Series TH	3,160	2,320	--	3,800	--	4,1
Series F	4,000	3,000	4,000	--	2,880	4,1
-----						
Total	19,160	14,320	15,200	11,800	8,880	12,4
=====						

INVERSE FLOATING RATE SECURITIES

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

A Fund may purchase an inverse floating rate security in a secondary market transaction without first owning the underlying bond (referred to as an "externally-deposited inverse floater"), or instead by first selling a fixed-rate bond to a broker-dealer for deposit into the special purpose trust and receiving in turn the residual interest in the trust (referred to as a "self-deposited inverse floater"). A Fund may also enter into shortfall and forbearance agreements (sometimes referred to as a "recourse trust" or "credit recovery swap") with a broker-dealer by which a Fund agrees to reimburse the broker-dealer, in certain circumstances, for the difference between the liquidation value of the fixed-rate bond held by the trust and the liquidation value of the floating rate certificates, as well as any shortfalls in interest cash flows. The inverse floater held by a Fund gives the Fund the right (a) to cause the holders of the floating rate certificates to tender their notes at par, and (b) to have the broker transfer the fixed-rate bond held by the trust to the Fund, thereby collapsing the trust. An investment in an externally-deposited inverse floater is identified in the Portfolio of Investments as an "Inverse floating rate investment". An investment in a self-deposited inverse floater, recourse trust or credit recovery swap is accounted for as a financing transaction in accordance with Statement of Financial Accounting Standards (SFAS) No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". In such instances, a fixed-rate bond deposited into a special purpose trust is identified in the Portfolio of Investments as an "Underlying bond of an inverse floating rate trust", with the Fund accounting for the short-term floating rate certificates issued by the trust as "Floating rate obligations" on the Statement of Assets and Liabilities. In addition, the Fund reflects in Investment Income the entire earnings of the underlying bond and accounts for the related interest paid to the holders of the short-term floating rate certificates as "Interest expense on floating rate obligations" in the Statement of Operations.

During the fiscal year ended October 31, 2007, each Fund invested in externally deposited inverse floaters and/or self-deposited inverse floaters.

| Notes to  
| FINANCIAL STATEMENTS (continued)

The average floating rate obligations outstanding and average annual interest rate and fees related to self-deposited inverse floaters during the fiscal year ended October 31, 2007, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Average floating rate obligations	\$3,451,192	\$39,555,146	\$33,446,192	\$17,243,
Average annual interest rate and fees	3.88%	3.87%	3.87%	3

FORWARD SWAP TRANSACTIONS

The Funds are authorized to invest in forward interest rate swap transactions. Each Fund's 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. Dividend Advantage 3 (NZF) was the only Fund to invest in forward swap transactions during the fiscal year ended October 31, 2007.

#### 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 of the contract when originally entered into. Cash held by the broker to cover initial margin requirements on open futures contracts, if any, is recognized in the Statement of Assets and Liabilities. Additionally, the Statement of Assets and Liabilities reflects a receivable or payable for the variation margin when applicable.

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

92

the contract may not correlate with a change in the value of the underlying securities or indices. Dividend Advantage 3 (NZF) was the only Fund to invest in futures contracts during the fiscal year ended October 31, 2007.

#### CUSTODIAN FEE CREDIT

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

#### 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.

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

2. FUND SHARES

Transactions in Common shares were as follows:

	PERFORMANCE PLUS (NPP)		MUNICIPAL ADVANTAGE (NMA)	
	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
	10/31/07	10/31/06	10/31/07	10/31/06
Common shares issued to shareholders due to reinvestment of distributions	--	--	148,621	40,000

	DIVIDEND ADVANTAGE (NAD)		DIVIDEND ADVANTAGE 2 (NXZ)	
	YEAR ENDED	YEAR ENDED	YEAR ENDED	YEAR ENDED
	10/31/07	10/31/06	10/31/07	10/31/06
Common shares issued to shareholders due to reinvestment of distributions	19,807	--	50,467	55,000

3. INVESTMENT TRANSACTIONS

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the fiscal year ended October 31, 2007, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NDA)
Purchases	\$76,613,471	\$143,630,707	\$64,323,883	\$117,703,000
Sales and maturities	81,471,010	103,202,545	53,557,155	94,184,000

4. INCOME TAX INFORMATION

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

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, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate transactions subject to SFAS No. 140. 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.

93

| Notes to  
| FINANCIAL STATEMENTS (continued)

At October 31, 2007, the cost of investments was as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Cost of investments	\$1,296,695,292	\$946,433,172	\$997,590,611	\$830,873,

Gross unrealized appreciation and gross unrealized depreciation of investments at October 31, 2007, were as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Gross unrealized:				
Appreciation	\$78,709,123	\$55,738,069	\$56,975,173	\$48,096,
Depreciation	(1,740,517)	(3,321,696)	(3,106,631)	(5,569,
Net unrealized appreciation (depreciation) of investments	\$76,968,606	\$52,416,373	\$53,868,542	\$42,527,

The tax components of undistributed net tax-exempt income, net ordinary income and net long-term capital gains at October 31, 2007, the Funds' tax year end, were as follows:

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

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Undistributed net tax-exempt income *	\$1,782,388	\$1,392,822	\$1,532,785	\$967,
Undistributed net ordinary income **	17,323	--	--	171,
Undistributed net long-term capital gains	--	1,389,990	--	

\* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on October 1, 2007, paid on November 1, 2007.

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

The tax character of distributions paid during the Funds' tax years ended October 31, 2007 and October 31, 2006, was designated for purposes of the dividends paid deduction as follows:

2007	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Distributions from net tax-exempt income ***	\$61,544,192	\$49,015,900	\$48,416,601	\$42,441,
Distributions from net ordinary income **	58,535	--	77,487	121,
Distributions from net long-term capital gains ****	3,618,054	--	--	

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

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

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

\*\*\* The Funds hereby designate these amounts paid during the fiscal year ended October 31, 2007, as Exempt Interest Dividends.

\*\*\*\* The Funds hereby designate these amounts paid during the fiscal year ended October 31, 2007, as long-term capital gain dividends pursuant to Internal Revenue Code Section 852(b)(3).

94

At October 31, 2007, the Funds' tax year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

	PERFORMANCE PLUS (NPP)	MARKET OPPORTUNITY (NMO)	DIVIDEND ADVANTAGE (NAD)	DIVID ADVANTAG (N
-----				
Expiration Year:				
2008	\$ --	\$ --	\$ 9,745,720	\$
2009	--	--	--	
2010	--	--	--	
2011	--	7,158,110	4,594,300	
2012	--	973,824	--	246,
2013	--	--	104,763	1,591,
2014	--	3,141,529	--	1,882,
2015	105,897	1,902,878	--	961,
-----				
Total	\$ 105,897	\$13,176,341	\$14,444,783	\$4,681,
=====				

### 5. MANAGEMENT FEES 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:



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

### 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 tables below. As of October 31, 2007, the complex-level fee rate was .1828%.

95

Notes to  
 FINANCIAL STATEMENTS (continued)

Effective August 20, 2007, the complex-level fee schedule is as follows:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1)	EFFECTIVE RATE AT BREAKPOINT LEVEL
\$55 billion	.2000%
\$56 billion	.1996
\$57 billion	.1989
\$60 billion	.1961
\$63 billion	.1931
\$66 billion	.1900
\$71 billion	.1851
\$76 billion	.1806
\$80 billion	.1773
\$91 billion	.1691
\$125 billion	.1599
\$200 billion	.1505

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

\$250 billion	.1469
\$300 billion	.1445

Prior to August 20, 2007, the complex-level fee schedule was as follows:

COMPLEX-LEVEL ASSET BREAKPOINT LEVEL (1)	EFFECTIVE RATE AT BREAKPOINT LEVEL
\$55 billion	.2000%
\$56 billion	.1996
\$57 billion	.1989
\$60 billion	.1961
\$63 billion	.1931
\$66 billion	.1900
\$71 billion	.1851
\$76 billion	.1806
\$80 billion	.1773
\$91 billion	.1698
\$125 billion	.1617
\$200 billion	.1536
\$250 billion	.1509
\$300 billion	.1490

(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 preferred stock issued by or borrowings by the Nuveen funds) of Nuveen-sponsored funds in the U.S.

96

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.

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,		YEAR ENDING JULY 31,	
1999*	.30%	2005	.25%
2000	.30	2006	.20
2001	.30	2007	.15
2002	.30	2008	.10
2003	.30	2009	.05
2004	.30		

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

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

\* From the commencement of operations.

The Adviser has not agreed to reimburse 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 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,		YEAR ENDING SEPTEMBER 30,	
2001*	.30%	2007	.25%
2002	.30	2008	.20
2003	.30	2009	.15
2004	.30	2010	.10
2005	.30	2011	.05
2006	.30		

\* From the commencement of operations.

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

97

| Notes to  
| FINANCIAL STATEMENTS (continued)

### AGREEMENT AND PLAN OF MERGER

On June 20, 2007, Nuveen Investments announced that it had entered into a definitive Agreement and Plan of Merger ("Merger Agreement") with Windy City Investments, Inc. ("Windy City"), a corporation formed by investors led by Madison Dearborn Partners, LLC ("Madison Dearborn"), pursuant to which Windy City would acquire Nuveen Investments. Madison Dearborn is a private equity

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

investment firm based in Chicago, Illinois. The merger was consummated on November 13, 2007.

The consummation of the merger was deemed to be an "assignment" (as that term is defined in the Investment Company Act of 1940) of the investment management agreement between each Fund and the Adviser, and resulted in the automatic termination of each Fund's agreement. The Board of Directors/Trustees of each Fund considered and approved a new investment management agreement with the Adviser at the same fee rate. The new ongoing agreement was approved by the shareholders of each Fund and took effect on November 13, 2007.

The investors led by Madison Dearborn include an affiliate of Merrill Lynch. As a result, Merrill Lynch is an indirect "affiliated person" (as that term is defined in the Investment Company Act of 1940) of each Fund. Certain conflicts of interest may arise as a result of such indirect affiliation. For example, the Funds are generally prohibited from entering into principal transactions with Merrill Lynch and its affiliates. The Adviser does not believe that any such prohibitions or limitations as a result of Merrill Lynch's affiliation will significantly impact the ability of the Funds to pursue their investment objectives and policies.

### 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 regarding 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 Funds' 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. SEC guidance allows funds to delay implementing FIN 48 into NAV calculations until the fund's last NAV calculation in the first required financial statement reporting period. As a result, the Funds must begin to incorporate FIN 48 into their NAV calculations by April 30, 2008. At this time, management is continuing to evaluate 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 OF FINANCIAL ACCOUNTING STANDARDS NO. 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of 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, 2007, management does 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 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 3, 2007, to shareholders of record on November 15, 2007, as follows:

	PERFORMANCE PLUS (NPP)	MUNICIPAL ADVANTAGE (NMA)	MARKET OPPORTUNITY (NMO)	DIVID ADVANT (N
Dividend per share	\$ .0575	\$ .0640	\$ .0605	\$ .0

| Financial  
| HIGHLIGHTS

Selected data for a Common share outstanding throughout each period:

Investment Operations						
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+	Total	
PERFORMANCE PLUS (NPP)						
Year Ended 10/31:						
2007	\$15.78	\$ .99	\$ (.47)	\$ (.27)	\$ (.01)	\$ .24
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
2003	15.38	1.07	.05	(.07)	--	1.05
MUNICIPAL ADVANTAGE (NMA)						

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

Year Ended 10/31:

2007	15.88	1.07	(.63)	(.29)	--	.15
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

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)

Year Ended 10/31

2007	\$ --	\$15.22	\$ 13.59	(4.97)%	1.53%
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

MUNICIPAL ADVANTAGE (NMA)

Year Ended 10/31

2007	--	15.20	13.95	(7.08)	1.06
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

Ratios/Supplemental Data

	Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement/Refund			Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement/Refund		
	Ending Net Assets Applicable to Common Shares (000)	Expenses Including Interest++ (a)	Expenses Excluding Interest++ (a)	Net Investment Income++	Expenses Including Interest++ (a)	Expenses Excluding Interest++ (a)

PERFORMANCE PLUS (NPP)

Year Ended 10/31

2007	\$912,066	1.16%	1.14%	6.38%	1.14
2006	945,222	1.15	1.15	6.44	1.14
2005	929,544	1.15	1.15	6.45	1.10
2004	950,993	1.17	1.17	6.69	1.17
2003	925,525	1.18	1.18	6.89	1.18

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

### MUNICIPAL ADVANTAGE (NMA)

Year Ended 10/31

2007	656,806	1.40	1.17	6.87	1.38
2006	683,675	1.18	1.18	6.92	1.17
2005	675,678	1.17	1.17	6.81	1.16
2004	689,190	1.19	1.19	7.00	1.18
2003	671,147	1.21	1.21	7.27	1.20

Preferred Shares at End of Period			Floating Rate Obligations at End of Period	
Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share	Aggregate Amount Outstanding (000)	Asset Coverage Per \$1,000

### PERFORMANCE PLUS (NPP)

Year Ended 10/31:

2007	\$479,000	\$25,000	\$72,603	\$ 6,665	\$209,712
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	--	--

### MUNICIPAL ADVANTAGE (NMA)

Year Ended 10/31:

2007	358,000	25,000	70,866	54,048	19,776
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	--	--

\* 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. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market

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

price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

- \*\* After 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.
- (a) Interest expense arises from the application of SFAS No. 140 to certain inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

100-101

| Financial  
| HIGHLIGHTS (continued)

Selected data for a Common share outstanding throughout each period:

	Investment Operations					
	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+	Total
MARKET OPPORTUNITY (NMO)						
Year Ended 10/31:						
2007	\$15.41	\$1.04	\$ (.56)	\$ (.30)	\$ --	\$ .18
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
DIVIDEND ADVANTAGE (NAD)						
Year Ended 10/31:						
2007	15.54	1.04	(.60)	(.27)	--	.17
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



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

	Offering Costs and Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Total Returns	
				Based on Market Value*	Based on Common Share Net Asset Value*
MARKET OPPORTUNITY (NMO)					
Year Ended 10/31:					
2007	\$ --	\$14.83	\$13.53	(5.00)%	1.20%
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
DIVIDEND ADVANTAGE (NAD)					
Year Ended 10/31:					
2007	--	14.90	13.63	(5.96)	1.10
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

	Ratios/Supplemental Data				
	Ending Net Assets Applicable to Common Shares (000)	Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement/Refund		Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement/Refund	
		Expenses Including Interest++(a)	Expenses Excluding Interest++(a)	Net Investment Income++	Expenses Including Interest++(a)
MARKET OPPORTUNITY (NMO)					
Year Ended 10/31					
2007	\$ 675,577	1.38%	1.19%	6.87%	1.36%
2006	701,559	1.19	1.19	6.73	1.18
2005	689,682	1.19	1.19	6.66	1.18
2004	704,760	1.21	1.21	6.75	1.19
2003	687,955	1.25	1.25	6.94	1.25
DIVIDEND ADVANTAGE (NAD)					
Year Ended 10/31					
2007	585,496	1.24	1.13	6.60	1.01
2006	610,316	1.12	1.12	6.54	.83
2005	599,887	1.17	1.17	6.48	.80
2004	613,328	1.14	1.14	6.69	.70

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

2003 595,266 1.35 1.35 6.78 .89

	Preferred Shares at End of Period			Floating Rate Obligations at End of Period	
	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share	Aggregate Amount Outstanding (000)	Asset Coverage Per \$1,000
MARKET OPPORTUNITY (NMO)					
Year Ended 10/31:					
2007	\$380,000	\$25,000	\$ 69,446	\$36,660	\$29,794
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	--	--
DIVIDEND ADVANTAGE (NAD)					
Year Ended 10/31:					
2007	295,000	25,000	74,618	33,200	27,521
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	--	--

\* 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. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

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

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

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

- + 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.
- (a) Interest expense arises from the application of SFAS No. 140 to certain inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

102-103

| Financial  
| HIGHLIGHTS (continued)

Selected data for a Common share outstanding throughout each period:

	Investment Operations					Total
	Beginning Common Share Net Asset Value	Net Investment Income	Net Realized/Unrealized Gain (Loss)	Distributions from Net Investment Income to Preferred Shareholders+	Distributions from Capital Gains to Preferred Shareholders+	
-----						
DIVIDEND ADVANTAGE 2 (NXZ)						
-----						
Year Ended 10/31:						
2007	\$16.02	\$1.13	\$ (.43)	\$ (.27)	\$ --	\$ .43
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
-----						
DIVIDEND ADVANTAGE 3 (NZF)						
-----						
Year Ended 10/31:						
2007	15.54	1.07	(.44)	(.27)	(.01)	.35
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
=====						

		Total Returns	
Offering Costs and Preferred	Ending Common	Based	Based on Common
		-----	
		Based	Common

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

	Share Underwriting Discounts	Share Net Asset Value	Ending Market Value	on Market Value*	Share Net Asset Value*
-----					
DIVIDEND ADVANTAGE 2 (NXZ)					
-----					
Year Ended 10/31:					
2007	\$ --	\$15.55	\$15.48	(.78)%	2.76%
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

-----					
DIVIDEND ADVANTAGE 3 (NZF)					
-----					
Year Ended 10/31:					
2007	--	15.03	13.85	(7.72)	2.31
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
=====					

Ratios/Supplemental Data

	Ending Net Assets Applicable to Common Shares (000)	Ratios to Average Net Assets Applicable to Common Shares Before Credit/Reimbursement/Refund		Ratios to Average Net Assets Applicable to Common Shares After Credit/Reimbursement/Refund	
		Expenses Including Interest++ (a)	Expenses Excluding Interest++ (a)	Net Investment Income++	Expenses Including Interest++ (a)
-----					
DIVIDEND ADVANTAGE 2 (NXZ)					
-----					
Year Ended 10/31:					
2007	456,992	1.25%	1.11%	6.83%	.91
2006	470,189	1.11	1.11	6.70	.70
2005	462,862	1.12	1.12	6.66	.67
2004	457,552	1.14	1.14	6.87	.69
2003	443,101	1.17	1.17	7.20	.71
-----					
DIVIDEND ADVANTAGE 3 (NZF)					
-----					
Year Ended 10/31:					
2007	606,908	1.32	1.13	6.65	.93
2006	626,836	1.13	1.13	6.51	.68
2005	617,358	1.13	1.13	6.39	.68
2004	619,118	1.15	1.15	6.64	.69
2003	594,154	1.17	1.17	6.80	.71
=====					

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

	Preferred Shares at End of Period			Floating Rate Obligations at End of Period	
	Aggregate Amount Outstanding (000)	Liquidation and Market Value Per Share	Asset Coverage Per Share	Aggregate Amount Outstanding (000)	Asset Coverage Per \$1,000
DIVIDEND ADVANTAGE 2 (NXZ)					
Year Ended 10/31:					
2007	\$222,000	\$25,000	\$76,463	\$23,365	\$30,060
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	--	--
DIVIDEND ADVANTAGE 3 (NZF)					
Year Ended 10/31:					
2007	312,000	25,000	73,630	30,345	31,282
2006	312,000	25,000	75,227	--	--
2005	312,000	25,000	74,468	--	--
2004	312,000	25,000	74,609	--	--
2003	312,000	25,000	72,608	--	--

\* 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. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period takes place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

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

\*\* After 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.

(a) Interest expense arises from the application of SFAS No. 140 to certain

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

inverse floating rate transactions entered into by the Fund as more fully described in Footnote 1 - Inverse Floating Rate Securities.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

104-105

---

Board Members & 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 eight. 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 & ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED AND TERM(2)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEAR
---------------------------------	------------------------------------	--	---	--

---

BOARD MEMBER WHO IS AN INTERESTED PERSON OF THE FUNDS:

o	TIMOTHY R. SCHWERTFEGER (1) 3/28/49 333 W. Wacker Drive Chicago, IL 60606	Chairman of the Board and Board Member	1994 ANNUAL 182	Former director (1996-June 30, 2007) (July 1, 2007-November 30, 2007) Officer (1996-June 30, 2007) Inc. and Nuveen Asset Management subsidiaries of Nuveen Corporation.
---	--	--	-----------------------	---

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

o	ROBERT P. BREMNER 8/22/40 333 W. Wacker Drive Chicago, IL 60606	Lead Independent Board member	1997 ANNUAL OR CLASS III 182	Private Investor
o	JACK B. EVANS 10/22/48 333 W. Wacker Drive Chicago, IL 60606	Board member	1999 ANNUAL OR CLASS III 182	President, The Halstead Company; Vice Chairman, United Community Bank of Iowa; Member of the Board of Directors, State of Iowa University; Life Trustee, The Halstead College Foundation; Member of the Department of Business, University of Iowa

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

<ul style="list-style-type: none"> <li>o WILLIAM C. HUNTER 3/6/48 333 W. Wacker Drive Board member Chicago, IL 60606</li> </ul>	2004 ANNUAL OR CLASS II	182	Alliant Energy; fo Bank of Chicago; f Operating Officer, regional financial  Dean, Tippie Colle (since July 2006); Professor of Finan University of Conn Senior Vice Presid the Federal Reserv Director (since 19 Georgetown Univers Xerox Corporation; (May 2005-October
---	-------------------------------	-----	---

106

NAME, BIRTHDATE & ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED AND TERM(2)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER	PRINCIPAL OCCUPATION(S) INCLUDING OTHER DIRECTORSHIPS DURING PAST 5 YEAR
---------------------------------	------------------------------------	--	---	--

BOARD MEMBERS WHO ARE NOT INTERESTED PERSONS OF THE FUNDS:

<ul style="list-style-type: none"> <li>o DAVID J. KUNDERT 10/28/42 333 W. Wacker Drive Board member Chicago, IL 60606</li> </ul>	2005 ANNUAL OR CLASS II	180	Director, Northwes Company; Retired (F Fleming Asset Mana One Investment Adv One Group Mutual F Vice President, Ba and CEO, Banc One Member, Board of R the Wisconsin Bar Directors, Friends member of Board of Theater.
<ul style="list-style-type: none"> <li>o WILLIAM J. SCHNEIDER 9/24/44 333 W. Wacker Drive Board member Chicago, IL 60606</li> </ul>	1997 ANNUAL	182	Chairman of Miller estate investment and Chief Operatin Director, Dayton D Member, Business A Reserve Bank.
<ul style="list-style-type: none"> <li>o JUDITH M. STOCKDALE 12/29/47 333 W. Wacker Drive Board member Chicago, IL 60606</li> </ul>	1997 ANNUAL OR CLASS I	182	Executive Director Foundation (since Director, Great La (from 1990 to 1994
<ul style="list-style-type: none"> <li>o CAROLE E. STONE</li> </ul>			Director, Chicago

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

6/28/47			2007		(since 2006); Chair
333 West Wacker	Board member		ANNUAL OR	182	Oversight Board (s
Drive Chicago,			CLASS I		State Commission o
IL 60606					(since 2005); form
					Division of the Bu
					Authorities Contro
					Local Government A

107

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED (4)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY OFFICER	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEAR
-----------------------------------	------------------------------------	---	--	--

OFFICERS OF THE FUND:

o	GIFFORD R. ZIMMERMAN 9/9/56 333 W. Wacker Drive Chicago, IL 60606	Chief Administrative	1988	182	Managing Director and Associate Gene President and Assi Investments, LLC; Associate General of Nuveen Asset Ma Assistant Secretar Company, LLC. (sin Advisers Inc. (sin Management LLC, an Company, LLC (sinc Investors, LLC, an LLC (since 2006); Richards & Tierney Director, Associat Secretary of Ritte (since 2003); Mana Assistant Secretar Investments, Inc., of Symphony Asset
o	WILLIAMS ADAMS IV 6/9/55 333 West Wacker Drive Chicago, IL 60606	Vice President	2007	120	Executive Vice Pre of Nuveen Investme thereto, Managing Investments.
o	JULIA L. ANTONATOS 9/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2004	182	Managing Director President (since 2 Chartered Financia
o	CEDRIC H. ANTOSIEWICZ 1/11/62 333 W. Wacker Drive	Vice President	2007	120	Managing Director, President (1993-20



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

Chicago, IL 60606

- |   |   |  |      |     |                            |
|---|---|--|------|-----|----------------------------|
| o | MICHAEL T. ATKINSON<br>2/3/66<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President<br>and Assistant<br>Secretary | 2000 | 182 | Vice President (si<br>LLC. |
|---|---|--|------|-----|----------------------------|
- |   |   |                |      |     |  |
|---|---|----------------|------|-----|--|
| o | PETER H. D'ARRIGO<br>11/28/67<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President | 1999 | 182 | Vice President and<br>LLC and Nuveen Inv<br>and Treasurer of N<br>(since 2002), Nuve<br>(since 2002); NWQ<br>LLC. (since 2002);<br>Inc. (since 2003),<br>LLC (since 2006),<br>LLC (since 2006) a<br>Richards & Tierney<br>Symphony Asset Man<br>formerly, Vice Pre<br>of Nuveen Advisory<br>Advisory Corp.(3), |
|---|---|----------------|------|-----|--|
- |   |   |                |      |     |   |
|---|---|----------------|------|-----|---|
| o | LORNA C. FERGUSON<br>10/24/45<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President | 1998 | 182 | Managing Director<br>President of Nuvee<br>Director (2004) fo<br>of Nuveen Advisory<br>Advisory Corp.(3);<br>of Nuveen Asset Ma |
|---|---|----------------|------|-----|---|
- |   |   |                |      |     |   |
|---|---|----------------|------|-----|---|
| o | WILLIAM M. FITZGERALD<br>3/2/64<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President | 1995 | 182 | Managing Director<br>President of Nuvee<br>Director (1997-200<br>Nuveen Institution<br>Director (since 20<br>Vice President (si<br>Advisers Inc.; Cha |
|---|---|----------------|------|-----|---|

108

NAME, BIRTHDATE AND ADDRESS	POSITION(S) HELD WITH THE FUNDS	YEAR FIRST ELECTED OR APPOINTED(4)	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY OFFICER	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEA
-----------------------------------	------------------------------------	--	--	---

OFFICERS OF THE FUND:

- |   |   |                                  |      |     |   |
|---|---|----------------------------------|------|-----|---|
| o | STEPHEN D. FOY<br>5/31/54<br>333 W. Wacker Drive<br>Chicago, IL 60606 | Vice President<br>and Controller | 1998 | 182 | Vice President (si<br>(since 1998) of Nu<br>Vice President and<br>Nuveen Investments<br>Accountant. |
|---|---|----------------------------------|------|-----|---|

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

o	WALTER M. KELLY 2/24/70 333 West Wacker Drive Chicago, IL 60606	Chief Compliance Officer and Vice President	2003	182	Vice President (si Vice President and (2003-2006) of Nuve Vice President and Nuveen Funds (2003 (2001-2003) at the Kaufman & Kammholz
o	DAVID J. LAMB 3/22/63 333 W. Wacker Drive Chicago, IL 60606	Vice President	2000	182	Vice President (si LLC; Certified Pub
o	TINA M. LAZAR 8/27/61 333 W. Wacker Drive Chicago, IL 60606	Vice President	2002	182	Vice President of (since 1999).
o	LARRY W. MARTIN 7/27/51 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	1988	182	Vice President, As General Counsel of formerly, Vice Pre Nuveen Advisory Co Advisory Corp.(3); Assistant Secretar Vice President (si (since 1997) of Nu President (since 2 Assistant General Rittenhouse Asset and Assistant Secr Advisers Inc. (sin Management Company Asset Management L Global Investors, Management LLC (si Group, LLC and Ric 2007).
o	KEVIN J. MCCARTHY 3/26/66 333 W. Wacker Drive Chicago, IL 60606	Vice President and Secretary	2007	182	Vice President, Nu (since 2007); Vice Secretary, Nuveen Asset Management, Inc., Nuveen Inves Group LLC, NWQ Inv LLC, Tradewinds GL LLC, Symphony Asse Asset Management L and Richards & Tie President and Assi Investments, Inc. Partner, Bell, Boy
o	JOHN V. MILLER 4/10/67 333 W. Wacker Drive Chicago, IL 60606	Vice President	2007	182	Managing Director President (2002-20 Chartered Financia
o	JAMES F. RUANE 7/3/62 333 W. Wacker Drive Chicago, IL 60606	Vice President and Assistant Secretary	2007	182	Vice President, Nu Partner, prior the (since 2005), form (since 2002); Cert

- (1) Mr. Schwertfeger is an "interested person" of the Funds, as defined in the Investment Company Act of 1940, by reason of being the former Chairman and Chief Executive Officer of Nuveen Investments, Inc. and having previously served in various other capacities with Nuveen Investments, Inc. and its subsidiaries. It is expected that Mr. Schwertfeger will resign from the Board of Trustees by the end of the second quarter of 2008.
- (2) For Dividend Advantage (NAD), Dividend Advantage 2 (NXZ) and Dividend Advantage 3 (NZF), Board Members serve three year terms, except for two board members who are elected by the holders of Preferred Shares. The Board of Trustees for NAD, NXZ and NZF is divided into three classes, Class I, Class II, and Class III, with each being elected to serve until the third succeeding annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed, except two board members are elected by the holders of Preferred Shares to serve until the next annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed. For Performance Plus (NPP), Municipal Advantage (NMA) and Market Opportunity (NMO), the Board Members serve a one year term to serve until the next annual meeting or until their successors shall have been duly elected and qualified. The first year 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.

109

-----  
Annual Investment  
Management Agreement  
APPROVAL PROCESS  
-----

The Board Members are responsible for overseeing the performance of the investment adviser to the Funds and determining whether to continue the advisory arrangements. At the annual review meeting held on May 21, 2007 (the "May Meeting"), the Board Members of the Funds, including the Independent Board Members, unanimously approved the continuance of the Investment Management Agreement between each Fund (each, a "Fund") and Nuveen Asset Management ("NAM"). The foregoing Investment Management Agreements with NAM are hereafter referred to as the "Original Investment Management Agreements."

Subsequent to the May Meeting, Nuveen Investments, Inc. ("Nuveen"), the parent company of NAM, entered into a merger agreement providing for the acquisition of Nuveen by Windy City Investments, Inc., a corporation formed by investors led by Madison Dearborn Partners, LLC ("MDP"), a private equity investment firm (the "Transaction"). Each Original Investment Management Agreement, as required by Section 15 of the Investment Company Act of 1940 (the "1940 Act"), provides for its automatic termination in the event of its "assignment" (as defined in the

1940 Act). Any change in control of the adviser is deemed to be an assignment. The consummation of the Transaction will result in a change of control of NAM as well as its affiliated sub-advisers and therefore cause the automatic termination of each Original Investment Management Agreement, as required by the 1940 Act. Accordingly, in anticipation of the Transaction, at a meeting held on July 31, 2007 (the "July Meeting"), the Board Members, including the Independent Board Members, unanimously approved new Investment Management Agreements (the "New Investment Management Agreements") with NAM on behalf of each Fund to take effect immediately after the Transaction or shareholder approval of the new advisory contracts, whichever is later. The 1940 Act also requires that each New Investment Management Agreement be approved by the respective Fund's shareholders in order for it to become effective. Accordingly, to ensure continuity of advisory services, the Board Members, including the Independent Board Members, unanimously approved Interim Investment Management Agreements to take effect upon the closing of the Transaction if shareholders have not yet approved the New Investment Management Agreements.

Because the information provided and considerations made at the annual review continue to be relevant with respect to the evaluation of the New Investment Management Agreements, the Board considered the foregoing as part of its deliberations of the New Investment Management Agreements. Accordingly, as indicated, the discussions immediately below outline the materials and information presented to the Board in connection with the Board's prior annual review and the analysis undertaken and the conclusions reached by Board Members when determining to continue the Original Investment Management Agreements.

#### I. APPROVAL OF THE ORIGINAL INVESTMENT MANAGEMENT AGREEMENTS

During the course of the year, the Board received a wide variety of materials relating to the services provided by NAM and the performance of the Funds. At each of its quarterly meetings, the Board reviewed investment performance and various matters relating to the operations of the Funds and other Nuveen funds, including the compliance program, shareholder services, valuation, custody, distribution and other information relating to the nature, extent and quality of services provided by NAM. Between the regularly scheduled quarterly meetings, the Board Members received information on particular matters as the need arose.

In preparation for their considerations at the May Meeting, the Independent Board Members received extensive materials, well in advance of the meeting, which outlined or are related to, among other things:

- o the nature, extent and quality of services provided by NAM;
- o the organization and business operations of NAM, including the responsibilities of various departments and key personnel;

110

- o each Fund's past performance as well as the Fund's performance compared to funds with similar investment objectives based on data and information provided by an independent third party and to customized benchmarks;
- o the profitability of Nuveen and certain industry profitability analyses for unaffiliated advisers;
- o the expenses of Nuveen in providing the various services;
- o the advisory fees and total expense ratios of each Fund, including comparisons of such fees and expenses with those of comparable,

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

unaffiliated funds based on information and data provided by an independent third party (the "Peer Universe") as well as compared to a subset of funds within the Peer Universe (the "Peer Group") of the respective Fund (as applicable);

- o the advisory fees NAM assesses to other types of investment products or clients;
- o the soft dollar practices of NAM, if any; and
- o from independent legal counsel, a legal memorandum describing among other things, applicable laws, regulations and duties in reviewing and approving advisory contracts.

At the May Meeting, NAM made a presentation to, and responded to questions from, the Board. Prior to and after the presentations and reviewing the written materials, the Independent Board Members met privately with their legal counsel to review the Board's duties in reviewing advisory contracts and considering the renewal of the advisory contracts. The Independent Board Members, in consultation with independent counsel, reviewed the factors set out in judicial decisions and Securities and Exchange Commission ("SEC") directives relating to the renewal of advisory contracts. As outlined in more detail below, the Board Members considered all factors they believed relevant with respect to each Fund, including, but not limited to, the following: (a) the nature, extent and quality of the services to be provided by NAM; (b) the investment performance of the Fund and NAM; (c) the costs of the services to be provided and profits to be realized by Nuveen and its affiliates; (d) the extent to which economies of scale would be realized; and (e) whether fee levels reflect those economies of scale for the benefit of the Fund's investors. In addition, as noted, the Board Members met regularly throughout the year to oversee the Funds. In evaluating the Original Investment Management Agreements, the Board Members also relied upon their knowledge of NAM, its services and the Funds resulting from their meetings and other interactions throughout the year. It is with this background that the Board Members considered each Original Investment Management Agreement.

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

In considering the renewal of the Original Investment Management Agreements, the Board Members considered the nature, extent and quality of NAM's services. The Board Members reviewed materials outlining, among other things, Nuveen's organization and business; the types of services that NAM 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 Nuveen had taken for the municipal fund product line. As noted, at the annual review, the Board Members were already familiar with the organization, operations and personnel of NAM due to the Board Members' experience in governing the respective Funds and working with NAM on matters relating to the Funds. With respect to personnel, the Board Members recognized NAM's investment in additional qualified personnel throughout the various groups in the organization and recommended to NAM that it continue to review staffing needs as necessary. In addition, the Board Members reviewed materials describing the current status and, in particular, the developments in 2006 with respect to NAM's investment process, investment strategies (including additional tools used in executing such strategies), personnel (including portfolio management and research teams), trading process, hedging activities, risk management operations (e.g., reviewing credit quality, duration limits, and derivatives use, as applicable), and investment operations (such as enhancements to trading procedures, pricing procedures, and client services). The Board Members recognized NAM's investment of resources and efforts to continue to enhance and refine its investment process.

| ANNUAL INVESTMENT MANAGEMENT AGREEMENT  
| APPROVAL PROCESS (continued)

In addition to advisory services, the Independent Board Members considered the quality of administrative and non-advisory services provided by NAM and noted that NAM and its affiliates provide the Funds with a wide variety of services and officers and other personnel as are necessary for the operations of the Funds, including:

- o product management;
- o fund administration;
- o oversight by shareholder services and other fund service providers;
- o administration of Board relations;
- o regulatory and portfolio compliance; and
- o legal support.

As the Funds operate in a highly regulated industry and given the importance of compliance, the Board Members considered, in particular, Nuveen's compliance activities for the Funds and enhancements thereto. In this regard, the Board Members recognized the quality of Nuveen's compliance team. The Board Members further noted Nuveen's negotiations with other service providers and the corresponding reduction in certain service providers' fees at the May Meeting.

In addition to the foregoing services, the Board Members also noted the additional services that NAM or its affiliates provide to Nuveen's closed-end funds, including, in particular, its secondary market support activities. The Board Members recognized Nuveen's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a variety of programs designed to raise investor and analyst awareness and understanding of closed-end funds. These efforts include:

- o maintaining shareholder communications;
- o providing advertising for the Nuveen closed-end funds;
- o maintaining its closed-end fund website;
- o maintaining continual contact with financial advisers;
- o providing educational symposia;
- o conducting research with investors and financial analysis regarding closed-end funds; and
- o evaluating secondary market performance.

With respect to the Nuveen closed-end funds that utilize leverage through the issuance of preferred shares ("Preferred Shares"), the Board Members noted Nuveen's continued support for the holders of Preferred Shares by, among other things:

- o maintaining an in-house trading desk;

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

- o maintaining a product manager for the Preferred Shares;
- o developing distribution for Preferred Shares with new market participants;
- o maintaining an orderly auction process;
- o managing leverage and risk management of leverage; and
- o maintaining systems necessary to test compliance with rating agency criteria.

Based on their review, the Board Members found that, overall, the nature, extent and quality of services provided (and expected to be provided) to the respective Funds under the Original Investment Management Agreements were satisfactory.

112

### B. THE INVESTMENT PERFORMANCE OF THE FUNDS AND NAM

At the May Meeting, 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 (the "Performance Peer Group") based on data provided by an independent third party (as described below). The Board Members also reviewed the respective Fund's portfolio level performance (which does not reflect fund level fees and expenses, and leverage) against customized benchmarks, described in further detail below.

In evaluating the performance information during the annual review at the May Meeting, in certain instances, the Board Members noted that the closest Performance Peer Group for a fund may not adequately reflect such fund's investment objectives and strategies, 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 Board Members also recognized that certain 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. With respect to municipal closed-end funds, funds that do not have corresponding state-specific Performance Peer Groups are from states other than New York, California, Florida, New Jersey, Michigan and Pennsylvania. However, with respect to funds based in Florida, New Jersey, Michigan and Pennsylvania, the peer group may be so small or the Nuveen funds may dominate the category to such an extent that performance information for such funds was also compared to the more general category for all states (other than New York and California).

The Board Members 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, 2006. The Board Members also reviewed the Fund's portfolio level performance (which does not reflect fund level fees and expenses, and leverage) compared to customized portfolio level benchmarks for the one- and three-year periods ending December 31, 2006 (as applicable). The analysis was used to assess the efficacy of investment decisions against appropriate measures of risk and total return, within specific market segments. This information supplemented the Fund performance information provided to the Board at each of its quarterly meetings. Based on their review, the Board Members determined that each Fund's investment performance over time had been satisfactory, subject to the following. With respect to various municipal closed-end funds, the Board Members noted relative total return underperformance in recent years compared to peers. The Board

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

Members reviewed materials and discussed with NAM the factors contributing to the shift in performance including, among other things, the degree of risk undertaken by peers compared to the municipal closed-end funds (such as through the increased use of leverage or taking concentrated positions in high risk credits). In addition, the Board Members also considered a fund's dividend performance and the extent of any secondary market discounts. The Board Members noted NAM's efforts to evaluate the factors affecting performance and determine whether modification to a fund's investment strategy is necessary or appropriate, and concluded that they were satisfied with the steps being taken.

### C. FEES, EXPENSES AND PROFITABILITY

#### 1. FEES AND EXPENSES

During the annual review, 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. In reviewing the fee schedule for a Fund, the Board Members 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). The Board Members further 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 had significant overlap or even consisted entirely of the same unaffiliated funds. In reviewing the comparisons of fee and expense information, the Board Members recognized that in certain cases, the fund size relative to peers, the small size and odd composition of the Peer Group (including differences

113

#### | ANNUAL INVESTMENT MANAGEMENT AGREEMENT | APPROVAL PROCESS (continued)

in objectives and strategies), expense anomalies, timing of information used or other factors impacting the comparisons thereby limited some of the usefulness of the comparative data. The Board Members also considered the differences in the use of leverage. Based on their review of the fee and expense information provided, the Board Members 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

At the annual review, the Board Members further reviewed data comparing the advisory fees of NAM with fees NAM charges to other clients. With respect to municipal funds, such clients include NAM's municipal separately managed accounts. In general, the advisory fees charged for separate accounts are somewhat lower than the advisory fees assessed to the Funds. The Board Members considered the differences in the product types, including, but not limited to, the services provided, the structure and operations, product distribution and costs thereof, portfolio investment policies, investor profiles, account sizes and regulatory



requirements. The Board Members noted, in particular, that the range of services provided to the Funds (as discussed above) is much more extensive than that provided to separately managed accounts. As described in further detail above, such additional services include, but are not limited to: product management, fund administration, oversight of third party service providers, administration of Board relations, and legal support. The Board Members noted that the Funds operate in a highly regulated industry requiring extensive compliance functions compared to other investment products. Given the inherent differences in the products, particularly the extensive services provided to the Funds, the Board Members believe such facts justify the different levels of fees.

### 3. PROFITABILITY OF NUVEEN

In conjunction with its review of fees, the Board Members also considered the profitability of Nuveen for its advisory activities (which incorporated Nuveen's wholly-owned affiliated sub-advisers) and its financial condition. At the annual review, the Board Members reviewed the revenues and expenses of Nuveen's advisory activities for the last three years, the allocation methodology used in preparing the profitability data as well as the 2006 Annual Report for Nuveen. The Board Members noted this information supplemented the profitability information requested and received during the year to help keep them apprised of developments affecting profitability (such as changes in fee waivers and expense reimbursement commitments). In this regard, the Board Members noted the enhanced dialogue and information regarding profitability with NAM during the year, including more frequent meetings and updates from Nuveen's corporate finance group. The Board Members also 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 profit margins of various unaffiliated management firms with similar amounts of assets under management prepared by Nuveen.

In reviewing profitability, the Board Members recognized the subjective nature of determining profitability which may be affected by numerous factors, including the allocation of expenses. Further, the Board Members recognized the difficulties in making comparisons as the profitability of other advisers generally is not publicly available and the profitability information that is available for certain advisers or management firms may not be representative of the industry and may be affected by, among other things, the adviser's particular business mix, capital costs, types of funds managed and expense allocations.

Notwithstanding the foregoing, the Board Members reviewed Nuveen's methodology and assumptions for allocating expenses across product lines to determine profitability. Last year, the Board Members also designated an Independent Board Member as a point person for the Board to review the methodology determinations during the year and any refinements thereto, which relevant information produced from such process was reported to the full Board. In reviewing profitability, the Board Members recognized Nuveen's increased investment in its fund business. Based on its review, the Board Members concluded that Nuveen's level of profitability for its advisory activities was reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Board Members also considered other amounts paid to NAM by the Funds as well as any indirect benefits (such as soft dollar arrangements, if any) NAM and its affiliates receive, or are expected to receive, that are directly attributable to the management of the

Funds, if any. See Section E below for additional information on indirect benefits NAM may receive as a result of its relationship with the Funds. Based on their review of the overall fee arrangements of each Fund, the Board Members determined that the advisory fees and expenses of the Funds were reasonable.

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

With respect to economies of scale, the Board Members recognized the potential benefits resulting from the costs of a Fund being spread over a larger asset base. To help ensure the shareholders share in these benefits, the Board Members reviewed and considered the breakpoints in the advisory fee schedules that reduce advisory fees. In addition to advisory fee breakpoints, the Board also approved a complex-wide fee arrangement in 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 Board Members noted that the last complex-wide asset level breakpoint for the complex-wide fee schedule was at \$91 billion and that the Board Members anticipated further review and/or negotiations prior to the assets of the Nuveen complex reaching such threshold. Based on their review, the Board Members concluded that the breakpoint schedule and complex-wide fee arrangement were acceptable and desirable in providing benefits from economies of scale to shareholders, subject to further evaluation of the complex-wide fee schedule as assets in the complex increase. See Section II, Paragraph D - "Approval of the New Investment Management Agreements - Economies of Scale and Whether Fee Levels Reflect These Economies of Scale" for information regarding subsequent modifications to the complex-wide fee.

E. INDIRECT BENEFITS

In evaluating fees, the Board Members also considered any indirect benefits or profits NAM or its affiliates may receive as a result of its relationship with each Fund. With respect to closed-end funds, the Board Members considered the revenues received by affiliates of NAM 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 Board Members considered whether NAM received any benefits from soft dollar arrangements whereby a portion of the commissions paid by a Fund for brokerage may be used to acquire research that may be useful to NAM in managing the assets of the Funds and other clients. With respect to NAM, the Board Members noted that NAM does not currently have any soft dollar arrangements; however, to the extent certain bona fide agency transactions that occur on markets that traditionally trade on a principal basis and riskless principal transactions are considered as generating "commissions," NAM intends to comply with the applicable safe harbor provisions.

Based on their review, the Board Members concluded that any indirect benefits received by NAM as a result of its relationship with the Funds were reasonable and within acceptable parameters.

F. OTHER CONSIDERATIONS

The Board Members did not identify any single factor discussed previously as all-important or controlling in their considerations to continue an advisory contract. The Board Members, including the Independent Board Members, unanimously concluded that the terms of the Original Investment Management Agreements are fair and reasonable, that NAM's fees are reasonable in light of the services provided to each Fund and that the renewal of the Original Investment Management Agreements be approved.

II. APPROVAL OF THE NEW INVESTMENT MANAGEMENT AGREEMENTS

Following the May Meeting, the Board Members were advised of the potential Transaction. As noted above, the completion of the Transaction would terminate each of the Original Investment Management Agreements. Accordingly, at the July Meeting, the Board of each Fund, including the Independent Board Members, unanimously approved the New Investment Management Agreements on behalf of the respective Funds. Leading up to the July Meeting, the Board Members had several meetings and deliberations with and without Nuveen management present, and with the advice of legal counsel, regarding the proposed Transaction as outlined below.

On June 8, 2007, the Board Members held a special telephonic meeting to discuss the proposed Transaction. At that meeting, the Board Members established a special ad hoc committee comprised solely of Independent Board Members to focus on the Transaction and to keep the Independent Board Members

115

| ANNUAL INVESTMENT MANAGEMENT AGREEMENT  
| APPROVAL PROCESS (continued)

updated with developments regarding the Transaction. On June 15, 2007, the ad hoc committee discussed with representatives of NAM the Transaction and modifications to the complex-wide fee schedule that would generate additional fee savings at specified levels of complex-wide asset growth. Following the foregoing meetings and several subsequent telephonic conferences among Independent Board Members and independent counsel, and between Independent Board Members and representatives of Nuveen, the Board met on June 18, 2007 to further discuss the proposed Transaction. Immediately prior to and then again during the June 18, 2007 meeting, the Independent Board Members met privately with their independent legal counsel. At that meeting, the Board met with representatives of MDP, of Goldman Sachs, Nuveen's financial adviser in the Transaction, and of the Nuveen Board to discuss, among other things, the history and structure of MDP, the terms of the proposed Transaction (including the financing terms), and MDP's general plans and intentions with respect to Nuveen (including with respect to management, employees, and future growth prospects). On July 9, 2007, the Board also met to be updated on the Transaction as part of a special telephonic Board meeting. The Board Members were further updated at a special in-person Board meeting held on July 19, 2007 (one Independent Board Member participated telephonically). Subsequently, on July 27, 2007, the ad hoc committee held a telephonic conference with representatives of Nuveen and MDP to further discuss, among other things, the Transaction, the financing of the Transaction, retention and incentive plans for key employees, the effect of regulatory restrictions on transactions with affiliates after the Transaction, and current volatile market conditions and their impact on the Transaction.

In connection with their review of the New Investment Management Agreements, the Independent Board Members, through their independent legal counsel, also requested in writing and received additional information regarding the proposed Transaction and its impact on the provision of services by NAM and its affiliates.

The Independent Board Members received, well in advance of the July Meeting, materials which outlined, among other things:

- o the structure and terms of the Transaction, including MDP's co-investor entities and their expected ownership interests, and the financing

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

- arrangements that will exist for Nuveen following the closing of the Transaction;
- o the strategic plan for Nuveen following the Transaction;
  - o the governance structure for Nuveen following the Transaction;
  - o any anticipated changes in the operations of the Nuveen funds following the Transaction, including changes to NAM's and Nuveen's day-to-day management, infrastructure and ability to provide advisory, distribution or other applicable services to the Funds;
  - o any changes to senior management or key personnel who work on Fund related matters (including portfolio management, investment oversight, and legal/compliance) and any retention or incentive arrangements for such persons;
  - o any anticipated effect on each Fund's expense ratio (including advisory fees) following the Transaction;
  - o any benefits or undue burdens imposed on the Funds as a result of the Transaction;
  - o any legal issues for the Funds as a result of the Transaction;
  - o the nature, quality and extent of services expected to be provided to the Funds following the Transaction, changes to any existing services and policies affecting the Funds, and cost-cutting efforts, if any, that may impact such services or policies;
  - o any conflicts of interest that may arise for Nuveen or MDP with respect to the Funds;
  - o the costs associated with obtaining necessary shareholder approvals and who would bear those costs; and
  - o from legal counsel, a memorandum describing the applicable laws, regulations and duties in approving advisory contracts, including, in particular, with respect to a change of control.

116

Immediately preceding the July Meeting, representatives of MDP met with the Board to further respond to questions regarding the Transaction. After the meeting with MDP, the Independent Board Members met with independent legal counsel in executive session. At the July Meeting, Nuveen also made a presentation and responded to questions. Following the presentations and discussions of the materials presented to the Board, the Independent Board Members met again in executive session with their counsel. As outlined in more detail below, the Independent Board Members considered all factors they believed relevant with respect to each Fund, including the impact that the Transaction could be expected to have on the following: (a) the nature, extent and quality of services to be provided; (b) the investment performance of the Funds; (c) the costs of the services and profits to be realized by Nuveen and its affiliates; (d) the extent to which economies of scale would be realized; and (e) whether fee levels reflect those economies of scale for the benefit of investors. As noted above, the Board Members had completed their annual review of the respective Original Investment Management Agreements at the May Meeting and many of the factors considered at the annual review were applicable to their

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

evaluation of the New Investment Management Agreements. Accordingly, in evaluating the New Investment Management Agreements, the Board Members relied upon their knowledge and experience with NAM and considered the information received and their evaluations and conclusions drawn at the annual review. While the Board reviewed many Nuveen funds at the July Meeting, the Independent Board Members evaluated all information available to them on a fund-by-fund basis, and their determinations were made separately in respect of each Fund.

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

In evaluating the nature, quality and extent of the services expected to be provided by NAM under the New Investment Management Agreements, the Independent Board Members considered, among other things, the expected impact, if any, of the Transaction on the operations, facilities, organization and personnel of NAM; the potential implications of regulatory restrictions on the Funds following the Transaction; the ability of NAM and its affiliates to perform their duties after the Transaction; and any anticipated changes to the current investment and other practices of the Funds.

The Board noted that the terms of each New Investment Management Agreement, including the fees payable thereunder, are substantially identical to those of the Original Investment Management Agreement relating to the same Fund (with both reflecting reductions to fee levels in the complex-wide fee schedule for complex-wide assets in excess of \$80 billion that have an effective date of August 20, 2007). The Board considered that the services to be provided and the standard of care under the New Investment Management Agreements are the same as the Original Investment Management Agreements. The Board Members further noted that key personnel who have responsibility for the Funds in each area, including portfolio management, investment oversight, fund management, fund operations, product management, legal/compliance and board support functions, are expected to be the same following the Transaction. The Board Members considered and are familiar with the qualifications, skills and experience of such personnel. The Board also considered certain information regarding anticipated retention or incentive plans designed to retain key personnel. Further, the Board Members noted that no changes to Nuveen's infrastructure or operations as a result of the Transaction were anticipated other than potential enhancements as a result of an expected increase in the level of investment in such infrastructure and personnel. The Board noted MDP's representations that it does not plan to have a direct role in the management of Nuveen, appointing new management personnel, or directly impacting individual staffing decisions. The Board Members also noted that there were not any planned "cost cutting" measures that could be expected to reduce the nature, extent or quality of services. After consideration of the foregoing, the Board Members concluded that no diminution in the nature, quality and extent of services provided to the Funds and their shareholders is expected.

In addition to the above, the Board Members considered potential changes in the operations of each Fund. In this regard, the Board Members considered the potential effect of regulatory restrictions on the Funds' transactions with future affiliated persons. During their deliberations, it was noted that, after the Transaction, a subsidiary of Merrill Lynch is expected to have an ownership interest in Nuveen at a level that will make Merrill Lynch an affiliated person of Nuveen. The Board Members recognized that applicable law would generally prohibit the Funds from engaging in securities transactions with Merrill Lynch as principal, and would also impose restrictions on using Merrill Lynch for agency transactions. They recognized that having MDP and Merrill Lynch as affiliates may restrict the Nuveen funds' ability to invest in securities of issuers controlled by MDP or issued by Merrill Lynch and its affiliates even if not bought directly from MDP or Merrill

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

| ANNUAL INVESTMENT MANAGEMENT AGREEMENT  
| APPROVAL PROCESS (continued)

Lynch as principal. They also recognized that various regulations may require the Nuveen funds to apply investment limitations on a combined basis with affiliates of Merrill Lynch. The Board Members considered information provided by NAM regarding the potential impact on the Nuveen funds' operations as a result of these regulatory restrictions. The Board Members considered, in particular, the Nuveen funds that may be impacted most by the restricted access to Merrill Lynch, including: municipal funds (particularly certain state-specific funds), senior loan funds, taxable fixed income funds, preferred security funds and funds that heavily use derivatives. The Board Members considered such funds' historic use of Merrill Lynch as principal in their transactions and information provided by NAM regarding the expected impact resulting from Merrill Lynch's affiliation with Nuveen and available measures that could be taken to minimize such impact. NAM informed the Board Members that, although difficult to determine with certainty, its management did not believe that MDP's or Merrill Lynch's status as an affiliate of Nuveen would have a material adverse effect on any Nuveen fund's ability to pursue its investment objectives and policies.

In addition to the regulatory restrictions considered by the Board, the Board Members also considered potential conflicts of interest that could arise between the Nuveen funds and various parties to the Transaction and discussed possible ways of addressing such conflicts.

Based on its review along with its considerations regarding services at the annual review, the Board concluded that the Transaction was not expected to adversely affect the nature, quality or extent of services provided by NAM and that the expected nature, quality and extent of such services supported approval of the New Investment Management Agreements.

### B. PERFORMANCE OF THE FUNDS

With respect to the performance of the Funds, the Board considered that the portfolio management personnel responsible for the management of the Funds' portfolios were expected to continue to manage the portfolios following the completion of the Transaction.

In addition, the Board Members recently reviewed Fund performance at the May Meeting, as described above, and determined that Fund performance was satisfactory or better, subject to the following. With respect to certain municipal closed-end funds with relative short-term underperformance, the Board Members concluded NAM was taking steps to evaluate the factors affecting performance and those steps would continue following the Transaction. Further, the investment policies and strategies were not expected to change as a result of the Transaction.

In light of the foregoing factors, along with the prior findings regarding performance at the annual review, the Board concluded that its findings with respect to performance supported approval of the New Investment Management Agreements.

### C. FEES, EXPENSES AND PROFITABILITY

As described in more detail above, during the annual review, the Board Members considered, among other things, the management fees and expenses of the Funds, the breakpoint schedules, and comparisons of such fees and expenses with peers. At the annual review, the Board Members determined that the respective Fund's advisory fees and expenses were reasonable. In evaluating the costs of services

to be provided by NAM under the New Investment Management Agreements and the profitability of Nuveen for its advisory activities, the Board Members considered their prior conclusions at the annual review and whether the management fees or other expenses would change as a result of the Transaction. As described above, the investment management fee is composed of two components--a fund-level component and complex-wide level component. The fee schedule under the New Investment Management Agreements to be paid to NAM is identical to that under the Original Investment Management Agreements, including the modified complex-wide fee schedule. As noted above, the Board recently approved a modified complex-wide fee schedule that would generate additional fee savings on complex-wide assets above \$80 billion. The modifications have an effective date of August 20, 2007 and are part of the Original Investment Management Agreements. Accordingly, the terms of the complex-wide component under the New Investment Management Agreements are the same as under the Original Investment Management Agreements. The Board Members also noted that Nuveen has committed for a period of two years from the

118

date of closing of the Transaction that it will not increase gross management fees for any Nuveen fund and will not reduce voluntary expense reimbursement levels for any Nuveen fund from their currently scheduled prospective levels. Based on the information provided, the Board Members did not expect that overall Fund expenses would increase as a result of the Transaction.

In addition, the Board Members considered that additional fund launches were anticipated after the Transaction which would result in an increase in total assets under management in the complex and a corresponding decrease in overall management fees under the complex-wide fee schedule. Taking into consideration the Board's prior evaluation of fees and expenses at the annual renewal, and the modification to the complex-wide fee schedule, the Board determined that the management fees and expenses were reasonable.

While it is difficult to predict with any degree of certainty the impact of the Transaction on Nuveen's profitability, at the recent annual review, the Board Members were satisfied that Nuveen's level of profitability for its advisory activities was reasonable. During the year, the Board Members had noted the enhanced dialogue regarding profitability and the appointment of an Independent Board Member as a point person to review methodology determinations and refinements in calculating profitability. Given their considerations at the annual review and the modifications to the complex-wide fee schedule, the Board Members were satisfied that Nuveen's level of profitability for its advisory activities continues to be reasonable.

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

The Board Members have been cognizant of economies of scale and the potential benefits resulting from the costs of a Fund being spread over a larger asset base. To help ensure that shareholders share in the benefits derived from economies of scale, the Board adopted the complex-wide fee arrangement in 2004. At the May Meeting, the Board Members reviewed the complex-wide fee arrangements and noted that additional negotiations may be necessary or appropriate as the assets in the complex approached the \$91 billion threshold. In light of this assessment coupled with the upcoming Transaction, at the June 15, 2007 meeting, the ad hoc committee met with representatives of Nuveen to further discuss modifications to the complex-wide fee schedule that would generate additional savings for shareholders as the assets of the complex grow. The proposed terms for the complex-wide fee schedule are expressed in terms of targeted cumulative savings at specified levels of complex-wide assets, rather than in terms of

targeted marginal complex-wide fee rates. Under the modified schedule, the schedule would generate additional fee savings beginning at complex-wide assets of \$80 billion in order to achieve targeted cumulative annual savings at \$91 billion of \$28 million on a complex-wide level (approximately \$0.6 million higher than those generated under the then current schedule) and generate additional fee savings for asset growth above complex-wide assets of \$91 billion in order to achieve targeted annual savings at \$125 billion of assets of approximately \$50 million on a complex-wide level (approximately \$2.2 million higher annually than that generated under the then current schedule). At the July Meeting, the Board approved the modified complex-wide fee schedule for the Original Investment Management Agreements and these same terms will apply to the New Investment Management Agreements. Accordingly, the Board Members believe that the breakpoint schedules and revised complex-wide fee schedule are appropriate and desirable in ensuring that shareholders participate in the benefits derived from economies of scale.

#### E. INDIRECT BENEFITS

During their recent annual review, the Board Members considered any indirect benefits that NAM may receive as a result of its relationship with the Funds, as described above. As the policies and operations of Nuveen are not anticipated to change significantly after the Transaction, such indirect benefits should remain after the Transaction. The Board Members further considered any additional indirect benefits to be received by NAM or its affiliates after the Transaction. The Board Members noted that other than benefits from its ownership interest in Nuveen and indirect benefits from fee revenues paid by the Funds under the management agreements and other Board-approved relationships, it was currently not expected that MDP or its affiliates would derive any benefit from the Funds as a result of the Transaction or transact any business with or on behalf of the Funds (other than perhaps potential Fund acquisitions, in secondary market transactions, of securities issued by MDP portfolio companies); or that Merrill Lynch or its affiliates would derive any benefits from the Funds as a result of the Transaction (noting that, indeed, Merrill Lynch would stand to experience the discontinuation of principal transaction activity with the Nuveen funds and likely would experience a noticeable reduction in the volume of agency transactions with the Nuveen funds).

119

| ANNUAL INVESTMENT MANAGEMENT AGREEMENT  
| APPROVAL PROCESS (continued)

#### F. OTHER CONSIDERATIONS

In addition to the factors above, the Board Members also considered the following with respect to the Funds:

- o Nuveen would rely on the provisions of Section 15(f) of the 1940 Act. Section 15(f) provides, in substance, that when a sale of a controlling interest in an investment adviser occurs, the investment adviser or any of its affiliated persons may receive any amount or benefit in connection with the sale so long as (i) during the three-year period following the consummation of a transaction, at least 75% of the investment company's board of directors must not be "interested persons" (as defined in the 1940 Act) of the investment adviser or predecessor adviser and (ii) an "unfair burden" (as defined in the 1940 Act, including any interpretations or no-action letters of the SEC) must not be imposed on the investment company as a result of the transaction relating to the sale of such interest, or any express or implied terms, conditions or understanding



applicable thereto. In this regard, to help ensure that an unfair burden is not imposed on the Nuveen funds, Nuveen has committed for a period of two years from the date of the closing of the Transaction (i) not to increase gross management fees for any Nuveen fund; (ii) not to reduce voluntary expense reimbursement levels for any Nuveen fund from their currently scheduled prospective levels during that period; (iii) that no Nuveen fund whose portfolio is managed by a Nuveen affiliate shall use Merrill Lynch as a broker with respect to portfolio transactions done on an agency basis, except as may be approved in the future by the Compliance Committee of the Board; and (iv) that NAM shall not cause the Funds and other municipal funds that NAM manages, as a whole, to enter into portfolio transactions with or through the other minority owners of Nuveen, on either a principal or an agency basis, to a significantly greater extent than both what one would expect an investment team to use such firm in the normal course of business, and what NAM has historically done, without prior Board or Compliance Committee approval (excluding the impact of proportionally increasing the use of such other "minority owners" to fill the void necessitated by not being able to use Merrill Lynch).

- o The Funds would not incur any costs in seeking the necessary shareholder approvals for the New Investment Management Agreements (except for any costs attributed to seeking shareholder approvals of Fund specific matters unrelated to the Transaction, such as approval of Board Members, in which case a portion of such costs will be borne by the applicable Funds).
- o The reputation, financial strength and resources of MDP.
- o The long-term investment philosophy of MDP and anticipated plans to grow Nuveen's business to the benefit of the Nuveen funds.
- o The benefits to the Nuveen funds as a result of the Transaction including: (i) as a private company, Nuveen may have more flexibility in making additional investments in its business; (ii) as a private company, Nuveen may be better able to structure compensation packages to attract and retain talented personnel; (iii) as certain of Nuveen's distribution partners are expected to be equity or debt investors in Nuveen, Nuveen may be able to take advantage of new or enhanced distribution arrangements with such partners; and (iv) MDP's experience, capabilities and resources that may help Nuveen identify and acquire investment teams or firms and finance such acquisitions.
- o The historic premium and discount levels at which the shares of the Nuveen funds have traded at specified dates with particular focus on the premiums and discounts after the announcement of the Transaction, taking into consideration recent volatile market conditions and steps or initiatives considered or undertaken by NAM to address discount levels.

120

#### G. CONCLUSION

The Board Members did not identify any single factor discussed previously as all-important or controlling. The Board Members, including the Independent Board Members, unanimously concluded that the terms of the New Investment Management Agreements are fair and reasonable, that the fees therein are reasonable in light of the services to be provided to each Fund and that the New Investment Management Agreements should be approved and recommended to shareholders.

III. APPROVAL OF INTERIM CONTRACTS

As noted above, at the July Meeting, the Board Members, including the Independent Board Members, unanimously approved the Interim Investment Management Agreements. If necessary to assure continuity of advisory services, the Interim Investment Management Agreements will take effect upon the closing of the Transaction if shareholders have not yet approved the New Investment Management Agreements. The terms of each Interim Investment Management Agreement are substantially identical to those of the corresponding Original Investment Management Agreement and New Investment Management Agreement, respectively, except for certain term and escrow provisions. In light of the foregoing, the Board Members, including the Independent Board Members, unanimously determined that the scope and quality of services to be provided to the Funds under the respective Interim Investment Management Agreement are at least equivalent to the scope and quality of services provided under the applicable Original Investment Management Agreement.

121

-----  
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 greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in

newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price 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.

122

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.

123

-----  
NOTES  
-----

124

-----  
NOTES  
-----

125

-----  
Glossary of  
TERMS USED in this REPORT  
-----

- o AVERAGE ANNUAL TOTAL RETURN: This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.
- o AVERAGE EFFECTIVE MATURITY: The average of the number of years to maturity of the bonds in a Fund's portfolio, computed by weighting each bond's time to maturity (the date the security comes due) by the market value of the security. This figure does not account for the likelihood of prepayments or the exercise of call provisions unless an escrow account has been established to redeem the bond before maturity. The market value weighting for an investment in an inverse floating rate security is the value of the portfolio's residual interest in the inverse floating rate trust, and does not include the value of the floating rate securities issued by the trust.
- o INVERSE FLOATERS: Inverse floating rate securities are created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. This trust, in turn, (a) issues floating rate certificates typically paying short-term tax-exempt interest rates to third parties in amounts equal to some fraction of the deposited bond's par amount or market value, and (b) issues an inverse floating rate certificate (sometimes referred to as an "inverse floater") to an investor (such as a Fund) interested in gaining investment exposure to a long-term municipal bond. The income received by the holder of the inverse floater varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the holder of the inverse floater bears substantially all of the underlying bond's downside investment risk. The holder of the inverse floater typically also benefits disproportionately from any potential appreciation of the underlying bond's value. Hence, an inverse floater essentially represents an investment in the underlying bond on a leveraged basis.
- o LEVERAGE-ADJUSTED DURATION: Duration is a measure of the expected period over which a bond's principal and interest will be paid, and consequently is a measure of the sensitivity of a bond's or bond Fund's value to changes when market interest rates change. Generally, the longer a bond's or Fund's duration, the more the price of the bond or Fund will change as interest rates change. Leverage-adjusted duration takes into account the leveraging process for a Fund and therefore is longer than the duration of the Fund's portfolio of bonds.
- o MARKET YIELD (ALSO KNOWN AS DIVIDEND YIELD OR CURRENT YIELD): An investment's current annualized dividend divided by its current market price.
- o NET ASSET VALUE (NAV): A Fund's 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.

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

- o TAXABLE-EQUIVALENT YIELD: The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.
- o ZERO COUPON BOND: A zero coupon bond does not pay a regular interest coupon to its holders during the life of the bond. Tax-exempt income to the holder of the bond comes from accretion of the difference between the original purchase price of the bond at issuance and the par value of the bond at maturity and is effectively paid at maturity. The market prices of zero coupon bonds generally are more volatile than the market prices of bonds that pay interest periodically.

126

| 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 twelve-month period ended June 30, 2007, 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.

### CEO CERTIFICATION DISCLOSURE

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

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

### INVESTMENT POLICY CHANGES

In May 2007, the Funds' Board of Directors/Trustees voted to permit the Funds' to make loans from Fund assets to certain bond issuers. The amounts of these loans are subject to strict limits. This policy is designed to enhance the Funds' ability to meet their Funds' investment objectives by providing for increased portfolio management flexibility, greater diversification potential, and opportunities for increased capital appreciation over time.

### BOARD OF DIRECTORS/TRUSTEES

Robert P. Bremner  
Jack B. Evans  
William C. Hunter  
David J. Kundert

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

William J. Schneider  
Timothy R. Schwertfeger  
Judith M. Stockdale  
Carole E. Stone

### FUND MANAGER

Nuveen Asset Management  
333 West Wacker Drive  
Chicago, IL 60606

### CUSTODIAN

State Street Bank & Trust Company  
Boston, MA

### TRANSFER AGENT AND SHAREHOLDER SERVICES

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

### LEGAL COUNSEL

Chapman and Cutler LLP  
Chicago, IL

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP  
Chicago, IL

Each Fund intends to repurchase shares of its own common 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 semi-annual report.

127

Nuveen Investments:  
-----

### SERVING INVESTORS FOR GENERATIONS

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.

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

Managing \$170 billion in assets, as of September 30, 2007, 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 six distinct brands: Nuveen, a leader in fixed-income investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; Symphony, a leading institutional manager of market-neutral alternative investment portfolios; Santa Barbara, a leader in growth equities; and Tradewinds, a leader in global equities.

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 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.

Learn more about Nuveen Funds at:

[www.nuveen.com/etf](http://www.nuveen.com/etf)

Share prices

Fund details

Daily financial news

Investor education

Interactive planning tools

EAN-B-1007D

### 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.

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

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.

### 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, 2007	\$ 30,797	\$ 0	\$ 5
Percentage approved pursuant to pre-approval exception	0%	0%	
October 31, 2006	\$ 29,311	\$ 0	\$ 4
Percentage approved pursuant to pre-approval exception	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.



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

- (4) "All Other Fees" are the aggregate fees billed for products and services for agreed upon procedures engagements performed for leveraged funds.

### 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	ALL OTHER BILLED TO AD AND AFFILIATE SERVICE PROV
October 31, 2007	\$ 0	\$ 0	\$ 0
Percentage approved pursuant to pre-approval exception	0%	0%	0%
October 31, 2006	\$ 0	\$ 0	\$ 0
Percentage approved pursuant to pre-approval exception	0%	0%	0%

### 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 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

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

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)
October 31, 2007	\$ 2,050	\$ 0
October 31, 2006	\$ 3,350	\$ 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, Jack B. Evans, William J. Schneider and David J. Kundert. Mr. Eugene S. Sunshine, who also served as a member of the Committee during this reporting period, resigned from the Board of Directors or Trustees effective July 31, 2007.

### 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 acquiring equity securities generally will be to acquire control of the

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

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	\$11.390 billion
	Other Pooled Investment Vehicles	0	\$0
	Other Accounts	1	\$.7 million

\* Assets are as of October 31, 2007. 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 managed municipal bond fund customers of Standard & Poor's Securities Pricing,

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

Inc. that are priced daily and whose fund holdings aggregate at least \$2 million. As of November 30, 2007, the S&P/Investortools Municipal Bond Index was comprised of 52,116 securities with an aggregate current market value of \$1,034 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, although the allocation procedures may provide allocation preferences to funds with special characteristics (such as favoring state funds versus national funds for allocations of in-state bonds). In addition, NAM has adopted a Code of Conduct that sets forth policies regarding conflicts of interest.

Beneficial Ownership of Securities. As of October 31, 2007, 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.

NAME OF PORTFOLIO MANAGER	FUND	DOLLAR RANGE OF EQUITY SECURITIES BENEFICIALLY OWNED IN FUND
-----		

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

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 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.

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

(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/ Kevin J. McCarthy

Kevin J. McCarthy  
Vice President and Secretary

Date: January 7, 2008

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 7, 2008

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

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

Date: January 7, 2008

\* Print the name and title of each signing officer under his or her signature.

